

Voya Financial, Inc.  
Form 10-Q  
November 01, 2018

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, 2018

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

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

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

Voya Financial, Inc.

(Exact name of registrant as specified in its charter)

Delaware 52-1222820  
(State or other jurisdiction of incorporation or organization) (IRS Employer Identification No.)

230 Park Avenue  
New York, New York 10169  
(Address of principal executive offices) (Zip Code)  
(212) 309-8200

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

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

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted 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 such files). Yes  No

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

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

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company) Emerging growth company   
If an emerging growth company, indicate by check mark if the registrant has  
elected not to use the extended transition period for complying with any new or  
revised financial accounting standards provided pursuant to Section 13(a) of the  
Exchange Act.

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

**APPLICABLE ONLY TO CORPORATE ISSUERS:**

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable  
date: As of October 26, 2018, 155,516,167 shares of Common Stock, \$0.01 par value, were outstanding.

Voya Financial, Inc.  
 Form 10-Q for the period ended September 30, 2018

INDEX

	PAGE
PART I. FINANCIAL INFORMATION (UNAUDITED)	
Item 1. Financial Statements:	
<u>Condensed Consolidated Balance Sheets</u>	<u>4</u>
<u>Condensed Consolidated Statements of Operations</u>	<u>6</u>
<u>Condensed Consolidated Statements of Comprehensive Income</u>	<u>7</u>
<u>Condensed Consolidated Statements of Changes in Shareholders' Equity</u>	<u>8</u>
<u>Condensed Consolidated Statements of Cash Flows</u>	<u>10</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>11</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>111</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>169</u>
Item 4. <u>Controls and Procedures</u>	<u>172</u>
PART II. OTHER INFORMATION	
Item 1. <u>Legal Proceedings</u>	<u>173</u>
Item 1A. <u>Risk Factors</u>	<u>173</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>173</u>
Item 6. <u>Exhibits</u>	<u>174</u>
<u>Exhibit Index</u>	<u>175</u>
<u>Signature</u>	<u>176</u>

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

**NOTE CONCERNING FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q, including "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations," contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements relating to future developments in our business or expectations for our future financial performance and any statement not involving a historical fact. Forward-looking statements use words such as "anticipate," "believe," "estimate," "expect," "intend," "plan," and other words and terms of similar meaning in connection with a discussion of future operating or financial performance. Actual results, performance or events may differ materially from those projected in any forward-looking statement due to, among other things, (i) general economic conditions, particularly economic conditions in our core markets, (ii) performance of financial markets, including emerging markets, (iii) the frequency and severity of insured loss events, (iv) mortality and morbidity levels, (v) persistency and lapse levels, (vi) interest rates, (vii) currency exchange rates, (viii) general competitive factors, (ix) changes in laws and regulations, (x) changes in the policies of governments and/or regulatory authorities, and (xi) our ability to successfully manage the separation of Venerable (as defined below), including the transition services, on the expected timeline and economic terms. 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" in the Annual Report on Form 10-K for the year ended December 31, 2017 (File No. 001-35897) (the "Annual Report on Form 10-K") and "Risk Factors," in this Quarterly Report on Form 10-Q.

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

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

Voya Financial, Inc.

Condensed Consolidated Balance Sheets

September 30, 2018 (Unaudited) and December 31, 2017

(In millions, except share and per share data)

	September 30, 2018	December 31, 2017
Assets:		
Investments:		
Fixed maturities, available-for-sale, at fair value (amortized cost of \$44,766 as of 2018 and \$44,366 as of 2017)	\$ 46,185	\$ 48,329
Fixed maturities, at fair value using the fair value option	2,886	3,018
Equity securities, at fair value (cost of \$299 as of 2018 and \$353 as of 2017)	323	380
Short-term investments	86	471
Mortgage loans on real estate, net of valuation allowance of \$2 as of 2018 and \$3 as of 2017	8,862	8,686
Policy loans	1,832	1,888
Limited partnerships/corporations	1,123	784
Derivatives	422	397
Other investments	91	47
Securities pledged (amortized cost of \$1,974 as of 2018 and \$1,823 as of 2017)	2,063	2,087
Total investments	63,873	66,087
Cash and cash equivalents	1,789	1,218
Short-term investments under securities loan agreements, including collateral delivered	1,781	1,626
Accrued investment income	709	667
Premium receivable and reinsurance recoverable	7,068	7,632
Deferred policy acquisition costs and Value of business acquired	4,061	3,374
Current income taxes	190	4
Deferred income taxes	1,122	781
Other assets	1,283	1,310
Assets related to consolidated investment entities:		
Limited partnerships/corporations, at fair value	1,585	1,795
Cash and cash equivalents	96	217
Corporate loans, at fair value using the fair value option	532	1,089
Other assets	10	75
Assets held in separate accounts	80,937	77,605
Assets held for sale	—	59,052
Total assets	\$ 165,036	\$ 222,532

The accompanying notes are an integral part of these

Condensed  
Consolidated  
Financial  
Statements.

4

---

Voya Financial, Inc.  
Condensed Consolidated Balance Sheets  
September 30, 2018 (Unaudited) and December 31, 2017  
(In millions, except share and per share data)

	September 30, 2018	December 31, 2017
<b>Liabilities and Shareholders' Equity:</b>		
Future policy benefits	\$ 14,957	\$ 15,647
Contract owner account balances	50,566	50,158
Payables under securities loan agreement, including collateral held	2,097	1,866
Short-term debt	1	337
Long-term debt	3,459	3,123
Derivatives	126	149
Pension and other postretirement provisions	516	550
Other liabilities	1,990	2,076
<b>Liabilities related to consolidated investment entities:</b>		
Collateralized loan obligations notes, at fair value using the fair value option	502	1,047
Other liabilities	685	658
Liabilities related to separate accounts	80,937	77,605
Liabilities held for sale	—	58,277
<b>Total liabilities</b>	<b>155,836</b>	<b>211,493</b>
 <b>Commitments and Contingencies (Note 13)</b>		
 <b>Shareholders' equity:</b>		
Preferred stock (\$0.01 par value per share; 325,000 shares authorized; 325,000 shares issued and outstanding; \$325 aggregate liquidation preference)	—	—
Common stock (\$0.01 par value per share; 900,000,000 shares authorized; 272,348,913 and 270,078,294 shares issued as of 2018 and 2017, respectively; 157,092,466 and 171,982,673 shares outstanding as of 2018 and 2017, respectively)	3	3
Treasury stock (at cost; 115,256,447 and 98,095,621 shares as of 2018 and 2017, respectively)	(4,705	) (3,827
Additional paid-in capital	24,301	23,821
Accumulated other comprehensive income (loss)	777	2,731
<b>Retained earnings (deficit):</b>		
Appropriated-consolidated investment entities	—	—
Unappropriated	(11,853	) (12,719
<b>Total Voya Financial, Inc. shareholders' equity</b>	<b>8,523</b>	<b>10,009</b>
Noncontrolling interest	677	1,030
<b>Total shareholders' equity</b>	<b>9,200</b>	<b>11,039</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 165,036</b>	<b>\$ 222,532</b>

The  
accompanying  
notes are an  
integral part of  
these  
Condensed  
Consolidated

Financial  
Statements.

5

---



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

Voya Financial, Inc.  
 Condensed Consolidated Statements of Operations  
 For the Three and Nine Months Ended September 30, 2018 and 2017 (Unaudited)  
 (In millions, except per share data)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Revenues:				
Net investment income	\$855	\$795	\$2,491	\$2,470
Fee income	704	684	2,040	1,960
Premiums	550	533	1,622	1,606
Net realized capital gains (losses):				
Total other-than-temporary impairments	(7 )	—	(21 )	(2 )
Less: Portion of other-than-temporary impairments recognized in Other comprehensive income (loss)	—	1	1	2
Net other-than-temporary impairments recognized in earnings	(7 )	(1 )	(22 )	(4 )
Other net realized capital gains (losses)	(39 )	(52 )	(325 )	(160 )
Total net realized capital gains (losses)	(46 )	(53 )	(347 )	(164 )
Other revenue	127	86	327	265
Income (loss) related to consolidated investment entities:				
Net investment income	62	139	199	295
Total revenues	2,252	2,184	6,332	6,432
Benefits and expenses:				
Policyholder benefits	876	791	2,290	2,274
Interest credited to contract owner account balances	392	401	1,156	1,203
Operating expenses	656	674	2,001	1,972
Net amortization of Deferred policy acquisition costs and Value of business acquired	86	209	260	468
Interest expense	47	49	142	140
Operating expenses related to consolidated investment entities:				
Interest expense	8	18	30	62
Other expense	1	2	5	5
Total benefits and expenses	2,066	2,144	5,884	6,124
Income (loss) from continuing operations before income taxes	186	40	448	308
Income tax expense (benefit)	21	(40 )	70	53
Income (loss) from continuing operations	165	80	378	255
Income (loss) from discontinued operations, net of tax	—	134	457	36
Net income (loss)	165	214	835	291
Less: Net income (loss) attributable to noncontrolling interest	23	65	81	118
Net income (loss) available to Voya Financial, Inc.	\$142	\$149	\$754	\$173
Net income (loss) per common share:				
Basic				
Income (loss) from continuing operations available to Voya Financial, Inc.'s common shareholders	\$0.89	\$0.08	\$1.79	\$0.74
Income (loss) available to Voya Financial, Inc.'s common shareholders	\$0.89	\$0.83	\$4.54	\$0.93
Diluted				
Income (loss) from continuing operations available to Voya Financial, Inc.'s common shareholders	\$0.87	\$0.08	\$1.73	\$0.73

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

Income (loss) available to Voya Financial, Inc.'s common shareholders	\$0.87	\$0.81	\$4.39	\$0.92
Cash dividends declared per share of common stock	\$0.01	\$0.01	\$0.03	\$0.03

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

Voya Financial, Inc.  
 Condensed Consolidated Statements of Comprehensive Income  
 For the Three and Nine Months Ended September 30, 2018 and 2017 (Unaudited)  
 (In millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income (loss)	\$165	\$214	\$835	\$291
Other comprehensive income (loss), before tax:				
Unrealized gains (losses) on securities	(206 )	196	(2,596 )	1,243
Other-than-temporary impairments	—	2	30	14
Pension and other postretirement benefits liability	(4 )	(5 )	(10 )	(12 )
Other comprehensive income (loss), before tax	(210 )	193	(2,576 )	1,245
Income tax expense (benefit) related to items of other comprehensive income (loss)	(44 )	68	(650 )	435
Other comprehensive income (loss), after tax	(166 )	125	(1,926 )	810
Comprehensive income (loss)	(1 )	339	(1,091 )	1,101
Less: Comprehensive income (loss) attributable to noncontrolling interest	23	65	81	118
Comprehensive income (loss) attributable to Voya Financial, Inc.'s common shareholders	\$(24 )	\$274	\$(1,172)	\$983

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, 2018 (Unaudited)

(In millions)

	Preferred Stock	Common Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit) Appropriated	Total Voya Financial, Inc. Shareholders' Equity	Noncontrolling Interest	Total Shareholders' Equity
Balance as of January 1, 2018	\$ —	\$ 3	\$(3,827)	\$23,821	\$ 2,731	\$—(12,719 )	\$ 10,009	\$ 1,030	\$ 11,039
Cumulative effect of changes in accounting:									
Adjustment for adoption of ASU 2014-09	—	—	—	—	—	—84	84	—	84
Adjustment for adoption of ASU 2016-01	—	—	—	—	(28 )	—28	—	—	—
Balance as of January 1, 2018 - As adjusted	—	3	(3,827 )	23,821	2,703	—(12,607 )	10,093	1,030	11,123
Comprehensive income (loss):									
Net income (loss)	—	—	—	—	—	—754	754	81	835
Reversal of Other Comprehensive Income (Loss) due to Sale of Annuity and CBVA	—	—	—	—	(79 )	—	(79 )	—	(79 )
Other comprehensive income (loss), after tax	—	—	—	—	(1,847 )	—	(1,847 )	—	(1,847 )
Total comprehensive income (loss)	—	—	—	—	—	—	(1,172 )	81	(1,091 )
Effect of transaction for entities under common control	—	—	—	(31 )	—	—	(31 )	—	(31 )
Net consolidations (deconsolidations) of consolidated investment entities	—	—	—	—	—	—	—	(33 )	(33 )
Preferred stock issuance	—	—	—	319	—	—	319	—	319
Common stock issuance	—	—	—	3	—	—	3	—	3
Common stock acquired - Share repurchase	—	—	(850 )	100	—	—	(750 )	—	(750 )
Dividends on common stock	—	—	—	(5 )	—	—	(5 )	—	(5 )
Share-based compensation	—	—	(28 )	94	—	—	66	—	66
	—	—	—	—	—	—	—	(401 )	(401 )

Contributions from  
(Distributions to)  
noncontrolling interest,  
net

Balance as of September 30, 2018	\$	-\$ 3	\$(4,705)	\$24,301	\$ 777	-\$ (11,853 )	\$ 8,523	\$ 677	\$ 9,200
----------------------------------	----	-------	-----------	----------	--------	---------------	----------	--------	----------

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

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

Voya Financial, Inc.

Condensed Consolidated Statements of Changes in Shareholders' Equity

For the Nine Months Ended September 30, 2017 (Unaudited)

(In millions)

	Preferred Stock	Common Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit) Appropriated to Shareholders'	Total Voya Financial, Inc. Shareholders' Equity	Noncontrolling Interest	Total Shareholders' Equity
Balance as of January 1, 2017 - As previously filed	\$ —	\$ 3	\$(2,796)	\$23,609	\$ 1,921	\$(9,742)	\$ 12,995	\$ 973	\$ 13,968
Cumulative effect of changes in accounting:									
Adjustment for adoption of ASU 2016-09	—	—	—	—	—	15	15	—	15
Balance as of January 1, 2017 - As adjusted	—	3	(2,796)	23,609	1,921	(9,727)	13,010	973	13,983
Comprehensive income (loss):									
Net income (loss)	—	—	—	—	—	173	173	118	291
Other comprehensive income (loss), after tax	—	—	—	—	810	—	810	—	810
Total comprehensive income (loss)	—	—	—	—	—	—	983	118	1,101
Net consolidations (deconsolidations) of consolidated investment entities	—	—	—	—	—	—	—	(35)	(35)
Preferred stock issuance	—	—	—	—	—	—	—	—	—
Common stock issuance	—	—	—	3	—	—	3	—	3
Common stock acquired - Share repurchase	—	—	(623)	200	—	—	(423)	—	(423)
Dividends on common stock	—	—	—	(6)	—	—	(6)	—	(6)
Share-based compensation	—	—	(7)	94	—	—	87	—	87
Contributions from (Distributions to) noncontrolling interest, net	—	—	—	—	—	—	—	(98)	(98)
Balance as of September 30, 2017	\$ —	\$ 3	\$(3,426)	\$23,900	\$ 2,731	\$(9,554)	\$ 13,654	\$ 958	\$ 14,612

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, 2018 and 2017 (Unaudited)  
(In millions)

	Nine Months Ended September 30,	
	2018	2017
Cash Flows from Operating Activities:		
Net cash provided by operating activities - continuing operations	\$172	\$510
Net cash provided by operating activities - discontinued operations	1,462	616
Net cash provided by operating activities	1,634	1,126
Cash Flows from Investing Activities:		
Proceeds from the sale, maturity, disposal or redemption of:		
Fixed maturities	5,845	5,851
Equity securities	93	26
Mortgage loans on real estate	700	683
Limited partnerships/corporations	245	189
Acquisition of:		
Fixed maturities	(6,515 )	(6,422 )
Equity securities	(26 )	(35 )
Mortgage loans on real estate	(761 )	(1,307 )
Limited partnerships/corporations	(270 )	(239 )
Short-term investments, net	419	54
Derivatives, net	61	200
Sales from consolidated investment entities	888	1,621
Purchases within consolidated investment entities	(740 )	(1,720 )
Collateral received (delivered), net	76	(143 )
Other, net	2	8
Net cash provided by (used in) investing activities - discontinued operations	34	(1,049 )
Net cash provided by (used in) investing activities	51	(2,283 )
Cash Flows from Financing Activities:		
Deposits received for investment contracts	4,327	3,734
Maturities and withdrawals from investment contracts	(4,197 )	(3,962 )
Proceeds from issuance of debt with maturities of more than three months	350	399
Repayment of debt with maturities of more than three months	(350 )	(494 )
Debt issuance costs	(6 )	(4 )
Borrowings of consolidated investment entities	588	807
Repayments of borrowings of consolidated investment entities	(543 )	(779 )
Contributions from (distributions to) participants in consolidated investment entities, net	(126 )	552
Proceeds from issuance of common stock, net	3	3
Proceeds from issuance of preferred stock, net	319	—
Share-based compensation	(13 )	(7 )
Common stock acquired - Share repurchase	(750 )	(423 )
Dividends paid on common stock	(5 )	(6 )
Net cash (used in) provided by financing activities - discontinued operations	(1,209 )	393
Net cash (used in) provided by financing activities	(1,612 )	213
Net increase (decrease) in cash and cash equivalents	73	(944 )
Cash and cash equivalents, beginning of period	1,716	2,911
Cash and cash equivalents, end of period	1,789	1,967



Less: Cash and cash equivalents of discontinued operations, end of period	—	496
Cash and cash equivalents of continuing operations, end of period	\$1,789	\$1,471

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.

On June 1, 2018, the Company consummated a series of transactions (collectively, the "Transaction") pursuant to a Master Transaction Agreement dated December 20, 2017 (the "MTA") with VA Capital Company LLC ("VA Capital") and Athene Holding Ltd. ("Athene"). As part of the Transaction, Venerable Holdings, Inc. ("Venerable"), a wholly owned subsidiary of VA Capital, acquired two of the Company's subsidiaries, Voya Insurance and Annuity Company ("VIAC") and Directed Services, LLC ("DSL"). The Transaction resulted in the disposition of substantially all of the Company's Closed Block Variable Annuity ("CBVA") and Annuities businesses. The assets and liabilities related to the businesses sold were classified as held for sale in the Condensed Consolidated Balance Sheet as of December 31, 2017. The results of operations and cash flows of the businesses sold were classified as discontinued operations in the accompanying Condensed Consolidated Statements of Operations and the Condensed Consolidated Statements of Cash Flows, respectively and are reported separately for all periods presented. See the Discontinued Operations Note to these Condensed Consolidated Financial Statements.

As a result of the Transaction, the Company no longer considers its CBVA and Annuities businesses as reportable segments. Additionally, the Company evaluated its segment presentation and determined that the retained CBVA and Annuities policies that are not included in the disposed businesses described above ("Retained Business") are insignificant. As such, the Company reported the results of the Retained Business in Corporate.

The Company provides its principal products and services through four segments: Retirement, Investment Management, Employee Benefits and Individual Life. In addition, the Company includes in Corporate the financial data not directly related to its segments, and other business activities that do not have an ongoing meaningful impact to the Company's results. See the Segments Note to these Condensed Consolidated Financial Statements.

On October 30, 2018, the Company announced that it will cease selling new business in its Individual Life segment, effective December 31, 2018. The Company will continue to manage its existing in-force Individual Life business as a separate segment, with results included in the Company's Adjusted operating earnings. In connection with this decision, the Company will incur a restructuring charge of approximately \$10 to \$15 in the fourth quarter of 2018 and additional amounts in 2019, which cannot currently be estimated.

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.

## Basis of Presentation

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

The Condensed Consolidated Financial Statements include the accounts of Voya Financial, Inc. and its subsidiaries, as well as partnerships (voting interest entities ("VOEs")) in which the Company has control and variable interest entities ("VIEs") for which

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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, 2018, its results of operations and comprehensive income for the three and nine months ended September 30, 2018 and 2017, and its changes in shareholders' equity and statements of cash flows for the nine months ended September 30, 2018 and 2017, in conformity with U.S. GAAP. Interim results are not necessarily indicative of full year performance. The December 31, 2017 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.

#### Significant Accounting Policies

##### Investments

Effective January 1, 2018, the Company adopted Accounting Standards Update ("ASU") 2016-01 "Financial Instruments-Overall (ASC Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities" ("ASU 2016-01") (See the Adoption of New Pronouncements section below). As a result, the Company measures its equity securities at fair value and recognizes any changes in fair value in net income. Prior to adoption, equity securities were designated as available-for-sale and reported at fair value with unrealized capital gains (losses) recorded in Accumulated other comprehensive income (loss) ("AOCI").

##### Recognition of Revenue

As of January 1, 2018, the Company changed its method for recognizing costs to obtain and fulfill certain financial services contracts upon the adoption of ASU 2014-09, "Revenue from Contracts with Customers (ASC Topic 606)" ("ASU 2014-09"). (See the Adoption of New Pronouncements section below.)

Financial services revenue is disaggregated by type of service in the following tables. For the three months ended September 30, 2018, such revenue represents approximately 23.6% of total Retirement revenue, all of Investment Management revenue, and 12.0% of Corporate revenue. For the nine months ended September 30, 2018, such revenue represents approximately 26.4% of total Retirement revenue, all of Investment Management revenue, and 19.8% of Corporate revenue. Such revenue is immaterial for Employee Benefits and Individual Life. For the three and nine months ended September 30, 2018, a portion of the revenue recognized in the current period from distribution services is related to performance obligations satisfied in previous periods.

Three Months Ended September 30, 2018	
Reportable Segments	
Retirement	Investment Management Corporate

Service Line

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

Advisory	\$57	\$ 145	\$ —
Asset management	—	38	—
Recordkeeping & administration	63	29	2
Distribution & shareholder servicing	68	46	8
Total financial services revenue	\$188	\$ 258	\$ 10

12

---

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Service Line	Nine Months Ended September 30, 2018		
	Reportable Segments		
	Retirement	Investment Management	Corporate
Advisory	\$ 167	\$ 422	\$ —
Asset management	—	122	—
Recordkeeping & administration	185	111	6
Distribution & shareholder servicing	213	135	23
Total financial services revenue	\$ 565	\$ 790	\$ 29

Receivables of \$235 are included in Other assets on the Condensed Consolidated Balance Sheet as of September 30, 2018.

#### Financial Services Revenue

Revenue for various financial services is measured based on consideration specified in a contract with a customer and excludes any amounts collected on behalf of third parties. For advisory, asset management, and recordkeeping and administration services, the Company recognizes revenue as services are provided, generally over time. In addition, the Company may arrange for sub-advisory services for a customer under certain contracts. Revenue is recognized when the Company has satisfied a performance obligation by transferring control of a service to a customer. Contract terms are typically less than one year, and consideration is generally variable and due as services are rendered.

For distribution and shareholder servicing revenue, the Company provides distribution services at a point in time and shareholder services over time. Such revenue is recognized when the Company has satisfied a performance obligation and related consideration is received. Contract terms are less than one year, and consideration is variable. For distribution services, revenue may be recognized in periods subsequent to when the Company has satisfied a performance obligation, as a component of related consideration is constrained under certain contracts.

For a description of principal activities by reportable segment from which the Company generates revenue, see the Segments Note in Part II, Item 8. of the Company's Annual Report on Form 10-K for further information.

Revenue for various financial services is recorded in Fee income or Other revenue in the Condensed Consolidated Statements of Operations.

#### Contract Costs

Contract cost assets represent costs incurred to obtain or fulfill a contract that are expected to be recovered and, thus, have been capitalized and are subject to amortization. Capitalized contract costs include incremental costs of obtaining a contract and fulfillment costs that relate directly to a contract and generate or enhance resources of the Company that are used to satisfy performance obligations.

The Company defers (1) incremental commissions and variable compensation paid to the Company's direct sales force, consultant channel, and intermediary partners, as a result of obtaining certain financial services contracts and

(2) account set-up expenses on certain recordkeeping contracts. The Company expenses as incurred deferrable contract costs for which the amortization period would be one year or less (based on the U.S. GAAP practical expedient) and other contract-related costs. The Company periodically reviews contract cost assets for impairment. Capitalized contract costs are included in Other assets on the Condensed Consolidated Balance Sheets, and costs expensed as incurred are included in Operating expenses in the Condensed Consolidated Statements of Operations.

As of September 30, 2018, contract cost assets were \$107. Capitalized contract costs are amortized on a straight-line basis over the estimated lives of the contracts, which typically range from 5 to 15 years. This method is consistent with the transfer of services to which the assets relate. For the three and nine months ended September 30, 2018, amortization expenses of \$6 and \$18, respectively, were recorded in Operating expenses in the Condensed Consolidated Statements of Operations. There was no impairment loss in relation to the contract costs capitalized.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

#### Adoption of New Pronouncements

##### Retirement Benefits

In March 2017, the FASB issued ASU 2017-07, "Compensation-Retirement Benefits (ASC Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost" ("ASU 2017-07"), which requires employers to report the service cost component of net periodic pension cost and net periodic postretirement benefit cost in the same line item as other compensation costs arising from services rendered by employees during the period. Other components of net benefit costs are required to be presented in the statement of operations separately from service costs. In addition, only service costs are eligible for capitalization in assets, when applicable.

The provisions of ASU 2017-07 were adopted by the Company on January 1, 2018 retrospectively for the presentation of service costs and other components in the statement of operations, and prospectively for the capitalization of service costs in assets. The adoption had no effect on the Company's financial condition, results of operations, or cash flows.

##### Derecognition of Nonfinancial Assets

In February 2017, the FASB issued ASU 2017-05, "Other Income-Gains and Losses from the Derecognition of Nonfinancial Assets (ASC Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance & Accounting for Partial Sales of Nonfinancial Assets" ("ASU 2017-05"), which requires entities to apply certain recognition and measurement principles in ASU 2014-09, "Revenue from Contracts with Customers (ASC Topic 606)" (see Revenue from Contracts with Customers below) when they derecognize nonfinancial assets and in substance nonfinancial assets through sale or transfer, and the counterparty is not a customer.

The provisions of ASU 2017-05 were adopted on January 1, 2018 using the modified retrospective approach. The adoption had no effect on the Company's financial condition, results of operations, or cash flows.

##### 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 were adopted retrospectively on January 1, 2018 and resulted in the reclassification of the Company's cash payments for debt extinguishment costs from Cash Flows from Operating Activities to Cash Flows from Financing Activities in the Condensed Consolidated Statements of Cash Flows of \$3 and \$4 for the nine months ended September 30, 2018 and 2017, respectively. The adoption of the remaining provisions of ASU 2016-05 had no effect on the Company's financial condition, results of operations, or cash flows.

##### Share-Based Compensation

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



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

The provisions of ASU 2016-09 were adopted by the Company on January 1, 2017 using the transition method prescribed for each applicable provision:

On a prospective basis, all excess tax benefits and tax deficiencies related to share-based compensation will be reported in Net income (loss), rather than Additional paid-in capital. Prior year excess tax benefits will remain in Additional paid-in capital.

The provision that removed the requirement to delay recognition of excess tax benefits until they reduce taxes payable was required to be adopted on a modified retrospective basis. Upon adoption, this provision resulted in a \$15 increase

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

in Deferred income tax assets with a corresponding increase to Retained earnings on the Condensed Consolidated Balance Sheet as of January 1, 2017, to record previously unrecognized excess tax benefits.

The Company elected to retrospectively adopt the requirement to present cash inflows related to excess tax benefits as operating activities. For the nine months ended September 30, 2017, the Company had no excess tax benefits.

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

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

#### 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 Company adopted the provisions of ASU 2016-01 on January 1, 2018 using a modified retrospective approach, except for certain provisions that were required to be applied prospectively. The impact to the January 1, 2018 Condensed Consolidated Balance Sheet was a \$28 increase, net of tax, to Unappropriated retained earnings with a corresponding decrease of \$28, net of tax, to Accumulated other comprehensive income to recognize the unrealized gain associated with Equity securities. The provisions that required prospective adoption had no effect on the Company's financial condition, results of operations, or cash flows. Under previous guidance, prior to January 1, 2018, Equity securities were classified as available for sale with changes in fair value recognized in Other comprehensive income.

#### Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognized when, or as, the entity satisfies a performance obligation under the contract. ASU 2014-09 also updated the accounting for certain costs associated with obtaining and fulfilling contracts with customers and requires disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In addition, the FASB issued various amendments during 2016 to clarify the provisions and implementation guidance of ASU 2014-09. Revenue recognition for insurance contracts and financial instruments is explicitly scoped out of the guidance.

The Company adopted the provisions of ASU 2014-09 on January 1, 2018, using the modified retrospective approach. The adoption had no impact on revenue recognition. However, the adoption resulted in a \$106 increase in Other assets to capitalize costs to obtain and fulfill certain financial services contracts in the Retirement segment and Corporate. This adjustment was offset by a related \$22 decrease in Deferred income taxes, resulting in a net \$84 increase to Retained earnings (deficit) on the Condensed Consolidated Balance Sheet as of January 1, 2018. In addition, disclosures have been updated to reflect accounting policy changes made as a result of the implementation of ASU 2014-09. (See the Significant Accounting Policies section above.)

Comparative information has not been adjusted and continues to be reported under previous revenue recognition guidance. As of September 30, 2018, the adoption of ASU 2014-09 resulted in a \$107 increase in Other assets, reduced by a related \$22 decrease in Deferred income taxes, resulting in a net \$85 increase to Retained earnings (deficit) on the Condensed Consolidated Balance Sheet. For the three and nine months ended September 30, 2018, the adoption resulted in a \$1 and \$2 increase, respectively, in Operating expenses on the Condensed Consolidated Statement of Operations. For the nine months ended September 30, 2018, adopting the provisions of ASU 2014-09 had no impact on Net cash provided by operating activities.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

#### Future Adoption of Accounting Pronouncements

##### Cloud Computing Arrangements

In August 2018, the FASB issued ASU 2018-15, "Intangibles - Goodwill and Other - Internal-Use Software (ASC Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract" ("ASU 2018-15"), which requires a customer in a hosting arrangement that is a service contract to follow the guidance for internal-use software projects to determine which implementation costs to capitalize as an asset. Capitalized implementation costs are required to be expensed over the term of the hosting arrangement. In addition, a customer is required to apply the impairment and abandonment guidance for long-lived assets to the capitalized implementation costs. Balances related to capitalized implementation costs must be presented in the same financial statement line items as other hosting arrangement balances, and additional disclosures are required.

The provisions of ASU 2018-15 are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. Initial adoption of ASU 2018-15 is required to be reported on a prospective or retrospective basis. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2018-15.

##### Defined Benefit Plans

In August 2018, the FASB issued ASU 2018-14, "Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20) Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans" ("ASU 2018-14"), which eliminates certain disclosure requirements that are no longer considered cost beneficial and requires new disclosures that are considered relevant.

The provisions of ASU 2018-14 are effective for fiscal years ending after December 15, 2020, with early adoption permitted. Initial adoption of ASU 2018-14 is required to be reported on a retrospective basis for all periods presented. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2018-14.

##### Fair Value Measurement

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement" ("ASU 2018-13"), which simplifies certain disclosure requirements for fair value measurement.

The provisions of ASU 2018-13 are effective for fiscal years beginning after December 15, 2019, 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 2018-13.

##### Long-Duration Contracts

In August 2018, the FASB issued ASU 2018-12, "Financial Services - Insurance (Topic 944) Targeted Improvements to the Accounting for Long-Duration Contracts" ("ASU 2018-12"), which changes the measurement and disclosures of insurance liabilities and deferred acquisition costs for long-duration contracts issued by insurers, as follows:

Requires insurers to review and, if necessary, update cash flow assumptions at least annually when measuring the liability for future policy benefits for nonparticipating traditional and limited payment insurance contracts. The effect

of updating cash flow assumptions will be measured on a retrospective catch-up basis and presented in the Statement of operations in the period in which the update is made. The rate used to discount the liability for future policy benefits will be required to be updated quarterly, with related changes in the liability recorded in Accumulated other comprehensive income. The application of periodic assumption updates for nonparticipating traditional and limited payment insurance contracts is significantly different from the current accounting approach for such liabilities, which is based on assumptions that are locked in at contract inception unless a premium deficiency occurs. The discount rate will be based on an upper-medium grade fixed-income corporate instrument yield reflecting the duration characteristics of the relevant liabilities. Under the current accounting guidance, the liability discount rate is based on expected yields on the underlying investment portfolio held by the insurer.

Creates a new category of benefit features called market risk benefits, defined as features that protect contract holders from capital market risk and expose the insurers to that risk. Market risk benefits will be required to be measured at fair

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

value, with changes in fair value recognized in the Statement of operations, except for changes in fair value attributable to changes in the instrument-specific credit risk, which will be recorded in Accumulated other comprehensive income. Under the current accounting guidance, certain features that are expected to meet the definition of market risk benefits are accounted for as either insurance liabilities (for example, GMDB and GMIB) or embedded derivatives (for example, GMWBL and GMWB).

