

Voya Financial, Inc.  
Form 10-Q  
August 04, 2016

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

FORM 10-Q  
(Mark  
One)

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

For the quarterly period ended June 30, 2016

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

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

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

Voya Financial, Inc.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

No

**APPLICABLE ONLY TO CORPORATE ISSUERS:**

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of July 29, 2016, 200,231,021 shares of Common Stock, \$0.01 par value, were outstanding.

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

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

#### NOTE CONCERNING FORWARD-LOOKING STATEMENTS

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

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

June 30, 2016 (Unaudited) and December 31, 2015

(In millions, except share and per share data)

|   | June 30,<br>2016 | December 31,<br>2015 |
|---|------------------|----------------------|
| Assets:   |                  |                      |
| Investments:  |                  |                      |
| Fixed maturities, available-for-sale, at fair value (amortized cost of \$64,679.1 as of 2016 and \$65,546.3 as of 2015) | \$71,015.5       | \$ 67,733.4          |
| Fixed maturities, at fair value using the fair value option   | 3,985.3          | 3,226.6              |
| Equity securities, available-for-sale, at fair value (cost of \$240.1 as of 2016 and \$300.4 as of 2015)                | 276.1            | 331.7                |
| Short-term investments  | 1,280.2          | 1,496.7              |
| Mortgage loans on real estate, net of valuation allowance of \$2.8 as of 2016 and \$3.2 as of 2015                      | 11,209.4         | 10,447.5             |
| Policy loans  | 1,998.5          | 2,002.7              |
| Limited partnerships/corporations   | 633.6            | 510.6                |
| Derivatives   | 2,948.6          | 1,538.5              |
| Other investments   | 89.7             | 91.6                 |
| Securities pledged (amortized cost of \$1,874.1 as of 2016 and \$1,082.1 as of 2015)                                    | 2,202.3          | 1,112.6              |
| Total investments   | 95,639.2         | 88,491.9             |
| Cash and cash equivalents   | 3,799.7          | 2,512.7              |
| Short-term investments under securities loan agreements, including collateral delivered                                 | 1,325.7          | 660.0                |
| Accrued investment income   | 893.7            | 899.0                |
| Reinsurance recoverable   | 7,473.1          | 7,653.7              |
| Deferred policy acquisition costs and Value of business acquired  | 4,263.8          | 5,370.1              |
| Sales inducements to contract holders   | 201.8            | 263.3                |
| Current income taxes  | 59.5             | —                    |
| Deferred income taxes   | 999.8            | 2,214.8              |
| Goodwill and other intangible assets  | 239.5            | 250.8                |
| Other assets  | 951.8            | 914.3                |
| Assets related to consolidated investment entities:   |                  |                      |
| Limited partnerships/corporations, at fair value  | 2,227.3          | 4,973.7              |
| Cash and cash equivalents   | 177.6            | 467.6                |
| Corporate loans, at fair value using the fair value option  | 2,487.6          | 6,882.5              |
| Other assets  | 18.0             | 154.3                |
| Assets held in separate accounts  | 96,307.3         | 96,514.8             |
| Total assets  | \$217,065.4      | \$ 218,223.5         |

The accompanying notes are an

integral part of  
these  
Condensed  
Consolidated  
Financial  
Statements.

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

|   | June 30,<br>2016 | December 31,<br>2015 |
|---|------------------|----------------------|
| Liabilities and Shareholders' Equity:   |                  |                      |
| Future policy benefits  | \$21,202.9       | \$ 19,508.0          |
| Contract owner account balances   | 69,419.8         | 68,664.1             |
| Payables under securities loan agreement, including collateral held   | 3,012.3          | 1,485.0              |
| Long-term debt  | 3,547.5          | 3,459.8              |
| Funds held under reinsurance agreements   | 802.0            | 702.4                |
| Derivatives   | 1,218.0          | 487.5                |
| Pension and other postretirement provisions   | 655.5            | 687.4                |
| Current income taxes  | —                | 70.0                 |
| Other liabilities   | 1,243.2          | 1,460.9              |
| Liabilities related to consolidated investment entities:  |                  |                      |
| Collateralized loan obligations notes, at fair value using the fair value option  | 2,587.3          | 6,956.2              |
| Other liabilities   | 704.0            | 1,951.6              |
| Liabilities related to separate accounts  | 96,307.3         | 96,514.8             |
| Total liabilities   | 200,699.8        | 201,947.7            |
| Commitments and Contingencies (Note 12)   |                  |                      |
| Shareholders' equity:   |                  |                      |
| Common stock (\$0.01 par value per share; 900,000,000 shares authorized; 267,973,600 and 265,327,196 shares issued as of 2016 and 2015, respectively; 200,228,837 and 209,095,793 shares outstanding as of 2016 and 2015, respectively) | 2.7              | 2.7                  |
| Treasury stock (at cost; 67,744,763 and 56,231,403 shares as of 2016 and 2015, respectively)  | (2,645.8         | ) (2,302.3           |
| Additional paid-in capital  | 23,604.5         | 23,716.8             |
| Accumulated other comprehensive income (loss)   | 3,439.7          | 1,424.9              |
| Retained earnings (deficit):  |                  |                      |
| Appropriated-consolidated investment entities   | —                | 9.0                  |
| Unappropriated  | (9,062.2         | ) (9,415.3           |
| Total Voya Financial, Inc. shareholders' equity   | 15,338.9         | 13,435.8             |
| Noncontrolling interest   | 1,026.7          | 2,840.0              |
| Total shareholders' equity  | 16,365.6         | 16,275.8             |
| Total liabilities and shareholders' equity  | \$217,065.4      | \$ 218,223.5         |

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





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

|   | Three Months Ended<br>June 30, |           | Six Months Ended<br>June 30, |           |
|---|--------------------------------|-----------|------------------------------|-----------|
|   | 2016                           | 2015      | 2016                         | 2015      |
| Revenues:   |                                |           |                              |           |
| Net investment income   | \$1,175.2                      | \$1,108.2 | \$2,269.3                    | \$2,256.2 |
| Fee income  | 826.7                          | 872.4     | 1,652.5                      | 1,772.2   |
| Premiums  | 711.6                          | 667.2     | 1,678.4                      | 1,276.0   |
| Net realized capital gains (losses):  |                                |           |                              |           |
| Total other-than-temporary impairments  | (3.3 )                         | (8.0 )    | (13.2 )                      | (10.6 )   |
| Less: Portion of other-than-temporary impairments recognized in Other comprehensive income (loss) | 0.9                            | 0.4       | 1.8                          | 2.7       |
| Net other-than-temporary impairments recognized in earnings                                       | (4.2 )                         | (8.4 )    | (15.0 )                      | (13.3 )   |
| Other net realized capital gains (losses)   | (97.1 )                        | 8.1       | (75.6 )                      | (246.5 )  |
| Total net realized capital gains (losses)   | (101.3 )                       | (0.3 )    | (90.6 )                      | (259.8 )  |
| Other revenue   | 84.6                           | 105.9     | 167.4                        | 208.6     |
| Income (loss) related to consolidated investment entities:  |                                |           |                              |           |
| Net investment income   | (0.8 )                         | 257.0     | 28.3                         | 353.9     |
| Changes in fair value related to collateralized loan obligations                                  | —                              | (42.3 )   | —                            | (34.6 )   |
| Total revenues  | 2,696.0                        | 2,968.1   | 5,705.3                      | 5,572.5   |
| Benefits and expenses:  |                                |           |                              |           |
| Policyholder benefits   | 1,052.0                        | 958.8     | 2,432.8                      | 1,845.8   |
| Interest credited to contract owner account balances  | 497.7                          | 490.2     | 992.6                        | 974.9     |
| Operating expenses  | 716.4                          | 745.2     | 1,436.6                      | 1,487.4   |
| Net amortization of Deferred policy acquisition costs and Value of business acquired              | 98.0                           | 153.1     | 200.5                        | 271.2     |
| Interest expense  | 149.7                          | 56.6      | 197.4                        | 104.0     |
| Operating expenses related to consolidated investment entities:                                   |                                |           |                              |           |
| Interest expense  | 27.7                           | 74.7      | 48.7                         | 137.2     |
| Other expense   | 1.4                            | 3.3       | 2.3                          | 4.5       |
| Total benefits and expenses   | 2,542.9                        | 2,481.9   | 5,310.9                      | 4,825.0   |
| Income (loss) before income taxes   | 153.1                          | 486.2     | 394.4                        | 747.5     |
| Income tax expense (benefit)  | 17.1                           | 119.1     | 66.1                         | 164.7     |
| Net income (loss)   | 136.0                          | 367.1     | 328.3                        | 582.8     |
| Less: Net income (loss) attributable to noncontrolling interest                                   | (25.5 )                        | 81.9      | (24.8 )                      | 108.0     |
| Net income (loss) available to Voya Financial, Inc.'s common shareholders                         | \$161.5                        | \$285.2   | \$353.1                      | \$474.8   |
| Net income (loss) available to Voya Financial, Inc.'s common shareholders per common share:       |                                |           |                              |           |
| Basic   | \$0.80                         | \$1.25    | \$1.73                       | \$2.03    |
| Diluted   | \$0.79                         | \$1.24    | \$1.71                       | \$2.02    |
| Cash dividends declared per share of common stock   | \$0.01                         | \$0.01    | \$0.02                       | \$0.02    |