Requires DAC (and other balances that refer to the DAC model, such as deferred sales inducement costs and unearned revenue liabilities) for all long-duration contracts to be measured on a basis that is constant relative to the value of insurance in force over the expected life of the contract. This approach is intended to approximate straight-line amortization and cannot be based on revenue or profits as it is under the current accounting model. ASU 2018-12 did not change the existing accounting guidance related to VOBA and net cost of reinsurance, which allows, but does not require, insurers to amortize such balances on a basis consistent with DAC.

Significantly expands interim and annual disclosures, including requirements for disaggregated rollforwards of the liability for future policy benefits, contract owner account balances, market risk benefits, and DAC, as well as qualitative and quantitative information about expected cash flows, estimates and assumptions.

The provisions of ASU 2018-12 are effective for fiscal years beginning after December 15, 2020, including interim periods, with early adoption permitted. Initial adoption of the changes to the liability for future policy benefits and deferred acquisition costs is required to be reported using either a retrospective or modified retrospective approach. For the changes to market risk benefits, retrospective application is required. The Company is currently in the process of evaluating the provisions of ASU 2018-12. While it is not possible to estimate the expected impact of adoption at this time, the Company believes there is a reasonable possibility that implementation of ASU 2018-12 may result in a significant impact on Shareholders' equity and future earnings patterns.

#### Reclassification of Certain Tax Effects

In February 2018, the FASB issued ASU 2018-02, "Income Statement-Reporting Comprehensive Income (ASC Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income" ("ASU 2018-02"), which allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the newly enacted Tax Cuts and Jobs Act of 2017 ("Tax Reform"). Stranded tax effects arise because U.S. GAAP requires that the impact of a change in tax laws or rates on deferred tax liabilities and assets be reported in net income, even if related to items recognized within accumulated other comprehensive income. The amount of the reclassification would be based on the difference between the historical corporate income tax rate and the newly enacted 21% corporate income tax rate, applied to deferred tax liabilities and assets reported within accumulated other comprehensive income.

The provisions of ASU 2018-02 are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. Initial adoption of ASU 2018-02 may be reported either in the period of adoption or on a retrospective basis in each period in which the effect of the change in the U.S. federal corporate income tax rate resulting from Tax Reform is recognized. The Company is currently evaluating the provisions of ASU 2018-02.

#### Derivatives & Hedging

In August 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging (Topic ASC 815): Targeted Improvements to Accounting for Hedging Activities" ("ASU 2017-12"), which enables entities to better portray risk management activities in their financial statements, as follows:

- Expands an entity's ability to hedge nonfinancial and financial risk components and reduces complexity in accounting for fair value hedges of interest rate risk,
- Eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item,
- Eases certain documentation and assessment requirements and modifies the accounting for components excluded from the assessment of hedge effectiveness, and
- Modifies required disclosures.

In addition, in October 2018 the FASB issued ASU 2018-16, "Derivatives and Hedging (Topic ASC 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes" ("ASU 2018-16"), which expands the list of U.S. benchmark interest rates permitted in the application of hedge

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

accounting. The provisions of ASU 2017-12 and ASU 2018-16 are effective for fiscal years beginning after December 15, 2018, including interim periods, with early adoption permitted. Initial adoption of ASU 2017-12 is required to be reported using a modified retrospective approach, with the exception of the presentation and disclosure requirements which are required to be applied prospectively. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2017-12 and ASU 2018-16.

#### Debt Securities

In March 2017, the FASB issued ASU 2017-08, "Receivables-Nonrefundable Fees and Other Costs (ASC Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities" ("ASU 2017-08"), which shortens the amortization period for certain callable debt securities held at a premium by requiring the premium to be amortized to the earliest call date.

The provisions of ASU 2017-08 are effective for fiscal years beginning after December 15, 2018, including interim periods, with early adoption permitted. Initial adoption of ASU 2017-08 is required to be reported using a modified retrospective approach. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2017-08.

#### Financial Instruments - Credit Losses

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

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

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

#### Leases

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

ASU 2016-02 also replaces the sale-leaseback guidance to align with the new revenue recognition standard, addresses statement of operation and statement of cash flow classification, and requires additional disclosures for all leases. In addition, the FASB issued various amendments during 2018 to clarify and simplify the provisions and implementation



guidance of ASU 2016-02.

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. In July 2018, the FASB issued an amendment that adds an optional transition method to apply the guidance on a modified retrospective basis at the adoption date, which is January 1, 2019. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2016-02.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## 2. Discontinued Operations

As noted in the Business, Basis of Presentation and Significant Accounting Policies Note, on June 1, 2018, the Company closed the Transaction with VA Capital and Athene (the "Buyers") pursuant to which Venerable acquired two of the Company's subsidiaries, VIAC and DSL. The Transaction resulted in the disposition of substantially all of the Company's CBVA and Annuities businesses.

The purchase price for VIAC was equal to the difference between the Required Adjusted Book Value (as defined in the MTA) and the Statutory capital in VIAC at closing, after giving effect to certain restructuring and other pre-sale transactions, including the reinsurance of the fixed and fixed indexed annuity business of VIAC to affiliates of Athene. Following the closing of the Transaction, the Company, through its other insurance subsidiaries, continues to own surplus notes issued by VIAC in an aggregate principal amount of \$350 and acquired a 9.99% equity interest in VA Capital. The investment in surplus notes is reported in Fixed maturities, available-for-sale on the Company's Condensed Consolidated Balance Sheet as of September 30, 2018. In the summary of major categories of assets and liabilities related to discontinued operations as of December 31, 2017 presented below, VIAC's corresponding liability for the surplus notes is included in Notes payable.

Pursuant to the terms of the MTA and prior to the closing of the Transaction, VIAC undertook certain restructuring transactions with several affiliates in order to transfer businesses and assets into and out of VIAC from and to the Company's affiliates. Such transactions included, but were not limited to, the following reinsurance transactions:

- VIAC recaptured the CBVA business previously assumed by Roaring River II, Inc., a subsidiary of the Company. the Company, through its subsidiary ReliaStar Life Insurance Company ("RLI") ceded, under modified coinsurance agreements, fixed and fixed indexed annuity reserves of \$451 to Athene Annuity & Life Assurance Company ("AADE") and Athene Life Re, Ltd. ("ALRe"). Under the terms of the agreements, AADE and ALRe contractually assumed from the Company the policyholder liabilities and obligations related to the policies, although the Company remains obligated to the policyholders. Upon the consummation of the agreements, the Company recognized no gain or loss in the Condensed Consolidated Statements of Operations.

- the Company, through its subsidiary RLI, assumed, under coinsurance and modified coinsurance agreements, certain individual life and deferred annuity policies from VIAC. Upon the consummation of the agreements, the Company recognized no gain or loss in the Condensed Consolidated Statements of Operations. As of September 30, 2018, assumed reserves related to these agreements were \$835.

In connection with the closing, Voya Investment Management Co., LLC ("Voya IM") or its affiliated advisors, entered into one or more agreements to perform asset management and ancillary services for Venerable as part of the transaction. As part of the agreements, Voya IM will serve as the preferred asset management partner for Venerable. Under the agreements, subject to certain criteria, Voya IM will manage and service certain assets, including, for at least five years following the closing of the transaction, certain general account assets. The Company and Voya IM also agreed to provide certain transitional services to Venerable following the closing of the Transaction. The length of each service varies depending on the type of service provided.

The Company has determined that the CBVA and Annuities businesses disposed of in the Transaction meet the criteria to be classified as discontinued operations and that the sale represents a strategic shift that has a major effect on the Company's operations. Accordingly, the results of operations of the businesses sold have been presented as discontinued operations in the accompanying Condensed Consolidated Statements of Operations and Condensed

Consolidated Statements of Cash Flows for all periods presented, and the assets and liabilities of the businesses sold were classified as held for sale in the Condensed Consolidated Balance Sheet as of December 31, 2017.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The results of discontinued operations are reported in "Income (loss) from discontinued operations, net of tax" in the accompanying Condensed Consolidated Statements of Operations for all periods presented. As of December 31, 2017, the Company recorded an estimated loss on sale, net of tax of \$2,423 which included estimated transactions costs of \$31 as well as the loss of \$692 of deferred tax assets to write down the assets of the businesses sold to fair value less cost to sell as of December 31, 2017. Income (loss) from discontinued operations, net of tax, for the nine months ended September 30, 2018 includes a favorable adjustment to the estimated loss on sale of \$505, net of tax. The loss on sale, net of tax as of September 30, 2018 of \$1,918, which includes the loss of \$460 of deferred tax assets, represents the excess of the carrying value, immediately prior to the sale, of the businesses classified as discontinued operations over the purchase price, which approximates fair value, less cost to sell. Additionally, in connection with the Transaction, the Company reversed \$79 of other comprehensive income, net of tax that was previously recorded and related to the Annuity and CBVA businesses sold. The Buyers have the option to inquire or request changes to the closing Required Adjusted Book Value and/or Statutory capital of VIAC during a period of 180 days after the close of the Transaction. Based on the Company's receipt and review of any inquiries, the Company may determine that additional updates to the closing Required Adjusted Book Value and/or Statutory capital of VIAC are required which may cause changes to the purchase price for VIAC. Consequently, this may impact the final loss on sale related to the Transaction which will result in changes to be recorded in the Company's Condensed Consolidated Statements of Operations in future periods related to the loss on sale.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The following table summarizes the major categories of assets and liabilities classified as discontinued operations in the accompanying Condensed Consolidated Balance Sheet as of December 31, 2017:

	December 31, 2017
Assets:	
Investments:	
Fixed maturities, available-for-sale, at fair value	\$ 21,904
Fixed maturities, at fair value using the fair value option	615
Short-term investments	352
Mortgage loans on real estate, net of valuation allowance	4,212
Derivatives	1,514
Other investments <sup>(1)</sup>	351
Securities pledged	861
Total investments	29,809
Cash and cash equivalents	498
Short-term investments under securities loan agreements, including collateral delivered	473
Deferred policy acquisition costs and Value of business acquired	805
Sales inducements	196
Deferred income taxes	404
Other assets <sup>(2)</sup>	396
Assets held in separate accounts	28,894
Write-down of businesses held for sale to fair value less cost to sell	(2,423 )
Total assets held for sale	\$ 59,052
Liabilities:	
Future policy benefits and contract owner account balances	\$ 27,065
Payables under securities loan agreement, including collateral held	1,152
Derivatives	782
Notes payable	350
Other liabilities	34
Liabilities related to separate accounts	28,894
Total liabilities held for sale	\$ 58,277

<sup>(1)</sup> Includes Other investments, Equity securities, Limited Partnerships/corporations and Policy loans.

<sup>(2)</sup> Includes Other assets, Accrued investment income, Premium receivable and reinsurance recoverable.



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The following table summarizes the components of Income (loss) from discontinued operations, net of tax for the five months ended May 31, 2018 (the Transaction closed on June 1, 2018) and the nine months ended September 30, 2017:

	Five Months Ended May 31, 2018	Nine Months Ended September 30, 2017
Revenues:		
Net investment income	\$ 510	\$ 949
Fee income	295	609
Premiums	(50 )	144
Total net realized capital gains (losses)	(345 )	(780 )
Other revenue	10	15
Total revenues	420	937
Benefits and expenses:		
Interest credited and other benefits to contract owners/policyholders	442	634
Operating expenses	(14 )	190
Net amortization of Deferred policy acquisition costs and Value of business acquired	49	95
Interest expense	10	17
Total benefits and expenses	487	936
Income (loss) from discontinued operations before income taxes	(67 )	1
Income tax expense (benefit)	(19 )	(35 )
Adjustment to loss on sale, net of tax	505	—
Income (loss) from discontinued operations, net of tax	\$ 457	\$ 36

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

### 3. Investments (excluding Consolidated Investment Entities)

#### Fixed Maturities and Equity Securities

Available-for-sale and fair value option ("FVO") fixed maturities were as follows as of September 30, 2018:

	Amortized Cost	Gross Unrealized Capital Gains	Gross Unrealized Capital Losses	Embedded Derivatives <sup>(2)</sup>	Fair Value	OTTI <sup>(3)(4)</sup>
Fixed maturities:						
U.S. Treasuries	\$ 1,800	\$ 294	\$ 5	\$ —	\$2,089	\$ —
U.S. Government agencies and authorities	204	34	—	—	238	—
State, municipalities and political subdivisions	1,648	21	38	—	1,631	—
U.S. corporate public securities	19,421	1,231	271	—	20,381	—
U.S. corporate private securities	6,405	162	149	—	6,418	—
Foreign corporate public securities and foreign governments <sup>(1)</sup>	5,407	239	104	—	5,542	—
Foreign corporate private securities <sup>(1)</sup>	5,128	94	119	—	5,103	—
Residential mortgage-backed securities:						
Agency	2,840	125	67	12	2,910	—
Non-Agency	1,600	92	13	10	1,689	13
Total Residential mortgage-backed securities	4,440	217	80	22	4,599	13
Commercial mortgage-backed securities	3,176	17	77	—	3,116	—
Other asset-backed securities	1,997	33	13	—	2,017	2
Total fixed maturities, including securities pledged	49,626	2,342	856	22	51,134	15
Less: Securities pledged	1,974	126	37	—	2,063	—
Total fixed maturities	\$ 47,652	\$ 2,216	\$ 819	\$ 22	\$49,071	\$ 15

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

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

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

<sup>(4)</sup> Amount excludes \$306 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, 2017:

	Amortized Cost	Gross Unrealized Capital Gains	Gross Unrealized Capital Losses	Embedded Derivatives <sup>(2)</sup>	Fair Value	OTTI <sup>(3)(4)</sup>
Fixed maturities:						
U.S. Treasuries	\$ 2,047	\$ 477	\$ 2	\$ —	\$2,522	\$ —
U.S. Government agencies and authorities	223	52	—	—	275	—
State, municipalities and political subdivisions	1,856	68	11	—	1,913	—
U.S. corporate public securities	20,857	2,451	50	—	23,258	—
U.S. corporate private securities	5,628	255	50	—	5,833	—
Foreign corporate public securities and foreign governments <sup>(1)</sup>	5,241	493	18	—	5,716	—
Foreign corporate private securities <sup>(1)</sup>	4,974	251	64	—	5,161	10
Residential mortgage-backed securities:						
Agency	2,990	164	30	21	3,145	—
Non-Agency	1,257	110	4	16	1,379	16
Total Residential mortgage-backed securities	4,247	274	34	37	4,524	16
Commercial mortgage-backed securities	2,646	69	11	—	2,704	—
Other asset-backed securities	1,488	43	3	—	1,528	3
Total fixed maturities, including securities pledged	49,207	4,433	243	37	53,434	29
Less: Securities pledged	1,823	284	20	—	2,087	—
Total fixed maturities	47,384	4,149	223	37	51,347	29
Equity securities:						
Common stock	272	1	—	—	273	—
Preferred stock	81	26	—	—	107	—
Total equity securities	353	27	—	—	380	—
Total fixed maturities and equity securities investments	\$ 47,737	\$ 4,176	\$ 223	\$ 37	\$51,727	\$ 29

(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 \$441 of net unrealized gains on impaired available-for-sale securities.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The amortized cost and fair value of fixed maturities, including securities pledged, as of September 30, 2018, are shown below by contractual maturity. Actual maturities may differ from contractual maturities as securities may be restructured, called or prepaid. Mortgage-backed securities ("MBS") and Other asset-backed securities ("ABS") are shown separately because they are not due at a single maturity date.

	Amortized Cost	Fair Value
Due to mature:		
One year or less	\$ 1,059	\$ 1,070
After one year through five years	7,230	7,313
After five years through ten years	10,009	9,993
After ten years	21,715	23,026
Mortgage-backed securities	7,616	7,715
Other asset-backed securities	1,997	2,017
Fixed maturities, including securities pledged	\$ 49,626	\$ 51,134

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, 2018 and December 31, 2017, the Company did not have any investments in a single issuer, other than obligations of the U.S. Government and government agencies, with a carrying value in excess of 10% of the Company's Total shareholders' equity.

The following tables present 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, 2018				
Communications	\$ 2,568	\$ 198	\$ 22	\$ 2,744
Financial	5,395	327	74	5,648
Industrial and other companies	15,840	586	297	16,129
Energy	4,014	269	74	4,209
Utilities	6,379	270	134	6,515
Transportation	1,313	57	25	1,345
Total	\$ 35,509	\$ 1,707	\$ 626	\$ 36,590

December 31, 2017

Communications	\$ 2,587	\$ 341	\$ 4	\$ 2,924
Financial	5,094	487	5	5,576
Industrial and other companies	16,478	1,391	98	17,771
Energy	4,268	459	45	4,682
Utilities	6,243	607	22	6,828
Transportation	1,295	121	4	1,412

Total	\$ 35,965	\$ 3,406	\$ 178	\$39,193
-------	-----------	----------	--------	----------

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 are currently designated as available-for-sale, except those accounted for using the FVO. Prior to the adoption of ASU 2016-01 as of January 1, 2018, equity securities were also designated as available-for-sale. Available-for-sale securities are reported at fair value and unrealized capital gains (losses) on these securities are recorded directly in 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 reported 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, 2018 and December 31, 2017, approximately 40.5% and 43.2%, respectively, of the Company's CMO holdings, were invested in the above mentioned types of CMOs such as interest-only or principal-only strips, that are subject to more prepayment and extension risk than traditional CMOs.

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

### Repurchase Agreements

As of September 30, 2018, the Company had immaterial securities pledged in repurchase agreement transactions and did not have any securities pledged in dollar rolls or reverse repurchase agreements. As of December 31, 2017, the Company did not have any such securities pledged.

### 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, 2018 and December 31, 2017, the fair value of loaned securities was \$1,809 and \$1,854, 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, 2018 and December 31, 2017, cash collateral retained by the lending agent and invested in short-term liquid assets on the Company's behalf was \$1,739 and \$1,589, 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, 2018 and December 31, 2017, liabilities to return collateral of \$1,739 and \$1,589, respectively, are included in Payables under securities loan agreements, including collateral held on the Condensed Consolidated Balance Sheets.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The Company accepts non-cash collateral in the form of securities. The securities retained as collateral by the lending agent may not be sold or re-pledged, except in the event of default, and are not reflected on the Company's Condensed Consolidated Balance Sheets. This collateral generally consists of U.S. Treasury, U.S. Government agency securities and MBS pools. As of September 30, 2018 and December 31, 2017, the fair value of securities retained as collateral by the lending agent on the Company's behalf was \$132 and \$308, respectively.

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

	September 30, 2018 (1)(2)	December 31, 2017 (1)(2)
U.S. Treasuries	\$ 445	\$ 587
U.S. Government agencies and authorities	9	5
U.S. corporate public securities	1,016	967
Short-term investments	—	—
Foreign corporate public securities and foreign governments	401	338
Payables under securities loan agreements	\$ 1,871	\$ 1,897

<sup>(1)</sup>As of September 30, 2018 and December 31, 2017, borrowings under securities lending transactions include cash collateral of \$1,739 and \$1,589, respectively.

<sup>(2)</sup>As of September 30, 2018 and December 31, 2017, borrowings under securities lending transactions include non-cash collateral of \$132 and \$308, 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, 2018:

	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	\$21	\$ —	*\$81	\$ 3	\$54	\$ 2	\$156	\$ 5
State, municipalities and political subdivisions	467	9	307	13	220	16	994	38
U.S. corporate public securities	2,727	53	3,084	139	732	79	6,543	271
U.S. corporate private securities	1,010	11	1,268	44	846	94	3,124	149
Foreign corporate public securities and foreign governments	987	17	1,223	62	194	25	2,404	104
Foreign corporate private securities	977	52	805	33	336	34	2,118	119
Residential mortgage-backed	384	6	432	25	537	49	1,353	80
Commercial mortgage-backed	1,031	14	749	41	298	22	2,078	77
Other asset-backed	714	5	239	6	68	2	1,021	13
Total	\$8,318	\$ 167	\$8,188	\$ 366	\$3,285	\$ 323	\$19,791	\$ 856

\*Less than \$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, 2017:

	Six Months or Less Below Amortized Cost		More Than Six Months and Twelve Months or Less Below Amortized Cost		More Than Twelve Months Below Amortized Cost		Total	
	Fair Value	Unrealized Capital Losses	Fair Value	Unrealized Capital Losses	Fair Value	Unrealized Capital Losses	Fair Value	Unrealized Capital Losses
U.S. Treasuries	\$166	\$ 2	\$ —	\$ —	\$15	\$ —	*\$181	\$ 2
State, municipalities and political subdivisions	356	9	6	—	35	2	397	11
U.S. corporate public securities	1,399	47	8	—	114	3	1,521	50
U.S. corporate private securities	1,068	46	—	—	84	4	1,152	50
Foreign corporate public securities and foreign governments	463	17	6	—	26	1	495	18
Foreign corporate private securities	493	64	9	—	8	—	510	64
Residential mortgage-backed	967	32	6	—	81	2	1,054	34
Commercial mortgage-backed	756	10	18	—	86	1	860	11
Other asset-backed	374	3	4	—	*27	—	405	3
Total	\$6,042	\$ 230	\$ 57	\$ —	\$476	\$ 13	\$6,575	\$ 243

\* Less than \$1.

Of the unrealized capital losses aged more than twelve months, the average market value of the related fixed maturities was 91.0% and 97.3% of the average book value as of September 30, 2018 and December 31, 2017, 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, 2018						
Six months or less below amortized cost	\$8,430	\$168	\$138	\$49	1,042	22
More than six months and twelve months or less below amortized cost	9,604	25	425	6	1,381	7
More than twelve months below amortized cost	2,295	125	203	35	340	16
Total	\$20,329	\$318	\$766	\$90	2,763	45
December 31, 2017						
Six months or less below amortized cost	\$6,126	\$196	\$148	\$82	1,098	38
More than six months and twelve months or less below amortized cost	48	—	1	—	14	—
More than twelve months below amortized cost	448	—	12	—	87	—
Total	\$6,622	\$196	\$161	\$82	1,199	38

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, 2018						
U.S. Treasuries	\$161	\$—	\$5	\$—	27	—
State, municipalities and political subdivisions	1,032	—	38	—	197	—
U.S. corporate public securities	6,778	36	262	9	898	2
U.S. corporate private securities	3,179	94	124	25	226	2
Foreign corporate public securities and foreign governments	2,469	39	96	8	326	4
Foreign corporate private securities	2,143	94	86	33	134	3
Residential mortgage-backed	1,379	54	66	14	415	33
Commercial mortgage-backed	2,155	—	77	—	329	—
Other asset-backed	1,033	1	12	1	211	1
Total	\$20,329	\$318	\$766	\$90	2,763	45
December 31, 2017						
U.S. Treasuries	\$183	\$—	\$2	\$—	29	—
State, municipalities and political subdivisions	408	—	11	—	103	—
U.S. corporate public securities	1,553	18	45	5	232	2
U.S. corporate private securities	1,129	73	28	22	73	2
Foreign corporate public securities and foreign governments	506	7	16	2	84	1
Foreign corporate private securities	490	84	16	48	35	6
Residential mortgage-backed	1,075	13	29	5	334	25
Commercial mortgage-backed	871	—	11	—	164	—
Other asset-backed	407	1	3	—	145	2
Total	\$6,622	\$196	\$161	\$82	1,199	38

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

	Loan-to-Value Ratio			
	Amortized Cost		Unrealized Capital Losses	
	< 20%	> 20%	< 20%	> 20%
September 30, 2018				
RMBS and Other ABS <sup>(1)</sup>				
Non-agency RMBS > 100%	\$—	\$—	\$—	\$—
Non-agency RMBS > 90% - 100%	—	—	—	—
Non-agency RMBS 80% - 90%	—	—	—	—
Non-agency RMBS < 80%	400	—	13	—
Agency RMBS	993	54	53	14
Other ABS (Non-RMBS)	1,019	1	12	1
Total RMBS and Other ABS	\$2,412	\$ 55	\$ 78	\$ 15

	Credit Enhancement Percentage			
	Amortized Cost		Unrealized Capital Losses	
	< 20%	> 20%	< 20%	> 20%
September 30, 2018				
RMBS and Other ABS <sup>(1)</sup>				
Non-agency RMBS 10% +	\$345	\$—	\$ 11	\$—
Non-agency RMBS > 5% - 10%	6	—	—	—
Non-agency RMBS > 0% - 5%	33	—	1	—
Non-agency RMBS 0%	16	—	1	—
Agency RMBS	993	54	53	14
Other ABS (Non-RMBS)	1,019	1	12	1
Total RMBS and Other ABS	\$2,412	\$ 55	\$ 78	\$ 15

	Fixed Rate/Floating Rate			
	Amortized Cost		Unrealized Capital Losses	
	< 20%	> 20%	< 20%	> 20%
September 30, 2018				
Fixed Rate	\$1,439	\$ 7	\$ 49	\$ 2
Floating Rate	973	48	29	13
Total	\$2,412	\$ 55	\$ 78	\$ 15

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



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

	Loan-to-Value Ratio			
	Amortized Cost		Unrealized Capital Losses	
December 31, 2017	< 20%	> 20%	< 20%	> 20%
RMBS and Other ABS <sup>(1)</sup>				
Non-agency RMBS > 100%	\$—	\$—	\$—	\$—
Non-agency RMBS > 90% - 100%	—	—	—	—
Non-agency RMBS 80% - 90%	13	—	—	—
Non-agency RMBS < 80%	211	1	4	—
Agency RMBS	878	12	26	4
Other ABS (Non-RMBS)	380	1	2	1
Total RMBS and Other ABS	\$1,482	\$ 14	\$ 32	\$ 5

	Credit Enhancement Percentage			
	Amortized Cost		Unrealized Capital Losses	
December 31, 2017	< 20%	> 20%	< 20%	> 20%
RMBS and Other ABS <sup>(1)</sup>				
Non-agency RMBS 10% +	\$162	\$—	\$ 2	\$—
Non-agency RMBS > 5% - 10%	11	—	—	—
Non-agency RMBS > 0% - 5%	25	1	1	—
Non-agency RMBS 0%	26	—	1	—
Agency RMBS	878	12	26	4
Other ABS (Non-RMBS)	380	1	2	1
Total RMBS and Other ABS	\$1,482	\$ 14	\$ 32	\$ 5

	Fixed Rate/Floating Rate			
	Amortized Cost		Unrealized Capital Losses	
December 31, 2017	< 20%	> 20%	< 20%	> 20%
Fixed Rate	\$1,104	\$ 6	\$ 20	\$ 2
Floating Rate	378	8	12	3
Total	\$1,482	\$ 14	\$ 32	\$ 5

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

Investments with fair values less than amortized cost are included in the Company's other-than-temporary impairments analysis. Impairments were recognized as disclosed in the "Evaluating Securities for

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

### Troubled Debt Restructuring

The Company invests in high quality, well performing portfolios of commercial mortgage loans and private placements. Under certain circumstances, modifications are granted to these contracts. Each modification is evaluated as to whether a troubled debt restructuring has occurred. A modification is a troubled debt restructuring when the borrower is in financial difficulty and the creditor makes concessions. Generally, the types of concessions may include reducing the face amount or maturity amount of the debt as originally stated, reducing the contractual interest rate, extending the maturity date at an interest rate lower than current market interest rates and/or reducing accrued interest. The Company considers the amount, timing and extent of the concession granted in determining any impairment or changes in the specific valuation allowance recorded in connection with the troubled debt restructuring. A valuation allowance may have been recorded prior to the quarter when the loan is modified in a troubled debt restructuring. Accordingly, the carrying value (net of the specific valuation allowance) before and after modification through a troubled debt restructuring may not change significantly, or may increase if the expected recovery is higher than the pre-modification recovery assessment. As of September 30, 2018, the Company did not have any new commercial mortgage loan or private placement troubled debt restructuring. As of December 31, 2017 the Company did not have any new commercial mortgage loan troubled debt restructuring and had one private placement troubled debt restructuring with a pre-modification and post-modification carrying value of \$22.

As of September 30, 2018 and December 31, 2017, the Company did not have any commercial mortgage loans or private placements modified in a troubled debt restructuring with a subsequent payment default.

### Mortgage Loans on Real Estate

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

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

	September 30, 2018		December 31, 2017	
	Non- Impaired	Total	Non- Impaired	Total
Commercial mortgage loans	\$4 \$ 8,860	\$8,864	\$4 \$ 8,685	\$8,689
Collective valuation allowance for losses	N/A(2 )	(2 )	N/A(3 )	(3 )
Total net commercial mortgage loans	\$4 \$ 8,858	\$8,862	\$4 \$ 8,682	\$8,686

N/A - Not Applicable

There were no impairments taken on the mortgage loan portfolio for the three and nine months ended September 30, 2018 and 2017.

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

	September 30, December 31,	
	2018	2017
Collective valuation allowance for losses, balance at January 1	\$ 3	\$ 3
Addition to (reduction of) allowance for losses	(1 )	—
Collective valuation allowance for losses, end of period	\$ 2	\$ 3



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

	September 30, December 31,	
	2018	2017
Impaired loans without allowances for losses	\$ 4	\$ 4
Less: Allowances for losses on impaired loans	—	—
Impaired loans, net	\$ 4	\$ 4
Unpaid principal balance of impaired loans	\$ 6	\$ 6

As of September 30, 2018 and December 31, 2017, the Company did not have any impaired loans with allowances for losses.

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

There were no mortgage loans in the Company's portfolio in process of foreclosure as of September 30, 2018 and December 31, 2017.

There were no loans 30 days or less in arrears, with respect to principal and interest as of September 30, 2018 and December 31, 2017.

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

	Three Months Ended September 30, 2018 2017	
Impaired loans, average investment during the period (amortized cost) <sup>(1)</sup>	\$ 4	\$ 4
Interest income recognized on impaired loans, on an accrual basis <sup>(1)</sup>	—	—
Interest income recognized on impaired loans, on a cash basis <sup>(1)</sup>	—	—
Interest income recognized on troubled debt restructured loans, on an accrual basis	—	—

<sup>(1)</sup> Includes amounts for Troubled debt restructured loans.

	Nine Months Ended September 30, 2018 2017	
Impaired loans, average investment during the period (amortized cost) <sup>(1)</sup>	\$ 4	\$ 5

Interest income recognized on impaired loans, on an accrual basis <sup>(1)</sup>	—	—
Interest income recognized on impaired loans, on a cash basis <sup>(1)</sup>	—	—
Interest income recognized on troubled debt restructured loans, on an accrual basis	—	—

<sup>(1)</sup> Includes amounts for Troubled debt restructured loans.

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

	September 30, 2018 <sup>(1)</sup>	December 31, 2017 <sup>(1)</sup>
Loan-to-Value Ratio:		
0% - 50%	\$ 844	\$ 849
> 50% - 60%	2,120	2,125
> 60% - 70%	5,131	5,144
> 70% - 80%	718	551
> 80% and above	51	20
Total Commercial mortgage loans	\$ 8,864	\$ 8,689

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

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

	September 30, 2018 (1)	December 31, 2017 (1)
Debt Service Coverage Ratio:		
Greater than 1.5x	\$ 7,021	\$ 7,013
> 1.25x - 1.5x	707	655
> 1.0x - 1.25x	977	893
Less than 1.0x	104	105
Commercial mortgage loans secured by land or construction loans	55	23
Total Commercial mortgage loans	\$ 8,864	\$ 8,689

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

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

	September 30, 2018 <sup>(1)</sup>		December 31, 2017 <sup>(1)</sup>	
	Gross Carrying Value	% of Total	Gross Carrying Value	% of Total
Commercial Mortgage Loans by U.S. Region:				
Pacific	\$2,070	23.4 %	\$2,024	23.4 %
South Atlantic	1,818	20.6 %	1,716	19.7 %
Middle Atlantic	1,543	17.4 %	1,612	18.5 %
West South Central	1,002	11.3 %	959	11.0 %
Mountain	925	10.4 %	859	9.9 %
East North Central	864	9.7 %	884	10.2 %
New England	155	1.7 %	161	1.8 %
West North Central	418	4.7 %	391	4.5 %
East South Central	69	0.8 %	83	1.0 %
Total Commercial mortgage loans	\$8,864	100.0 %	\$8,689	100.0 %

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

	September 30, 2018 <sup>(1)</sup>		December 31, 2017 <sup>(1)</sup>	
	Gross Carrying Value	% of Total	Gross Carrying Value	% of Total
Commercial Mortgage Loans by Property Type:				
Retail	\$2,515	28.3 %	\$2,587	29.7 %
Industrial	2,080	23.5 %	2,108	24.3 %
Apartments	2,147	24.2 %	1,849	21.3 %
Office	1,310	14.8 %	1,384	15.9 %
Hotel/Motel	319	3.6 %	309	3.6 %
Other	415	4.7 %	364	4.2 %
Mixed Use	78	0.9 %	88	1.0 %
Total Commercial mortgage loans	\$8,864	100.0%	\$8,689	100.0%

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

The following table presents mortgages by year of origination as of the dates indicated:

	September 30, 2018 <sup>(1)</sup>	December 31, 2017 <sup>(1)</sup>
Year of Origination:		
2018	\$ 650	\$ —
2017	1,560	1,525
2016	1,440	1,428
2015	1,191	1,250
2014	1,234	1,303
2013	1,189	1,287
2012 and prior	1,600	1,896
Total Commercial mortgage loans	\$ 8,864	\$ 8,689

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

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

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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,			
	2018		2017	
	Impairment	No. of Securities	Impairment	No. of Securities
State, municipalities and political subdivisions	\$—	—	\$ —*	3
U.S. corporate public securities	6	2	—	—
Foreign corporate private securities <sup>(1)</sup>	—	—	—	* 1
Residential mortgage-backed	1	18	1	14
Commercial mortgage-backed	—	—	—	—
Total	\$7	20	\$ 1	18

\* Less than \$1

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

	Nine Months Ended September 30,			
	2018		2017	
	Impairment	No. of Securities	Impairment	No. of Securities
State, municipalities and political subdivisions	\$—	—	\$ 1	3
U.S. corporate public securities	6	2	—	* 1
Foreign corporate private securities <sup>(1)</sup>	14	1	—	* 1
Residential mortgage-backed	2	39	2	45
Commercial mortgage-backed	—	—	1	4
Total	\$22	42	\$ 4	54

\* Less than \$1

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

The above tables include \$15 of write-downs related to credit impairments for the nine months ended September 30, 2018 in Other-than-temporary impairments, which are recognized in the Condensed Consolidated Statements of Operations. There were immaterial write-downs related to credit impairments for the three months ended September 30, 2018. The remaining \$7 in write-downs for the three and nine months ended September 30, 2018 are related to intent impairments.

The above tables include \$1 and \$3 of write-downs related to credit impairments for the three and nine months ended September 30, 2017, respectively, in Other-than-temporary impairments, which are recognized in the Condensed Consolidated Statements of Operations. The remaining \$1 in write-downs for the nine months ended September 30, 2017 are related to intent impairments. There were immaterial write-downs related to intent impairments for the three months ended September 30, 2017.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

	Three Months Ended		September 30,	
	2018		2017	
	No. of Impairment Securities	Impairment	No. of Impairment Securities	Impairment
U.S. corporate public securities	\$6	2	\$ —	—
Residential mortgage-backed	1	9	—	* 3
Commercial mortgage-backed	—	—	—	—
Total	\$7	11	\$ —	* 3

(1) Primarily U.S. dollar denominated.

\* Less than \$1

	Nine Months Ended		September	
	30,		2017	
	No. of Impairment Securities	Impairment	No. of Impairment Securities	Impairment
U.S. corporate public securities	\$6	2	\$ —	* 1
Residential mortgage-backed	1	14	—	* 8
Commercial mortgage-backed	—	—	1	3
Total	\$7	16	\$ 1	12

\* Less than \$1

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The following tables present 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, 2018 2017	
Balance at July 1	\$ 22	\$ 27
Additional credit impairments:		
On securities previously impaired	3	—
Reductions:		
Increase in cash flows	—	—
Securities sold, matured, prepaid or paid down	3	1
Balance at September 30	\$ 22	\$ 26

	Nine Months Ended September 30, 2018 2017	
Balance at January 1	\$ 40	\$ 33
Additional credit impairments:		
On securities previously impaired	3	1
Reductions:		
Increase in cash flows	—	1
Securities sold, matured, prepaid or paid down	21	7
Balance at September 30	\$ 22	\$ 26

#### Net Investment Income

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

	Three Months Ended September 30, 2018 2017		Nine Months Ended September 30, 2018 2017	
Fixed maturities	\$676	\$671	\$2,024	\$2,021
Equity securities	4	2	10	6
Mortgage loans on real estate	102	98	298	291
Policy loans	24	25	75	76



Short-term investments and cash equivalents	3	3	12	7
Other	76	10	136	111
Gross investment income	885	809	2,555	2,512
Less: investment expenses	30	14	64	42
Net investment income	\$855	\$795	\$2,491	\$2,470

As of September 30, 2018 and December 31, 2017, the Company had \$3 and \$5, respectively, of investments in fixed maturities that did not produce net investment income. Fixed maturities are moved to a non-accrual status when the investment defaults.

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

### Net Realized Capital Gains (Losses)

Net realized capital gains (losses) comprise the difference between the amortized cost of investments and proceeds from sale and redemption, as well as losses incurred due to the credit-related and intent-related other-than-temporary impairment of investments. Realized investment gains and losses are also primarily generated from changes in fair value of embedded derivatives within products and fixed maturities, changes in fair value of fixed maturities recorded at FVO and changes in fair value including accruals on derivative instruments, except for effective cash flow hedges. Upon the adoption of ASU 2016-01 as of January 1, 2018, realized capital gains (losses) also include changes in fair value of equity securities. 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, 2018 2017	
Fixed maturities, available-for-sale, including securities pledged	\$9	\$11
Fixed maturities, at fair value option	(107 )	(69 )
Equity securities	(1 )	(1 )
Derivatives	55	20
Embedded derivatives - fixed maturities	(3 )	(3 )
Guaranteed benefit derivatives	1	(8 )
Other investments	—	(3 )
Net realized capital gains (losses)	\$(46 )	\$(53 )
After-tax net realized capital gains (losses)	\$(30 )	\$(33 )
	Nine Months Ended September 30, 2018 2017	
Fixed maturities, available-for-sale, including securities pledged	\$(31 )	\$(8 )
Fixed maturities, at fair value option	(440 )	(179 )
Equity securities	(3 )	(1 )
Derivatives	87	56
Embedded derivatives - fixed maturities	(15 )	(12 )
Guaranteed benefit derivatives	44	(22 )
Other investments	11	2
Net realized capital gains (losses)	\$(347)	\$(164)
After-tax net realized capital gains (losses)	\$(267)	\$(98 )

For the three and nine months ended September 30, 2018, the change in the fair value of equity securities still held as of September 30, 2018 was \$(1) and \$(3), respectively.



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Proceeds from the sale of fixed maturities and equity securities, available-for-sale and the related gross realized gains and losses, before tax, were as follows for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Proceeds on sales	\$287	\$1,669	\$4,089	\$3,358
Gross gains	10	33	42	53
Gross losses	8	15	65	41

#### 4. Derivative Financial Instruments

The Company enters into the following types of derivatives:

**Interest rate caps and floors:** The Company uses interest rate cap contracts to hedge the interest rate exposure arising from duration mismatches between assets and liabilities. Interest rate caps are also used to hedge interest rate exposure if rates rise above a specified level. The Company uses interest rate floor contracts to hedge interest rate exposure if rates decrease below a specified level. The Company pays an upfront premium to purchase these caps and floors. The Company utilizes these contracts in non-qualifying hedging relationships.

**Interest rate swaps:** Interest rate swaps are used by the Company primarily to reduce market risks from changes in interest rates and to alter interest rate exposure arising from mismatches between assets and/or liabilities. Interest rate swaps are also used to hedge the interest rate risk associated with the value of assets it owns or in an anticipation of acquiring them. Using interest rate swaps, the Company agrees with another party to exchange, at specified intervals, the difference between fixed rate and floating rate interest payments, calculated by reference to an agreed upon notional principal amount. These transactions are entered into pursuant to master agreements that provide for a single net payment to be made to/from the counterparty at each due date. The Company utilizes these contracts in qualifying hedging relationships as well as non-qualifying hedging relationships.

**Foreign exchange swaps:** The Company uses foreign exchange or currency swaps to reduce the risk of change in the value, yield or cash flows associated with certain foreign denominated invested assets. Foreign exchange swaps represent contracts that require the exchange of foreign currency cash flows against U.S. dollar cash flows at regular periods, typically quarterly or semi-annually. The Company utilizes these contracts in qualifying hedging relationships as well as non-qualifying hedging relationships.

**Credit default swaps:** Credit default swaps are used to reduce credit loss exposure with respect to certain assets that the Company owns or to assume credit exposure on certain assets that the Company does not own. Payments are made to, or received from, the counterparty at specified intervals. In the event of a default on the underlying credit exposure, the Company will either receive a payment (purchased credit protection) or will be required to make a payment (sold credit protection) equal to the par minus recovery value of the swap contract. 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 utilizes currency forward contracts to hedge currency exposure related to its invested assets. The Company utilizes these contracts in non-qualifying hedging relationships.

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

**Futures:** Futures contracts are used to hedge against a decrease in certain equity indices. Such decreases may correlate to a decrease in variable annuity account values which would increase the possibility of the Company incurring an expense for guaranteed benefits in excess of account values. The Company also uses interest rate futures contracts to hedge its exposure to market risks due to changes in interest rates. The Company enters into exchange traded futures with regulated futures commissions that are members of the exchange. The Company also posts initial and variation margins, with the exchange, on a daily basis. The Company utilizes exchange-traded futures in non-qualifying hedging relationships. The Company may also use futures contracts as a hedge against an increase in certain equity indices. Such increases may result in increased payments to the holders of fixed index annuity ("FIA") contracts.

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

**Options:** The Company uses equity options to hedge against an increase in various equity indices, and interest rate options to hedge against an increase in the interest rate benchmarked crediting strategies within FIA contracts. Such increases may result in increased payments to the holders of the FIA and IUL contracts. The Company pays an upfront premium to purchase these options. The Company utilizes these options in non-qualifying hedging relationships.

**Currency Options:** The Company uses currency option contracts to hedge currency exposure related to its invested assets. The Company utilizes these contracts in non-qualifying hedging relationships.

**Managed custody guarantees ("MCGs"):** The Company issues certain credited rate guarantees on variable fixed income portfolios that represent stand-alone derivatives. The market value is partially determined by, among other things, levels of or changes in interest rates, prepayment rates and credit ratings/spreads.

**Embedded derivatives:** The Company also invests in certain fixed maturity instruments and has issued certain products that contain embedded derivatives for which market value is at least partially determined by, among other things, levels of or changes in domestic and/or foreign interest rates (short-term or long-term), exchange rates, prepayment rates, equity rates or credit ratings/spreads. In addition, the Company has entered into coinsurance with funds withheld arrangements, which contain embedded derivatives.

The Company's use of derivatives is limited mainly to economic hedging to reduce the Company's exposure to cash flow variability of assets and liabilities, interest rate risk, credit risk, exchange rate risk and equity market risk. It is the Company's policy not to offset amounts recognized for derivative instruments and amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral arising from derivative instruments executed with the same counterparty under a master netting arrangement, which provides the Company with the legal right of offset. However, in accordance with the Chicago Mercantile Exchange ("CME") rule changes related to the variation margin payments, effective the first quarter of 2017, the Company is required to adjust the derivative balances with the variation margin payments related to its cleared derivatives executed through CME.



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

	September 30, 2018			December 31, 2017		
	Notional Amount	Asset Fair Value	Liability Fair Value	Notional Amount	Asset Fair Value	Liability Fair Value
Derivatives: Qualifying for hedge accounting <sup>(1)</sup>						
Cash flow hedges:						
Interest rate contracts	\$44	\$ —	\$ —	\$56	\$ —	\$ —
Foreign exchange contracts	700	4	46	625	—	60
Derivatives: Non-qualifying for hedge accounting <sup>(1)</sup>						
Interest rate contracts	24,400	205	61	27,482	73	58
Foreign exchange contracts	36	1	—	85	—	2
Equity contracts	1,647	194	15	1,526	198	19
Credit contracts	1,178	18	4	1,983	26	10
Embedded derivatives and Managed custody guarantees:						
Within fixed maturity investments	N/A	22	—	N/A	37	—
Within products	N/A	—	233	N/A	—	306
Within reinsurance agreements	N/A	—	32	N/A	—	129
Total		\$ 444	\$ 391		\$ 434	\$ 584

<sup>(1)</sup> Open derivative contracts are reported as Derivatives assets or liabilities on the Condensed Consolidated Balance Sheets at fair value.

N/A - Not Applicable

Based on the notional amounts, a substantial portion of the Company's derivative positions was not designated or did not qualify for hedge accounting as part of a hedging relationship as of September 30, 2018 and December 31, 2017. The Company utilizes derivative contracts mainly to hedge exposure to variability in cash flows, interest rate risk, credit risk, foreign exchange risk and equity market risk. The majority of derivatives used by the Company are designated as product hedges, which hedge the exposure arising from insurance liabilities or guarantees embedded in the contracts the Company offers through various product lines. These derivatives do not qualify for hedge accounting as they do not meet the criteria of being "highly effective" as outlined in ASC Topic 815, but do provide an economic hedge, which is in line with the Company's risk management objectives. The Company also uses derivatives contracts to hedge its exposure to various risks associated with the investment portfolio. The Company does not seek hedge accounting treatment for certain of these derivatives as they generally do not qualify for hedge accounting due to the criteria required under the portfolio hedging rules outlined in ASC Topic 815. The Company also uses credit default swaps coupled with other investments in order to produce the investment characteristics of otherwise permissible investments that do not qualify as effective accounting hedges under ASC Topic 815.



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

September 30, 2018

	Notional Amount	Asset Fair Value	Liability Fair Value
Credit contracts	\$1,178	\$ 18	\$ 4
Equity contracts	1,534	194	15
Foreign exchange contracts	736	5	46
Interest rate contracts	21,663	205	60
		422	125
Counterparty netting <sup>(1)</sup>		(80 )	(80 )
Cash collateral netting <sup>(1)</sup>		(306 )	(1 )
Securities collateral netting <sup>(1)</sup>		(25 )	(44 )
Net receivables/payables		\$ 11	\$ —

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

December 31, 2017

	Notional Amount	Asset Fair Value	Liability Fair Value
Credit contracts	\$1,983	\$ 26	\$ 10
Equity contracts	1,382	197	19
Foreign exchange contracts	710	—	62
Interest rate contracts	24,490	173	57
		396	148
Counterparty netting <sup>(1)</sup>		(100 )	(100 )
Cash collateral netting <sup>(1)</sup>		(251 )	—
Securities collateral netting <sup>(1)</sup>		(37 )	(40 )
Net receivables/payables		\$ 8	\$ 8

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

#### Collateral

Under the terms of the OTC Derivative International Swaps and Derivatives Association, Inc. ("ISDA") agreements, the Company may receive from, or deliver to, counterparties collateral to assure that terms of the ISDA agreements will be met with regard to the Credit Support Annex ("CSA"). The terms of the CSA call for the Company to pay interest on any cash received equal to the Federal Funds rate. To the extent cash collateral is received and delivered, it is included in Payables under securities loan agreements, including collateral held and Short-term investments under securities loan agreements, including collateral delivered, respectively, on the Condensed Consolidated Balance Sheets and is reinvested in short-term investments. Collateral held is used in accordance with the CSA to satisfy any

obligations. Investment grade bonds owned by the Company are the source of noncash collateral posted, which is reported in Securities pledged on the Condensed Consolidated Balance Sheets. As of September 30, 2018, the Company held \$157 and \$156 of net cash collateral related to OTC derivative contracts and cleared derivative contracts, respectively. As of December 31, 2017, the Company held \$174 and \$73 of net cash collateral related to OTC derivative contracts and cleared derivative contracts, respectively. In addition, as of September 30, 2018, the Company delivered \$254 of securities and held \$25 of securities as collateral. As of December 31, 2017, the Company delivered \$233 of securities and held \$38 of securities as collateral.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
Derivatives: Qualifying for hedge accounting <sup>(1)</sup>				
Cash flow hedges:				
Foreign exchange contracts	\$3	\$3	\$7	\$24
Derivatives: Non-qualifying for hedge accounting <sup>(2)</sup>				
Interest rate contracts	28	1	61	(7 )
Foreign exchange contracts	1	(3 )	4	(6 )
Equity contracts	20	15	11	30
Credit contracts	3	4	4	15
Embedded derivatives and Managed custody guarantees:				
Within fixed maturity investments <sup>(2)</sup>	(3 )	(3 )	(15 )	(12 )
Within products <sup>(2)</sup>	1	(8 )	44	(22 )
Within reinsurance agreements <sup>(3)</sup>	6	(10 )	94	(44 )
Total	\$59	\$(1)	\$210	\$(22)

<sup>(1)</sup> Changes in value for effective fair value hedges are recorded in Other net realized capital gains (losses). Changes in fair value upon disposal for effective cash flow hedges are amortized through Net investment income and the ineffective portion is recorded in Other net realized capital gains (losses) in the Condensed Consolidated Statements of Operations. For the three and nine months ended September 30, 2018 and 2017, ineffective amounts were immaterial.

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

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

#### Credit Default Swaps

The Company has entered into various credit default swaps. When credit default swaps are sold, the Company assumes credit exposure to certain assets that it does not own. Credit default swaps may also be purchased to reduce credit exposure in the Company's portfolio. Credit default swaps involve a transfer of credit risk from one party to another in exchange for periodic payments. As of September 30, 2018, the fair values of credit default swaps of \$18 and \$4 were included in Derivatives assets and Derivatives liabilities, respectively, on the Condensed Consolidated Balance Sheets. As of December 31, 2017, the fair values of credit default swaps of \$26 and \$10 were included in Derivatives assets and Derivatives liabilities, respectively, on the Condensed Consolidated Balance Sheets. As of September 30, 2018, the maximum potential future net exposure to the Company was \$0.9 billion on credit default swap protection sold. As of December 31, 2017, the maximum potential future net exposure to the Company was \$1.5 billion on credit default swap protection sold. These instruments are typically written for a maturity period of 5 years and contain no recourse provisions. If the Company's current debt and claims paying ratings were downgraded in the future, the terms in the Company's derivative agreements may be triggered, which could negatively impact overall liquidity.



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

5. Fair Value Measurements (excluding Consolidated Investment Entities)

Fair Value Measurement

The Company categorizes its financial instruments into a three-level hierarchy based on the priority of the inputs to the valuation technique, pursuant to ASU 2011-04, "Fair Value Measurements (ASC Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP" ("ASU 2011-04"). The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the instrument.

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The following table presents the Company's hierarchy for its assets and liabilities measured at fair value on a recurring basis as of September 30, 2018:

	Level 1	Level 2	Level 3	Total
Assets:				
Fixed maturities, including securities pledged:				
U.S. Treasuries	\$1,570	\$519	\$—	\$2,089
U.S. Government agencies and authorities	—	238	—	238
State, municipalities and political subdivisions	—	1,631	—	1,631
U.S. corporate public securities	—	20,337	44	20,381
U.S. corporate private securities	—	4,928	1,490	6,418
Foreign corporate public securities and foreign governments <sup>(1)</sup>	—	5,515	27	5,542
Foreign corporate private securities <sup>(1)</sup>	—	4,865	238	5,103
Residential mortgage-backed securities	—	4,538	61	4,599
Commercial mortgage-backed securities	—	3,089	27	3,116
Other asset-backed securities	—	1,848	169	2,017
Total fixed maturities, including securities pledged	1,570	47,508	2,056	51,134
Equity securities	173	—	105	278
Derivatives:				
Interest rate contracts	—	205	—	205
Foreign exchange contracts	—	5	—	5
Equity contracts	—	40	154	194
Credit contracts	—	18	—	18
Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements	3,633	23	—	3,656
Assets held in separate accounts	74,948	5,933	56	80,937
Total assets	\$80,324	\$53,732	\$2,371	\$136,427
Percentage of Level to total	59	% 39	% 2	% 100 %
Liabilities:				
Derivatives:				
Guaranteed benefit derivatives:				
IUL	\$—	\$—	\$160	\$160
Stabilizer and MCGs	—	—	41	41
Other <sup>(2)</sup>	—	—	32	32
Other derivatives:				
Interest rate contracts	1	60	—	61
Foreign exchange contracts	—	46	—	46
Equity contracts	—	15	—	15
Credit contracts	—	4	—	4
Embedded derivative on reinsurance	—	32	—	32
Total liabilities	\$1	\$157	\$233	\$391

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

<sup>(2)</sup> Includes Guaranteed minimum withdrawal benefits with life payouts ("GMWBL"), Guaranteed minimum withdrawal benefits ("GMWB") and Fixed Indexed Annuities ("FIA").



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The following table presents the Company's hierarchy for its assets and liabilities measured at fair value on a recurring basis as of December 31, 2017:

	Level 1	Level 2	Level 3	Total	
Assets:					
Fixed maturities, including securities pledged:					
U.S. Treasuries	\$1,921	\$601	\$—	\$2,522	
U.S. Government agencies and authorities	—	275	—	275	
State, municipalities and political subdivisions	—	1,913	—	1,913	
U.S. corporate public securities	—	23,201	57	23,258	
U.S. corporate private securities	—	4,706	1,127	5,833	
Foreign corporate public securities and foreign governments <sup>(1)</sup>	—	5,705	11	5,716	
Foreign corporate private securities <sup>(1)</sup>	—	4,992	169	5,161	
Residential mortgage-backed securities	—	4,482	42	4,524	
Commercial mortgage-backed securities	—	2,687	17	2,704	
Other asset-backed securities	—	1,436	92	1,528	
Total fixed maturities, including securities pledged	1,921	49,998	1,515	53,434	
Equity securities, available-for-sale	278	—	102	380	
Derivatives:					
Interest rate contracts	—	173	—	173	
Equity contracts	—	44	154	198	
Credit contracts	—	21	5	26	
Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements	3,277	38	—	3,315	
Assets held in separate accounts	72,535	5,059	11	77,605	
Total assets	\$78,011	\$55,333	\$1,787	\$135,131	
Percentage of Level to total	58	% 41	% 1	% 100	%
Liabilities:					
Derivatives:					
Guaranteed benefit derivatives:					
IUL	\$—	\$—	\$159	\$159	
Stabilizer and MCGs	—	—	97	97	
Other <sup>(2)</sup>	—	—	50	50	
Other derivatives:					
Interest rate contracts	—	58	—	58	
Foreign exchange contracts	—	62	—	62	
Equity contracts	—	19	—	19	
Credit contracts	—	10	—	10	
Embedded derivative on reinsurance	—	129	—	129	
Total liabilities	\$—	\$278	\$306	\$584	

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

<sup>(2)</sup>Includes GMWBL, GMWB and FIA.





Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

#### Valuation of Financial Assets and Liabilities at Fair Value

Certain assets and liabilities are measured at estimated fair value on the Company's Condensed Consolidated Balance Sheets. The Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The exit price and the transaction (or entry) price will be the same at initial recognition in many circumstances. However, in certain cases, the transaction price may not represent fair value. The fair value of a liability is based on the amount that would be paid to transfer a liability to a third-party with an equal credit standing. Fair value is required to be a market-based measurement that is determined based on a hypothetical transaction at the measurement date, from a market participant's perspective. The Company considers three broad valuation approaches when a quoted price is unavailable: (i) the market approach, (ii) the income approach and (iii) the cost approach. The Company determines the most appropriate valuation technique to use, given the instrument being measured and the availability of sufficient inputs. The Company prioritizes the inputs to fair valuation approaches and allows for the use of unobservable inputs to the extent that observable inputs are not available.

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

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

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

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

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

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

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

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Generally, the Company does not obtain more than one vendor price from pricing services per instrument. The Company uses a 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 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. After review, for those instruments where the price is determined to be appropriate, the unadjusted price provided is used for financial statement valuation. If it is determined that the price is questionable, another price may be requested from a different vendor. The internal valuation committee then reviews all prices for the instrument again, along with information from the review, to determine which price best represents exit price for the instrument.

Fair values of privately placed bonds are determined primarily using a matrix-based pricing model and are generally classified as Level 2 assets. The model considers the current level of risk-free interest rates, current corporate spreads, the credit quality of the issuer and cash flow characteristics of the security. Also considered are factors such as the net worth of the borrower, the value of collateral, the capital structure of the borrower, the presence of guarantees and the Company's evaluation of the borrower's ability to compete in its relevant market. Using this data, the model generates estimated market values, which the Company considers reflective of the fair value of each privately placed bond.

Equity securities: Fair values of publicly traded equity securities are based upon quoted market price and are classified as Level 1 assets. Other equity securities, typically private equities or equity securities not traded on an exchange, are valued by other sources such as analytics or brokers and are classified as Level 2 or Level 3 assets.

Derivatives: Derivatives are carried at fair value, which is determined using the Company's derivative accounting system in conjunction with observable key financial data from third-party sources, such as yield curves, exchange rates, S&P 500 Index prices, London Interbank Offered Rates ("LIBOR") and Overnight Index Swap ("OIS") rates. The Company uses OIS for valuations of collateralized interest rate derivatives, which are obtained from third-party sources. For those derivatives that are unable to be valued by the accounting system, the Company typically utilizes values established by third-party brokers. Counterparty credit risk is considered and incorporated in the Company's valuation process through counterparty credit rating requirements and monitoring of overall exposure. It is the Company's policy to transact only with investment grade counterparties with a credit rating of A- or better. The Company's nonperformance risk is also considered and incorporated in the Company's valuation process. Valuations for the Company's futures and interest rate forward contracts are based on unadjusted quoted prices from an active exchange and, therefore, are classified as Level 1. The Company also has certain credit default swaps and options that are priced by third party vendors or by using models that primarily use market observable inputs, but contain inputs that are not observable to market participants, which have been classified as Level 3. The remaining derivative instruments are valued based on market observable inputs and are classified as Level 2.

Cash and cash equivalents, Short-term investments and Short-term investments under securities loan agreement: The carrying amounts for cash reflect the assets' fair values. The fair values for cash equivalents and most short-term investments are determined based on quoted market prices. These assets are classified as Level 1. Other short-term investments are valued and classified in the fair value hierarchy consistent with the policies described herein,

depending on investment type.

Assets held in separate accounts: Assets held in separate accounts are reported at the quoted fair values of the underlying investments in the separate accounts. The underlying investments include mutual funds, short-term investments and cash, the valuations of which are based upon a quoted market price and are included in Level 1. Fixed maturity valuations are obtained from third-party commercial pricing services and brokers and are classified in the fair value hierarchy consistent with the policy described above for fixed maturities.

Guaranteed benefit derivatives: The Company records reserves for annuity contracts containing GMWBL and GMWB riders. The guarantee is an embedded derivative and is required to be accounted for separately from the host variable annuity contract. The fair value of the obligation is calculated based on actuarial and capital market assumptions related to the projected cash flows, including benefits and related contract charges, over the anticipated life of the related contracts. The cash flow estimates are

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

produced by using stochastic techniques under a variety of market return scenarios and other market implied assumptions. These derivatives are classified as Level 3 liabilities in the fair value hierarchy.

The index-crediting feature in the Company's FIA and IUL contracts is an embedded derivative that is required to be accounted for separately from the host contract. The fair value of the obligation is calculated based on actuarial and capital market assumptions related to the projected cash flows, including benefits and related contract charges, over the anticipated life of the related contracts for FIAs and over the current indexed term for IULs. The cash flow estimates are produced by market implied assumptions. These derivatives are classified as Level 3 liabilities in the fair value hierarchy.

The Company records reserves for Stabilizer and MCG contracts containing guaranteed credited rates. The guarantee is treated as an embedded derivative or a stand-alone derivative (depending on the underlying product) and is required to be reported at fair value. The estimated fair value is determined based on the present value of projected future claims, minus the present value of future guaranteed premiums. At inception of the contract, the Company projects a guaranteed premium to be equal to the present value of the projected future claims. The income associated with the contracts is projected using relevant actuarial and capital market assumptions, including benefits and related contract charges, over the anticipated life of the related contracts. The cash flow estimates are produced by using stochastic techniques under a variety of risk neutral scenarios and other market implied assumptions. These derivatives are classified as Level 3 liabilities.

The discount rate used to determine the fair value of the Company's GMWBL, GMWB, FIA, IUL and Stabilizer embedded derivative liabilities and the stand-alone derivative for MCG includes an adjustment to reflect the risk that these obligations will not be fulfilled ("nonperformance risk"). The nonperformance risk adjustment incorporates a blend of observable, similarly rated peer holding company credit spreads, adjusted to reflect the credit quality of the individual insurance subsidiary that issued the guarantee, as well as an adjustment to reflect the non-default spreads and the priority and recovery rates of policyholder claims.

The Company's valuation actuaries are responsible for the policies and procedures for valuing the embedded derivatives, reflecting the capital markets and actuarial valuation inputs and nonperformance risk in the estimate of the fair value of the embedded derivatives. The actuarial and capital market assumptions for each liability are approved by each product's Chief Risk Officer ("CRO"), including an independent annual review by the CRO. Models used to value the embedded derivatives must comply with the Company's governance policies.

Quarterly, an attribution analysis is performed to quantify changes in fair value measurements and a sensitivity analysis is used to analyze the changes. The changes in fair value measurements are also compared to corresponding movements in the hedge target to assess the validity of the attributions. The results of the attribution analysis are reviewed by the valuation actuaries, responsible CFOs, Controllers, CROs and/or others as nominated by management.

Embedded derivatives on reinsurance: The carrying value of embedded derivatives is estimated based upon the change in the fair value of the assets supporting the funds withheld payable under reinsurance agreements. The fair value of the embedded derivative is based on market observable inputs and is classified as Level 2.

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, 2018 and 2017. The Company's policy is to recognize transfers in and transfers out as of the beginning of the reporting period.

#### Level 3 Financial Instruments

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

	Three Months Ended September 30, 2018										Change In Unrealized Gains (Losses) Included in Earnings <sup>(4)</sup>
	Fair Value as of July 1	Total Realized/Unrealized Gains (Losses) Included in: Net Income	Purchases	Issuances	Sales	Settlements	Transfers into Level 3 <sup>(3)</sup>	Transfers out of Level 3 <sup>(3)</sup>	Fair Value as of September 30		
Fixed maturities, including securities pledged:											
U.S. corporate public securities	\$44	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 44	\$ —
U.S. corporate private securities	1,285	(8 )	168	—	—	(11 )	67	(11 )	1,490	—	
Foreign corporate public securities and foreign governments <sup>(1)</sup>	12	—	—	15	—	—	—	—	27	—	
Foreign corporate private securities <sup>(1)</sup>	234	(8 )	20	—	—	(21 )	13	—	238	—	
Residential mortgage-backed securities	43	(3 )	—	31	—	—	—	(10 )	61	(3 )	
Commercial mortgage-backed securities	26	—	—	27	—	—	—	(26 )	27	—	
Other asset-backed securities	164	—	—	57	—	(1 )	—	(51 )	169	—	
Total fixed maturities, including securities pledged	1,808	(3 )	(16)	318	—	(33 )	80	(98 )	2,056	(3 )	



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

	Three Months Ended September 30, 2018 (continued)										Change In Unrealized Gains (Losses) Included in Earnings <sup>(4)</sup>
	Fair Value as of July 1	Total Realized/Unrealized Gains (Losses) Included in:	Purchases		Issuances	Sales	Settlements	Transfers into Level 3 <sup>(3)</sup>	Transfers out of Level 3 <sup>(3)</sup>	Fair Value as of September 30	
	Net Income	OCI									
Equity securities	\$ 105	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 105	\$ —
Derivatives:											
Guaranteed benefit derivatives:											
IUL <sup>(2)</sup>	(142 )	(26 )	—	—	(12 )	—	20	—	—	(160 )	—
Stabilizer and MCGs <sup>(2)</sup>	(63 )	23	—	—	—	—	(1 )	—	—	(41 )	—
Other <sup>(2)(6)</sup>	(40 )	4	—	—	(3 )	—	7	—	—	(32 )	—
Other derivatives, net	140	17	—	11	—	—	(14 )	—	—	154	14
Assets held in separate accounts <sup>(5)</sup>	38	—	—	23	—	—	—	—	(5 )	56	—

(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.

(6) Includes GMWBL, GMWB, and FIA.