The accompanying notes are an integral part of these

Condensed  
Consolidated  
Financial  
Statements.

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

|  | Three Months Ended<br>June 30, |             | Six Months Ended<br>June 30, |           |
|--|--------------------------------|-------------|------------------------------|-----------|
|  | 2016                           | 2015        | 2016                         | 2015      |
| Net income (loss)  | \$136.0                        | \$367.1     | \$328.3                      | \$582.8   |
| Other comprehensive income (loss), before tax:   |                                |             |                              |           |
| Unrealized gains (losses) on securities  | 1,479.4                        | (2,184.1 )  | 3,092.3                      | (1,529.7) |
| Other-than-temporary impairments   | 3.2                            | 3.7         | 6.3                          | 9.4       |
| Pension and other postretirement benefits liability                                    | (3.5 )                         | (3.5 )      | (6.9 )                       | (6.9 )    |
| Other comprehensive income (loss), before tax  | 1,479.1                        | (2,183.9 )  | 3,091.7                      | (1,527.2) |
| Income tax expense (benefit) related to items of other comprehensive income (loss)     | 515.6                          | (761.9 )    | 1,076.9                      | (532.7 )  |
| Other comprehensive income (loss), after tax   | 963.5                          | (1,422.0 )  | 2,014.8                      | (994.5 )  |
| Comprehensive income (loss)  | 1,099.5                        | (1,054.9 )  | 2,343.1                      | (411.7 )  |
| Less: Comprehensive income (loss) attributable to noncontrolling interest              | (25.5 )                        | 81.9        | (24.8 )                      | 108.0     |
| Comprehensive income (loss) attributable to Voya Financial, Inc.'s common shareholders | \$1,125.0                      | \$(1,136.8) | \$2,367.9                    | \$(519.7) |

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 Six Months Ended June 30, 2016 (Unaudited)

(In millions)

|   | Common<br>Stock | Treasury<br>Stock | Additional<br>Paid-In<br>Capital | Accumulated<br>Other<br>Comprehensive<br>Income<br>(Loss) | Retained Earnings<br>(Deficit)<br>Appropriated | Retained Earnings<br>(Deficit)<br>Not Appropriated | Total<br>Voya<br>Financial,<br>Inc.<br>Shareholders'<br>Equity | Noncontrolling<br>Interest | Total<br>Shareholders'<br>Equity |
|---|-----------------|-------------------|----------------------------------|---|--|--|--|----------------------------|----------------------------------|
| Balance as of<br>January 1, 2016 -<br>As previously<br>filed  | \$ 2.7          | \$(2,302.3)       | \$23,716.8                       | \$ 1,424.9  | \$ 9.0   | \$(9,415.3 )                                       | \$ 13,435.8  | \$ 2,840.0                 | \$ 16,275.8                      |
| Cumulative effect<br>of changes in<br>accounting:             |                 |                   |                                  |   |  |  |  |                            |                                  |
| Adjustment for<br>adoption of ASU<br>2015-2                   | —               | —                 | —                                | —   | 8.8  | —  | 8.8  | (1,601.0 )                 | (1,592.2 )                       |
| Adjustment for<br>adoption of ASU<br>2014-13                  | —               | —                 | —                                | —   | (17.8)   | —  | (17.8 )  | —                          | (17.8 )                          |
| Balance as of<br>January 1, 2016 -<br>As adjusted             | 2.7             | (2,302.3 )        | 23,716.8                         | 1,424.9   | —  | (9,415.3 )   | 13,426.8   | 1,239.0                    | 14,665.8                         |
| Comprehensive<br>income (loss):                               |                 |                   |                                  |   |  |  |  |                            |                                  |
| Net income (loss)   | —               | —                 | —                                | —   | —  | 353.1  | 353.1  | (24.8 )                    | 328.3                            |
| Other<br>comprehensive<br>income (loss),<br>after tax         | —               | —                 | —                                | 2,014.8   | —  | —  | 2,014.8  | —                          | 2,014.8                          |
| Total<br>comprehensive<br>income (loss)                       | —               | —                 | —                                | —   | —  | —  | 2,367.9  | (24.8 )                    | 2,343.1                          |
| Reclassification<br>of noncontrolling<br>interest             | —               | —                 | —                                | —   | —  | —  | —  | —                          | —                                |
| Common stock<br>acquired - Share<br>repurchase                | —               | (337.2 )          | (150.0 )                         | —   | —  | —  | (487.2 )   | —                          | (487.2 )                         |
| Dividends on<br>common stock                                  | —               | —                 | (4.1 )                           | —   | —  | —  | (4.1 )   | —                          | (4.1 )                           |
| Share-based<br>compensation                                   | —               | (6.3 )            | 41.8                             | —   | —  | —  | 35.5   | —                          | 35.5                             |
| Contributions<br>from<br>(Distributions to)<br>noncontrolling | —               | —                 | —                                | —   | —  | —  | —  | (187.5 )                   | (187.5 )                         |

|               |        |             |            |            |     |              |            |            |            |
|---------------|--------|-------------|------------|------------|-----|--------------|------------|------------|------------|
| interest, net |        |             |            |            |     |              |            |            |            |
| Balance as of | \$ 2.7 | \$(2,645.8) | \$23,604.5 | \$ 3,439.7 | \$— | \$(9,062.2 ) | \$15,338.9 | \$ 1,026.7 | \$16,365.6 |
| June 30, 2016 |        |             |            |            |     |              |            |            |            |

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 Six Months Ended June 30, 2015 (Unaudited)