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

	Nine Months Ended September 30, 2018										
	Total Fair Value as of January 1	Realized Gains (Losses) Included in Net Income	Unrealized Gains (Losses) Included in OCI	Purchases	Issuances	Sales	Settlements	Transfers into Level 3 <sup>(3)</sup>	Transfers out of Level 3 <sup>(3)</sup>	Fair Value as of September 30	Change In Unrealized Gains (Losses) Included in Earnings <sup>(4)</sup>
Fixed maturities, including securities pledged:											
U.S. corporate public securities	\$57	\$ —	\$ (1 )	\$ 9	\$ —	\$ (13)	\$ —	\$ —	\$ (8 )	\$ 44	\$ —
U.S. corporate private securities	1,127	(52 )	368	—	(7 )	(53 )	112	(11 )	1,490	—	
Foreign corporate public securities and foreign governments <sup>(1)</sup>	11	—	1	15	—	—	—	—	27	—	
Foreign corporate private securities <sup>(1)</sup>	169	(5 )	13	154	—	(71 )	(22 )	—	238	(13 )	
Residential mortgage-backed securities	42	(8 )	(1 )	33	—	—	—	(5 )	61	(8 )	
Commercial mortgage-backed securities	17	—	—	27	—	—	—	(17 )	27	—	
Other asset-backed securities	92	—	(3 )	95	—	—	(4 )	35	(46 )	169	
Total fixed maturities, including securities pledged	1,515	(57 )	(43 )	701	—	(91 )	(79 )	147	(87 )	2,056	(21 )

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Nine Months Ended September 30, 2018 (continued)										
Fair Value as of January 1	Total Realized/Unrealized Gains (Losses) Included in:		Purchases	Issuances	Sales	Settlements	Transfers into Level 3 <sup>(3)</sup>	Transfers out of Level 3 <sup>(3)</sup>	Fair Value as of September 30	Change In Unrealized Gains (Losses) Included in Earnings <sup>(4)</sup>
	Net Income	OCI								
Equity securities	\$ 102	\$ (2 )	\$ —	\$ 7	\$ (2)	\$ —	\$ —	\$ —	\$ 105	\$ (2 )
Derivatives:										
Guaranteed benefit derivatives:										
IUL <sup>(2)</sup>	(159 )	(19 )	—	—	(38 )	—	56	—	(160 )	—
Stabilizer and MCGs <sup>(2)</sup>	(97 )	58	—	—	(2 )	—	—	—	(41 )	—
Other <sup>(2)(6)</sup>	(50 )	5	—	—	(1 )	—	14	—	(32 )	—
Other derivatives, net	159	9	—	31	—	—	(45 )	—	154	(5 )
Assets held in separate accounts <sup>(5)</sup>	11	—	—	50	—	—	—	(5 )	56	—

(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.

(6) Includes GMWBL, GMWB, and FIA.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

	Three Months Ended September 30, 2017										Change In Unrealized Gains (Losses) Included in Earnings <sup>(4)</sup>
	Total Fair Value as of July 1	Realized Gains (Losses) Included in Net Income	Unrealized Gains (Losses) Included in OCI	Purchases	Issuances	Sales	Settlements	Transfers into Level 3 <sup>(3)</sup>	Transfers out of Level 3 <sup>(3)</sup>	Fair Value as of September 30	
Fixed maturities, including securities pledged:											
U.S. corporate public securities	\$58	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 58	\$ —
U.S. corporate private securities	1,020	—	1 4	—	(3)	(25)	16	—	1,013	—	
Foreign corporate public securities and foreign governments <sup>(1)</sup>	11	—	—	—	—	—	—	—	11	—	
Foreign corporate private securities <sup>(1)</sup>	200	—	2 37	—	—	(2)	—	—	237	—	
Residential mortgage-backed securities	72	(5)	—	11	—	—	—	(27)	51	(5)	
Commercial mortgage-backed securities	16	—	—	17	—	—	—	(10)	23	—	
Other asset-backed securities	77	—	1 80	—	—	(1)	—	(57)	100	—	
Total fixed maturities, including securities pledged	1,454	(5)	4 149	—	(3)	(28)	16	(94)	1,493	(5)	

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

	Three Months Ended September 30, 2017 (continued)										Change In Unrealized Gains (Losses) Included in Earnings <sup>(4)</sup>
	Fair Value as of July 1	Total Realized/Unrealized Gains (Losses) Included in: Net Income	OCI	Purchases	Issuances	Sales	Settlements	Transfers into Level 3 <sup>(3)</sup>	Transfers out of Level 3 <sup>(3)</sup>	Fair Value as of September 30	
Equity securities, available-for-sale	\$ 102	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 102	\$ —
Derivatives:											
Guaranteed benefit derivatives:											
IUL <sup>(2)</sup>	(107 )	(22 )	—	—	(8 )	—	11	—	—	(126 )	—
Stabilizer and MCGs <sup>(2)</sup>	(140 )	8	—	—	(1 )	—	—	—	—	(133 )	—
Other <sup>(2)(6)</sup>	(58 )	6	—	—	—	—	2	—	—	(50 )	—
Other derivatives, net	111	19	—	7	—	—	(9 )	—	—	128	16
Assets held in separate accounts <sup>(5)</sup>	3	—	—	4	—	—	—	—	(1 )	6	—

(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.

(6) Includes GMWBL, GMWB, and FIA.



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

	Nine Months Ended September 30, 2017										Change In Unrealized Gains (Losses) Included in Earnings <sup>(4)</sup>
	Total Fair Value as of January 1	Realized Gains (Losses) Included in Net Income	Unrealized Gains (Losses) Included in OCI	Purchases	Issuances	Sales	Settlements	Transfers into Level 3 <sup>(3)</sup>	Transfers out of Level 3 <sup>(3)</sup>	Fair Value as of September 30	
Fixed maturities, including securities pledged:											
U.S. corporate public securities	\$12	\$ —	\$ 1	\$ 29	\$ —	\$ —	\$ (1 )	\$ 17	\$ —	\$ 58	\$ —
U.S. corporate private securities	913	1	7	91	—	(5)	(35 )	56	(15)	1,013	—
Foreign corporate public securities and foreign governments <sup>(1)</sup>	12	—	(1 )	—	—	—	—	—	—	11	—
Foreign corporate private securities <sup>(1)</sup>	305	—	—	57	—	—	(37 )	—	(88)	237	—
Residential mortgage-backed securities	57	(11)	1	11	—	(8)	(1 )	2	—	51	(11 )
Commercial mortgage-backed securities	16	—	—	23	—	—	(1 )	—	(15)	23	—
Other asset-backed securities	53	—	1	80	—	—	(4 )	2	(32)	100	1
Total fixed maturities, including securities pledged	1,368	(10)	9	291	—	(13)	(79 )	77	(150)	1,493	(10 )



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

	Nine Months Ended September 30, 2017 (continued)										Change In Unrealized Gains (Losses) Included in Earnings <sup>(4)</sup>
	Fair Value as of January 1	Total Realized/Unrealized Gains (Losses) Included in:	Purchases		Issuances	Sales	Settlements	Transfers into Level 3 <sup>(3)</sup>	Transfers out of Level 3 <sup>(3)</sup>	Fair Value as of September 30	
		Net Income	OCI								
Equity securities, available-for-sale	\$94	\$ —	\$ 2	\$ 8	\$ —	\$ (2)	\$ —	\$ —	\$ —	\$ 102	\$ —
Derivatives:											
Guaranteed benefit derivatives:											
IUL <sup>(2)</sup>	(81 )	(51 )	—	—	(25 )	—	31	—	—	(126 )	—
Stabilizer and MCGs <sup>(2)</sup>	(150)	20	—	—	(3 )	—	—	—	—	(133 )	—
Other <sup>(2)(6)</sup>	(60 )	9	—	—	(2 )	—	3	—	—	(50 )	—
Other derivatives, net	72	46	—	22	—	—	(12 )	—	—	128	55
Assets held in separate accounts <sup>(5)</sup>	5	—	—	10	—	(3 )	—	2	(8 )	6	—

(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.

(6) Includes GMWBL, GMWB, and FIA.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

For the three and nine months ended September 30, 2018 and 2017, the transfers in and out of Level 3 for fixed maturities and separate accounts were due to the variation in inputs relied upon for valuation each quarter. Securities that are primarily valued using independent broker quotes when prices are not available from one of the commercial pricing services are reflected as transfers into Level 3. When securities are valued using more widely available information, the securities are transferred out of Level 3 and into Level 1 or 2, as appropriate.

#### Significant Unobservable Inputs

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

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

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

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:

**Interest Rate Volatility:** A term-structure model is used to approximate implied volatility for the 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.

**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 holding company credit spreads, adjusted to reflect the credit quality of the individual insurance company subsidiary that issued the guarantee as well as an adjustment to reflect the non-default spreads and the priority and recovery rates 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.

The following table presents the unobservable inputs for Level 3 fair value measurements as of September 30, 2018:

Unobservable Input	Range <sup>(1)</sup>	
	IUL	Stabilizer/MCGs
Interest rate implied volatility	—	0.1% to 6.3%
Nonperformance risk	0.28% to .58%	0.28% to .95%

Actuarial Assumptions:

Lapses	2% to 10%	0% to 50%	(2)
Policyholder Deposits <sup>(3)</sup>	—	0% to 50%	(2)
Mortality	—	(4) —	

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

(2) 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:

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

	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	92 %	0-25%	0-15%	0-30%	0-15%
Stabilizer with Recordkeeping Agreements	8 %	0-50%	0-30%	0-50%	0-25%
Aggregate of all plans	100 %	0-50%	0-30%	0-50%	0-25%

<sup>(3)</sup> Measured as a percentage of assets under management or assets under administration.

<sup>(4)</sup> The mortality rate, along with the associated cost of insurance charges, are based on the 2001 Commissioner's Standard Ordinary table with mortality improvements.

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

Unobservable Input	Range <sup>(1)</sup>	
Interest rate implied volatility	—	IUL
Nonperformance risk	0.02% to 0.54%	Stabilizer/MCGs
Actuarial Assumptions:		
Lapses	2% to 10%	0% to 50% <sup>(2)</sup>
Policyholder Deposits <sup>(3)</sup>	—	0% to 50% <sup>(2)</sup>
Mortality	—	<sup>(4)</sup> —

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

<sup>(2)</sup> 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	92 %	0-25%	0-15%	0-30%	0-15%
Stabilizer with Recordkeeping Agreements	8 %	0-50%	0-30%	0-50%	0-25%
Aggregate of all plans	100 %	0-50%	0-30%	0-50%	0-25%

<sup>(3)</sup> Measured as a percentage of assets under management or assets under administration.

<sup>(4)</sup> The mortality rate, along with the associated cost of insurance charges, are based on the 2001 Commissioner's Standard Ordinary table with mortality improvements.

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

- 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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The Company notes the following interrelationships:

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

#### Other Financial Instruments

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.

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

	September 30, 2018		December 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Assets:</b>				
Fixed maturities, including securities pledged	\$51,134	\$51,134	\$53,434	\$53,434
Equity securities	323	323	380	380
Mortgage loans on real estate	8,862	8,816	8,686	8,748
Policy loans	1,832	1,832	1,888	1,888
Cash, cash equivalents, short-term investments and short-term investments under securities loan agreements	3,656	3,656	3,315	3,315
Derivatives	422	422	397	397
Notes Receivable <sup>(1)</sup>	—	—	350	445
Other investments	91	99	47	55
Assets held in separate accounts	80,937	80,937	77,605	77,605
<b>Liabilities:</b>				
<b>Investment contract liabilities:</b>				
Funding agreements without fixed maturities and deferred annuities <sup>(2)</sup>	33,588	36,219	33,986	38,553
Funding agreements with fixed maturities	1,178	1,185	501	501
Supplementary contracts, immediate annuities and other	992	995	1,275	1,285
<b>Derivatives:</b>				
<b>Guaranteed benefit derivatives:</b>				
IUL	160	160	159	159
Stabilizer and MCGs	41	41	97	97
Other <sup>(3)</sup>	32	32	50	50
Other derivatives	126	126	149	149
Short-term debt	1	1	337	337
Long-term debt	3,459	3,567	3,123	3,478
Embedded derivative on reinsurance	32	32	129	129

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

<sup>(2)</sup> Certain amounts included in Funding agreements without fixed maturities and deferred annuities are also reflected within the Guaranteed benefit derivatives section of the table above.

<sup>(3)</sup> Includes GMWBL, GMWB and FIA.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The following table presents the classifications of financial instruments which are not carried at fair value on the Condensed Consolidated Balance Sheets:

Financial Instrument	Classification
Mortgage loans on real estate	Level 3
Policy loans	Level 2
Notes receivable	Level 2
Other investments	Level 2
Funding agreements without fixed maturities and deferred annuities	Level 3
Funding agreements with fixed maturities	Level 2
Supplementary contracts and immediate annuities	Level 3
Short-term debt and Long-term debt	Level 2

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

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

	2018		
	DAC	VOBA	Total
Balance as of January 1, 2018	\$2,818	\$ 556	\$3,374
Deferrals of commissions and expenses	147	7	154
Amortization:			
Amortization, excluding unlocking	(276 )	(77 )	(353 )
Unlocking <sup>(1)</sup>	(92 )	4	(88 )
Interest accrued	137	44	<sup>(2)</sup> 181
Net amortization included in Condensed Consolidated Statements of Operations	(231 )	(29 )	(260 )
Change due to unrealized capital gains/losses on available-for-sale securities	515	278	793
Balance as of September 30, 2018	\$3,249	\$ 812	\$4,061
	2017		
	DAC	VOBA	Total
Balance as of January 1, 2017	\$3,186	\$ 811	\$3,997
Deferrals of commissions and expenses	176	6	182
Amortization:			
Amortization, excluding unlocking	(327 )	(112 )	(439 )
Unlocking <sup>(1)</sup>	(119 )	(102 )	(221 )
Interest accrued	142	50	<sup>(2)</sup> 192
Net amortization included in Condensed Consolidated Statements of Operations	(304 )	(164 )	(468 )
Change due to unrealized capital gains/losses on available-for-sale securities	(208 )	(100 )	(308 )
Balance as of September 30, 2017	\$2,850	\$ 553	\$3,403

<sup>(1)</sup> Includes the impacts of annual review of assumptions which typically occurs in the third quarter; and retrospective and prospective unlocking. Additionally, the 2018 amounts include unfavorable unlocking for DAC and VOBA of \$25 and \$26, respectively, associated with an update to assumptions related to customer consents of changes to guaranteed minimum interest rate provisions. The 2017 amounts include unfavorable unlocking for DAC and VOBA of \$80 and \$140, respectively, associated with consent acceptances received from customers and expected future acceptances of customer consents to changes related to guaranteed minimum interest rate provisions of certain



retirement plan contracts with fixed investment options.

(2) Interest accrued at the following rates for VOBA: 3.5% to 7.4% during 2018 and 4.1% to 7.4% during 2017.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## 7. Share-based Incentive Compensation Plans

The Company has provided equity-based compensation awards to its employees under the ING U.S., Inc. 2013 Omnibus Employee Incentive Plan (the "2013 Omnibus Plan") and the Voya Financial, Inc. 2014 Omnibus Employee Incentive Plan (the "2014 Omnibus Plan"). As of September 30, 2018, common stock reserved and available for issuance under the 2013 Omnibus Plan and the 2014 Omnibus Plan was 347,663 and 6,274,058 shares, respectively.

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 ("Director Plan").

### Compensation Cost

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

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
Restricted Stock Unit (RSU) awards	\$ 11	\$ 12	\$ 40	\$ 45
Performance Stock Unit (PSU) awards	9	13	36	35
Stock options	—	3	5	14
Total share-based compensation expense	20	28	81	94
Income tax benefit	4	9	19	31
After-tax share-based compensation expense	\$ 16	\$ 19	\$ 62	\$ 63

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

### Awards Outstanding

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

(awards in millions)	RSU Awards		PSU Awards	
	Number of Awards	Weighted Average Grant Date Fair Value	Number of Awards	Weighted Average Grant Date Fair Value
Outstanding as of January 1, 2018	3.0	\$ 38.42	2.2	\$ 35.53
Adjustment for PSU performance factor	N/A	N/A	—	*42.70
Granted	1.0	50.55	0.8	53.21
Vested	(1.5)	38.48	(0.4)	40.67
Forfeited	(0.1)	42.37	(0.1)	41.25
Outstanding as of September 30, 2018	2.4	\$ 43.24	2.5	\$ 40.20

\* Less than 0.1.

(awards in millions)	Stock Options	
	Number of Awards	Weighted Average Exercise Price
Outstanding as of January 1, 2018	3.0	\$ 37.60
Granted	—	—
Exercised	(0.4)	37.60
Forfeited	—	*—
Outstanding as of September 30, 2018	2.6	\$ 37.60
Vested, exercisable, as of September 30, 2018	2.6	\$ 37.60

\* Less than 0.1.

### 8. Shareholders' Equity

#### Common Shares

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

(shares in millions)	Common Shares		
	Issued	Held in Treasury	Outstanding
Balance, January 1, 2017	268.0	73.4	194.6
Common shares issued	—	*—	—
Common shares acquired - share repurchase	—	24.4	(24.4)
Share-based compensation	2.0	0.2	1.8
Balance, December 31, 2017	270.0	98.0	172.0
Common shares issued	—	—	—

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

Common shares acquired - share repurchase	—	16.7	(16.7	)
Share-based compensation	2.3	0.5	1.8	
Balance, September 30, 2018	272.3	115.2	157.1	

\* Less than 0.1.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

### Share Repurchase Program

From time to time, the Company's Board of Directors authorizes the Company to repurchase shares of its common stock. These authorizations permit stock repurchases up to a prescribed dollar amount and generally may be accomplished through various means, including, without limitation, open market transactions, privately negotiated transactions, forward, derivative, or accelerated repurchase, or automatic repurchase transactions, including 10b5-1 plans, or tender offers. Share repurchase authorizations typically expire if unused by a prescribed date.

On February 1, 2018, the Board of Directors provided share repurchase authorization, increasing the aggregate amount of the Company's common stock authorized for repurchase by \$500. On October 25, 2018, the Board of Directors provided its most recent share repurchase authorization, increasing the the aggregate amount of the Company's common stock authorized for repurchase by \$500. The current share repurchase authorization expires on December 31, 2019 (unless extended), and does not obligate the Company to purchase any shares. The authorization for the share repurchase program may be terminated, increased or decreased by the Board of Directors at any time.

On December 26, 2017, the Company entered into a share repurchase arrangement with a third-party financial institution, pursuant to which the Company made an up-front payment of \$500 and received initial delivery of 7,821,666 shares during the fourth quarter of 2017. This arrangement closed on March 26, 2018 and an additional 1,947,413 shares were delivered.

Subsequent to September 30, 2018, the Company repurchased 1,996,659 shares through a 10b5-1 plan for an aggregate purchase price of \$94.

### Warrants

On May 7, 2013, the Company issued to ING Group warrants to purchase up to 26,050,846 shares of the Company's common stock equal in the aggregate to 9.99% of the issued and outstanding shares of common stock at that date. The current exercise price of the warrants is \$48.75 per share of common stock, subject to adjustments, including for stock dividends, cash dividends in excess of \$0.01 per share a quarter, subdivisions, combinations, reclassifications and non-cash distributions. The warrants also provide for, upon the occurrence of certain change of control events affecting the Company, an increase in the number of shares to which a warrant holder will be entitled upon payment of the aggregate exercise price of the warrant. The warrants became exercisable to ING Group and its affiliates on January 1, 2017 and to all other holders starting on the first anniversary of the completion of the IPO (May 7, 2014). The warrants expire on the tenth anniversary of the completion of the IPO (May 7, 2023). The warrants are net share settled, which means that no cash will be payable by a warrant holder in respect of the exercise price 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 as an addition and reduction to Additional-paid-in-capital. Warrant holders are not entitled to receive dividends. On March 12, 2018, ING Group sold its remaining interests in the warrants and no longer owns any warrants. As of September 30, 2018, no warrants have been exercised.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

### Preferred Stock

On September 12, 2018, the Company issued 325,000 shares of 6.125% Fixed-Rate Reset Non-Cumulative Preferred Stock, Series A, with a \$0.01 par value per share and a liquidation preference of \$1,000 per share, for aggregate net proceeds of \$319. The ability of the Company to declare or pay dividends on, or purchase, redeem or otherwise acquire, shares of its common stock will be subject to certain restrictions in the event that the Company does not declare and pay (or set aside) dividends on the Series A Preferred Stock for the last preceding dividend period.

The preferred stock is not subject to any mandatory redemption, sinking fund, retirement fund, purchase fund or similar provisions. The Company may, at its option, redeem the preferred stock, (a) in whole but not in part, at any time, within 90 days after the occurrence of a "rating agency event," at a redemption price equal to \$1,020 per share, plus an amount equal to any dividends per share of preferred stock that have accrued but not been declared and paid for the then-current dividend period to, but excluding, the redemption date or (b) (i) in whole but not in part, at any time within 90 days after the occurrence of a "regulatory capital event" or (ii) in whole or in part, from time to time, on September 15, 2023 or any subsequent "reset date," in each case, at a redemption price equal to \$1,000 per share of preferred stock, plus an amount equal to any dividends per share of preferred stock that have accrued but not been declared and paid for the then-current dividend period to, but excluding, such redemption date.

A "rating agency event" means that any nationally recognized statistical rating organization that then publishes a rating for the Company amends, clarifies or changes the criteria it uses to assign equity credit to securities like the preferred stock, which results in the lowering of the equity credit assigned to the preferred stock, as applicable, or shortens the length of time that the preferred stock is assigned a particular level of equity credit.

A "regulatory capital event" means that the Company becomes subject to capital adequacy supervision by a capital regulator and the capital adequacy guidelines that apply to the Company as a result of being so subject set forth criteria pursuant to which the preferred stock would not qualify as capital under such capital adequacy guidelines, as the Company may determine at any time, in its sole discretion.

As of September 30, 2018, there were no preferred stock dividends in arrears.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## 9. Earnings per Common Share

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions, except for per share data)	2018	2017	2018	2017
<b>Earnings</b>				
Net income (loss) available to common shareholders:				
Income (loss) from continuing operations	\$165	\$80	\$378	\$255
Less: Net income (loss) attributable to noncontrolling interest	23	65	81	118
Income (loss) from continuing operations available to common shareholders	142	15	297	137
Income (loss) from discontinued operations, net of tax	—	134	457	36
Net income (loss) available to common shareholders	\$142	\$149	\$754	\$173
Weighted average common shares outstanding				
Basic	159.6	179.8	166.3	185.7
Dilutive Effects:				
Warrants <sup>(1)</sup>	0.4	—	1.1	—
RSU awards	1.5	1.8	1.7	1.8
PSU awards	1.9	0.8	1.9	0.6
Stock Options <sup>(2)</sup>	0.6	—	0.7	—
Diluted	164.0	182.4	171.7	188.1
Basic				
Income (loss) from continuing operations available to Voya Financial, Inc.'s common shareholders	\$0.89	\$0.08	\$1.79	\$0.74
Income (loss) from discontinued operations, net of taxes available to Voya Financial, Inc.'s common shareholders	\$—	\$0.75	\$2.75	\$0.19
Income (loss) available to Voya Financial, Inc.'s common shareholders	\$0.89	\$0.83	\$4.54	\$0.93
Diluted				
Income (loss) from continuing operations available to Voya Financial, Inc.'s common shareholders	\$0.87	\$0.08	\$1.73	\$0.73
Income (loss) from discontinued operations, net of taxes available to Voya Financial, Inc.'s common shareholders	\$—	\$0.73	\$2.66	\$0.19
Income (loss) available to Voya Financial, Inc.'s common shareholders	\$0.87	\$0.81	\$4.39	\$0.92

<sup>(1)</sup> For the three and nine months ended September 30, 2017, weighted average shares used for calculating basic and diluted earnings per share excludes the dilutive impact of warrants, as the inclusion of this equity instrument would be antidilutive to the earnings per share calculation due to "out of the moneyness" in the periods presented. For more information on warrants, see the Shareholders' Equity Note to these Condensed Consolidated Financial Statements.

<sup>(2)</sup> For the three and nine months ended September 30, 2017, weighted average shares used for calculating basic and diluted earnings per share excludes the dilutive impact of stock options, as the inclusion of this equity instrument

would be antidilutive to the earnings per share calculation due to the average share price for the periods presented. For more information on stock options, see the Share-based Incentive Compensation Plans Note to these Condensed Consolidated Financial Statements.



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

#### 10. Accumulated Other Comprehensive Income (Loss)

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

	September 30,	
	2018	2017
Fixed maturities, net of OTTI	\$1,486	\$5,171
Equity securities	—	36
Derivatives	142	162
DAC/VOBA adjustment on available-for-sale securities	(482 )	(1,450 )
Premium deficiency reserve	(109 )	—
Sales inducements and other intangibles adjustment on available-for-sale securities	(82 )	(264 )
Other	—	(31 )
Unrealized capital gains (losses), before tax	955	3,624
Deferred income tax asset (liability)	(186 )	(910 )
Net unrealized capital gains (losses)	769	2,714
Pension and other postretirement benefits liability, net of tax	8	17
AOCI	\$777	\$2,731

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

	Three Months Ended September 30, 2018		
	Before-Tax Amount	Income Tax	After-Tax Amount
Available-for-sale securities:			
Fixed maturities	\$ (309)	\$ 66	\$ (243 )
Equity securities	— <sup>(1)</sup>	—	—
Other	—	—	—
OTTI	—	—	—
Adjustments for amounts recognized in Net realized capital gains (losses) in the Condensed Consolidated Statements of Operations	(9 )	—	(9 )
DAC/VOBA	88	(19 )	69
Premium deficiency reserve	19	(4 )	15
Sales inducements	6	(1 )	5
Change in unrealized gains/losses on available-for-sale securities	(205 )	42	(163 )
Derivatives:			
Derivatives	5	(2) (5 )	—
Adjustments related to effective cash flow hedges for amounts recognized in Net investment income in the Condensed Consolidated Statements of Operations	(6 )	5	(1 )
Change in unrealized gains/losses on derivatives	(1 )	—	(1 )
Pension and other postretirement benefits liability:			
Amortization of prior service cost recognized in Operating expenses in the Condensed Consolidated Statements of Operations	(4 )	2	(2 )
Change in pension and other postretirement benefits liability	(4 )	2	(2 )
Change in Accumulated other comprehensive income (loss)	\$ (210)	\$ 44	\$ (166 )

<sup>(1)</sup> Balance reclassified to Retained earnings due to adoption of ASU 2016-01.

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

	Nine Months Ended September 30, 2018		
	Before-Tax Amount	Income Tax	After-Tax Amount
Available-for-sale securities:			
Fixed maturities	\$(3,933)	\$ 986	\$(2,947 )
Equity securities	—	(1)	—
Other	18	(8 )	10
OTTI	30	(9 )	21
Adjustments for amounts recognized in Net realized capital gains (losses) in the Condensed Consolidated Statements of Operations	38	(10 )	28
DAC/VOBA	989	(2)	(234 ) 755
Premium deficiency reserve	81	(17 )	64
Sales inducements	196	(55 )	141
Change in unrealized gains/losses on available-for-sale securities	(2,581 )	653	(1,928 )
Derivatives:			
Derivatives	34	(3)	(14 ) 20
Adjustments related to effective cash flow hedges for amounts recognized in Net investment income in the Condensed Consolidated Statements of Operations	(19 )	8	(11 )
Change in unrealized gains/losses on derivatives	15	(6 )	9
Pension and other postretirement benefits liability:			
Amortization of prior service cost recognized in Operating expenses in the Condensed Consolidated Statements of Operations	(10 )	3	(7 )
Change in pension and other postretirement benefits liability	(10 )	3	(7 )
Change in Accumulated other comprehensive income (loss)	\$(2,576)	\$ 650	\$(1,926 )

(1) Balance reclassified to Retained earnings due to adoption of ASU 2016-01.

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

(3) See the Derivative Financial Instruments Note to these Condensed Consolidated Financial Statements for additional information.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

	Three Months Ended September 30, 2017		
	Before-Tax Amount	Income Tax Amount	After-Tax Amount
Available-for-sale securities:			
Fixed maturities	\$307	\$(108)	\$ 199
Equity securities	—	—	—
Other	—	—	—
OTTI	2	(1)	1
Adjustments for amounts recognized in Net realized capital gains (losses) in the Condensed Consolidated Statements of Operations	(13 )	5	(8 )
DAC/VOBA	(61 )	21	(40 )
Premium deficiency reserve	—	—	—
Sales inducements	(4 )	1	(3 )
Change in unrealized gains/losses on available-for-sale securities	231	(82 )	149
Derivatives:			
Derivatives	(26 ) <sup>(1)</sup>	9	(17 )
Adjustments related to effective cash flow hedges for amounts recognized in Net investment income in the Condensed Consolidated Statements of Operations	(7 )	3	(4 )
Change in unrealized gains/losses on derivatives	(33 )	12	(21 )
Pension and other postretirement benefits liability:			
Amortization of prior service cost recognized in Operating expenses in the Condensed Consolidated Statements of Operations	(5 )	2	(3 )
Change in pension and other postretirement benefits liability	(5 )	2	(3 )
Change in Accumulated other comprehensive income (loss)	\$193	\$(68 )	\$ 125

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

	Nine Months Ended September 30, 2017		
	Before-Tax Amount	Income Tax	After-Tax Amount
Available-for-sale securities:			
Fixed maturities	\$1,737	\$(607)	\$ 1,130
Equity securities	3	(1)	2
Other	—	—	—
OTTI	14	(5)	9
Adjustments for amounts recognized in Net realized capital gains (losses) in the Condensed Consolidated Statements of Operations	7	(2)	5
DAC/VOBA	(367)	(128) <sup>(1)</sup>	(239)
Premium deficiency reserve	54	(19)	35
Sales inducements	(95)	33	(62)
Change in unrealized gains/losses on available-for-sale securities	1,353	(473)	880
Derivatives:			
Derivatives	(77)	(27) <sup>(2)</sup>	(50)
Adjustments related to effective cash flow hedges for amounts recognized in Net investment income in the Condensed Consolidated Statements of Operations	(19)	7	(12)
Change in unrealized gains/losses on derivatives	(96)	34	(62)
Pension and other postretirement benefits liability:			
Amortization of prior service cost recognized in Operating expenses in the Condensed Consolidated Statements of Operations	(12)	4	(8)
Change in pension and other postretirement benefits liability	(12)	4	(8)
Change in Accumulated other comprehensive income (loss)	\$1,245	\$(435)	\$ 810

(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.

## 11. Income Taxes

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act ("Tax Reform"). Tax Reform makes broad changes to U.S. federal tax law, including, but not limited to (1) reducing the U.S. federal corporate tax rate from 35% to 21%; (2) changing the computations of the dividends received deduction, tax reserves, and deferred acquisition costs; (3) further limiting deductibility of executive compensation; (4) eliminating the net operating loss ("NOL") carryback and limiting the NOL carryforward deduction to 80% of taxable income for losses arising in taxable years beginning after December 31, 2017; and (5) changing how alternative minimum tax ("AMT") credits can be realized. Tax Reform eliminated the corporate AMT and allows the credit carryforward to be refunded over the next 4 years. The refund, however, is subject to reduction based on a sequestration rate of 6.6%, set pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

The SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118") to address situations where a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting under ASC Topic 740 for certain income tax effects of Tax Reform for the reporting period of enactment. SAB 118 allows the Company to provide a provisional estimate of the impacts of Tax Reform during a measurement period similar to the measurement

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

period used when accounting for business combinations. Adjustments to provisional estimate and additional impacts from Tax Reform must be recorded as they are identified during the measurement period as provided for in SAB 118.

In 2017 in reliance on SAB 118, the Company provisionally remeasured its deferred tax assets and liabilities based on the 21% tax rate at which they are expected to reverse in the future. Prior to the current quarter, the Company recorded a provisional estimate related to the calculation of tax reserves, AMT sequestration, and the deductibility of executive compensation. During the current quarter, the Company recorded a final adjustment of \$21 to the provisional estimate related to AMT sequestration and the deductibility of executive compensation. The Company continues to analyze the effects of Tax Reform and will record adjustments and additional impacts from Tax Reform as they are identified during the measurement period as provided for in SAB 118.

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

The Company's effective tax rate for the three and nine months ended September 30, 2018 was 11.3% and 15.6%, respectively. The effective tax rates for these periods differed from the statutory rate of 21% primarily due to the effect of the dividends received deduction ("DRD"), noncontrolling interest, nondeductible executive compensation, the valuation allowance, and AMT sequestration (sequestration applies only to the nine months ended September 30, 2018).

The Company's effective tax rate for the three and nine months ended September 30, 2017 was (100.0)% and 17.3%, respectively. The effective tax rates for these periods differed from the statutory rate of 35% primarily due to the effect of the DRD, noncontrolling interest, and the valuation allowance.

#### Tax Regulatory Matters

During 2018, the Internal Revenue Service ("IRS") completed its examination of the Company's returns through tax year 2016. The audit settlements 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 the tax year 2017 will be finalized within the next twelve months. The Company and the IRS have agreed to participate in the Compliance Assurance Process for the tax years 2017 and 2018.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## 12. Financing Agreements

### Short-term Debt

As of September 30, 2018 and December 31, 2017, the Company had \$1 and \$337, respectively, of short-term debt borrowings outstanding consisting entirely of the current portion of long-term debt.

### 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, 2018 and December 31, 2017:

	Maturity	September 30, December 31,	
		2018	2017
7.25% Voya Holdings Inc. debentures, due 2023 <sup>(1)</sup>	08/15/2023	\$ 144	\$ 143
7.63% Voya Holdings Inc. debentures, due 2026 <sup>(1)</sup>	08/15/2026	176	186
8.42% Equitable of Iowa Companies Capital Trust II Notes, due 2027	04/01/2027	14	14
6.97% Voya Holdings Inc. debentures, due 2036 <sup>(1)</sup>	08/15/2036	94	94
1.00% Windsor Property Loan	06/14/2027	5	5
5.5% Senior Notes, due 2022	07/15/2022	361	361
2.9% Senior Notes, due 2018	02/15/2018	—	337
5.65% Fixed-to-Floating Rate Junior Subordinated Notes, due 2053	05/15/2053	739	738
5.7% Senior Notes, due 2043	07/15/2043	395	395
3.65% Senior Notes, due 2026	06/15/2026	495	495
4.8% Senior Notes, due 2046	06/15/2046	297	296
3.125% Senior Notes, due 2024	07/15/2024	396	396
4.7% Fixed-to-Floating Rate Junior Subordinated Notes, due 2048	01/23/2048	344	—
Subtotal		3,460	3,460
Less: Current portion of long-term debt		1	337
Total		\$ 3,459	\$ 3,123

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

### Loss on Debt Extinguishment

The Company did not incur any loss on debt extinguishment for the three months ended September 30, 2018 and incurred a loss on debt extinguishment of \$3 for the three months ended September 30, 2017. The Company incurred a loss on debt extinguishment of \$3 and \$4 for the nine months ended September 30, 2018 and 2017, respectively, which was recorded in Interest Expense in the Condensed Consolidated Statement of Operations.

### Tender Offers

On September 4, 2018, the Company commenced two cash tender offers (the "Tender Offers") to purchase four series of debentures and notes of Voya Holdings and Voya Financial, Inc.



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

On October 1, 2018, the Tender Offers expired and \$5, \$38, and \$15 aggregate principal amounts of the 7.25% Debentures due August 15, 2023, 7.63% Debentures due August 15, 2026, and 6.97% Debentures due August 15, 2036, respectively, were validly tendered. Payments for the tendered notes were made on October 3, 2018.

On October 1, 2018, as a result of the Tender Offers described above, \$141 aggregate principal amount of the 2022 Notes was validly tendered. Payment for the tendered notes was made on October 3, 2018.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

On October 4, 2018, the Company delivered to the holders of its 2022 Notes a notice of redemption (the "Notice"), notifying those noteholders that the Company has elected to redeem \$125 in aggregate principal amount of the outstanding 2022 Notes, in accordance with the terms of the Indenture and the 2022 Notes (the "Redemption"). Following payment of the Redemption Amount, it is expected that \$97 aggregate principal amount of the 2022 Notes will remain outstanding.

In connection with these transactions, the Company will incur a loss on debt extinguishment of approximately \$37 in the fourth quarter of 2018, which will be recorded in Interest Expense in the Consolidated Statements of Operations.

#### Junior Subordinated Notes

On January 23, 2018, Voya Financial, Inc. completed an offering, through a private placement, of \$350 aggregate principal amount of 4.7% Fixed-to-Floating Rate Junior Subordinated Notes due 2048 (the "2048 Notes"). The 2048 Notes are guaranteed on an unsecured, junior subordinated basis by Voya Holdings. The Company used the net proceeds from the offering to repay at maturity its 2018 Notes and to pay accrued interest thereon. The remaining proceeds after the repayment of the 2018 Notes were used for general corporate purposes.

Interest is paid on the 2048 Notes semi-annually, in arrears, on each January 23 and July 23, at a fixed rate of 4.7% until January 23, 2028. From January 23, 2028, the 2048 Notes bear interest at an annual rate equal to three-month LIBOR plus 2.084% payable quarterly, in arrears, on January 23, April 23, July 23 and October 23. So long as no event of default with respect to the 2048 Notes has occurred and is continuing, the Company have the right on one or more occasions, to defer the payment of interest on the 2048 Notes for one or more consecutive interest periods for up to five years. During the deferral period, interest will continue to accrue at the then-applicable rate and deferred interest will bear additional interest at the then-applicable rate.

At any time following notice of the Company's plan to defer interest and during the period interest is deferred, the Company and its subsidiaries generally, with certain exceptions, may not make payments on or redeem or purchase any shares of the Company's common stock or any of the debt securities or guarantees that rank in liquidation on a parity with or are junior to the 2048 Notes.

The Company may elect to redeem the 2048 Notes (i) in whole at any time or in part on or after January 23, 2028 at a redemption price equal to the principal amount plus accrued and unpaid interest. If the notes are not redeemed in whole, \$25 of aggregate principal (excluding the principal amount of the 2048 Notes held by the Company, or its affiliates) must remain outstanding after giving effect to the redemption; or (ii) in whole, but not in part, at any time prior to January 23, 2028 within 90 days after the occurrence of a "tax event", a "rating agency event" or a "regulatory capital event," as defined in the 2048 Notes offering memorandum, at a redemption price equal to (a) with respect to a "rating agency event" 102% of their principal amount and (ii) with respect to a "tax event" or a "regulatory capital event," their principal amount, in each case plus accrued and unpaid interest.

Pursuant to its obligations under a registration rights agreement that the Company has entered into with respect to the 2048 Notes, the Company has filed a registration statement with respect to the 2048 Notes on October 25, 2018 which has not yet been declared effective.

Aetna Notes

During the nine months ended September 30, 2018, the Company withdrew \$7 of collateral from a control account benefiting ING Group with a third-party collateral agent, thereby decreasing the remaining collateral balance to \$225. The collateral may be exchanged at any time upon the posting of any other form of acceptable collateral to the account.

Senior Unsecured Credit Facility Agreement

The Company has a senior unsecured credit facility, with a revolving credit sublimit of \$750 and a total LOC capacity of \$1.0 billion following the closing of the Transaction. The facility expires on May 6, 2021.

On January 24, 2018, the Company further amended the Second Amended and Restated Revolving Credit Agreement ("Second Amended and Restated Credit Agreement"), dated as of May 6, 2016, by entering into a Second Amendment to the Second Amended and Restated Revolving Credit Agreement ("Second Amendment") with the lenders thereunder. The Second Amendment modifies

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

the Second Amended and Restated Credit Agreement by requiring the Company to maintain a minimum net worth in light of the classification of substantially all of its CBVA and Annuities businesses as discontinued operations. Upon entering into the MTA for the Transaction, the Company recorded an estimated loss on sale in the fourth quarter of 2017. Consequently, Voya Financial, Inc. is now required to maintain a minimum net worth equal to the greater of (i) \$6 billion or (ii) 75% of the Company's actual net worth as of December 31, 2017 (as calculated in the manner set forth in the Second Amended Credit Agreement). The minimum net worth amount may increase upon any future equity issuances by the Company. In accordance with the Second Amendment, upon the closing of the MTA, the total amount of LOCs that may be issued was reduced from \$2.25 billion to \$1.0 billion. The \$750 sublimit available for direct borrowings remains unchanged.

As of September 30, 2018, there were no amounts outstanding as revolving credit borrowings and no amounts of LOCs outstanding under the senior unsecured credit facility.

#### Other Credit Facilities

Effective January 18, 2018, a \$500 financing arrangement between Langhorne I, LLC ("Langhorne I"), Voya Financial, Inc. and a third party was cancelled.

Effective January 24, 2018, Security Life of Denver International Limited ("SLDI") and Voya Financial, Inc. entered into an amendment to renew a \$175 letter of credit facility agreement with a third party bank increasing the commitment to \$195 and extending the expiration date of the facility from January 24, 2018 to January 24, 2021.

Effective April 27, 2018, Voya Financial, Inc. entered into a \$156 letter of credit facility agreement with a third-party bank.

Effective May 2, 2018, a \$167 letter of credit facility between Voya Financial, Inc. and a third party bank was cancelled.

### 13. 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, 2018, the Company had off-balance sheet commitments to acquire mortgage loans of \$106 and purchase limited partnerships and private placement investments of \$1,287, of which \$403 related to consolidated investment entities.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

### 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, December 31,	
	2018	2017
Fixed maturity collateral pledged to FHLB <sup>(1)</sup>	\$ 1,364	\$ 602
FHLB restricted stock <sup>(2)</sup>	74	67
Other fixed maturities-state deposits	161	175
Cash and cash equivalents	13	13
Securities pledged <sup>(3)</sup>	2,063	2,087
Total restricted assets	\$ 3,675	\$ 2,944

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

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

<sup>(3)</sup> Includes the fair value of loaned securities of \$1,809 and \$1,854 as of September 30, 2018 and December 31, 2017, respectively. In addition, as of September 30, 2018 and December 31, 2017, the Company delivered securities as collateral of \$254 and \$233, respectively. Loaned securities and securities delivered as collateral are included in Securities pledged on the Condensed Consolidated Balance Sheets.

### Federal Home Loan Bank Funding Agreements

The Company is a member of the FHLB of Des Moines, FHLB of Boston and the FHLB of Topeka and is required to pledge collateral to back funding agreements issued to the FHLB. As of September 30, 2018 and December 31, 2017, the Company had \$1,178 and \$501, respectively, in non-puttable funding agreements, which are included in Contract owner account balances on the Condensed Consolidated Balance Sheets. As of September 30, 2018 and December 31, 2017, assets with a market value of approximately \$1,364 and \$602, respectively, collateralized the FHLB funding agreements. Assets pledged to the FHLB are included in Fixed maturities, available-for-sale, at fair value on the Condensed Consolidated Balance Sheets.

### Litigation, Regulatory Matters and Loss Contingencies

Litigation, regulatory and other loss contingencies arise in connection with the Company's activities as a diversified financial services firm. The Company is a defendant in a number of litigation matters arising from the conduct of its business, both in the ordinary course and otherwise. In some of these matters, claimants seek to recover very large or indeterminate amounts, including compensatory, punitive, treble and exemplary damages. Modern pleading practice in the U.S. permits considerable variation in the assertion of monetary damages and other relief. Claimants are not always required to specify the monetary damages they seek or they may be required only to state an amount sufficient to meet a court's jurisdictional requirements. Moreover, some jurisdictions allow claimants to allege monetary damages that far exceed any reasonably possible verdict. The variability in pleading requirements and past experience demonstrates that the monetary and other relief that may be requested in a lawsuit or claim often bears little relevance to the merits or potential value of a claim. Litigation against the Company includes a variety of claims including

negligence, breach of contract, fraud, violation of regulation or statute, breach of fiduciary duty, negligent misrepresentation, failure to supervise, elder abuse and other torts.

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

The outcome of a litigation or regulatory matter is difficult to predict and the amount or range of potential losses associated with these or other loss contingencies requires significant management judgment. It is not possible to predict the ultimate outcome or to provide reasonably possible losses or ranges of losses for all pending regulatory matters, litigation and other loss contingencies.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

While it is possible that an adverse outcome in certain cases could have a material adverse effect upon the Company's financial position, based on information currently known, management believes that neither the outcome of pending litigation and regulatory matters, nor potential liabilities associated with other loss contingencies, are likely to have such an effect. However, given the large and indeterminate amounts sought in certain litigation and the inherent unpredictability of all such matters, it is possible that an adverse outcome in certain of the Company's litigation or regulatory matters, or liabilities arising from other loss contingencies, could, from time to time, have a material adverse effect upon the Company's results of operations or cash flows in a particular quarterly or annual period.

For some matters, the Company is able to estimate a possible range of loss. For such matters in which a loss is probable, an accrual has been made. For matters where the Company, however, believes a loss is reasonably possible, but not probable, no accrual is required. For matters for which an accrual has been made, but there remains a reasonably possible range of loss in excess of the amounts accrued or for matters where no accrual is required, the Company develops an estimate of the unaccrued amounts of the reasonably possible range of losses. As of September 30, 2018, 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 \$50.

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

Litigation includes *Dezellan v. Voya Retirement Insurance and Annuity Company* (USDC District of Connecticut, No. 3:16-cv-1251) (filed July 26, 2016), a putative class action in which plaintiff, a participant in a 403(b) Plan, seeks to represent a class of plans whose assets are invested in Voya Retirement Insurance and Annuity Company ("VRIAC") "Group Annuity Contract Stable Value Funds." Plaintiff alleges that VRIAC has violated the Employee Retirement Income Security Act of 1974 ("ERISA") by charging unreasonable fees and setting its own compensation in connection with stable value products. Plaintiff seeks declaratory and injunctive relief, disgorgement of profits, damages and attorney's fees. The Company denies the allegations, which it believes are without merit, and intends to defend the case vigorously. On July 19, 2017, the district court granted the Company's motion to dismiss, but permitted the plaintiff to file an amended complaint. Plaintiff subsequently filed a first amended complaint, and the district court denied the amended complaint with prejudice on August 17, 2018. Plaintiff filed a notice of appeal to the U.S Court of Appeals for the Second Circuit on September 13, 2018.

Litigation also includes *Goetz v. Voya Financial and Voya Retirement Insurance and Annuity Company* (USDC District of Delaware, No. 1:17-cv-1289) (filed September 8, 2017), a putative class action in which plaintiff, a participant in a 401(k) plan, seeks to represent other participants in the plan as well as a class of similarly situated plans that "contract with [Voya] for recordkeeping and other services." Plaintiff alleges that "Voya" breached its fiduciary duty to the plan and other plan participants by charging unreasonable and excessive recordkeeping fees, and that "Voya" distributed materially false and misleading 404a-5 administrative and fund fee disclosures to conceal its excessive fees. The Company denies the allegations, which it believes are without merit, and intends to defend the case vigorously. Plaintiff filed an amended complaint on January 4, 2018, and the Company filed a motion to dismiss

the amended complaint on February 8, 2018.

Litigation also includes *Henkel of America v. ReliaStar Life Insurance Company* (USDC District of Connecticut, No. 1:18-cv-00965) (filed June 8, 2018). Plaintiff alleges that ReliaStar breached the terms of a stop loss policy it issued to Plaintiff by refusing to reimburse Plaintiff for more than \$47 in claims incurred by participants in prior years and submitted for coverage under the stop loss policy. Plaintiff alleges a breach of contract claim or, in the alternative, that the stop loss policy be declared to cover the submitted claims, and also asserts that ReliaStar engaged in unfair trade practices and unfair insurance practices in violation of state statutes, and did so willfully and intentionally to warrant an award of punitive damages under state law. The Company denies the allegations, which it believes are without merit, and intends to defend the case vigorously. The Company filed its answer with affirmative defenses on July 5, 2018, and its response to Plaintiff's motion for judgment on the pleadings on September 6, 2018.

Finally, industry wide, life insurers continue to be exposed to class action litigation related to the cost of insurance rates and periodic deductions from cash value. Common allegations include that insurance companies have breached the terms of their universal life



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

insurance policies by establishing or increasing the cost of insurance rates using cost factors not permitted by the contract, thereby unjustly enriching themselves. This litigation is generally known as cost of insurance litigation.

Cost of insurance litigation for the Company includes *Cutler v. Voya Financial, Inc. and ReliaStar Life Insurance Company* (USDC S.D. Florida, No. 1:18-cv-20723) (filed February 23, 2018), in which the plaintiff alleges that his insurance policy only permitted the Company to rely upon his expected future mortality experience to establish and increase his cost of insurance, but the Company instead relied upon other, non-disclosed factors to do so. Plaintiff alleges breach of contract, unjust enrichment, conversion and fraud claims against the Company. The Company denies the allegations in the complaint, believes the complaint to be without merit, and intends to defend the matter vigorously. On April 16, 2018, the Company filed a motion to dismiss the Cutler complaint in its entirety against Voya Financial and partially against ReliaStar. On August 23, 2018, the Magistrate Judge issued a report recommending the dismissal of all claims against Voya Financial and the unjust enrichment and conversion claims against ReliaStar, to which Plaintiff has filed objections.

Cost of insurance litigation also includes *Barnes v. Security Life of Denver* (USDC District of Colorado, No. 1:18-cv-00718) (filed March 27, 2018), a putative class action in which the plaintiff alleges that his insurance policy only permitted the Company to rely upon his expected future mortality experience to establish and increase his cost of insurance, but the Company instead relied upon other, non-disclosed factors to do so. Plaintiff alleges breach of contract and conversion claims against the Company and also seeks declaratory relief. The Company denies the allegations in the complaint, believes the complaint to be without merit, and intends to defend the matter vigorously. On May 15, 2018, the Company moved to dismiss the conversion claim from the complaint. Plaintiff has opposed the motion.

Cost of insurance litigation for the Company includes *Advance Trust & Life Escrow Services, LTA v. Security Life of Denver* (USDC District of Colorado, No. 1:18-cv-01897) (filed July 26, 2018), a putative class action in which Plaintiff alleges that two specific types of universal life insurance policies only permitted the Company to rely upon the policyholder's expected future mortality experience to establish and increase the cost of insurance, but the Company instead relied upon other, non-disclosed factors not only in the administration of the policies over time, but also in the decision to increase insurance costs beginning in approximately October 2015. Plaintiff alleges a breach of contract and seeks class certification. The Company denies the allegations in the complaint, believes the complaint to be without merit, and intends to defend the lawsuit vigorously. On August 28, 2018, the Company filed its answer to the complaint with affirmative defenses.

Subsequent to the close of the third quarter, the Company received *Advance Trust & Life Escrow Services, LTA v. ReliaStar Life Insurance Company* (USDC District of Minnesota, No. 1:18-cv-02863) (filed October 5, 2018), a putative class action in which Plaintiff alleges that the Company's universal life insurance policies only permitted the Company to rely upon the policyholders' expected future mortality experience to establish the cost of insurance, and that as projected mortality experience improved, the policy language required the Company to decrease the cost of insurance. Plaintiff alleges that the Company did not decrease the cost of insurance as required, thereby breaching its contract with the policyholders, and seeks class certification. The Company denies the allegations in the complaint, believes the complaint to be without merit, and will defend the lawsuit vigorously.

Contingencies related to Performance-based Capital Allocations on Private Equity Funds

Certain performance-based capital allocations related to sponsored private equity funds ("carried interest") are not final until the conclusion of an investment term specified in the relevant asset management contract. As a result, such carried interest, if accrued or paid to the Company during such term, is subject to later adjustment based on subsequent fund performance. If the fund's cumulative investment return falls below specified investment return hurdles, some or all of the previously accrued carried interest is reversed to the extent that the Company is no longer entitled to the performance-based capital allocation. Should the fund's cumulative investment return subsequently increase above specified investment return hurdles in future periods, previous reversals could be fully or partially recovered.

As of September 30, 2018, approximately \$76 of previously accrued carried interest would be subject to full or partial reversal in future periods if cumulative fund performance hurdles are not maintained throughout the remaining life of the affected funds.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

#### 14. Consolidated Investment Entities

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

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

The Company has no right to the benefits from, nor does it bear the risks associated with consolidated investment entities beyond the Company's direct equity and debt investments in and management fees generated from these entities. Such direct investments amounted to approximately \$360 and \$442 as of September 30, 2018 and December 31, 2017, respectively. If the Company were to liquidate, the assets held by consolidated investment entities would not be available to the general creditors of the Company as a result of the liquidation.

Consolidated VIEs and VOEs

Collateral Loan Obligations Entities ("CLOs")

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

In return for providing collateral management services, the Company earns investment management fees and contingent performance fees. In addition to earning fee income, the Company often holds an investment in certain of the CLOs it manages, generally within the unrated and most subordinated tranche of each CLO. The fee income earned and investments held are included in the Company's ongoing consolidation assessment for each CLO. The Company was the primary beneficiary of 2 and 4 CLOs as of September 30, 2018 and December 31, 2017, respectively.

Limited Partnerships

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

In return for serving as the general partner of and providing investment management services to these entities, the Company earns management fees and carried interest in the normal course of business. Additionally, the Company often holds an investment in each limited partnership it manages, generally in the form of general partner and limited partner interests. The fee income, carried interest, and investments held are included in the Company's ongoing

consolidation analysis for each limited partnership. The Company consolidated 12 and 14 funds, which were structured as partnerships, as of September 30, 2018 and December 31, 2017, respectively.

#### Registered Investment Companies

The Company consolidated one sponsored investment fund accounted for as a VOE as of September 30, 2018 and December 31, 2017 because it is the majority investor in the fund, and as such, has a controlling financial interest in the fund.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

	September 30, December 31,	
	2018	2017
<b>Assets of Consolidated Investment Entities</b>		
<b>VIEs</b>		
Cash and cash equivalents	\$ 96	\$ 216
Corporate loans, at fair value using the fair value option	532	1,089
Limited partnerships/corporations, at fair value	1,490	1,714
Other assets	9	75
Total VIE assets	2,127	3,094
<b>VOEs</b>		
Cash and cash equivalents	—	1
Limited partnerships/corporations, at fair value	95	81
Other assets	1	—
Total VOE assets	96	82
Total assets of consolidated investment entities	\$ 2,223	\$ 3,176
<b>Liabilities of Consolidated Investment Entities</b>		
<b>VIEs</b>		
CLO notes, at fair value using the fair value option	\$ 502	\$ 1,047
Other liabilities	679	649
Total VIE liabilities	1,181	1,696
<b>VOEs</b>		
Other liabilities	6	9
Total VOE liabilities	6	9
Total liabilities of consolidated investment entities	\$ 1,187	\$ 1,705

#### Fair Value Measurement

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

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

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

As discussed in more detail below, the Company utilizes valuations obtained from third-party commercial pricing services, brokers and investment sponsors or third-party administrators that supply NAV (or its equivalent) per share used as a practical expedient. The valuations obtained from brokers and third-party commercial pricing services are non-binding. These valuations are reviewed on a monthly or quarterly basis depending on the entity and its underlying investments. Procedures include, but are not limited to,

84

---

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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.

#### CLOs

Corporate loans: Corporate loan investments, which comprise the majority of consolidated CLO portfolio collateral, are senior secured corporate loans maturing at various dates between 2018 and 2026, paying interest at LIBOR, EURIBOR or PRIME plus a spread of up to 10.5%. As of September 30, 2018 and December 31, 2017, the unpaid principal balance exceeded the fair value of the corporate loans by approximately \$7 and \$17, respectively. Less than 1.0% of the collateral assets were in default as of September 30, 2018 and December 31, 2017.

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 0.7% for the more senior tranches to 5.4% for the more subordinated tranches. CLO notes mature in 2026 and have a weighted average maturity of 7.8 years as of September 30, 2018. 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 are measured based on the fair value of the CLO's corporate loans, as the Company uses the measurement alternative available under ASU 2014-13 and determined that the inputs for measuring financial assets are more observable. The CLO notes are classified within Level 2 of the fair value hierarchy, consistent with

the classification of the majority of the CLO financial assets.

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

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.



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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 (decrease).

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

#### Private Equity Funds

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

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

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

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

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

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

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

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

As of September 30, 2018 and December 31, 2017, certain private equity funds maintained term loans and revolving lines of credit of \$875 and \$688, respectively. The term loans renew every three years and the revolving lines of credit

renew annually; all loans bear interest at LIBOR/EURIBOR plus 150 - 155 bps. The lines of credit are used for funding transactions before capital is called from investors, as well as for the financing of certain purchases. As of September 30, 2018 and December 31, 2017, outstanding borrowings amount to \$573 and \$505, respectively.

On February 1, 2018, Pomona Investment Fund entered into a three-year revolving credit agreement with Credit Suisse. The size of the facility is \$15; the loan bears interest at LIBOR plus 325 bps and has a commitment fee of 160 bps. There was no outstanding borrowing as of September 30, 2018.

The borrowings are reflected in Liabilities related to consolidated investment entities - other liabilities on the Company's Condensed Consolidated Balance Sheets. The borrowings are carried at an amount equal to the unpaid principal balance.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The following table summarizes the fair value hierarchy levels of consolidated investment entities as of September 30, 2018:

	Level 1	Level 2	Level 3	NAV	Total
Assets					
VIEs					
Cash and cash equivalents	\$ 96	\$—	\$ —	—	\$96
Corporate loans, at fair value using the fair value option	—	532	—	—	532
Limited partnerships/corporations, at fair value	—	—	—	1,490	1,490
VOEs					
Limited partnerships/corporations, at fair value	—	—	—	95	95
Total assets, at fair value	\$ 96	\$532	\$ —	—\$1,585	\$2,213
Liabilities					
VIEs					
CLO notes, at fair value using the fair value option	\$ —	\$502	\$ —	—	\$502
Total liabilities, at fair value	\$ —	\$502	\$ —	—	\$502

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

	Level 1	Level 2	Level 3	NAV	Total
Assets					
VIEs					
Cash and cash equivalents	\$216	\$—	\$ —	—	\$216
Corporate loans, at fair value using the fair value option	—	1,089	—	—	1,089
Limited partnerships/corporations, at fair value	—	—	—	1,714	1,714
VOEs					
Cash and cash equivalents	1	—	—	—	1
Limited partnerships/corporations, at fair value	—	—	—	81	81
Total assets, at fair value	\$217	\$1,089	\$ —	—\$1,795	\$3,101
Liabilities					
VIEs					
CLO notes, at fair value using the fair value option	\$—	\$1,047	\$ —	—	\$1,047
Total liabilities, at fair value	\$—	\$1,047	\$ —	—	\$1,047

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 and nine months ended September 30, 2018 and 2017, 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)

#### Deconsolidation of Certain Investment Entities

During the nine months ended September 30, 2018, the Company determined it was no longer the primary beneficiary of three consolidated CLOs due to a reduction in the Company's investment in the CLO. This caused a reduction in the Company's obligation to absorb losses and right to receive benefits of the CLO that could potentially be significant to the CLO. As a result of this determination, the Company deconsolidated three investment entities during the nine months ended September 30, 2018. The Company had no deconsolidations during the three months ended September 30, 2018. The Company deconsolidated one and three investment entities, respectively, during the three and nine months ended September 30, 2017.

#### Nonconsolidated VIEs

##### CLOs

In addition to the consolidated CLOs, the Company also holds variable interest in certain CLOs that are not consolidated as it has been determined that the Company is not the primary beneficiary. With these CLOs, 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 CLOs 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, 2018 and December 31, 2017, the Company held \$548 and \$321 ownership interests, respectively, in unconsolidated CLOs.

##### Limited Partnerships

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

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

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

## Variable Interests on the Condensed Consolidated Balance Sheet

	September 30, 2018		December 31, 2017	
	Carrying Amount	Maximum exposure to loss	Carrying Amount	Maximum exposure to loss
Fixed maturities, available for sale	\$545	\$ 545	\$321	\$ 321
Limited partnership/corporations	1,123	1,123	784	784

## 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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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 does not consolidate any of the RMBS, CMBS and ABS entities in which it holds investments. These investments are accounted for as investments available-for-sale as described in the Fair Value Measurements (excluding Consolidated Investment Entities) Note to these Condensed Consolidated Financial Statements and unrealized capital gains (losses) on these securities are recorded directly in AOCI, except for certain RMBS which are accounted for under the FVO whose change in fair value is reflected in Other net realized gains (losses) in the Condensed Consolidated Statements of Operations. The Company's maximum exposure to loss on these structured investments is limited to the amount of its investment. Refer to the Investments (excluding Consolidated Investment Entities) Note to these Condensed Consolidated Financial Statements for details regarding the carrying amounts and classifications of these assets.

## 15. Restructuring

### 2016 Restructuring

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

On July 31, 2017, the Company executed a variable 5-year information technology services agreement with a third-party service provider at an expected annualized cost of \$70 - \$90 per year, with a total cumulative 5-year cost of approximately \$400, subject to potential reduction as a result of the Organizational Restructuring program discussed below. This initiative, which is a component of the Company's 2016 Restructuring program, improves expense efficiency and upgrades the Company's technology capabilities. Entry into this agreement resulted in severance, asset write-off, transition and other implementation costs, the majority of which have been incurred to-date. The Company expects to incur approximately \$10 to \$20 of additional restructuring costs, primarily consisting of transition costs, upon completion of the program. In addition to the restructuring expenses, the reduction in employees from the execution of the contract caused the aggregate reduction in employees under the Company's 2016 Restructuring program to trigger an immaterial curtailment and related remeasurement during the three months ended September 30, 2017 of the Company's qualified defined benefit pension plan and active non-qualified defined benefit plan.

Exclusive of the initiative described above, the expected completion date for all 2016 Restructuring initiatives is the end of 2018. As the Company finalizes these initiatives, it may incur restructuring expenses in addition to those described above in one or more periods through the end of 2018. These costs are not expected to be material.

Total 2016 Restructuring expenses are reflected in Operating expenses in the Condensed Consolidated Statements of Operations, but excluded from Adjusted operating earnings before income taxes. These expenses are classified as a component of Other adjustments to Income (loss) from continuing operations before income taxes and consequently are not included in the adjusted operating results of the Company's segments.



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The summary below presents 2016 Restructuring expenses, pre-tax, by type of costs incurred, for the periods indicated:

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2017		Cumulative Amounts Incurred to Date
Severance benefits	\$ 5	\$ 20	\$ 9	\$ 33	\$ 69
Asset write-off costs	—	* 15	—	* 15	16
Transition costs	1	8	7	8	24
Other costs	4	6	11	10	34
Total restructuring expenses	\$ 10	\$ 49	\$ 27	\$ 66	\$ 143

\* Less than \$1.

The following table presents the accrued liability associated with 2016 Restructuring expenses as of September 30, 2018:

	Severance Benefits	Transition Costs	Other Costs	Total
Accrued liability as of January 1, 2018	\$ 30	\$ 17	\$ 3	\$ 50
Provision	12	7	11	30
Payments	(29 )	(9 )	(12 )	(50 )
Other adjustments <sup>(1)</sup>	(3 )	—	—	(3 )
Accrued liability as of September 30, 2018	\$ 10	\$ 15	\$ 2 <sup>(2)</sup>	\$ 27

<sup>(1)</sup>Represents net write-downs of accruals, not associated with payments.

<sup>(2)</sup>Represents services performed but not yet paid.

### Organizational Restructuring

As a result of the closing of the Transaction, the Company is undertaking further restructuring efforts to execute the Transaction and reduce stranded expenses associated with its CBVA and fixed and fixed indexed annuities businesses, as well as its corporate and shared services functions ("Organizational Restructuring"). These activities have and will result in recognition of severance and other restructuring expenses. Restructuring expenses that are directly related to the preparation for and execution of the Transaction are included in discontinued operations. Other restructuring expenses arising from related organizational restructuring are included in continuing operations.

For the three and nine months ended September 30, 2018, total Organizational Restructuring expenses include \$0 and \$6, respectively, which are reflected in Income (loss) from discontinued operations, net of tax, in the Condensed Consolidated Statements of Operations. Refer to the Discontinued Operations Note to these Condensed Consolidated Financial Statements for further information.

For the three and nine months ended September 30, 2018, total Organizational Restructuring expenses also include \$13 and \$25 associated with continuing operations, respectively, which are reflected in Operating expenses in the Condensed Consolidated Statements of Operations, but excluded from Adjusted operating earnings before income



taxes. The Company will continue to develop and approve Organizational Restructuring initiatives to simplify the organization, and expects to incur additional restructuring expenses associated with continuing operations in one or more periods at least through the end of 2020. These additional costs, which may include severance, transition and other costs, cannot currently be estimated but could be material.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The summary below presents Organizational Restructuring expenses, pre-tax, by type of costs incurred, for the periods indicated:

	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018	Cumulative Amounts Incurred to Date
Severance benefits	\$ —	\$ 5	\$ 9
Other costs <sup>(1)</sup>	13	26	26
Total restructuring expenses	\$ 13	\$ 31	\$ 35

<sup>(1)</sup>Consists primarily of consulting costs.