(In millions)

|  | Common<br>Stock | Treasury<br>Stock | Additional<br>Paid-In<br>Capital | Accumulated<br>Other<br>Comprehensive<br>Income<br>(Loss) | Retained Earnings<br>(Deficit) | Total<br>Voya<br>Financial,<br>Inc.<br>Shareholders'<br>Equity | Noncontrolling<br>Interest | Total<br>Shareholders'<br>Equity |             |
|--|-----------------|-------------------|----------------------------------|---|--------------------------------|--|----------------------------|----------------------------------|-------------|
| Balance as of<br>January 1, 2015   | \$ 2.6          | \$(807.0 )        | \$23,650.1                       | \$ 3,103.7  | \$ 20.4                        | \$(9,823.6 )   | \$ 16,146.2                | \$ 2,415.3                       | \$ 18,561.5 |
| Comprehensive<br>income (loss):  |                 |                   |                                  |   |                                |  |                            |                                  |             |
| Net income<br>(loss)   | —               | —                 | —                                | —   | —                              | 474.8  | 474.8                      | 108.0                            | 582.8       |
| Other<br>comprehensive<br>income (loss),<br>after tax                          | —               | —                 | —                                | (994.5 )  | —                              | —  | (994.5 )                   | —                                | (994.5 )    |
| Total<br>comprehensive<br>income (loss)  |                 |                   |                                  |   |                                |  | (519.7 )                   | 108.0                            | (411.7 )    |
| Reclassification<br>of noncontrolling<br>interest                              | —               | —                 | —                                | —   | (31.3 )                        | —  | (31.3 )                    | 31.3                             | —           |
| Common stock<br>acquired - Share<br>repurchase                                 | —               | (759.0 )          | —                                | —   | —                              | —  | (759.0 )                   | —                                | (759.0 )    |
| Dividends on<br>common stock   | —               | —                 | (4.7 )                           | —   | —                              | —  | (4.7 )                     | —                                | (4.7 )      |
| Share-based<br>compensation  | 0.1             | (4.5 )            | 28.7                             | —   | —                              | —  | 24.3                       | —                                | 24.3        |
| Contributions<br>from<br>(Distributions to)<br>noncontrolling<br>interest, net | —               | —                 | —                                | —   | —                              | —  | —                          | 138.5                            | 138.5       |
| Balance as of<br>June 30, 2015   | \$ 2.7          | \$(1,570.5)       | \$23,674.1                       | \$ 2,109.2  | \$(10.9)                       | \$(9,348.8 )   | \$ 14,855.8                | \$ 2,693.1                       | \$ 17,548.9 |

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



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

|  | Six Months Ended<br>June 30, |            |
|--|------------------------------|------------|
|  | 2016                         | 2015       |
| Net cash provided by operating activities  | \$1,658.7                    | \$1,483.2  |
| Cash Flows from Investing Activities:  |                              |            |
| Proceeds from the sale, maturity, disposal or redemption of:                           |                              |            |
| Fixed maturities   | 6,700.8                      | 5,164.6    |
| Equity securities, available-for-sale  | 81.5                         | 30.8       |
| Mortgage loans on real estate  | 685.8                        | 547.7      |
| Limited partnerships/corporations  | 132.7                        | 104.0      |
| Acquisition of:  |                              |            |
| Fixed maturities   | (7,396.0 )                   | (5,552.7 ) |
| Equity securities, available-for-sale  | (35.1 )                      | (38.0 )    |
| Mortgage loans on real estate  | (1,447.2 )                   | (1,119.5 ) |
| Limited partnerships/corporations  | (166.8 )                     | (207.4 )   |
| Short-term investments, net  | 216.6                        | 646.9      |
| Policy loans, net  | 4.2                          | 69.9       |
| Derivatives, net   | (494.2 )                     | (170.7 )   |
| Other investments, net   | 2.2                          | 17.0       |
| Sales from consolidated investment entities  | 903.6                        | 2,440.0    |
| Purchases within consolidated investment entities                                      | (603.2 )                     | (3,539.7 ) |
| Collateral received (delivered), net   | 861.2                        | (45.7 )    |
| Purchases of fixed assets, net   | (36.3 )                      | (24.0 )    |
| Net cash used in investing activities  | (590.2 )                     | (1,676.8 ) |
| Cash Flows from Financing Activities:  |                              |            |
| Deposits received for investment contracts   | 4,190.4                      | 3,628.0    |
| Maturities and withdrawals from investment contracts                                   | (3,318.4 )                   | (3,367.2 ) |
| Proceeds from issuance of debt with maturities of more than three months               | 798.2                        | —          |
| Repayment of debt with maturities of more than three months                            | (708.3 )                     | (30.6 )    |
| Debt issuance costs  | (14.4 )                      | (6.8 )     |
| Borrowings of consolidated investment entities   | 43.0                         | 832.8      |
| Repayments of borrowings of consolidated investment entities                           | (296.4 )                     | (404.6 )   |
| Contributions from (distributions to) participants in consolidated investment entities | 17.6                         | 255.0      |
| Excess tax benefits on share-based compensation  | 4.4                          | 1.5        |
| Share-based compensation   | (6.3 )                       | (4.4 )     |
| Common stock acquired - Share repurchase   | (487.2 )                     | (740.8 )   |
| Dividends paid   | (4.1 )                       | (4.7 )     |
| Net cash provided by financing activities  | 218.5                        | 158.2      |
| Net increase (decrease) in cash and cash equivalents                                   | 1,287.0                      | (35.4 )    |
| Cash and cash equivalents, beginning of period   | 2,512.7                      | 2,530.9    |
| Cash and cash equivalents, end of period   | \$3,799.7                    | \$2,495.5  |
| Non-cash investing and financing activities:   |                              |            |
| Decrease of assets due to deconsolidation of consolidated investment entities          | \$7,497.2                    | \$—        |
| Decrease of liabilities due to deconsolidation of consolidated investment entities     | 5,905.0                      | —          |
| Decrease of equity due to deconsolidation of consolidated investment entities          | 1,592.2                      | —          |
| Elimination of appropriated retained earnings  | 17.8                         | —          |



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

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Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

### Business

Voya Financial, Inc. and its subsidiaries (collectively the "Company") is a financial services organization in the United States that offers a broad range of retirement services, annuities, investment management services, mutual funds, life insurance, group insurance and supplemental health products. The Company provides principal products and services in two ongoing businesses ("Ongoing Business")—Retirement and Investment Solutions; and Insurance Solutions, and reports results for the Ongoing Business through five segments. The Company also has a Corporate segment, which includes the financial data not directly related to the businesses, and Closed Block segments. See the Segments Note to these Condensed Consolidated Financial Statements.

Prior to May 2013, the Company was an indirect, wholly-owned subsidiary of ING Groep N.V. ("ING Group" or "ING"), a global financial services holding company based in The Netherlands. In May 2013, Voya Financial Inc. completed its initial public offering of common stock, including the issuance and sale of common stock by Voya Financial, Inc. and the sale of shares of common stock owned indirectly by ING Group. Between October 2013 and March 2015, ING Group completed the sale of its remaining shares of common stock of Voya Financial, Inc. in a series of registered public offerings. ING Group continues to hold certain warrants to purchase shares of Voya Financial, Inc. common stock as described further in the Shareholders' Equity Note to these Condensed Consolidated Financial Statements.

### Basis of Presentation

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

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

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

Company's Annual Report on Form 10-K.

Certain reclassifications have been made to prior year financial information to conform to the current year classifications. During 2016, certain internal investment management costs were reclassified within the Condensed Consolidated Statements of Operations in the amount of \$25.8 and \$52.4 from Operating expenses to Net investment income for the three and six months ended June 30, 2015, respectively.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

### Significant Accounting Policy

#### Consolidation and Noncontrolling Interests

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

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

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

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

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

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

#### Adoption of New Pronouncements

##### Derivative Contract Novations

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

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

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

#### Investments That Calculate Net Asset Value

In May 2015, the FASB issued ASU 2015-07, "Fair Value Measurement (ASC Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)" ("ASC 2015-07"), which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

practical expedient. In addition, the standard limits certain disclosures to investments for which the entity has elected to measure the fair value using the practical expedient, rather than for all investments that are eligible to be measured at fair value using the net asset value per share.

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

#### Debt Issuance Costs

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

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

#### Consolidation

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

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

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

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

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

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

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

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

#### Hybrid Financial Instruments

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

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

#### Collateralized Financing Entities

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

• ASC Topic 820, whereby both the financial assets and liabilities are measured using the requirements of ASC Topic 820, with any difference reflected in earnings and attributed to the reporting entity in the statement of operations.

• The measurement alternative, whereby both the financial assets and liabilities are measured using the more observable of the fair value of the financial assets and the fair value of the financial liabilities.

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

#### Future Adoption of Accounting Pronouncements

##### 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.

#### 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.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

#### Debt Instruments

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

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

#### Leases

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

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

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

#### Financial Instruments - Recognition and Measurement

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

- Equity investments (except those consolidated or accounted for under the equity method) to be measured at fair value with changes in fair value recognized in net income.

- Elimination of the disclosure of methods and significant assumptions used to estimate the fair value for financial instruments measured at amortized cost.

- The use of the exit price notion when measuring the fair value of financial instruments for disclosure purposes.

- Separate presentation in other comprehensive income of the portion of the total change in fair value of a liability resulting from a change in own credit risk if the liability is measured at fair value under the fair value option.

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Separate presentation on the balance sheet or financial statement notes of financial assets and financial liabilities by measurement category and form of financial asset.

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

#### Short-Duration Contracts

In May 2015, the FASB issued ASU 2015-09, "Financial Services - Insurance (ASC Topic 944): Disclosures about Short-Duration Contracts" ("ASU 2015-09"), which requires insurance entities to disclose, for annual reporting periods, information about the

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

liability for unpaid claims and claim adjustment expenses and about significant changes in methodologies and assumptions used to calculate the liability for unpaid claims and claims adjustment expenses. The standard also requires entities to disclose, for annual and interim reporting periods, a rollforward of the liability for unpaid claims and claim adjustment expenses.

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

#### Revenue from Contracts with Customers

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

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

▲ASU 2016-08, "Principal versus Agent Considerations"

▲ASU 2016-10, "Identifying Performance Obligations and Licensing"

▲ASU 2016-12, "Narrow-Scope Improvements and Practical Expedients"

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## 2. Investments (excluding Consolidated Investment Entities)

### Fixed Maturities and Equity Securities

Available-for-sale and fair value option ("FVO") fixed maturities and equity securities were as follows as of June 30, 2016:

|  | Amortized<br>Cost | Gross<br>Unrealized<br>Capital<br>Gains | Gross<br>Unrealized<br>Capital<br>Losses | Embedded<br>Derivatives <sup>(2)</sup> | Fair<br>Value | OTTI <sup>(3)</sup> |
|--|-------------------|---|--|--|---------------|---------------------|
| Fixed maturities:  |                   |   |  |  |               |                     |
| U.S. Treasuries  | \$3,134.6         | \$ 856.0                                | \$ —                                     | \$ —                                   | \$3,990.6     | \$ —                |
| U.S. Government agencies and authorities                                   | 316.8             | 71.8                                    | 0.3                                      | —                                      | 388.3         | —                   |
| State, municipalities and political subdivisions                           | 1,768.1           | 139.3                                   | 1.4                                      | —                                      | 1,906.0       | —                   |
| U.S. corporate public securities   | 32,156.5          | 3,454.5                                 | 115.3                                    | —                                      | 35,495.7      | 8.6                 |
| U.S. corporate private securities  | 6,751.2           | 488.8                                   | 58.8                                     | —                                      | 7,181.2       | —                   |
| Foreign corporate public securities and foreign governments <sup>(1)</sup> | 7,750.3           | 573.8                                   | 134.8                                    | —                                      | 8,189.3       | —                   |
| Foreign corporate private securities <sup>(1)</sup>                        | 7,225.1           | 504.4                                   | 28.3                                     | —                                      | 7,701.2       | —                   |
| Residential mortgage-backed securities:                                    |                   |   |  |  |               |                     |
| Agency   | 5,452.5           | 402.7                                   | 11.0                                     | 60.5                                   | 5,904.7       | —                   |
| Non-Agency   | 1,083.5           | 142.2                                   | 11.9                                     | 37.2                                   | 1,251.0       | 41.4                |
| Total Residential mortgage-backed securities                               | 6,536.0           | 544.9                                   | 22.9                                     | 97.7                                   | 7,155.7       | 41.4                |
| Commercial mortgage-backed securities                                      | 3,823.1           | 258.5                                   | 3.8                                      | —                                      | 4,077.8       | 6.7                 |
| Other asset-backed securities  | 1,076.8           | 52.4                                    | 11.9                                     | —                                      | 1,117.3       | 4.2                 |
| Total fixed maturities, including securities pledged                       | 70,538.5          | 6,944.4                                 | 377.5                                    | 97.7                                   | 77,203.1      | 60.9                |
| Less: Securities pledged   | 1,874.1           | 339.1                                   | 10.9                                     | —                                      | 2,202.3       | —                   |
| Total fixed maturities   | 68,664.4          | 6,605.3                                 | 366.6                                    | 97.7                                   | 75,000.8      | 60.9                |
| Equity securities:   |                   |   |  |  |               |                     |
| Common stock   | 149.7             | 0.5                                     | 0.3                                      | —                                      | 149.9         | —                   |
| Preferred stock  | 90.4              | 35.8                                    | —  | —                                      | 126.2         | —                   |
| Total equity securities  | 240.1             | 36.3                                    | 0.3                                      | —                                      | 276.1         | —                   |
| Total fixed maturities and equity securities investments                   | \$68,904.5        | \$ 6,641.6                              | \$ 366.9                                 | \$ 97.7                                | \$75,276.9    | \$ 60.9             |

<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).



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

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

<sup>(1)</sup> Primarily U.S. dollar denominated.<sup>(2)</sup> Embedded derivatives within fixed maturity securities are reported with the host investment. The changes in fair value of embedded derivatives are reported in Other net realized capital gains (losses) in the Condensed Consolidated Statements of Operations.<sup>(3)</sup> Represents OTTI reported as a component of Other comprehensive income (loss).

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The amortized cost and fair value of fixed maturities, including securities pledged, as of June 30, 2016, are shown below by contractual maturity. Actual maturities may differ from contractual maturities as securities may be restructured, called or prepaid. Mortgage-backed securities ("MBS") and Other asset-backed securities ("ABS") are shown separately because they are not due at a single maturity date.

|  | Amortized Cost | Fair Value  |
|--|----------------|-------------|
| Due to mature:                                 |                |             |
| One year or less                               | \$ 1,909.4     | \$ 1,931.5  |
| After one year through five years              | 13,743.0       | 14,572.6    |
| After five years through ten years             | 18,816.8       | 19,955.8    |
| After ten years                                | 24,633.4       | 28,392.4    |
| Mortgage-backed securities                     | 10,359.1       | 11,233.5    |
| Other asset-backed securities                  | 1,076.8        | 1,117.3     |
| Fixed maturities, including securities pledged | \$ 70,538.5    | \$ 77,203.1 |

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

As of June 30, 2016 and December 31, 2015, the Company did not have any investments in a single issuer, other than obligations of the U.S. Government and government agencies, with a carrying value in excess of 10% of the Company's condensed consolidated Shareholders' equity.