The following table presents the accrued liability associated with Organizational Restructuring expenses as of September 30, 2018:

	Severance Benefits	Other Costs	Total
Accrued liability as of January 1, 2018	\$ 4	\$ —	\$ 4
Provision	7	26	33
Payments	(6 )	(20 )	(26 )
Other adjustments <sup>(1)</sup>	(2 )	—	(2 )
Accrued liability as of September 30, 2018	\$ 3	\$ 6	\$ 9

<sup>(1)</sup>Represents net write-downs of accruals, not associated with payments.

In connection with the Company's decision related to the strategic review of its Individual Life business, the Company will incur a restructuring charge of approximately \$10 to \$15 in the fourth quarter of 2018 and additional amounts in 2019, which cannot currently be estimated. See the Business, Basis of Presentation and Significant Accounting Policies Note to these Condensed Consolidated Financial Statements for additional information.

## 16. Segments

As a result of the Transaction disclosed in the Discontinued Operations Note, which resulted in the disposition of substantially all of the Company's CBVA and Annuities businesses, the Company evaluated its segments and determined that the Retained Business that are not components of the disposed businesses under the Transaction are insignificant. As such, the Company no longer reports its CBVA and Annuities businesses as segments and includes the results of the Retained Business in Corporate.

The Company provides its principal products and services through four segments: Retirement, Investment Management, Employee Benefits, and Individual Life.

On October 30, 2018, the Company announced that it will cease selling new business in its Individual Life segment, effective December 31, 2018. The Company will continue to manage its existing in-force Individual Life business as a separate segment, with results included in the Company's Adjusted operating earnings. See the Business, Basis of Presentation and Significant Accounting Policies Note to these Condensed Consolidated Financial Statements for

additional information.

91

---

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## Measurement

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

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

Net guaranteed benefit hedging gains (losses), which are significantly influenced by economic and market conditions and are not indicative of normal operations, include changes in the fair value of derivatives related to guaranteed benefits, net of related reserve increases (decreases) and net of related amortization of DAC, VOBA and sales inducements, less 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 adjusted operating earnings, including the impacts related to changes in the Company's nonperformance spread;

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

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

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

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

Immediate recognition of net actuarial gains (losses) related to the Company's pension and other postretirement benefit obligations and gains (losses) from plan amendments and curtailments, which includes actuarial gains and losses as a result of differences between actual and expected experience on pension plan assets or projected benefit obligation during

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

a given period. The Company immediately recognizes actuarial gains and (losses) related to pension and other postretirement benefit obligations and gains and losses from plan adjustments and curtailments. These amounts do not reflect normal, cash-settled expenses and are not indicative of current Operating expense fundamentals; and

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

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

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
Income (loss) from continuing operations before income taxes	\$186	\$40	\$448	\$308
Less Adjustments:				
Net investment gains (losses) and related charges and adjustments	11	(12 )	(90 )	(30 )
Net guaranteed benefit hedging gains (losses) and related charges and adjustments	14	5	2	12
Income (loss) related to businesses exited through reinsurance or divestment	—	(2 )	(53 )	(6 )
Income (loss) attributable to noncontrolling interest	23	65	81	118
Loss related to early extinguishment of debt	—	(3 )	(3 )	(4 )
Immediate recognition of net actuarial gains (losses) related to pension and other post-employment benefit obligations and gains (losses) from plan amendments and curtailments	—	1	—	1
Other adjustments	(25 )	(57 )	(53 )	(78 )
Total adjustments to income (loss) from continuing operations	\$23	\$(3 )	\$(116)	\$13
Adjusted operating earnings before income taxes by segment:				
Retirement	\$253	\$107	\$531	\$288
Investment Management	48	54	161	188
Employee Benefits	50	58	117	96
Individual Life	(134 )	(66 )	(76 )	28
Corporate <sup>(1)</sup>	(54 )	(110 )	(169 )	(305 )
Total	\$163	\$43	\$564	\$295

<sup>(1)</sup> Adjusted operating earnings before income taxes for Corporate includes Net investment gains (losses) and Net guaranteed benefit hedging gains (losses) associated with the Retained Business in the prior period. These amounts are

insignificant and do not distort the ability to make a meaningful evaluation of the trends of Corporate activities.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

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

Gain (loss) on change in fair value of derivatives related to guaranteed benefits, which is significantly influenced by economic and market conditions and not indicative of normal operations, includes changes in the fair value of derivatives related to guaranteed benefits, less the estimated cost of these benefits. The estimated cost, which is reflected in Adjusted operating revenues, 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 Adjusted operating revenues, including the impacts related to changes in the Company's nonperformance spread;

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

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

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



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
Total revenues	\$2,252	\$2,184	\$6,332	\$6,432
Adjustments:				
Net realized investment gains (losses) and related charges and adjustments	—	(14)	(122)	(42)
Gain (loss) on change in fair value of derivatives related to guaranteed benefits	12	7	9	17
Revenues related to businesses exited through reinsurance or divestment	22	27	(36)	95
Revenues attributable to noncontrolling interest	34	85	116	186
Other adjustments	76	52	201	153
Total adjustments to revenues	144	157	168	409
Adjusted operating revenues by segment:				
Retirement	705	634	2,037	1,889
Investment Management	168	171	524	546
Employee Benefits	469	446	1,382	1,336
Individual Life	660	669	1,932	1,928
Corporate <sup>(1)</sup>	106	107	289	324
Total	\$2,108	\$2,027	\$6,164	\$6,023

<sup>(1)</sup> Adjusted operating revenues for Corporate includes Net investment gains (losses) and Gains (losses) on change in fair value of derivatives related to guaranteed benefits associated with the Retained Business in the prior period. These amounts are insignificant and do not distort the ability to make a meaningful evaluation of the trends of Corporate activities.

#### 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, 2018		Nine Months Ended September 30, 2017	
Investment Management intersegment revenues	\$ 29	\$ 44	\$111	\$130

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

	September 30, December 31,	
	2018	2017
Retirement	\$ 113,546	\$ 111,476
Investment Management	664	626
Employee Benefits	2,619	2,657
Individual Life	27,015	27,301
Corporate	19,328	18,685
Total assets, before consolidation <sup>(1)</sup>	163,172	160,745
Consolidation of investment entities	1,864	2,735
Total assets, excluding assets held for sale	165,036	163,480
Assets held for sale	—	59,052
Total assets	\$ 165,036	\$ 222,532

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

## 17. Condensed Consolidating Financial Information

The accompanying condensed consolidating financial information has been prepared and presented pursuant to SEC Regulation S-X, Rule 3-10, "Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered" ("Rule 3-10"). The condensed consolidating financial information presents the financial position of Voya Financial, Inc. ("Parent Issuer"), Voya Holdings ("Subsidiary Guarantor") and all other subsidiaries ("Non-Guarantor Subsidiaries") of the Company as of September 30, 2018 and December 31, 2017, their results of operations and comprehensive income for the three and nine months ended September 30, 2018 and 2017, and statements of cash flows for the nine months ended September 30, 2018 and 2017.

The 5.5% senior notes due 2022, the 5.7% senior notes due 2043, the 3.65% senior notes due 2026, the 4.8% senior notes due 2046, the 3.125% senior notes due 2024 (collectively, the "Senior Notes"), the 5.65% fixed-to-floating rate junior subordinated notes due 2053 and the 4.7% fixed-to-floating junior subordinated notes due 2048 (collectively, the "Junior Subordinated Notes"), each issued by Parent Issuer, are fully and unconditionally guaranteed by Subsidiary Guarantor, a 100% owned subsidiary of Parent Issuer. No other subsidiary of Parent Issuer guarantees the Senior Notes or the Junior Subordinated Notes. Rule 3-10(h) provides that a guarantee is full and unconditional if, when the issuer of a guaranteed security has failed to make a scheduled payment, the guarantor is obligated to make the scheduled payment immediately and, if it does not, any holder of the guaranteed security may immediately bring suit directly against the guarantor for payment of amounts due and payable. In the event that Parent Issuer does not fulfill the guaranteed obligations, any holder of the Senior Notes or the Junior Subordinated Notes may immediately bring a claim against Subsidiary Guarantor for amounts due and payable.

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



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## Condensed Consolidating Balance Sheet

September 30, 2018

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Assets:					
Investments:					
Fixed maturities, available-for-sale, at fair value	\$—	\$—	\$ 46,200	\$ (15 )	\$ 46,185
Fixed maturities, at fair value using the fair value option	—	—	2,886	—	2,886
Equity securities, at fair value	119	—	204	—	323
Short-term investments	—	—	86	—	86
Mortgage loans on real estate, net of valuation allowance	—	—	8,862	—	8,862
Policy loans	—	—	1,832	—	1,832
Limited partnerships/corporations	—	—	1,123	—	1,123
Derivatives	42	—	463	(83 )	422
Investments in subsidiaries	9,876	6,965	—	(16,841 )	—
Other investments	—	—	91	—	91
Securities pledged	—	—	2,063	—	2,063
Total investments	10,037	6,965	63,810	(16,939 )	63,873
Cash and cash equivalents	853	2	934	—	1,789
Short-term investments under securities loan agreements, including collateral delivered	11	—	1,770	—	1,781
Accrued investment income	—	—	709	—	709
Premium receivable and reinsurance recoverable	—	—	7,068	—	7,068
Deferred policy acquisition costs and Value of business acquired	—	—	4,061	—	4,061
Current income taxes	173	17	—	—	190
Deferred income taxes	497	22	603	—	1,122
Loans to subsidiaries and affiliates	62	—	—	(62 )	—
Due from subsidiaries and affiliates	3	—	3	(6 )	—
Other assets	14	—	1,269	—	1,283
Assets related to consolidated investment entities:					
Limited partnerships/corporations, at fair value	—	—	1,585	—	1,585
Cash and cash equivalents	—	—	96	—	96
Corporate loans, at fair value using the fair value option	—	—	532	—	532
Other assets	—	—	10	—	10
Assets held in separate accounts	—	—	80,937	—	80,937
Total assets	\$ 11,650	\$ 7,006	\$ 163,387	\$ (17,007 )	\$ 165,036

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## Condensed Consolidating Balance Sheet (Continued)

September 30, 2018

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
<b>Liabilities and Shareholders' Equity:</b>					
Future policy benefits	\$—	\$—	\$ 14,957	\$—	\$ 14,957
Contract owner account balances	—	—	50,566	—	50,566
Payables under securities loan agreement, including collateral held	—	—	2,097	—	2,097
Short-term debt	—	—	63	(62)	) 1
Long-term debt	3,028	428	18	(15)	) 3,459
Derivatives	42	—	167	(83)	) 126
Pension and other postretirement provisions	—	—	516	—	516
Due to subsidiaries and affiliates	—	—	3	(3)	) —
Other liabilities	57	51	1,885	(3)	) 1,990
<b>Liabilities related to consolidated investment entities:</b>					
Collateralized loan obligations notes, at fair value using the fair value option	—	—	502	—	502
Other liabilities	—	—	685	—	685
Liabilities related to separate accounts	—	—	80,937	—	80,937
<b>Total liabilities</b>	<b>3,127</b>	<b>479</b>	<b>152,396</b>	<b>(166)</b>	<b>) 155,836</b>
<b>Shareholders' equity:</b>					
Total Voya Financial, Inc. shareholders' equity	8,523	6,527	10,314	(16,841)	) 8,523
Noncontrolling interest	—	—	677	—	677
<b>Total shareholders' equity</b>	<b>8,523</b>	<b>6,527</b>	<b>10,991</b>	<b>(16,841)</b>	<b>) 9,200</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$11,650</b>	<b>\$ 7,006</b>	<b>\$ 163,387</b>	<b>\$ (17,007)</b>	<b>) \$ 165,036</b>

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## Condensed Consolidating Balance Sheet

December 31, 2017

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Assets:					
Investments:					
Fixed maturities, available-for-sale, at fair value	\$—	\$—	\$ 48,344	\$ (15 )	\$ 48,329
Fixed maturities, at fair value using the fair value option	—	—	3,018	—	3,018
Equity securities, available-for-sale, at fair value	115	—	265	—	380
Short-term investments	212	—	259	—	471
Mortgage loans on real estate, net of valuation allowance	—	—	8,686	—	8,686
Policy loans	—	—	1,888	—	1,888
Limited partnerships/corporations	—	—	784	—	784
Derivatives	49	—	445	(97 )	397
Investments in subsidiaries	12,293	7,618	—	(19,911 )	—
Other investments	—	1	46	—	47
Securities pledged	—	—	2,087	—	2,087
Total investments	12,669	7,619	65,822	(20,023 )	66,087
Cash and cash equivalents	244	1	973	—	1,218
Short-term investments under securities loan agreements, including collateral delivered	11	—	1,615	—	1,626
Accrued investment income	—	—	667	—	667
Premium receivable and reinsurance recoverable	—	—	7,632	—	7,632
Deferred policy acquisition costs and Value of business acquired	—	—	3,374	—	3,374
Current income taxes	—	6	(2 )	—	4
Deferred income taxes	406	22	353	—	781
Loans to subsidiaries and affiliates	191	—	418	(609 )	—
Due from subsidiaries and affiliates	2	—	3	(5 )	—
Other assets	16	—	1,294	—	1,310
Assets related to consolidated investment entities:					
Limited partnerships/corporations, at fair value	—	—	1,795	—	1,795
Cash and cash equivalents	—	—	217	—	217
Corporate loans, at fair value using the fair value option	—	—	1,089	—	1,089
Other assets	—	—	75	—	75
Assets held in separate accounts	—	—	77,605	—	77,605
Assets held for sale	—	—	59,052	—	59,052
Total assets	\$ 13,539	\$ 7,648	\$ 221,982	\$ (20,637 )	\$ 222,532

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## Condensed Consolidating Balance Sheet (Continued)

December 31, 2017

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
<b>Liabilities and Shareholders' Equity:</b>					
Future policy benefits	\$—	\$—	\$ 15,647	\$—	\$ 15,647
Contract owner account balances	—	—	50,158	—	50,158
Payables under securities loan agreement, including collateral held	—	—	1,866	—	1,866
Short-term debt	755	68	123	(609)	) 337
Long-term debt	2,681	438	19	(15)	) 3,123
Derivatives	49	—	197	(97)	) 149
Pension and other postretirement provisions	—	—	550	—	550
Due to subsidiaries and affiliates	1	—	2	(3)	) —
Other liabilities	44	12	2,022	(2)	) 2,076
<b>Liabilities related to consolidated investment entities:</b>					
Collateralized loan obligations notes, at fair value using the fair value option	—	—	1,047	—	1,047
Other liabilities	—	—	658	—	658
Liabilities related to separate accounts	—	—	77,605	—	77,605
Liabilities held for sale	—	—	58,277	—	58,277
<b>Total liabilities</b>	<b>3,530</b>	<b>518</b>	<b>208,171</b>	<b>(726)</b>	<b>) 211,493</b>
<b>Shareholders' equity:</b>					
Total Voya Financial, Inc. shareholders' equity	10,009	7,130	12,781	(19,911)	) 10,009
Noncontrolling interest	—	—	1,030	—	1,030
<b>Total shareholders' equity</b>	<b>10,009</b>	<b>7,130</b>	<b>13,811</b>	<b>(19,911)</b>	<b>) 11,039</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$13,539</b>	<b>\$ 7,648</b>	<b>\$ 221,982</b>	<b>\$ (20,637)</b>	<b>) \$ 222,532</b>

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Condensed Consolidating Statement of Operations  
For the Three Months Ended September 30, 2018

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
<b>Revenues:</b>					
Net investment income	\$7	\$ —	\$ 850	\$ (2 )	\$ 855
Fee income	—	—	704	—	704
Premiums	—	—	550	—	550
<b>Net realized capital gains (losses):</b>					
Total other-than-temporary impairments	—	—	(7 )	—	(7 )
Less: Portion of other-than-temporary impairments recognized in Other comprehensive income (loss)	—	—	—	—	—
Net other-than-temporary impairments recognized in earnings	—	—	(7 )	—	(7 )
Other net realized capital gains (losses)	—	—	(39 )	—	(39 )
Total net realized capital gains (losses)	—	—	(46 )	—	(46 )
Other revenue	1	—	126	—	127
<b>Income (loss) related to consolidated investment entities:</b>					
Net investment income	—	—	62	—	62
Total revenues	8	—	2,246	(2 )	2,252
<b>Benefits and expenses:</b>					
Policyholder benefits	—	—	876	—	876
Interest credited to contract owner account balances	—	—	392	—	392
Operating expenses	3	—	653	—	656
Net amortization of Deferred policy acquisition costs and Value of business acquired	—	—	86	—	86
Interest expense	39	8	2	(2 )	47
<b>Operating expenses related to consolidated investment entities:</b>					
Interest expense	—	—	8	—	8
Other expense	—	—	1	—	1
Total benefits and expenses	42	8	2,018	(2 )	2,066
Income (loss) from continuing operations before income taxes	(34 )	(8 )	228	—	186
Income tax expense (benefit)	(3 )	(10 )	34	—	21
Income (loss) from continuing operations	(31 )	2	194	—	165
Income (loss) from discontinued operations, net of tax	—	—	—	—	—
Net income (loss) before equity in earnings (losses) of unconsolidated affiliates	(31 )	2	194	—	165
Equity in earnings (losses) of subsidiaries, net of tax	173	281	—	(454 )	—
Net income (loss) including noncontrolling interest	142	283	194	(454 )	165
Less: Net income (loss) attributable to noncontrolling interest	—	—	23	—	23
Net income (loss) available to Voya Financial, Inc.	\$ 142	\$ 283	\$ 171	\$ (454 )	\$ 142



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, 2018

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
<b>Revenues:</b>					
Net investment income	\$ 14	\$ 1	\$ 2,485	\$ (9 )	\$ 2,491
Fee income	—	—	2,040	—	2,040
Premiums	—	—	1,622	—	1,622
<b>Net realized capital gains (losses):</b>					
Total other-than-temporary impairments	—	—	(21 )	—	(21 )
Less: Portion of other-than-temporary impairments recognized in Other comprehensive income (loss)	—	—	1	—	1
Net other-than-temporary impairments recognized in earnings	—	—	(22 )	—	(22 )
Other net realized capital gains (losses)	—	—	(325 )	—	(325 )
Total net realized capital gains (losses)	—	—	(347 )	—	(347 )
Other revenue	(4 )	—	331	—	327
<b>Income (loss) related to consolidated investment entities:</b>					
Net investment income	—	—	199	—	199
Total revenues	10	1	6,330	(9 )	6,332
<b>Benefits and expenses:</b>					
Policyholder benefits	—	—	2,290	—	2,290
Interest credited to contract owner account balances	—	—	1,156	—	1,156
Operating expenses	9	—	1,992	—	2,001
Net amortization of Deferred policy acquisition costs and Value of business acquired	—	—	260	—	260
Interest expense	119	28	4	(9 )	142
<b>Operating expenses related to consolidated investment entities:</b>					
Interest expense	—	—	30	—	30
Other expense	—	—	5	—	5
Total benefits and expenses	128	28	5,737	(9 )	5,884
Income (loss) from continuing operations before income taxes	(118 )	(27 )	593	—	448
Income tax expense (benefit)	(316 )	(15 )	401	—	70
Income (loss) from continuing operations	198	(12 )	192	—	378
Income (loss) from discontinued operations, net of tax	—	—	457	—	457
Net income (loss) before equity in earnings (losses) of unconsolidated affiliates	198	(12 )	649	—	835
Equity in earnings (losses) of subsidiaries, net of tax	556	1,368	—	(1,924 )	—
Net income (loss) including noncontrolling interest	754	1,356	649	(1,924 )	835
Less: Net income (loss) attributable to noncontrolling interest	—	—	81	—	81
Net income (loss) available to Voya Financial, Inc.	\$ 754	\$ 1,356	\$ 568	\$ (1,924 )	\$ 754



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, 2017

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
<b>Revenues:</b>					
Net investment income	\$ 8	\$ —	\$ 789	\$ (2 )	\$ 795
Fee income	—	—	684	—	684
Premiums	—	—	533	—	533
<b>Net realized capital gains (losses):</b>					
Total other-than-temporary impairments	—	—	—	—	—
Less: Portion of other-than-temporary impairments recognized in Other comprehensive income (loss)	—	—	1	—	1
Net other-than-temporary impairments recognized in earnings	—	—	(1 )	—	(1 )
Other net realized capital gains (losses)	—	—	(52 )	—	(52 )
Total net realized capital gains (losses)	—	—	(53 )	—	(53 )
Other revenue	—	1	85	—	86
<b>Income (loss) related to consolidated investment entities:</b>					
Net investment income	—	—	139	—	139
Total revenues	8	1	2,177	(2 )	2,184
<b>Benefits and expenses:</b>					
Policyholder benefits	—	—	791	—	791
Interest credited to contract owner account balances	—	—	401	—	401
Operating expenses	2	—	672	—	674
Net amortization of Deferred policy acquisition costs and Value of business acquired	—	—	209	—	209
Interest expense	41	9	1	(2 )	49
<b>Operating expenses related to consolidated investment entities:</b>					
Interest expense	—	—	18	—	18
Other expense	—	—	2	—	2
Total benefits and expenses	43	9	2,094	(2 )	2,144
Income (loss) from continuing operations before income taxes	(35 )	(8 )	83	—	40
Income tax expense (benefit)	(16 )	2	(26 )	—	(40 )
Income (loss) from continuing operations	(19 )	(10 )	109	—	80
Income (loss) from discontinued operations, net of tax	—	—	134	—	134
Net income (loss) before equity in earnings (losses) of unconsolidated affiliates	(19 )	(10 )	243	—	214
Equity in earnings (losses) of subsidiaries, net of tax	168	126	—	(294 )	—
Net income (loss) including noncontrolling interest	149	116	243	(294 )	214
Less: Net income (loss) attributable to noncontrolling interest	—	—	65	—	65
Net income (loss) available to Voya Financial, Inc.'s common shareholders	\$ 149	\$ 116	\$ 178	\$ (294 )	\$ 149

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, 2017

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
<b>Revenues:</b>					
Net investment income	\$24	\$ —	\$ 2,457	\$ (11 )	\$ 2,470
Fee income	—	—	1,960	—	1,960
Premiums	—	—	1,606	—	1,606
<b>Net realized capital gains (losses):</b>					
Total other-than-temporary impairments	—	—	(2 )	—	(2 )
Less: Portion of other-than-temporary impairments recognized in Other comprehensive income (loss)	—	—	2	—	2
Net other-than-temporary impairments recognized in earnings	—	—	(4 )	—	(4 )
Other net realized capital gains (losses)	—	—	(160 )	—	(160 )
Total net realized capital gains (losses)	—	—	(164 )	—	(164 )
Other revenue	—	1	264	—	265
<b>Income (loss) related to consolidated investment entities:</b>					
Net investment income	—	—	295	—	295
Total revenues	24	1	6,418	(11 )	6,432
<b>Benefits and expenses:</b>					
Policyholder benefits	—	—	2,274	—	2,274
Interest credited to contract owner account balances	—	—	1,203	—	1,203
Operating expenses	7	—	1,965	—	1,972
Net amortization of Deferred policy acquisition costs and Value of business acquired	—	—	468	—	468
Interest expense	118	28	5	(11 )	140
<b>Operating expenses related to consolidated investment entities:</b>					
Interest expense	—	—	62	—	62
Other expense	—	—	5	—	5
Total benefits and expenses	125	28	5,982	(11 )	6,124
Income (loss) from continuing operations before income taxes	(101 )	(27 )	436	—	308
Income tax expense (benefit)	(40 )	(8 )	101	—	53
Income (loss) from continuing operations	(61 )	(19 )	335	—	255
Income (loss) from discontinued operations, net of tax	—	—	36	—	36
Net income (loss) before equity in earnings (losses) of unconsolidated affiliates	(61 )	(19 )	371	—	291
Equity in earnings (losses) of subsidiaries, net of tax	234	466	—	(700 )	—
Net income (loss) including noncontrolling interest	173	447	371	(700 )	291
Less: Net income (loss) attributable to noncontrolling interest	—	—	118	—	118
Net income (loss) available to Voya Financial, Inc.'s common shareholders	\$173	\$ 447	\$ 253	\$ (700 )	\$ 173



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, 2018

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net income (loss) including noncontrolling interest	\$ 142	\$ 283	\$ 194	\$ (454)	\$ 165
Other comprehensive income (loss), before tax:					
Unrealized gains (losses) on securities	(206)	(216)	(206)	422	(206)
Other-than-temporary impairments	—	1	—	(1)	—
Pension and other postretirement benefits liability	(4)	(1)	(4)	5	(4)
Other comprehensive income (loss), before tax	(210)	(216)	(210)	426	(210)
Income tax expense (benefit) related to items of other comprehensive income (loss)	(44)	(18)	(43)	61	(44)
Other comprehensive income (loss), after tax	(166)	(198)	(167)	365	(166)
Comprehensive income (loss)	(24)	85	27	(89)	(1)
Less: Comprehensive income (loss) attributable to noncontrolling interest	—	—	23	—	23
Comprehensive income (loss) attributable to Voya Financial, Inc.'s common shareholders	\$(24)	\$ 85	\$ 4	\$ (89)	\$(24)

## Condensed Consolidating Statement of Comprehensive Income

For the Nine Months Ended September 30, 2018

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net income (loss) including noncontrolling interest	\$ 754	\$ 1,356	\$ 649	\$ (1,924)	\$ 835
Other comprehensive income (loss), before tax:					
Unrealized gains (losses) on securities	(2,596)	(1,975)	(2,596)	4,571	(2,596)
Other-than-temporary impairments	30	29	30	(59)	30
Pension and other postretirement benefits liability	(10)	(3)	(10)	13	(10)
Other comprehensive income (loss), before tax	(2,576)	(1,949)	(2,576)	4,525	(2,576)
Income tax expense (benefit) related to items of other comprehensive income (loss)	(650)	(379)	(649)	1,028	(650)
Other comprehensive income (loss), after tax	(1,926)	(1,570)	(1,927)	3,497	(1,926)
Comprehensive income (loss)	(1,172)	(214)	(1,278)	1,573	(1,091)
Less: Comprehensive income (loss) attributable to noncontrolling interest	—	—	81	—	81
Comprehensive income (loss) attributable to Voya Financial, Inc.'s common shareholders	\$(1,172)	\$(214)	\$(1,359)	\$ 1,573	\$(1,172)

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, 2017

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net income (loss) including noncontrolling interest	\$ 149	\$ 116	\$ 243	\$ (294 )	\$ 214
Other comprehensive income (loss), before tax:					
Unrealized gains (losses) on securities	196	179	195	(374 )	196
Other-than-temporary impairments	2	1	2	(3 )	2
Pension and other postretirement benefits liability	(5 )	(1 )	(5 )	6	(5 )
Other comprehensive income (loss), before tax	193	179	192	(371 )	193
Income tax expense (benefit) related to items of other comprehensive income (loss)	68	62	67	(129 )	68
Other comprehensive income (loss), after tax	125	117	125	(242 )	125
Comprehensive income (loss)	274	233	368	(536 )	339
Less: Comprehensive income (loss) attributable to noncontrolling interest	—	—	65	—	65
Comprehensive income (loss) attributable to Voya Financial, Inc.'s common shareholders	\$ 274	\$ 233	\$ 303	\$ (536 )	\$ 274

## Condensed Consolidating Statement of Comprehensive Income

For the Nine Months Ended September 30, 2017

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net income (loss) including noncontrolling interest	\$ 173	\$ 447	\$ 371	\$ (700 )	\$ 291
Other comprehensive income (loss), before tax:					
Unrealized gains (losses) on securities	1,243	908	1,243	(2,151 )	1,243
Other-than-temporary impairments	14	11	14	(25 )	14
Pension and other postretirement benefits liability	(12 )	(2 )	(13 )	15	(12 )
Other comprehensive income (loss), before tax	1,245	917	1,244	(2,161 )	1,245
Income tax expense (benefit) related to items of other comprehensive income (loss)	435	319	434	(753 )	435
Other comprehensive income (loss), after tax	810	598	810	(1,408 )	810
Comprehensive income (loss)	983	1,045	1,181	(2,108 )	1,101
Less: Comprehensive income (loss) attributable to noncontrolling interest	—	—	118	—	118
Comprehensive income (loss) attributable to Voya Financial, Inc.'s common shareholders	\$ 983	\$ 1,045	\$ 1,063	\$ (2,108 )	\$ 983

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, 2018

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net cash (used in) provided by operating activities	\$ (5 )	\$ 311	\$ 1,718	\$ (390 )	\$ 1,634
Cash Flows from Investing Activities:					
Proceeds from the sale, maturity, disposal or redemption of:					
Fixed maturities	—	—	5,845	—	5,845
Equity securities	24	—	69	—	93
Mortgage loans on real estate	—	—	700	—	700
Limited partnerships/corporations	—	—	245	—	245
Acquisition of:					
Fixed maturities	—	—	(6,515 )	—	(6,515 )
Equity securities	(23 )	—	(3 )	—	(26 )
Mortgage loans on real estate	—	—	(761 )	—	(761 )
Limited partnerships/corporations	—	—	(270 )	—	(270 )
Short-term investments, net	212	—	207	—	419
Derivatives, net	—	—	61	—	61
Sales from consolidated investments entities	—	—	888	—	888
Purchases within consolidated investment entities	—	—	(740 )	—	(740 )
Maturity (issuance) of short-term intercompany loans, net	128	—	418	(546 )	—
Return of capital contributions and dividends from subsidiaries	1,143	122	—	(1,265 )	—
Capital contributions to subsidiaries	—	(45 )	—	45	—
Collateral received (delivered), net	—	—	76	—	76
Other, net	(13 )	1	14	—	2
Net cash provided by (used in) investing activities - discontinued operations	—	331	(297 )	—	34
Net cash provided by (used in) investing activities	1,471	409	(63 )	(1,766 )	51



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## Condensed Consolidating Statement of Cash Flows (Continued)

For the Nine Months Ended September 30, 2018

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
<b>Cash Flows from Financing Activities:</b>					
Deposits received for investment contracts	—	—	4,327	—	4,327
Maturities and withdrawals from investment contracts	—	—	(4,197 )	—	(4,197 )
Proceeds from issuance of debt with maturities of more than three months	350	—	—	—	350
Repayment of debt with maturities of more than three months	(337 )	(13 )	—	—	(350 )
Debt issuance costs	(6 )	—	—	—	(6 )
Net (repayments of) proceeds from short-term intercompany loans	(418 )	(68 )	(60 )	546	—
Return of capital contributions and dividends to parent	—	(638 )	(1,017 )	1,655	—
Contributions of capital from parent	—	—	45	(45 )	—
Borrowings of consolidated investment entities	—	—	588	—	588
Repayments of borrowings of consolidated investment entities	—	—	(543 )	—	(543 )
Contributions from (distributions to) participants in consolidated investment entities	—	—	(126 )	—	(126 )
Proceeds from issuance of common stock, net	3	—	—	—	3
Proceeds from issuance of preferred stock, net	319	—	—	—	319
Share-based compensation	(13 )	—	—	—	(13 )
Common stock acquired - Share repurchase	(750 )	—	—	—	(750 )
Dividends paid on common stock	(5 )	—	—	—	(5 )
Net cash used in financing activities - discontinued operations	—	—	(1,209 )	—	(1,209 )
Net cash (used in) provided by financing activities	(857 )	(719 )	(2,192 )	2,156	(1,612 )
Net increase (decrease) in cash and cash equivalents	609	1	(537 )	—	73
Cash and cash equivalents, beginning of period	244	1	1,471	—	1,716
Cash and cash equivalents, end of period	853	2	934	—	1,789
Less: Cash and cash equivalents of discontinued operations, end of period	—	—	—	—	—
Cash and cash equivalents of continuing operations, end of period	\$ 853	\$ 2	\$ 934	\$ —	\$ 1,789

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, 2017

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net cash provided by (used in) operating activities	\$ 7	\$ 100	\$ 1,209	\$ (190 )	\$ 1,126
Cash Flows from Investing Activities:					
Proceeds from the sale, maturity, disposal or redemption of:					
Fixed maturities	—	—	5,851	—	5,851
Equity securities, available-for-sale	22	—	4	—	26
Mortgage loans on real estate	—	—	683	—	683
Limited partnerships/corporations	—	—	189	—	189
Acquisition of:					
Fixed maturities	—	—	(6,422 )	—	(6,422 )
Equity securities, available-for-sale	(23 )	—	(12 )	—	(35 )
Mortgage loans on real estate	—	—	(1,307 )	—	(1,307 )
Limited partnerships/corporations	—	—	(239 )	—	(239 )
Short-term investments, net	—	—	54	—	54
Derivatives, net	—	—	200	—	200
Sales from consolidated investments entities	—	—	1,621	—	1,621
Purchases within consolidated investment entities	—	—	(1,720 )	—	(1,720 )
Issuance of intercompany loans with maturities more than three months	(34 )	—	—	34	—
Maturity (issuance) of short-term intercompany loans, net	42	—	10	(52 )	—
Return of capital contributions and dividends from subsidiaries	1,020	1,020	—	(2,040 )	—
Capital contributions to subsidiaries	(360)	—	—	360	—
Collateral (delivered) received, net	—	—	(143 )	—	(143 )
Other, net	—	—	8	—	8
Net cash used in investing activities - discontinued operations	—	—	(1,049 )	—	(1,049 )
Net cash provided by (used in) investing activities	667	1,020	(2,272 )	(1,698 )	(2,283 )

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## Condensed Consolidating Statement of Cash Flows (Continued)

For the Nine Months Ended September 30, 2017

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
<b>Cash Flows from Financing Activities:</b>					
Deposits received for investment contracts	—	—	3,734	—	3,734
Maturities and withdrawals from investment contracts	—	—	(3,962)	—	(3,962)
Proceeds from issuance of debt with maturities of more than three months	399	—	—	—	399
Repayment of debt with maturities of more than three months	(494)	—	—	—	(494)
Proceeds of intercompany loans with maturities of more than three months	—	—	34	(34)	—
Debt issuance costs	(4)	—	—	—	(4)
Net (repayments of) proceeds from short-term intercompany loans	(10)	(101)	59	52	—
Return of capital contributions and dividends to parent	—	(1,020)	(1,210)	2,230	—
Contributions of capital from parent	—	—	360	(360)	—
Borrowings of consolidated investment entities	—	—	807	—	807
Repayments of borrowings of consolidated investment entities	—	—	(779)	—	(779)
Contributions from (distributions to) participants in consolidated investment entities, net	—	—	552	—	552
Proceeds from issuance of common stock, net	3	—	—	—	3
Share-based compensation	(7)	—	—	—	(7)
Common stock acquired - Share repurchase	(423)	—	—	—	(423)
Dividends paid	(6)	—	—	—	(6)
Net cash provided by financing activities - discontinued operations	—	—	393	—	393
Net cash (used in) provided by financing activities	(542)	(1,121)	(12)	1,888	213
Net increase (decrease) in cash and cash equivalents	132	(1)	(1,075)	—	(944)
Cash and cash equivalents, beginning of period	257	2	2,652	—	2,911
Cash and cash equivalents, end of period	389	1	1,577	—	1,967
Less: Cash and cash equivalents of discontinued operations, end of period	—	—	496	—	496
Cash and cash equivalents of continuing operations, end of period	\$ 389	\$ 1	\$ 1,081	\$ —	\$ 1,471

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

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

The following discussion and analysis presents a review of our consolidated results of operations for the three and nine months ended September 30, 2018 and 2017 and financial condition as of September 30, 2018 and December 31, 2017. This item should be read in its entirety and in conjunction with the Condensed Consolidated Financial Statements and related notes contained in Part I, Item 1. of this Quarterly Report on Form 10-Q, as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations" section contained in our Annual Report on Form 10-K for the year ended December 31, 2017 ("Annual Report on Form 10-K").