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

|                                | Amortized Cost | Gross Unrealized Capital Gains | Gross Unrealized Capital Losses | Fair Value  |
|--------------------------------|----------------|--------------------------------|---------------------------------|-------------|
| June 30, 2016                  |                |                                |                                 |             |
| Communications                 | \$ 3,821.4     | \$ 477.6                       | \$ 13.3                         | \$ 4,285.7  |
| Financial                      | 7,835.6        | 724.7                          | 30.8                            | 8,529.5     |
| Industrial and other companies | 25,337.1       | 2,231.9                        | 84.2                            | 27,484.8    |
| Energy                         | 6,437.2        | 435.3                          | 169.5                           | 6,703.0     |
| Utilities                      | 7,772.9        | 903.1                          | 27.4                            | 8,648.6     |
| Transportation                 | 1,718.3        | 182.9                          | 4.7                             | 1,896.5     |
| Total                          | \$ 52,922.5    | \$ 4,955.5                     | \$ 329.9                        | \$ 57,548.1 |
| December 31, 2015              |                |                                |                                 |             |
| Communications                 | \$ 3,956.0     | \$ 251.0                       | \$ 73.0                         | \$ 4,134.0  |
| Financial                      | 7,937.8        | 473.0                          | 53.2                            | 8,357.6     |
| Industrial and other companies | 24,762.3       | 1,020.4                        | 542.0                           | 25,240.7    |
| Energy                         | 7,871.5        | 127.9                          | 668.1                           | 7,331.3     |
| Utilities                      | 7,540.3        | 457.4                          | 89.8                            | 7,907.9     |
| Transportation                 | 1,705.3        | 70.5                           | 40.2                            | 1,735.6     |



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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

### Fixed Maturities and Equity Securities

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

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

The Company invests in various categories of CMOs, including CMOs that are not agency-backed, that are subject to different degrees of risk from changes in interest rates and defaults. The principal risks inherent in holding CMOs are prepayment and extension risks related to significant decreases and increases in interest rates resulting in the prepayment of principal from the underlying mortgages, either earlier or later than originally anticipated. As of June 30, 2016 and December 31, 2015, approximately 47.5% and 49.3%, respectively, of the Company's CMO holdings, were invested in the above mentioned types of CMOs such as interest-only or principal-only strips, that are subject to more prepayment and extension risk than traditional CMOs.

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

### Securities Lending

The Company engages in securities lending whereby certain securities from its portfolio are loaned to other institutions, through a lending agent, for short periods of time. The Company has the right to approve any institution with whom the lending agent transacts on its behalf. Initial collateral is required at a rate of 102% of the market value of the loaned securities. The lending agent retains the collateral and invests it in high quality liquid assets on behalf of the Company. The market value of the loaned securities is monitored on a daily basis with additional collateral obtained or refunded as the market value of the loaned securities fluctuates. The lending agent indemnifies the Company against losses resulting from the failure of a counterparty to return securities pledged where collateral is insufficient to cover the loss. As of June 30, 2016 and December 31, 2015, the fair value of loaned securities was \$1,347.0 and \$466.4, respectively, and is included in Securities pledged on the Condensed Consolidated Balance Sheets.

If cash is received as collateral, the lending agent retains the cash collateral and invests it in short-term liquid assets on behalf of the Company. As of June 30, 2016 and December 31, 2015, cash collateral retained by the lending agent and invested in short-term liquid assets on the Company's behalf was \$557.4 and \$484.4, respectively, and is recorded in Short-term investments under securities loan agreements, including collateral delivered on the Condensed Consolidated Balance Sheets. As of June 30, 2016 and December 31, 2015, liabilities to return collateral of \$557.4 and \$484.4, respectively, are included in Payables under securities loan agreements, including collateral held on the Condensed Consolidated Balance Sheets.

During the first quarter of 2016 under an amendment to the securities lending program, the Company began accepting non-cash collateral in the form of securities. The securities retained as collateral by the lending agent may not be sold or re-pledged, except in the event of default, and are not reflected in the Company's Condensed Consolidated Balance Sheets. This collateral generally consists of U.S. Treasury, U.S. Government agency securities and MBS pools. As of June 30, 2016, the fair value of securities retained as collateral by the lending agent on the Company's behalf was \$840.7. As of December 31, 2015, the Company did not retain any securities as collateral.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

|   | June 30,            | December 31, |
|---|---------------------|--------------|
|   | 2016 <sup>(1)</sup> | 2015         |
| U.S. Treasuries   | \$576.7             | \$ —         |
| U.S. corporate public securities                            | 490.3               | 265.4        |
| Foreign corporate public securities and foreign governments | 331.1               | 219.0        |
| Payables under securities loan agreements                   | \$1,398.1           | \$ 484.4     |

<sup>(1)</sup> Borrowings under securities lending transactions include both cash and non-cash collateral of \$557.4 and \$840.7, respectively.

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

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 June 30, 2016:

|  | Six Months or<br>Less<br>Below Amortized<br>Cost |                                 | More Than Six<br>Months and<br>Twelve Months or<br>Less<br>Below Amortized<br>Cost |                                 | More Than Twelve<br>Months Below<br>Amortized Cost |                                 | Total         |                                 |
|--|--|---------------------------------|--|---------------------------------|--|---------------------------------|---------------|---------------------------------|
|  | Fair<br>Value                                    | Unrealized<br>Capital<br>Losses | Fair<br>Value  | Unrealized<br>Capital<br>Losses | Fair<br>Value                                      | Unrealized<br>Capital<br>Losses | Fair<br>Value | Unrealized<br>Capital<br>Losses |
| U.S. Treasuries  | \$—  | \$ —                            | \$—  | \$ —                            | \$—  | \$ —                            | \$—           | \$ —                            |
| U.S. Government agencies and<br>authorities                    | —  | —                               | 50.8   | 0.3                             | —  | —                               | 50.8          | 0.3                             |
| State, municipalities and political<br>subdivisions            | 5.0  | —                               | *—   | —                               | 25.1   | 1.4                             | 30.1          | 1.4                             |
| U.S. corporate public securities                               | 271.0  | 4.7                             | 400.3  | 21.0                            | 1,412.6  | 89.6                            | 2,083.9       | 115.3                           |
| U.S. corporate private securities                              | 91.5   | 1.1                             | 60.3   | 2.8                             | 304.2  | 54.9                            | 456.0         | 58.8                            |
| Foreign corporate public securities<br>and foreign governments | 124.6  | 7.5                             | 179.1  | 11.3                            | 680.2  | 116.0                           | 983.9         | 134.8                           |
| Foreign corporate private securities                           | 1.1  | —                               | *123.0   | 12.4                            | 209.8  | 15.9                            | 333.9         | 28.3                            |
| Residential mortgage-backed                                    | 469.2  | 5.2                             | 103.3  | 2.8                             | 189.0  | 14.9                            | 761.5         | 22.9                            |
| Commercial mortgage-backed                                     | 72.3   | 0.3                             | 48.2   | 0.8                             | 1.7  | 2.7                             | 122.2         | 3.8                             |
| Other asset-backed   | 25.5   | 0.2                             | 43.0   | —                               | *180.9   | 11.7                            | 249.4         | 11.9                            |
| Total  | \$1,060.2  | \$ 19.0                         | \$1,008.0  | \$ 51.4                         | \$3,003.5  | \$ 307.1                        | \$5,071.7     | \$ 377.5                        |