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

#### Overview

#### Discontinued Operations

On June 1, 2018, we consummated a series of transactions (collectively, the "Transaction") pursuant to a Master Transaction Agreement dated December 20, 2017 ("MTA") with VA Capital Company LLC ("VA Capital") and Athene Holding Ltd ("Athene"). As part of the Transaction, Venerable Holdings, Inc. ("Venerable"), a wholly owned subsidiary of VA Capital, acquired two of our subsidiaries, Voya Insurance and Annuity Company ("VIAC") and Directed Services, LLC ("DSL"). The Transaction resulted in the disposition of substantially all of our Closed Block Variable Annuity ("CBVA") and Annuities businesses. We have determined that the CBVA and Annuities businesses disposed of meet the discontinued operations criteria and that the sale represents a strategic shift that has a major effect on our operations. Accordingly, the results of operations of the businesses sold have been presented as discontinued operations and segregated for all periods presented, and the assets and liabilities of the businesses sold were classified as held for sale in the Condensed Consolidated Balance Sheet as of December 31, 2017. As of December 31, 2017, we recorded an estimated loss on sale, net of tax of \$2,423 million which included estimated transactions costs of \$31 million as well as the loss of \$692 million of deferred tax assets to write down the assets related to our discontinued operations to fair value, which was based on the estimated sales price in the Transaction, less cost to sell as of December 31, 2017. Income (loss) from discontinued operations, net of tax for the nine months ended September 30, 2018 includes a favorable adjustment to the loss on sale of \$505 million, net of tax.

Pursuant to the terms of the Transaction, we have retained a small number of CBVA and Annuities policies that are not included in the disposed businesses described above as "Retained Business." We have evaluated our segment presentation and have determined that, because the Retained Business is insignificant, its results are reported in Corporate.

The following table summarizes the components of Income (loss) from discontinued operations, net of tax for the five months ended May 31, 2018 (the Transaction closed on June 1, 2018) and the nine months ended September 30, 2017:

	Five Months Ended May 31, 2018	Nine Months Ended September 30, 2017
Revenues:		
Net investment income	\$ 510	\$ 949
Fee income	295	609
Premiums	(50 )	144
Total net realized capital gains (losses)	(345 )	(780 )
Other revenue	10	15
Total revenues	420	937
Benefits and expenses:		
Interest credited and other benefits to contract owners/policyholders	442	634
Operating expenses	(14 )	190
Net amortization of Deferred policy acquisition costs and Value of business acquired	49	95
Interest expense	10	17
Total benefits and expenses	487	936
Income (loss) from discontinued operations before income taxes	(67 )	1
Income tax expense (benefit)	(19 )	(35 )
Adjustment to loss on sale, net of tax	505	—
Income (loss) from discontinued operations, net of tax	\$ 457	\$ 36

We provide our principal products and services through four segments: Retirement, Investment Management, Employee Benefits and Individual Life. Corporate includes activities not directly related to our segments, results of the Retained Business and certain insignificant activities that are not meaningful to our business strategy.

On October 30, 2018, we announced that we will cease selling new business in our Individual Life segment, effective December 31, 2018. We will continue to manage our existing in-force Individual Life business as a separate segment, with results included in Adjusted operating earnings. In connection with this decision, we will incur a restructuring charge of approximately \$10 to \$15 million in the fourth quarter of 2018 and additional amounts in 2019, which cannot currently be estimated.

#### Trends and Uncertainties

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

#### Market Conditions

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

("AUM") or administration ("AUA"). These effects could be exacerbated by uncertainty about future fiscal policy, changes in tax policy, the scope of potential deregulation, and levels of global trade. In the short- to medium-term, the potential for increased volatility, coupled with prevailing interest rates below historical averages, can pressure sales and reduce demand as consumers hesitate to make financial decisions. In addition, this environment could make it difficult

to manufacture products that are consistently both attractive to customers and profitable. Financial performance can be adversely affected by market volatility as fees driven by AUM fluctuate, hedging costs increase and revenue declines due to reduced sales and increased outflows. As a company with strong retirement, investment management and insurance capabilities, however, we believe the market conditions noted above may, over the long term, enhance the attractiveness of our broad portfolio of products and services. We will need to continue to monitor the behavior of our customers and other factors, including mortality rates, morbidity rates, annuitization rates and lapse rates, which adjust in response to changes in market conditions in order to ensure that our products and services remain attractive as well as profitable. For additional information on our sensitivity to interest rates and equity market prices, see Quantitative and Qualitative Disclosures About Market Risk in Part I, Item 3. of this Quarterly Report on Form 10-Q.

#### Interest Rate Environment

In the third quarter of 2018, the term structure of interest rates featured higher rates and a flatter yield curve, a continuation of the interest rate movements seen in 2017. The economic conditions that spurred the increase in the Fed Funds rate in September 2018 - the seventh increase in less than two years - moved the front end of the term structure higher. While short-term rates increased to their highest levels post-crisis, the longer-end of the yield curve has experienced a smaller rate increase, as longer rates remain contained by low global yields. The Federal Reserve has begun execution of its plan for gradually reducing its holdings of Treasury and agency securities. The timing and impact of any further increases in the Federal Funds rate, or deviations in the expected pace of Federal Reserve balance sheet normalization are uncertain and dependent on the Federal Reserve Board's assessment of economic growth, labor market developments, inflation outlook, fiscal policy developments and other risks that will impact the level and volatility of rates.

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

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

Our continuing business general account investment portfolio, which was approximately \$62.0 billion as of September 30, 2018, consists predominantly of fixed income investments and had an annualized earned yield of approximately 5.5% in the third quarter of 2018. 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 during 2018 will earn an average yield below the prevailing portfolio yield. 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 and universal life ("UL") policies. 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.

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



## Seasonality and Other Matters

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

### Retirement

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

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

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

### Investment Management

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

### Employee Benefits

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

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

### Individual Life

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

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

In addition to these seasonal factors, our results are impacted by the annual review of assumptions related to future policy benefits and deferred policy acquisition costs ("DAC"), value of business acquired ("VOBA") (collectively, "DAC/VOBA") and other intangibles, which we generally complete in the third quarter of each year, and annual remeasurement related to our employee benefit plans, which we generally complete in the fourth quarter of each year.

### Stranded Costs

As a result of the Transaction, the revenues and certain expenses of the businesses sold have been classified as discontinued operations. Expenses classified within discontinued operations include only direct operating expenses incurred by the businesses sold that are identifiable as costs of the businesses sold, but only to the extent that we did not continue to recognize such expenses after the close of the Transaction. Certain direct costs of the businesses sold, which relate to activities for which we provide transitional services and for which we will be reimbursed under a transition services agreement ("TSA"), are reported within continuing operations along with the associated revenues from the TSAs. Additionally, indirect costs, such as those related to corporate and shared service functions that were previously allocated to the businesses sold, and other expenses that do not meet

the foregoing criteria are reported within continuing operations. These costs reported within continuing operations ("Stranded Costs") are included in Adjusted operating earnings before income taxes and Income (loss) from continuing operations for all periods presented. Because we do not believe that TSA revenues and Stranded Costs are representative of the future run-rate of revenues and expenses of our continuing operations, they are recorded in Corporate. We plan to address the Stranded Costs through a cost reduction strategy. Refer to Restructuring in Part II, Item I of this Quarterly Report on Form 10-Q for more information on this program.

#### Tax Reform

On December 22, 2017, the Tax Cuts and Jobs Act ("Tax Reform") was signed into law. Tax Reform significantly revised U.S. federal corporate income tax law by, among other things, reducing the corporate income tax rate from 35% to 21% and changing various provisions of the Federal tax code that impact life insurance companies.

For more information on Tax Reform, see "Risk Factors" in Part I, Item 1A. of our Annual Report on Form 10-K, Critical Accounting Judgments and Estimates in Part II, Item 7. of our Annual Report on Form 10-K and the Income taxes Note in Part I, Item I. of this Quarterly Report on Form 10-Q.

#### Carried Interest

Net investment income and net realized gains (losses), within our Investment Management segment, includes, for this and previous periods, performance-based capital allocations related to sponsored private equity funds ("carried interest") that are subject to later reversal based on subsequent fund performance, to the extent that cumulative rates of investment return fall below specified investment hurdle rates. Should the market value of this portfolio increase in future periods, this reversal could be fully or partially recovered. For the three and nine months ended September 30, 2018 and for the three months ended September 30, 2017, our carried interest total net results were immaterial. For the nine months ended September 30, 2017, our carried interest total net results were a gain of \$33 million, including the recovery of \$26 million of previously accrued carried interest for one private equity fund. For further information, see the Commitments and Contingencies Note in our Condensed Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q.

#### Restructuring

##### 2016 Restructuring

In 2016, we began implementing a series of initiatives designed to make us a simpler, more agile company able to deliver an enhanced customer experience ("2016 Restructuring"). These initiatives include an increasing emphasis on less capital-intensive products and the achievement of operational synergies.

On July 31, 2017, we executed a variable 5-year information technology services agreement with a third-party service provider at an expected annualized cost of \$70 - \$90 million per year, with a total cumulative 5-year cost of approximately \$400 million, subject to potential reduction as a result of the Organizational Restructuring program discussed below. This initiative, which is a component of our 2016 Restructuring program, improves expense efficiency and upgrades our technology capabilities. Entry into this agreement resulted in severance, asset write-off, transition and other implementation costs. For the three and nine months ended September 30, 2018, we incurred restructuring expenses of \$1 million and \$11 million, respectively. The restructuring expenses incurred for the year ended December 31, 2018 will primarily reflect the transition costs to implement this information technology services agreement. In 2017, we incurred restructuring expenses of \$56 million. We expect to incur approximately \$10 to \$20 million of additional restructuring costs, primarily consisting of transition costs, upon completion of the program. In addition to the restructuring expenses, the reduction in employees from the execution of the contract caused the aggregate reduction in employees under our 2016 Restructuring program to trigger an immaterial curtailment and

related remeasurement during the three months ended September 30, 2017 of our qualified defined benefit pension plan and active non-qualified defined benefit plan.

Exclusive of the initiative described above, we may incur restructuring expenses in addition to those described above in one or more periods through the end of 2018. These costs are not expected to be material.

For the three and nine months ended September 30, 2018, the total of all initiatives in the 2016 Restructuring program resulted in restructuring expenses of \$10 million and \$27 million, respectively, which are reflected in Operating expenses in the Condensed Consolidated Statements of Operations, but excluded from Adjusted operating earnings before income taxes. For the three and nine months ended September 30, 2017, these initiatives resulted in restructuring expenses of \$49 million and \$66 million, respectively, which are reflected in Operating expenses in the Condensed Consolidated Statements of Operations, but excluded

from Adjusted operating earnings before income taxes. These expenses are classified as a component of Other adjustments to Income (loss) from continuing operations before income taxes and consequently are not included in the adjusted operating results of our segments.

### Organizational Restructuring

As a result of the closing of the Transaction, we are undertaking further restructuring efforts to execute the Transaction and reduce stranded expenses associated with our CBVA and fixed and fixed indexed annuities businesses, as well as our corporate and shared services functions ("Organizational Restructuring"). These activities have and will result in recognition of severance and other restructuring expenses. Restructuring expenses that are directly related to the preparation for and execution of the Transaction are included in discontinued operations. Other restructuring expenses arising from related organizational restructuring are included in continuing operations.

The Transaction resulted in recognition of severance and other restructuring expenses. For the three and nine months ended September 30, 2018, we incurred Organizational Restructuring expenses of \$0 million and \$6 million, respectively, which are reflected in Income (loss) from discontinued operations, net of tax, in the Condensed Consolidated Statements of Operations.

For the three and nine months ended September 30, 2018, we also incurred Organizational Restructuring expenses of \$13 million and \$25 million associated with continuing operations, respectively, which are reflected in Operating expenses in the Condensed Consolidated Statements of Operations, but excluded from Adjusted operating earnings before income taxes. We will continue to develop and approve Organizational Restructuring initiatives to simplify the organization, and expect to incur additional restructuring expenses associated with continuing operations in one or more periods through the end of 2019. These additional costs, which may include severance, transition and other costs, cannot currently be estimated but could be material.

The cumulative effect of all our previously discussed programs and related initiatives should help us to address the Stranded Costs that will result from the Transaction. Refer to Stranded Costs in Part I, Item 2. of this Quarterly Report on Form 10-Q for further information on Stranded Costs.

In connection with our decision related to the strategic review of our Individual Life business, we will incur a restructuring charge of approximately \$10 to \$15 million in the fourth quarter of 2018 and additional amounts in 2019, which cannot currently be estimated. See the Overview section in Part I, Item 2. of this Quarterly Report on Form 10-Q for additional information.

### Operating Measures

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



## Results of Operations - Company Condensed Consolidated

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

(\$ in millions)	Three		Nine Months	
	Months Ended September 30, 2018	Months Ended September 30, 2017	Months Ended September 30, 2018	Months Ended September 30, 2017
Revenues:				
Net investment income	\$855	\$795	\$2,491	\$2,470
Fee income	704	684	2,040	1,960
Premiums	550	533	1,622	1,606
Net realized capital gains (losses)	(46 )	(53 )	(347 )	(164 )
Other revenue	127	86	327	265
Income (loss) related to consolidated investment entities	62	139	199	295
Total revenues	2,252	2,184	6,332	6,432
Benefits and expenses:				
Interest credited and other benefits to contract owners/policyholders	1,268	1,192	3,446	3,477
Operating expenses	656	674	2,001	1,972
Net amortization of Deferred policy acquisition costs and Value of business acquired	86	209	260	468
Interest expense	47	49	142	140
Operating expenses related to consolidated investment entities	9	20	35	67
Total benefits and expenses	2,066	2,144	5,884	6,124
Income (loss) from continuing operations before income taxes	186	40	448	308
Income tax expense (benefit)	21	(40 )	70	53
Income (loss) from continuing operations	165	80	378	255
Income (loss) from discontinued operations, net of tax	—	134	457	36
Net Income (loss)	165	214	835	291
Less: Net income (loss) attributable to noncontrolling interest	23	65	81	118
Net income (loss) available to our common shareholders	\$142	\$149	\$754	\$173

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

(\$ in millions)	Three Months Ended		Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Operating expenses:				
Commissions	\$ 168	\$ 158	\$ 505	\$ 525
General and administrative expenses:				
Restructuring expenses	23	49	52	66
Strategic Investment Program <sup>(1)</sup>	—	21	—	64
Other general and administrative expenses	517	500	1,598	1,499
Total general and administrative expenses	540	570	1,650	1,629
Total operating expenses, before DAC/VOBA deferrals	708	728	2,155	2,154
DAC/VOBA deferrals	(52 )	(54 )	(154 )	(182 )
Total operating expenses	\$ 656	\$ 674	\$ 2,001	\$ 1,972

<sup>(1)</sup> Beginning in 2018, remaining costs of our Strategic Investment Program are insignificant and have been allocated to our reportable segments within Other general and administrative expenses.

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

(\$ in millions)	As of September 30,	
	2018	2017
AUM and AUA:		
Retirement	\$ 385,568	\$ 361,868
Investment Management	259,405	272,565
Employee Benefits	1,838	1,875
Individual Life	15,728	15,494
Eliminations/Other	(119,973 )	(111,061 )
Total AUM and AUA <sup>(1)</sup>	\$ 542,566	\$ 540,741
AUM	298,093	311,400
AUA	244,473	229,341
Total AUM and AUA <sup>(1)</sup>	\$ 542,566	\$ 540,741

<sup>(1)</sup> Includes AUM and AUA related to the businesses sold in the prior period, for which a substantial portion of the assets continue to be managed by our Investment Management segment.



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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(\$ in millions)	2018	2017	2018	2017
Income (loss) from continuing operations before income taxes	\$186	\$40	\$448	\$308
Less Adjustments <sup>(1)</sup> :				
Net investment gains (losses) and related charges and adjustments	11	(12 )	(90 )	(30 )
Net guaranteed benefit hedging gains (losses) and related charges and adjustments	14	5	2	12
Loss related to businesses exited through reinsurance or divestment	—	(2 )	(53 )	(6 )
Income (loss) attributable to noncontrolling interest	23	65	81	118
Loss related to early extinguishment of debt	—	(3 )	(3 )	(4 )
Immediate recognition of net actuarial gains (losses) related to pension and other post-employment benefit obligations and gains (losses) from plan amendments and curtailments	—	1	—	1
Other adjustments	(25 )	(57 )	(53 )	(78 )
Total adjustments to income (loss) from continuing operations before income taxes	\$23	\$(3 )	\$(116)	\$13
Adjusted operating earnings before income taxes by segment:				
Retirement	\$253	\$107	\$531	\$288
Investment Management	48	54	161	188
Employee Benefits	50	58	117	96
Individual Life	(134 )	(66 )	(76 )	28
Corporate <sup>(2)</sup>	(54 )	(110 )	(169 )	(305 )
Total adjusted operating earnings before income taxes	\$163	\$43	\$564	\$295

<sup>(1)</sup> Refer to the Segments Note to the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for a description of these items.

<sup>(2)</sup> Adjusted operating earnings before income taxes for Corporate includes Net investment gains (losses) and Net guaranteed benefit hedging gains (losses) associated with the Retained Business in the prior period. These amounts are insignificant and do not distort the ability to make a meaningful evaluation of the trends of Corporate activities.

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

(\$ in millions)	Three Months Ended		Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Total revenues	\$2,252	\$2,184	\$6,332	\$6,432
Adjustments <sup>(1)</sup> :				
Net realized investment gains (losses) and related charges and adjustments	—	(14 )	(122 )	(42 )
Gain (loss) on change in fair value of derivatives related to guaranteed benefits	12	7	9	17
Revenues related to businesses exited through reinsurance or divestment	22	27	(36 )	95
Revenues attributable to noncontrolling interest	34	85	116	186
Other adjustments	76	52	201	153
Total adjustments to revenues	\$144	\$157	\$168	\$409

Adjusted operating revenues by segment:

Retirement	\$705	\$634	\$2,037	\$1,889
Investment Management	168	171	524	546
Employee Benefits	469	446	1,382	1,336
Individual Life	660	669	1,932	1,928
Corporate <sup>(2)</sup>	106	107	289	324
Total adjusted operating revenues	\$2,108	\$2,027	\$6,164	\$6,023

<sup>(1)</sup> Refer to the Segments Note to the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for a description of these items.

<sup>(2)</sup> Adjusted operating revenues for Corporate includes Net investment gains (losses) and Gains (losses) on change in fair value of derivatives related to guaranteed benefits associated with the Retained Business in the prior period. These amounts are insignificant and do not distort the ability to make a meaningful evaluation of the trends of Corporate activities.

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

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

(\$ in millions)	Three Months Ended		Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Other-than-temporary impairments	\$(7 )	\$—	\$(21 )	\$(2 )
CMO-B fair value adjustments <sup>(1)</sup>	(17 )	(23 )	(93 )	(56 )
Gains (losses) on the sale of securities	13	8	(21 )	(5 )
Other, including changes in the fair value of derivatives	18	(11 )	22	10
Total investment gains (losses)	7	(26 )	(113 )	(53 )
Net amortization of DAC/VOBA and other intangibles on above	4	14	23	23
Net investment gains (losses)	\$11	\$(12)	\$(90)	\$(30)

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

120

---

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

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
(\$ in millions)	2018	2017	2018	2017
Gain (loss), excluding nonperformance risk	\$ 21	\$ 7	\$ 10	\$ 22
Gain (loss) due to nonperformance risk	(7 )	(2 )	(8 )	(10 )
Net gain (loss) prior to related amortization of DAC/VOBA and sales inducements	14	5	2	12
Net amortization of DAC/VOBA and sales inducements	—	—	—	—
Net guaranteed benefit hedging gains (losses) and related charges and adjustments	\$ 14	\$ 5	\$ 2	\$ 12

The following table presents significant items included in Income (loss) from discontinued operations, net of tax for the periods indicated:

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
(\$ in millions)	2018	2017	2018	2017
Adjustment to loss on sale, net of tax excluding costs to sell	\$ —	\$ —	\$ 507	\$ —
Transaction costs	—	—	(2 )	—
Net results of discontinued operations, excluding notable items	—	224	339	812
Income tax benefit (expense)	—	(64 )	19	35
Notable items in CBVA results:				
Net losses related to incurred guaranteed benefits and CBVA hedge program, excluding nonperformance risk	—	(15 )	(409 )	(624)
Gain (loss) due to nonperformance risk	—	(12 )	4	(201)
DAC/VOBA and other intangibles unlocking	—	1	(1 )	14
Income from discontinued operations, net of tax <sup>(1)</sup>	\$ —	\$ 134	\$ 457	\$ 36

<sup>(1)</sup> Refer to the Discontinued Operations Note in Part I, Item I. of this Quarterly Report on Form 10-Q for further detail.

## Notable Items

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

In 2017, we began soliciting customer consents to execute a change to reduce the guaranteed minimum interest rate ("GMIR initiative") applicable to future deposits and transfers into fixed investment options for certain retirement plan contracts with above-market GMIRs. This change reduces our interest rate exposure on new deposits, transfers and in certain plans existing fixed account assets and will favorably impact the DAC/VOBA amortization rate and Adjusted operating earnings over time. The GMIR initiative unlocking recorded in 2017 reflected management's best estimate of consent acceptances expected during 2017 and subsequent years related to this initiative. During 2018, we have updated our assumptions related to the GMIR initiative to reflect higher expected consents based on company experience. For the nine months ended September 30, 2018, unfavorable unlocking of DAC and VOBA related to the GMIR initiative was \$51 million, of which \$8 million was included in the results of the annual review of assumptions referenced below. For the nine months ended September 30, 2017, unfavorable unlocking of DAC and VOBA related to changes in GMIR provisions was \$220 million, of which \$92 million was included in the results of the annual review of assumptions referenced below. Unlocking related to the GMIR initiative is recorded in Net amortization of DAC/VOBA and reflected in the table below.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
(\$ in millions)	2018	2017	2018	2017
DAC/VOBA and other intangibles unlocking <sup>(1)</sup>	\$(144)	\$(188)	\$(243)	\$(300)

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

During the third quarter of 2018, 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 a net unfavorable impact to Adjusted operating earnings before income taxes of \$153 million in the current period, compared to a net unfavorable impact of \$189 million prior period. For information about the impacts of the annual review of assumptions on DAC/VOBA and other intangibles and Adjusted operating earnings before income taxes related to our segments, see Results of Operations - Segment by Segment in Part I, Item 2. of this Quarterly Report on Form 10-Q.

The following table presents the impact on segment Adjusted operating earnings before income taxes of the annual assumption updates for the periods indicated:

	Three Months Ended	
	September 30,	
(\$ in millions)	2018	2017
Retirement	\$48	\$(47 )
Employee Benefits 1	—	—
Individual Life	(207 )	(142 )
Corporate	5	—
Total	\$(153)	\$(189)



## Terminology Definitions

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

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

Consolidated - Three Months Ended September 30, 2018 Compared to Three Months Ended September 30, 2017

### Net Income (Loss)

Net investment income increased \$60 million from \$795 million to \$855 million primarily due to:

- higher alternative investment income in the current period primarily driven by the impact of equity market performance; and
- higher prepayment fee income.

Fee income increased \$20 million from \$684 million to \$704 million primarily due to:

- an increase in separate account and institutional/mutual fund AUM in our Retirement segment driven by market improvements resulting in higher full service fees;
- an increase in recordkeeping fees in our Retirement segment; and
- favorable variance driven by annual assumption updates in our Employee Benefits segment.

The increase was partially offset by:

- an unfavorable variance driven by annual assumption updates in our Individual Life segment;
- a shift in the business mix in our Retirement segment; and
- lower management and administrative fees earned in our Investment Management segment.

Premiums increased \$17 million from \$533 million to \$550 million primarily due to:

- higher premiums driven by growth of the voluntary and group life business partially offset by a decline in stop loss premiums in our Employee Benefits segment; and
- higher considerations of life contingent contracts resulting in higher Premiums which corresponds to an increase in Interest credited and other benefits to contract owners/policyholders in the Retained Business.

Net realized capital losses decreased \$7 million from \$53 million to \$46 million primarily due to:

- Net investment gains and related charges and adjustments in the current period primarily due to equity market and interest rate movements; and
- favorable change in the fair value of guaranteed benefit derivatives excluding nonperformance risk as a result of interest rate movements.

The decrease was partially offset by:

unfavorable impact of market value changes associated with business reinsured, which are partially offset by a corresponding amount in Interest credited and other benefits to contract owners/policyholders.

Other revenue increased \$41 million from \$86 million to \$127 million primarily due to:

- TSA revenue as a result of the Transaction;
- revised projection of the deferred loss amortization associated with a closed block of business;
- higher broker-dealer revenues; and



favorable market value adjustments on separate accounts in our Retirement segment.

Interest credited and other benefits to contract owners/policyholders increased \$76 million from \$1,192 million to \$1,268 million primarily due to:

- reserve changes as a result of adverse net mortality and unfavorable intangibles unlocking due to annual assumption updates and higher net mortality in our Individual Life segment;
- higher loss ratio on voluntary and group life benefits partially offset by lower loss ratio incurred on stop loss in our Employee Benefits segment; and
- higher annuitization of life contingent contracts which corresponds to an increase in Premiums.

The increase was partially offset by:

market value impacts and changes in the reinsurance deposit asset associated with business reinsured.

Operating expenses decreased \$18 million from \$674 million to \$656 million primarily due to:

- lower restructuring charges in the current period;
- a decline in expenses associated with our Strategic Investment Program; and
- lower expenses related to net compensation adjustments.

The decrease was partially offset by:

- an increase in asset based commission and other volume based expenses; and
- higher recordkeeping expenses in our Retirement segment.

Net amortization of DAC/VOBA decreased \$123 million from \$209 million to \$86 million primarily due to:

- a lower net unfavorable impact of annual assumption updates. For more information refer to Results of Operations - Segment by Segment in Part I, Item 2. of this Quarterly Report on Form 10-Q.

Income before income taxes increased \$146 million from \$40 million to a \$186 million primarily due to:

- higher Adjusted operating earnings before income taxes, discussed below;
- Net investment gains and related charges and adjustments primarily due to equity market and interest rate movements, discussed below;
- favorable changes in Other adjustments due to lower restructuring charges in the current period; and
- favorable changes in Net guaranteed benefit hedging gains (loss) and related charges and adjustments primarily due to changes in interest rates, discussed below.

The increase was partially offset by:

- a decline in Income (loss) attributable to noncontrolling interest.

Income tax expense (benefit) changed \$61 million from (\$40 million) to \$21 million primarily due to:

- an increase in income before income taxes;
- a change in the dividends received deduction ("DRD");
- noncontrolling interest; and

non deductible executive compensation.

The increase was partially offset by:

- a lower federal corporate income tax rate; and
- a change in valuation allowance.

Income (loss) from discontinued operations, net of tax decreased \$134 million from \$134 million to \$0 million primarily due to:

the removal of discontinued operations activity as a result of the Transaction.

Adjusted operating Earnings before Income Taxes

Adjusted operating earnings before income taxes increased \$120 million from \$43 million to \$163 million primarily due to:

higher net investment income primarily due to higher alternative investment income;  
the lower unfavorable impact of annual assumption updates and GMIR initiatives on DAC/VOBA unlocking compared to prior period;  
higher Corporate earnings primarily due to TSA revenue as a result of the Transaction and lower expenses related to net compensation adjustments;  
excluding the impact of a nonrecurring positive reserve refinement in the prior period as noted below, favorable net impact of premium and benefits incurred in the stop loss and voluntary blocks partially offset by net unfavorable result in the group life block in our Employee Benefits segment;  
a decline in expenses associated with our Strategic Investment Program; and  
an increase in separate account and institutional/mutual fund AUM driven by equity market improvements resulting in higher full service fees in our Retirement segment.

The increase was partially offset by:

positive reserve refinement in the prior period that did not reoccur in our Employee Benefits segment.

Adjustments from Income (Loss) from Continuing Operations before Income Taxes to Adjusted Operating Earnings (Loss) before Income Taxes

Net investment losses and related charges and adjustments changed \$23 million from a loss of \$12 million to a gain of \$11 million due to:

favorable changes in the fair value of derivatives and favorable changes in CMO-B fair value adjustments as a result of equity market and interest rate movements; and  
higher gains on the sale of securities.

The increase was partially offset by:

impairments in the current period.

Net guaranteed benefit hedging gains (losses) and related charges and adjustments changed \$9 million from a gain of \$5 million to a gain of \$14 million primarily due to:

favorable changes in fair value of guaranteed benefit derivatives excluding nonperformance risk as a result of changes in interest rates.

The increase was partially offset by:

higher losses due to nonperformance risk.

Other adjustments to operating earnings changed \$32 million from a loss of \$57 million to a loss of \$25 million primarily due to:

• lower costs recorded in the current period related to restructuring. See the Restructuring Note in Part I, Item 1. of this Quarterly Report on Form 10-Q for further description; and

• rebranding costs incurred in the prior period.

Consolidated - Nine Months Ended September 30, 2018 Compared to Nine Months Ended September 30, 2017

Net Income (Loss)

Net investment income increased \$21 million from \$2,470 million to \$2,491 million primarily due to:

- higher alternative investment income in the current period primarily driven by the impact of equity market performance; and
- higher prepayment fee income.