\* Less than \$0.1.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

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

Of the unrealized capital losses aged more than twelve months, the average market value of the related fixed maturities was 90.7% and 83.8% of the average book value as of June 30, 2016 and December 31, 2015, respectively.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

|   | Amortized Cost |           | Unrealized Capital Losses |         | Number of Securities |       |
|---|----------------|-----------|---------------------------|---------|----------------------|-------|
|   | < 20%          | > 20%     | < 20%                     | > 20%   | < 20%                | > 20% |
| June 30, 2016   |                |           |                           |         |                      |       |
| Six months or less below amortized cost                             | \$2,182.0      | \$113.7   | \$102.6                   | \$28.6  | 272                  | 27    |
| More than six months and twelve months or less below amortized cost | 820.2          | 395.3     | 34.5                      | 111.5   | 100                  | 22    |
| More than twelve months below amortized cost                        | 1,889.6        | 48.4      | 81.1                      | 19.2    | 338                  | 8     |
| Total   | \$4,891.8      | \$557.4   | \$218.2                   | \$159.3 | 710                  | 57    |
| December 31, 2015   |                |           |                           |         |                      |       |
| Six months or less below amortized cost                             | \$11,792.1     | \$1,863.4 | \$394.6                   | \$524.5 | 1,051                | 130   |
| More than six months and twelve months or less below amortized cost | 9,465.3        | 48.3      | 518.0                     | 23.2    | 737                  | 5     |
| More than twelve months below amortized cost                        | 1,351.5        | 55.3      | 102.5                     | 15.3    | 322                  | 8     |
| Total   | \$22,608.9     | \$1,967.0 | \$1,015.1                 | \$563.0 | 2,110                | 143   |

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

|   | Amortized Cost |           | Unrealized Capital Losses |         | Number of Securities |       |
|---|----------------|-----------|---------------------------|---------|----------------------|-------|
|   | < 20%          | > 20%     | < 20%                     | > 20%   | < 20%                | > 20% |
| June 30, 2016   |                |           |                           |         |                      |       |
| U.S. Treasuries   | \$—            | \$—       | \$—                       | \$—     | —                    | —     |
| U.S. Government agencies and authorities                    | 51.1           | —         | 0.3                       | —       | 1                    | —     |
| State, municipalities and political subdivisions            | 30.4           | 1.1       | 1.1                       | 0.3     | 3                    | 1     |
| U.S. corporate public securities                            | 2,067.9        | 131.3     | 83.0                      | 32.3    | 199                  | 6     |
| U.S. corporate private securities                           | 420.8          | 94.0      | 27.7                      | 31.1    | 17                   | 2     |
| Foreign corporate public securities and foreign governments | 839.4          | 279.3     | 55.4                      | 79.4    | 90                   | 18    |
| Foreign corporate private securities                        | 329.6          | 32.6      | 19.8                      | 8.5     | 17                   | 4     |
| Residential mortgage-backed                                 | 773.2          | 11.2      | 19.2                      | 3.7     | 292                  | 20    |
| Commercial mortgage-backed                                  | 120.0          | 6.0       | 0.3                       | 3.5     | 13                   | 4     |
| Other asset-backed  | 259.4          | 1.9       | 11.4                      | 0.5     | 78                   | 2     |
| Total   | \$4,891.8      | \$557.4   | \$218.2                   | \$159.3 | 710                  | 57    |
| December 31, 2015   |                |           |                           |         |                      |       |
| U.S. Treasuries   | \$487.2        | \$—       | \$5.0                     | \$—     | 21                   | —     |
| U.S. Government agencies and authorities                    | 49.6           | —         | 0.3                       | —       | 1                    | —     |
| State, municipalities and political subdivisions            | 772.6          | 2.0       | 17.1                      | 0.7     | 117                  | 3     |
| U.S. corporate public securities                            | 11,712.1       | 1,025.4   | 542.7                     | 283.0   | 955                  | 73    |
| U.S. corporate private securities                           | 2,006.6        | 164.0     | 85.1                      | 47.4    | 92                   | 4     |
| Foreign corporate public securities and foreign governments | 3,570.1        | 668.1     | 173.9                     | 199.5   | 331                  | 48    |
| Foreign corporate private securities                        | 2,115.3        | 97.6      | 148.3                     | 28.2    | 86                   | 5     |
| Residential mortgage-backed                                 | 875.1          | 3.8       | 22.7                      | 1.9     | 327                  | 7     |
| Commercial mortgage-backed                                  | 622.7          | 2.8       | 7.3                       | 1.5     | 56                   | 1     |
| Other asset-backed  | 397.6          | 3.3       | 12.7                      | 0.8     | 124                  | 2     |
| Total   | \$22,608.9     | \$1,967.0 | \$1,015.1                 | \$563.0 | 2,110                | 143   |



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

|                                   | Loan-to-Value Ratio |            |        |       |
|-----------------------------------|---------------------|------------|--------|-------|
|                                   |                     | Unrealized |        |       |
|                                   | Amortized Cost      | Capital    | Losses |       |
| June 30, 2016                     | < 20%               | > 20%      | < 20%  | > 20% |
| RMBS and Other ABS <sup>(1)</sup> |                     |            |        |       |
| Non-agency RMBS > 100%            | \$—                 | \$—        | \$—    | \$—   |
| Non-agency RMBS > 90% - 100%      | 6.2                 | —          | 0.1    | —     |
| Non-agency RMBS 80% - 90%         | 24.9                | —          | 1.5    | —     |
| Non-agency RMBS < 80%             | 359.6               | 5.1        | 19.5   | 1.1   |
| Agency RMBS                       | 564.5               | 6.3        | 8.4    | 2.6   |
| Other ABS (Non-RMBS)              | 77.4                | 1.7        | 1.1    | 0.5   |
| Total RMBS and Other ABS          | \$1,032.6           | \$13.1     | \$30.6 | \$4.2 |

|                                   | Credit Enhancement Percentage |            |        |       |
|-----------------------------------|-------------------------------|------------|--------|-------|
|                                   |                               | Unrealized |        |       |
|                                   | Amortized Cost                | Capital    | Losses |       |
| June 30, 2016                     | < 20%                         | > 20%      | < 20%  | > 20% |
| RMBS and Other ABS <sup>(1)</sup> |                               |            |        |       |
| Non-agency RMBS 10% +             | \$275.4                       | \$0.2      | \$13.8 | \$— * |
| Non-agency RMBS > 5% - 10%        | 23.1                          | —          | 1.1    | —     |
| Non-agency RMBS > 0% - 5%         | 38.9                          | —          | 2.9    | —     |
| Non-agency RMBS 0%                | 53.3                          | 4.9        | 3.3    | 1.1   |
| Agency RMBS                       | 564.5                         | 6.3        | 8.4    | 2.6   |
| Other ABS (Non-RMBS)              | 77.4                          | 1.7        | 1.1    | 0.5   |
| Total RMBS and Other ABS          | \$1,032.6                     | \$13.1     | \$30.6 | \$4.2 |

\* Less than 0.1

|               | Fixed Rate/Floating Rate |            |        |       |
|---------------|--------------------------|------------|--------|-------|
|               |                          | Unrealized |        |       |
|               | Amortized Cost           | Capital    | Losses |       |
| June 30, 2016 | < 20%                    | > 20%      | < 20%  | > 20% |
| Fixed Rate    | \$437.3                  | \$3.3      | \$7.7  | \$0.9 |
| Floating Rate | 595.3                    | 9.8        | 22.9   | 3.3   |
| Total         | \$1,032.6                | \$13.1     | \$30.6 | \$4.2 |

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

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

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

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



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

#### Troubled Debt Restructuring

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

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

#### Mortgage Loans on Real Estate

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

based on relevant current information including a review of loan-specific credit quality, property characteristics and market trends. Loan performance is monitored on a loan specific basis through the review of submitted appraisals, operating statements, rent revenues and annual inspection reports, among other items. This review ensures properties are performing at a consistent and acceptable level to secure the debt. The components to evaluate debt service coverage are received and reviewed at least annually to determine the level of risk.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

|   | June 30, 2016 |                 |            | December 31, 2015 |                 |            |
|---|---------------|-----------------|------------|-------------------|-----------------|------------|
|   | Impaired      | Non<br>Impaired | Total      | Impaired          | Non<br>Impaired | Total      |
| Commercial mortgage loans                 | \$4.7         | \$11,207.5      | \$11,212.2 | \$20.2            | \$10,430.5      | \$10,450.7 |
| Collective valuation allowance for losses | N/A           | (2.8 )          | (2.8 )     | N/A               | (3.2 )          | (3.2 )     |
| Total net commercial mortgage loans       | \$4.7         | \$11,204.7      | \$11,209.4 | \$20.2            | \$10,427.3      | \$10,447.5 |

N/A - Not Applicable

There were no impairments taken on the mortgage loan portfolio for the three and six months ended June 30, 2016 and 2015.

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

|   | June 30, December 31, |        |
|---|-----------------------|--------|
|   | 2016                  | 2015   |
| Collective valuation allowance for losses, balance at January 1 | \$ 3.2                | \$ 2.8 |
| Addition to (reduction of) allowance for losses                 | (0.4 )                | 0.4    |
| Collective valuation allowance for losses, end of period        | \$ 2.8                | \$ 3.2 |

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

|   | June 30, December 31, |         |
|---|-----------------------|---------|
|   | 2016                  | 2015    |
| Impaired loans without allowances for losses  | \$ 4.7                | \$ 20.2 |
| Less: Allowances for losses on impaired loans | —                     | —       |
| Impaired loans, net                           | \$ 4.7                | \$ 20.2 |
| Unpaid principal balance of impaired loans    | \$ 6.2                | \$ 21.7 |

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

|                                  | June 30, December 31, |         |
|----------------------------------|-----------------------|---------|
|                                  | 2016                  | 2015    |
| Troubled debt restructured loans | \$ —                  | \$ 15.3 |

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 June 30, 2016 and December 31, 2015.

There were no mortgage loans 30 days or less in arrears, with respect to principal and interest as of June 30, 2016. There were two loans 30 days or less in arrears, with respect to principal and interest as of December 31, 2015, with a

total amortized cost of \$3.1.

Commercial loans are placed on non-accrual status when 90 days in arrears if the Company has concerns regarding the collectability of future payments, or if a loan has matured without being paid off or extended. Factors considered may include conversations with the borrower, loss of major tenant, bankruptcy of borrower or major tenant, decreased property cash flow, number of days past due, or various other circumstances. Based on an assessment as to the collectability of the principal, a determination is made to either apply against the book value or apply according to the contractual terms of the loan. Funds recovered in excess of book value would then be applied to recover expenses, impairments, and then interest. Accrual of interest resumes after factors resulting in doubts about collectability have improved.



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

|  | Three<br>Months<br>Ended June<br>30, |        |
|--|--------------------------------------|--------|
|  | 2016                                 | 2015   |
| Impaired loans, average investment during the period (amortized cost) <sup>(1)</sup> | \$5.8                                | \$44.5 |
| Interest income recognized on impaired loans, on an accrual basis <sup>(1)</sup>     | 0.1                                  | 0.7    |
| Interest income recognized on impaired loans, on a cash basis <sup>(1)</sup>         | 0.1                                  | 0.7    |
| Interest income recognized on troubled debt restructured loans, on an accrual basis  | —                                    | 0.5    |

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

|  | Six Months<br>Ended June<br>30, |        |
|--|---------------------------------|--------|
|  | 2016                            | 2015   |
| Impaired loans, average investment during the period (amortized cost) <sup>(1)</sup> | \$12.4                          | \$57.6 |
| Interest income recognized on impaired loans, on an accrual basis <sup>(1)</sup>     | 0.2                             | 1.6    |
| Interest income recognized on impaired loans, on a cash basis <sup>(1)</sup>         | 0.3                             | 1.7    |
| Interest income recognized on troubled debt restructured loans, on an accrual basis  | 0.1                             | 1.3    |

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

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

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

|                                 | June 30,<br>2016 <sup>(1)</sup> | December<br>31,<br>2015 <sup>(1)</sup> |
|---------------------------------|---------------------------------|--|
| Loan-to-Value Ratio:            |                                 |  |
| 0% - 50%                        | \$1,354.3                       | \$1,388.0                              |
| > 50% - 60%                     | 2,885.7                         | 2,694.1                                |
| > 60% - 70%                     | 6,104.8                         | 5,670.2                                |
| > 70% - 80%                     | 850.1                           | 679.6                                  |
| > 80% and above                 | 17.3                            | 18.8                                   |
| Total Commercial mortgage loans | \$11,212.2                      | \$10,450.7                             |

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

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

|   | June 30,<br>2016 <sup>(1)</sup> | December<br>31,<br>2015 <sup>(1)</sup> |
|---|---------------------------------|--|
| Debt Service Coverage Ratio:                                    |                                 |  |
| Greater than 1.5x   | \$8,928.6                       | \$8,112.1                              |
| > 1.25x - 1.5x  | 1,648.3                         | 1,489.5                                |
| > 1.0x - 1.25x  | 466.3                           | 550.3                                  |
| Less than 1.0x  | 103.2                           | 158.6                                  |
| Commercial mortgage loans secured by land or construction loans | 65.8                            | 140.2                                  |
| Total Commercial mortgage loans                                 | \$11,212.2                      | \$10,450.7                             |

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

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Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

|   | June 30, 2016 <sup>(1)</sup> |            | December 31, 2015 <sup>(1)</sup> |            |
|---|------------------------------|------------|----------------------------------|------------|
|   | Gross Carrying Value         | % of Total | Gross Carrying Value             | % of Total |
| Commercial Mortgage Loans by U.S. Region: |                              |            |                                  |            |
| Pacific                                   | \$2,803.7                    | 25.0%      | \$2,605.3                        | 24.9 %     |
| South Atlantic                            | 2,532.7                      | 22.6%      | 2,318.9                          | 22.2 %     |
| Middle Atlantic                           | 1,641.8                      | 14.6%      | 1,499.1                          | 14.3 %     |
| West South Central                        | 1,126.4                      | 10.0%      | 1,103.7                          | 10.6 %     |
| Mountain                                  | 948.0                        | 8.5%       | 924.2                            | 8.8 %      |
| East North Central                        | 1,241.5                      | 11.1%      | 1,103.3                          | 10.6 %     |
| New England                               | 215.5                        | 1.9%       | 222.8                            | 2.1 %      |
| West North Central                        | 514.8                        | 4.6%       | 488.8                            | 4.7 %      |
| East South Central                        | 187.8                        | 1.7%       | 184.6                            | 1.8 %      |
| Total Commercial mortgage loans           | \$11,212.2                   | 100.0 %    | \$10,450.7                       | 100.0%     |