The increase was partially offset by:

- a recovery of accrued carried interest in the prior period in our Investment Management segment.

Fee income increased \$80 million from \$1,960 million to \$2,040 million primarily due to:

- an increase in separate account and institutional/mutual fund AUM in our Retirement segment driven by market improvements resulting in higher full service fees;
- higher management and administrative fees earned in our Investment Management segment; and
- an increase in recordkeeping fees in our Retirement segment.

The increase was partially offset by:

- an unfavorable variance driven by annual assumption updates and amortization of unearned revenue reserve due to lower gross profits in our Individual Life segment; and
- a shift in the business mix in our Retirement segment.

Premiums increased \$16 million from \$1,606 million to \$1,622 million primarily due to:

- higher premiums driven by growth of the voluntary and group life business in our Employee Benefits segment.

The increase was partially offset by:

- a decline in stop loss premiums in our Employee Benefits segment;
- lower considerations of life contingent contracts resulting in lower Premiums which corresponds to a decrease in Interest credited and other benefits to contract owners/policyholders in Retained Business in our Corporate segment; and
- a decline in term premiums in our Individual Life segment due to discontinued sales.

Net realized capital losses increased \$183 million from \$164 million to \$347 million primarily due to:

- losses from market value changes associated with business reinsured, which are partially offset by a corresponding amount in Interest credited and other benefits to contract owners/policyholders;
- higher Net investment losses and related charges and adjustments primarily due to higher losses on sales of securities;
- higher impairments and unfavorable changes in fair value adjustments; and
- unfavorable changes in the fair value of guaranteed benefit derivatives excluding nonperformance risk as a result of interest rate movements.

Other revenue increased \$62 million from \$265 million to \$327 million primarily due to:

- higher broker-dealer revenues;
- TSA revenue as a result of the Transaction;
- favorable market value adjustments on separate accounts in our Retirement segment; and
- revised projection of the deferred loss amortization associated with a closed block of business.

The increase was partially offset by:

- a decrease in performance fees in our Investment Management segment.

Interest credited and other benefits to contract owners/policyholders decreased \$31 million from \$3,477 million to \$3,446 million primarily due to:

- market value impacts and changes in the reinsurance deposit asset associated with business reinsured;
- lower annuitization of life contingent contracts which corresponds to a decrease in Premiums;
- favorable changes in reserves in our Retained Business driven by a reserve refinement; and
- improvement as a result of a certain block funding agreements in run-off during 2017.

The decrease was partially offset by:

- reserve changes as a result of adverse net mortality and unfavorable intangibles unlocking due to annual assumption updates and higher net mortality in our Individual Life segment; and
- higher loss ratio on group life and voluntary benefits partially offset by lower benefits incurred on stop loss in our Employee Benefits segment.

Operating expenses increased \$29 million from \$1,972 million to \$2,001 million primarily due to:

- higher litigation reserves related to a divested business. See the Commitments and Contingencies Note in Part II, Item 8. of the Annual Report on Form 10-K;
- higher recordkeeping expenses in our Retirement segment;
- higher broker-dealer expenses; and
- an increase in asset based commission and other volume based expense.

The increase was partially offset by:

- a decline in expenses associated with our Strategic Investment Program;
- lower restructuring charges in the current period;
- lower expenses related to net compensation adjustments; and
- lower financing costs in our Individual Life segment.

Net amortization of DAC/VOBA decreased \$208 million from \$468 million to \$260 million primarily due to:

- favorable impact of annual assumption updates in our Retirement segment, excluding GMIR, and a lower net unfavorable impact in our Individual Life segment;
- lower unfavorable unlocking in the current period driven by an update to the assumptions related the GMIR initiatives in our Retirement segment; and
- lower amortization as a result of the GMIR initiatives referenced above.

Income before income taxes increased \$140 million from \$308 million to \$448 million primarily due to:

- higher Adjusted operating earnings before income taxes, discussed below; and
- favorable changes in Other adjustments due to lower restructuring charges in the current period.

The increase was partially offset by:

- Net investment losses and related charges and adjustments, discussed below;
- higher Loss on business exited through reinsurance or divestment, discussed below; and
- lower Income (loss) attributable to noncontrolling interest.

Income tax expense changed \$17 million from \$53 million to \$70 million primarily due to:

- an increase in income before income taxes;
- noncontrolling interest;
- alternative minimum tax ("AMT") sequestration;
- nondeductible executive compensation; and
- a change in valuation allowance.



The increase was partially offset by:

- a lower federal corporate income tax rate; and
- a change in the dividends received deduction ("DRD").

Income from discontinued operations, net of tax improved \$588 million from a loss of \$36 million to a gain of \$457 million primarily due to:

- a favorable Adjustment to the loss on sale, net of tax excluding costs to sell in the current period;
- an decrease in Net losses related to incurred guaranteed benefits and CBVA hedge program, excluding nonperformance risk in businesses held for sale; and
- Gains due to nonperformance risk in the current period compared to a loss in the prior period.

The improvement was partially offset by:

- a decrease in Net results of discontinued operations, excluding notable items, primarily due to the unfavorable impact of equity market movements compared to the prior period;
- lower Income tax benefit; and
- unfavorable DAC/VOBA and other intangible unlocking in the current period compared to favorable in the prior period.

Adjusted operating Earnings before Income Taxes

Adjusted operating earnings before income taxes increased \$269 million from \$295 million to \$564 million primarily due to:

- higher net investment income primarily due to higher alternative investment income; excluding the impact of a nonrecurring positive reserve refinement in the prior period as noted below, favorable net impact of premium and benefits incurred in the stop loss and voluntary blocks partially offset by net unfavorable result in the group life block in our Employee Benefits segment;
- an increase in separate account and institutional/mutual fund AUM driven by equity market improvements resulting in higher full service fees in our Retirement segment;
- a decline in expenses associated with our Strategic Investment Program;
- the lower unfavorable impact of annual assumption updates and GMIR initiatives on DAC/VOBA unlocking compared to the prior period;
- an increase in average AUM driven by market improvements and the cumulative impact of positive net flows resulting in higher management and administrative fees earned in our Investment Management segment; and
- lower amortization due to changes related to the GMIR initiative in our Retirement segment; and
- higher Corporate earnings primarily due to TSA revenue as a result of the Transaction and lower expenses related to net compensation adjustments.

The increase was partially offset by:

- a recovery of accrued carried interest in the prior period in our Investment Management segment; and
- positive reserve refinement in the prior period that did not reoccur in our Employee Benefits segment.

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

Net investment losses and related charges and adjustments increased \$60 million from a loss of \$30 million to a loss of \$90 million primarily due to:

- unfavorable changes in CMO-B fair value adjustments;
- higher impairments in the current period; and
- higher losses on the sale of securities.

The loss was partially offset by:

- favorable changes in the fair value of derivatives.

Net guaranteed benefit hedging gains and related charges and adjustments decreased \$10 million from a gain of \$12 million to a gain of \$2 million primarily due to:

- unfavorable changes in fair value of guaranteed benefit derivatives excluding nonperformance risk as a result of changes in interest rates.

The decrease was partially offset by:

- lower losses due to nonperformance risk.

Income (loss) related to businesses exited through reinsurance or divestment changed \$47 million from a loss of \$(6) million to a loss of \$53 million primarily due to:

- higher litigation reserves related to a divested business.

Loss related to early extinguishment of debt decreased \$1 million from \$4.0 million to \$3.0 million primarily due to:

- Losses in connection with repurchased debt. See Liquidity and Capital Resources - in Part I, Item 2. of this Quarterly Report on Form 10-Q for further description.

Other adjustments to operating earnings changed \$25 million from a loss of \$78 million to a loss of \$53 million primarily due to:

- lower costs recorded in the current period related to restructuring. See the Restructuring Note in Part I, Item 1. of this Quarterly Report on Form 10-Q for further description; and
- rebranding costs incurred in the prior period.

#### Results of Operations - Segment by Segment

##### Retirement

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

(\$ in millions)	Three		Nine Months	
	Months Ended September 30, 2018	Months Ended September 30, 2017	Months Ended September 30, 2018	Months Ended September 30, 2017
Adjusted operating revenues:				
Net investment income and net realized gains (losses)	\$457	\$425	\$1,310	\$1,271
Fee income <sup>(1)</sup>	215	187	637	550
Premiums	—	1	6	5
Other revenue	33	21	84	63
Total adjusted operating revenues	705	634	2,037	1,889
Operating benefits and expenses:				
Interest credited and other benefits to contract owners/policyholders	240	243	716	717
Operating expenses <sup>(1)</sup>	233	203	718	637
Net amortization of DAC/VOBA	(21)	81	72	247
Total operating benefits and expenses	452	527	1,506	1,601

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

Adjusted operating earnings before income taxes \$253 \$107 \$531 \$288

<sup>(1)</sup> The prior periods exclude investment-only products, which were transferred from Corporate during the three months ended March 31, 2018.

129

---

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

	Three Months Ended September 30, 2018	2017	Nine Months Ended September 30, 2018	2017
(\$ in millions)				
DAC/VOBA and other intangibles unlocking <sup>(1)</sup>	\$ 50	\$(44)	\$ 12	\$(145)

<sup>(1)</sup> Includes the impacts of the annual review of assumptions and assumption updates related to the GMIR initiatives. See DAC/VOBA and Other Intangibles Unlocking in Part I, Item 2. of this Quarterly Report on Form 10-Q for further description.

The DAC/VOBA and other intangibles unlocking in the table above includes the net impact of the annual review of the assumptions, completed in the third quarter 2018 and 2017, of \$48 million and \$(47) million, respectively, which was included in Net amortization of DAC/VOBA. The net favorable unlocking in 2018 reflects changes in equity market assumptions partially offset by an unfavorable adjustment related to the GMIR initiatives. The net unfavorable unlocking in 2017 reflects \$220 million related to the GMIR initiatives. Excluding the GMIR-related unlocking, the favorable DAC/VOBA unlocking from the annual review of assumptions was primarily driven by favorable liability and expense assumption changes.

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

	As of September 30,	
(\$ in millions)	2018	2017
Corporate markets	\$64,380	\$58,010
Tax-exempt markets	64,261	60,590
Total full service plans	128,641	118,600
Stable value <sup>(1)</sup> and pension risk transfer	12,005	12,403
Retail wealth management	9,948	3,581
Total AUM	150,593	134,585
AUA	234,975	227,284
Total AUM and AUA	\$385,568	\$361,868

<sup>(1)</sup> Where Voya is the Investment Manager. Stable Value assets move from AUM to AUA when Voya no longer serves as Investment Manager but continues to provide a book value guarantee.

	As of September 30,	
(\$ in millions)	2018	2017
General Account	\$32,468	\$32,761
Separate Account	73,119	68,476
Mutual Fund/Institutional Funds	45,006	33,348
AUA	234,975	227,283
Total AUM and AUA	\$385,568	\$361,868

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

(\$ in millions)	Three Months Ended		Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Balance as of beginning of period	\$145,915	\$129,735	\$138,191	\$121,408
Transfer / Adjustment <sup>(1)</sup>	—	—	6,212	—
Deposits	4,672	4,691	13,631	13,767
Surrenders, benefits and product charges	(4,156 )	(3,600 )	(13,611 )	(11,785 )
Net flows	516	1,091	20	1,982
Interest credited and investment performance	4,162	3,759	6,170	11,195
Balance as of end of period	\$150,593	\$134,585	\$150,593	\$134,585

<sup>(1)</sup> Reflects investment-only products which were transferred from Corporate effective January 1, 2018 and an adjustment in the three months ended June 30, 2018 to include certain Stable Value assets previously reported as AUA.

#### Retirement - Three Months Ended September 30, 2018 Compared to Three Months Ended September 30, 2017

Adjusted operating earnings before income taxes increased \$146 million from \$107 million to \$253 million primarily due to:

- favorable net DAC/VOBA unlocking due to annual assumption updates as described above;
- an increase in separate account and institutional/mutual fund AUM driven by equity market improvements resulting in higher full service fees;
- an increase in alternative investment income; and
- lower amortization due to changes related to the GMIR initiatives.

The increase was partially offset by:

- higher expenses primarily resulting from change in allocation of strategic spend; and
- the impact of the shift in the business mix.

#### Retirement - Nine Months Ended September 30, 2018 Compared to Nine Months Ended September 30, 2017

Adjusted operating earnings before income taxes increased \$243 million from \$288 million to \$531 million primarily due to:

- favorable net DAC/VOBA unlocking due to annual assumption updates as described above and lower unfavorable impact of GMIR initiatives;
- an increase in separate account and institutional/mutual fund AUM driven by equity market improvements resulting in higher full service fees;
- an increase in alternative investment income; and
- lower amortization due to changes related to the GMIR initiatives.

The increase was partially offset by:

- higher expenses primarily resulting from change in allocation of strategic investment spend; and
- the impact of the shift in the business mix.



Investment Management

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

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
(\$ in millions)				
Adjusted operating revenues:				
Net investment income and net realized gains (losses)	\$ 8	\$ 5	\$ 24	\$ 49
Fee income	157	160	483	468
Other revenue	3	6	17	29
Total adjusted operating revenues	168	171	524	546
Operating benefits and expenses:				
Operating expenses	120	117	363	358
Total operating benefits and expenses	120	117	363	358
Adjusted operating earnings before income taxes	\$ 48	\$ 54	\$ 161	\$ 188

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

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
(\$ in millions)				
Investment Management intersegment revenues	\$ 29	\$ 44	\$ 111	\$ 130

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

	As of September 30,	
(\$ in millions)	2018	2017
Assets under Management		
External clients:		
Investment Management sourced	\$89,208	\$83,070
Affiliate sourced <sup>(1)</sup>	38,170	56,546
Variable annuities <sup>(2)</sup>	27,175	—
Total external clients	154,553	139,616
General account	55,862	82,489
Total AUM	210,415	222,105
Assets under Administration <sup>(3)</sup>	48,990	50,460
Total AUM and AUA	\$259,405	\$272,565

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

<sup>(2)</sup> Reflects AUM associated with the businesses divested as part of the Transaction.

<sup>(3)</sup> AUA includes assets sourced by other segments and also reported as AUA or AUM by such other segments.





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

(\$ in millions)	Three Months		Nine Months	
	Ended		Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Net Flows:				
Investment Management sourced	\$860	\$1,228	\$2,068	\$4,181
Affiliate sourced	217	1,232	(699 )	410
Variable annuities <sup>(1)</sup>	(600 )	(948 )	(1,941 )	(3,063 )
Total	\$477	\$1,512	\$(572 )	\$1,528

<sup>(1)</sup> Reflects net flows associated with the businesses divested as part of the Transaction.

Investment Management - Three Months Ended September 30, 2018 Compared to Three Months Ended September 30, 2017

Adjusted operating earnings before income taxes decreased \$6 million from \$54 million to \$48 million primarily due to:

- lower average general account AUM driven by the impact of the Transaction.

The decrease was partially offset by:

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

Investment Management - Nine Months Ended September 30, 2018 Compared to Nine Months Ended September 30, 2017

Adjusted operating earnings before income taxes decreased \$27 million from \$188 million to \$161 million primarily due to:

- lower alternative investment income primarily driven by the recovery of accrued carried interest in the prior period related to a sponsored private equity fund;
- lower Other revenue primarily due to higher performance and production fees earned in the prior period;
- lower average general account AUM driven by the impact of the Transaction; and
- higher Operating expenses primarily associated with higher fee revenues.

The decrease was partially offset by:

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

## Employee Benefits

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

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Adjusted operating revenues:				
Net investment income and net realized gains (losses)	\$31	\$28	\$86	\$82
Fee income	22	15	53	47
Premiums	418	405	1,247	1,211
Other revenue	(2 )	(2 )	(4 )	(4 )
Total adjusted operating revenues	469	446	1,382	1,336
Operating benefits and expenses:				
Interest credited and other benefits to contract owners/policyholders	323	305	984	977
Operating expenses	88	80	266	254
Net amortization of DAC/VOBA	8	3	15	9
Total operating benefits and expenses	419	388	1,265	1,240
Adjusted operating earnings before income taxes	\$50	\$58	\$117	\$96

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

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
DAC/VOBA and other intangibles unlocking <sup>(1)</sup>	\$ 1	\$ (1 )	\$ —	\$ (3 )

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

The DAC/VOBA and other intangibles unlocking in the table above includes the impact of the annual review of the assumptions, completed in the third quarter 2018 of \$1 million. The Company had immaterial unlocking in the third quarter 2017.

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

(\$ in millions)	Three Months Ended September 30,	
	2018	2017
Fee income	\$ 7	\$ —
Net amortization of DAC/VOBA	(6 )	—
Total	\$ 1	\$ —



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

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,		
	2018	2017	2018	2017	
<b>Sales by Product Line:</b>					
Group life and Disability	\$12	\$15	\$84	\$75	
Stop loss	36	19	230	279	
Total group products	48	34	314	354	
Voluntary products	9	5	84	61	
Total sales by product line	\$57	\$39	\$398	\$415	
Total gross premiums and deposits	\$468	\$456	\$1,399	\$1,366	
Group life and Disability	\$654	\$627	\$654	\$627	
Stop loss	953	989	953	989	
Voluntary	309	257	309	257	
Total annualized in-force premiums	\$1,916	\$1,873	\$1,916	\$1,873	
<b>Loss Ratios:</b>					
Group life (interest adjusted)	78.6	% 74.4	% 79.8	% 76.0	%
Stop loss	77.0	% 80.6	% 79.6	% 82.4	%
Total Loss Ratio	71.1	% 69.0	% 72.5	% 73.8	%

**Employee Benefits - Three Months Ended September 30, 2018 Compared to Three Months Ended September 30, 2017**

Adjusted operating earnings before income taxes decreased \$8 million from \$58 million to \$50 million primarily due to:

- higher reserves on voluntary due to a positive reserve refinement in the prior period that did not reoccur;
- higher benefits incurred due to a higher loss ratio on group life experience and growth of business; and
- higher distribution expenses and commissions to support increased volume.

The decrease was partially offset by:

- higher premiums driven by growth of the voluntary and group life blocks; and
- favorable stop loss experience as a result of pricing actions taken to improve the loss ratio.

**Employee Benefits - Nine Months Ended September 30, 2018 Compared to Nine Months Ended September 30, 2017**

Adjusted Operating earnings before income taxes increased \$21 million from \$96 million to \$117 million primarily due to:

- higher premiums driven by growth of the voluntary and group life blocks; and
- favorable stop loss experience as a result of pricing actions taken to improve the loss ratio.

The increase was partially offset by:

higher benefits incurred due to a higher loss ratio on group life and growth of the business;  
lower stop loss sales in the current period as a result of pricing actions taken to improve the loss ratio;  
higher reserves on voluntary due to a positive reserve refinement in prior period that did not reoccur; and  
higher distribution expenses and commissions to support increased volume.

## Individual Life

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

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Adjusted operating revenues:				
Net investment income and net realized gains (losses)	\$230	\$218	\$673	\$642
Fee income	320	340	934	950
Premiums	106	108	314	324
Other revenue	4	3	11	12
Total adjusted operating revenues	660	669	1,932	1,928
Operating benefits and expenses:				
Interest credited and other benefits to contract owners/policyholders	628	550	1,612	1,473
Operating expenses	68	63	208	210
Net amortization of DAC/VOBA	98	122	188	217
Total operating benefits and expenses	794	735	2,008	1,900
Adjusted operating earnings before income taxes	\$(134)	\$(66)	\$(76)	\$28

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

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
DAC/VOBA and other intangibles unlocking <sup>(1)</sup>	\$(200)	\$(143)	\$(260)	\$(152)

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

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

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Fee income	\$12	\$34	\$16	\$31
Interest credited and other benefits to contract owners/policyholders	(162)	(92)	(204)	(88)
Net amortization of DAC/VOBA	(50)	(85)	(72)	(96)
Total	\$(200)	\$(143)	\$(260)	\$(152)

The DAC/VOBA and other intangibles unlocking in the tables above includes the net unfavorable impact of the annual review of the assumptions, completed in the third quarter 2018 and 2017, of \$207 million and \$142 million, respectively. The net unfavorable unlocking in 2018 was driven primarily by reinsurer rate increases. The net unfavorable unlocking in 2017 was driven primarily by reinsurer rate increases, changes in portfolio yields and expense assumptions.

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

(\$ in millions)	Three Months Ended September 30,	
	2018	2017
Fee income	\$14	\$35
Interest credited and other benefits to contract owners/policyholders	(170 )	(97 )
Net amortization of DAC/VOBA	(51 )	(80 )
Total	\$(207)	\$(142)

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

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Sales by Product Line:				
Universal life:				
Indexed	\$19	\$16	\$51	\$54
Accumulation	1	1	3	3
Total universal life	20	17	54	57
Variable life	—	1	1	3
Term	—	—	—	2
Total sales by product line	\$20	\$18	\$55	\$62
Total gross premiums	\$450	\$441	\$1,343	\$1,341
End of period:				
In-force face amount	\$310,132	\$332,933	\$310,132	\$332,933
In-force policy count	784,882	845,790	784,882	845,790
New business policy count (paid)	1,292	1,144	3,421	5,424

Individual Life - Three Months Ended September 30, 2018 Compared to Three Months Ended September 30, 2017

Adjusted operating earnings before income taxes decreased \$68 million from a loss of \$66 million to a loss of \$134 million primarily due to:

- higher net unfavorable DAC/VOBA and other intangibles unlocking, mostly driven by assumption updates as described above; and
- lower underwriting gains, net of DAC/VOBA and other intangibles amortization, primarily driven by adverse net mortality due to higher frequency and severity on the combined interest and non-interest sensitive blocks, partially offset by favorable reserve changes in the non-interest sensitive block as the block ages.

The decrease was partially offset by:



higher net investment income primarily due to higher alternative investment income.

137

---

Individual Life - Nine Months Ended September 30, 2018 Compared to Nine Months Ended September 30, 2017

Adjusted operating earnings before income taxes decreased \$104 million from a gain of \$28 million to a loss of \$76 million primarily due to:

- higher net unfavorable DAC/VOBA and other intangibles unlocking, mostly driven by the impact of annual assumption updates as well as unfavorable net mortality, described below; and
- lower underwriting gains, net of DAC/VOBA and other intangibles amortization, primarily driven by adverse net mortality on the interest sensitive block, partially offset by lower financing costs and favorable reserve changes.

The decrease was partially offset by:

- higher alternative investment income; and
- higher fixed investment income from higher volumes.

Corporate

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

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Adjusted operating revenues:				
Net investment income and net realized gains (losses)	\$57	\$60	\$187	\$178
Fee income <sup>(1)</sup>	12	28	33	82
Premiums	23	19	49	63
Other revenue	14	—	20	1
Total adjusted operating revenues	106	107	289	324
Operating benefits and expenses:				
Interest credited and other benefits to contract owners/policyholders	69	60	164	191
Operating expenses <sup>(1)</sup>	48	105	149	289
Net amortization of DAC/VOBA	(2)	6	3	9
Interest expense	45	46	142	140
Total operating benefits and expenses	160	217	458	629
Adjusted operating earnings before income taxes <sup>(2)</sup>	\$(54)	\$(110)	\$(169)	\$(305)

<sup>(1)</sup> The prior periods include investment-only products, which were transferred to our Retirement segment during the three months ended March 31, 2018.

<sup>(2)</sup> The prior periods include insignificant amounts related to net investment gains (losses) and changes in fair value of derivatives related to guaranteed benefits associated with the Retained Business.

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

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Strategic Investment Program <sup>(1)</sup>	\$ —	\$ 21	\$ —	\$ 64
Amortization of intangibles	9	9	27	27

Other <sup>(2)</sup>	39	75	122	198
Total Operating expenses	\$ 48	\$ 105	\$ 149	\$ 289

<sup>(1)</sup> In 2018, Strategic Investment Program costs are insignificant and reflected in our reportable segments.

<sup>(2)</sup> Includes expense from corporate operations, Retained Business and other closed blocks, and expense not allocated to our segments, including Stranded Costs.

Corporate - Three Months Ended September 30, 2018 Compared to Three Months Ended September 30, 2017

Adjusted operating earnings before income taxes improved \$56 million from a loss of \$110 million to a loss of \$54 million primarily related to:

- a decline in expenses associated with our Strategic Investment Program as the expense is allocated to our segments beginning in the first quarter of 2018;
- TSA revenue as a result of the Transaction; and
- lower net compensation adjustments in the current period.

Corporate - Nine Months Ended September 30, 2018 Compared to Nine Months Ended September 30, 2017

Adjusted operating earnings before income taxes improved \$136 million from a loss of \$305 million to a loss of \$169 million primarily due to:

- a decline in expenses associated with our Strategic Investment Program as the expense is allocated to our segments beginning in the first quarter of 2018;
- TSA revenue as a result of the Transaction;
- lower net compensation adjustments in the current period;
- favorable impact as a result of certain funding agreements in run-off during 2017; and
- favorable changes in reserves in our Retained Business driven by a reserve refinement.

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 Adjusted operating earnings before income taxes and the average level of assets in each segment, prior to intercompany eliminations, which excludes alternative investments and income that are a component of Assets held for sale and Income (loss) from discontinued operations, net of tax, respectively, and alternative investments and income in Corporate. These alternative investments are carried at fair value, which is estimated based on the net asset value ("NAV") of these funds.

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

Alternative investment income for the three and nine months ended September 30, 2018 and 2017, respectively, and the average assets of alternative investments as of the dates indicated were as follows:

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
(\$ in millions)				
Retirement:				
Alternative investment income	\$ 38	\$ 16	\$ 76	\$ 44
Average alternative investment	646	519	580	512
Investment Management <sup>(1)</sup> :				
Alternative investment income	8	5	24	49
Average alternative investment	214	236	242	222
Employee Benefits:				
Alternative investment income	4	2	8	4
Average alternative investment	63	49	56	49
Individual Life:				
Alternative investment income	19	8	44	21
Average alternative investment	387	270	349	248

<sup>(1)</sup> Includes performance fees related to sponsored private equity funds ("carried interest") that are subject to later reversal based on subsequent fund performance, to the extent that cumulative rates of investment return fall below specified investment hurdle rates. Should the market value of a portfolio increase in future periods, reversals of carried interest could be fully or partially recovered. For the three and nine months ended September 30, 2018 and for the three months ended September 30, 2017, our carried interest total net results were immaterial. For the nine months ended September 30, 2017, our carried interest total net results were a gain of \$33 million, including the recovery of \$26 million of previously accrued carried interest for one private equity fund.

#### DAC/VOBA and Other Intangibles Unlocking

Changes in Adjusted operating earnings before income taxes and Net income (loss) are influenced by increases and decreases in amortization of DAC, VOBA, deferred sales inducements ("DSI") and unearned revenue ("URR"), collectively, "DAC/VOBA and other intangibles." For Individual Life, changes in Adjusted operating earnings before income taxes and Net income (loss) are also influenced by increases and decreases in amortization of net cost of reinsurance, as well as by changes in reserves associated with UL and variable universal life ("VUL") secondary guarantees and paid-up guarantees. Unlocking, described below, related to DAC, VOBA, DSI and URR, as well as amortization of net cost of reinsurance and reserve adjustments associated with UL and VUL secondary guarantees and paid-up guarantees are referred to as "DAC/VOBA and other intangibles unlocking." See the "Deferred Policy Acquisition Costs, Value of Business Acquired and Other Intangibles," "Reinsurance," and "Future Policy Benefits and Contract Owner Account Balances" sections in the Business, Basis of Presentation and Significant Accounting Policies Note in our Consolidated Financial Statements in Part II, Item 8. of our Annual Report on Form 10-K for more information.

We amortize DAC/VOBA and other intangibles related to universal life-type contracts and fixed deferred annuity contracts over the estimated lives of the contracts in relation to the emergence of estimated gross profits. Variable deferred annuity contracts are amortized over estimated gross revenues. Net cost of reinsurance is amortized in a similar manner. For universal life-type contracts, assumptions as to mortality, persistency, interest crediting rates, returns associated with separate account performance, impact of hedge performance, expenses to administer the business and certain economic variables, such as inflation, are based on our experience and our overall short-term and long-term future expectations for returns available in the capital markets. At each valuation date, estimated gross

profits are updated with actual gross profits and the assumptions underlying future estimated gross profits are evaluated for continued reasonableness. Adjustments to estimated gross profits require that amortization rates be revised retroactively to the date of the contract issuance, which is referred to as unlocking. As a result of this process, the cumulative balances of DAC/VOBA and other intangibles and net cost of reinsurance are adjusted with an offsetting benefit or charge to income to reflect changes in the period of the revision. An unlocking event that results in a benefit ("favorable unlocking") generally occurs as a result of actual experience or future expectations being favorable compared to previous estimates. Changes in DAC/VOBA and other intangibles and net cost of reinsurance due to contract changes or contract terminations higher than estimated are also included in "unlocking." An unlocking event that results in a charge ("unfavorable unlocking") generally occurs as a result of actual experience or future expectations being unfavorable compared to previous estimates. As a result of unlocking, the amortization schedules for future periods are also adjusted.

Reserves for UL and VUL secondary guarantees and paid-up guarantees are calculated by estimating the expected value of death benefits payable and recognizing those benefits ratably over the accumulation period based on total expected assessments. The

reserve for such products recognizes the portion of contract assessments received in early years used to compensate us for benefits provided in later years. Assumptions used, such as the interest rate, lapse rate and mortality, are consistent with assumptions used in estimating gross profits for purposes of amortizing DAC. At each valuation date, we evaluate these assumptions and, if actual experience or other evidence suggests that earlier assumptions should be revised, we adjust the reserve balance, with a related charge or credit to Policyholder benefits. These reserve adjustments are included in unlocking associated with all our segments.

We also review the estimated gross profits for each of these blocks of business to determine the recoverability of DAC, VOBA and DSI balances each period. If these assets are deemed to be unrecoverable, a write-down is recorded that is referred to as loss recognition. There was no loss recognition for the three and nine months ended September 30, 2018 and 2017.

During the third quarter of 2018, we completed our annual review of the assumptions, including projection model inputs, in each of our segments (except for the 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 to Adjusted operating earnings before income taxes of \$153 million in the current period, compared to a net unfavorable impact of \$189 million in the prior period. For information about the impacts of the annual review of assumptions on DAC/VOBA and other intangibles and Adjusted operating earnings before income taxes related to our segments, see Results of Operations - Segment by Segment in Part I, Item 2. of this Quarterly Report on Form 10-Q. These impacts are included in DAC/VOBA and other intangibles unlocking.

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

	Three Months		Nine Months	
	Ended		Ended	
	September 30,		September 30,	
(\$ in millions)	2018	2017	2018	2017
Retirement <sup>(1)</sup>	\$50	\$(44)	\$12	\$(145)
Individual Life	(200)	(143)	(260)	(152)
Employee Benefits	1	(1)	—	(3)
Corporate	5	—	5	—
Total DAC/VOBA and other intangibles unlocking <sup>(2)</sup>	\$(144)	\$(188)	\$(243)	\$(300)

<sup>(1)</sup> Amounts for the Retirement segment include unlocking associated with the changes in contract terms of certain fixed option retirement plans related to GMIR initiatives.

<sup>(2)</sup> Includes the impacts of the annual review of assumptions.

## Liquidity and Capital Resources

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

## Consolidated Sources and Uses of Liquidity and Capital

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

withdrawals and surrenders.

#### Parent Company Sources and Uses of Liquidity and Capital

In evaluating liquidity, it is important to distinguish the cash flow needs of Voya Financial, Inc. from the cash flow needs of the Company as a whole. Voya Financial, Inc. is largely dependent on cash flows from its operating subsidiaries to meet its obligations. The principal sources of funds available to Voya Financial, Inc. include dividends and returns of capital from its operating subsidiaries, as well as cash and short-term investments. These sources of funds are currently supplemented by Voya Financial, Inc.'s access to the \$750 million revolving credit sublimit of its Second Amended and Restated Credit Agreement and reciprocal borrowing facilities maintained with its subsidiaries as well as other alternate sources of liquidity described below either directly or indirectly through its insurance subsidiaries.



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

	Nine Months Ended September 30,	
(\$ in millions)	2018	2017
Beginning cash and cash equivalents balance	\$244	\$257
Sources:		
Dividends and returns of capital from subsidiaries	1,195	1,093
Repayment of loans to subsidiaries, net of new issuances	128	8
Amounts received from subsidiaries under tax sharing agreements, net	50	—