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

|   | June 30, 2016 <sup>(1)</sup> |            | December 31, 2015 <sup>(1)</sup> |            |
|---|------------------------------|------------|----------------------------------|------------|
|   | Gross Carrying Value         | % of Total | Gross Carrying Value             | % of Total |
| Commercial Mortgage Loans by Property Type: |                              |            |                                  |            |
| Retail                                      | \$3,595.7                    | 32.1 %     | \$3,672.8                        | 35.1 %     |
| Industrial                                  | 2,502.2                      | 22.3 %     | 2,161.3                          | 20.7 %     |
| Apartments                                  | 2,233.2                      | 19.9 %     | 1,942.9                          | 18.6 %     |
| Office                                      | 1,836.7                      | 16.4 %     | 1,617.7                          | 15.5 %     |
| Hotel/Motel                                 | 418.1                        | 3.7 %      | 425.0                            | 4.1 %      |
| Other                                       | 511.5                        | 4.6 %      | 525.9                            | 5.0 %      |
| Mixed Use                                   | 114.8                        | 1.0 %      | 105.1                            | 1.0 %      |
| Total Commercial mortgage loans             | \$11,212.2                   | 100.0%     | \$10,450.7                       | 100.0%     |

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

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

|                      | June 30, 2016 <sup>(1)</sup> | December 31, 2015 <sup>(1)</sup> |
|----------------------|------------------------------|----------------------------------|
| Year of Origination: |                              |                                  |
| 2016                 | \$1,408.3                    | \$—                              |
| 2015                 | 2,091.7                      | 2,114.0                          |

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|                                 |            |            |
|---------------------------------|------------|------------|
| 2014                            | 1,889.1    | 1,896.0    |
| 2013                            | 1,985.9    | 2,024.8    |
| 2012                            | 1,290.1    | 1,423.3    |
| 2011                            | 1,044.0    | 1,237.7    |
| 2010 and prior                  | 1,503.1    | 1,754.9    |
| Total Commercial mortgage loans | \$11,212.2 | \$10,450.7 |

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

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Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

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

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

|  | Three Months Ended June 30, |                   |            |                   |
|--|-----------------------------|-------------------|------------|-------------------|
|  | 2016                        |                   | 2015       |                   |
|  | Impairment                  | No. of Securities | Impairment | No. of Securities |
| State, municipalities and political subdivisions                           | \$0.3                       | 2                 | \$ —       | —                 |
| U.S. corporate public securities   | —                           | —                 | —          | —                 |
| Foreign corporate public securities and foreign governments <sup>(1)</sup> | 1.3                         | 1                 | 6.2        | 2                 |
| Foreign corporate private securities <sup>(1)</sup>                        | 0.2                         | 1                 | 1.4        | 1                 |
| Residential mortgage-backed  | 2.4                         | 35                | 0.6        | 31                |
| Commercial mortgage-backed   | —                           | —                 | 0.2        | 1                 |
| Other asset-backed   | —                           | *1                | —          | —                 |
| Equity   | —                           | —                 | —          | —                 |
| Total  | \$4.2                       | 40                | \$ 8.4     | 35                |

\* Less than \$0.1.

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

|  | Six Months Ended June 30, |                   |            |                   |
|--|---------------------------|-------------------|------------|-------------------|
|  | 2016                      |                   | 2015       |                   |
|  | Impairment                | No. of Securities | Impairment | No. of Securities |
| State, municipalities and political subdivisions                           | \$0.3                     | 2                 | \$ —       | —                 |
| U.S. corporate public securities   | 0.6                       | 1                 | 1.0        | 3                 |
| Foreign corporate public securities and foreign governments <sup>(1)</sup> | 10.0                      | 2                 | 7.0        | 3                 |
| Foreign corporate private securities <sup>(1)</sup>                        | 0.2                       | 1                 | 1.4        | 1                 |
| Residential mortgage-backed  | 3.9                       | 53                | 3.5        | 45                |
| Commercial mortgage-backed   | —                         | —                 | 0.2        | 1                 |
| Other asset-backed   | —                         | *1                | 0.1        | 1                 |
| Equity   | —                         | —                 | 0.1        | 1                 |
| Total  | \$15.0                    | 60                | \$ 13.3    | 55                |

\* Less than \$0.1.

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

The above tables include \$3.8 and \$5.5 of write-downs related to credit impairments for the three and six months ended June 30, 2016, respectively, in Other-than-temporary impairments, which are recognized in the Condensed Consolidated Statements of Operations. The remaining \$0.4 and \$9.5 in write-downs for the three and six months ended June 30, 2016, respectively, are related to intent impairments.

The above tables include \$7.9 and \$10.3 of write-downs related to credit impairments for the three and six months ended June 30, 2015, respectively, in Other-than-temporary impairments, which are recognized in the Condensed Consolidated Statements of Operations. The remaining \$0.5 and \$3.0 in write-downs for the three and six months ended June 30, 2015, respectively, are related to intent impairments.

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

|  | Three Months Ended June 30, |                   | 2015       |                   |
|--|-----------------------------|-------------------|------------|-------------------|
|  | 2016                        | No. of Securities | Impairment | No. of Securities |
| U.S. corporate public securities   | \$—                         | —                 | \$—        | —                 |
| Foreign corporate public securities and foreign governments <sup>(1)</sup> | —                           | —                 | 0.3        | 1                 |
| Residential mortgage-backed  | 0.4                         | 2                 | —          | * 2               |
| Commercial mortgage-backed   | —                           | —                 | 0.2        | 1                 |
| Other asset-backed   | —                           | —                 | —          | —                 |
| Total  | \$0.4                       | 2                 | \$ 0.5     | 4                 |

\* Less than 0.1

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

|  | Six Months Ended June 30, |                   | 2015       |                   |
|--|---------------------------|-------------------|------------|-------------------|
|  | 2016                      | No. of Securities | Impairment | No. of Securities |
| U.S. corporate public securities   | \$—                       | —                 | \$ 1.0     | 3                 |
| Foreign corporate public securities and foreign governments <sup>(1)</sup> | 8.7                       | 1                 | 1.1        | 2                 |
| Residential mortgage-backed  | 0.8                       | 6                 | 0.6        | 4                 |
| Commercial mortgage-backed   | —                         | —                 | 0.2        | 1                 |
| Other asset-backed   | —                         | —                 | 0.1        | 1                 |
| Total  | \$9.5                     | 7                 | \$ 3.0     | 11                |

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

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

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(Dollar amounts in millions, unless otherwise stated)

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

|  | Three<br>Months<br>Ended June<br>30, |        |
|--|--------------------------------------|--------|
|  | 2016                                 | 2015   |
| Balance at April 1                             | \$73.2                               | \$84.5 |
| Additional credit impairments:                 |                                      |        |
| On securities not previously impaired          | —                                    | —      |
| On securities previously impaired              | 1.4                                  | 0.5    |
| Reductions:                                    |                                      |        |
| Increase in cash flows                         | 0.1                                  | 0.2    |
| Securities sold, matured, prepaid or paid down | 2.9                                  | 4.6    |
| Balance at June 30                             | \$71.6                               | \$80.2 |

|  | Six Months<br>Ended June<br>30, |        |
|--|---------------------------------|--------|
|  | 2016                            | 2015   |
| Balance at January 1                           | \$75.3                          | \$86.8 |
| Additional credit impairments:                 |                                 |        |
| On securities not previously impaired          | —                               | —      |
| On securities previously impaired              | 2.8                             | 2.8    |
| Reductions:                                    |                                 |        |
| Increase in cash flows                         | 0.2                             | 0.8    |
| Securities sold, matured, prepaid or paid down | 6.3                             | 8.6    |
| Balance at June 30                             | \$71.6                          | \$80.2 |

#### Net Investment Income

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

|   | Three Months<br>Ended June 30, |         | Six Months Ended<br>June 30, |           |
|---|--------------------------------|---------|------------------------------|-----------|
|   | 2016                           | 2015    | 2016                         | 2015      |
| Fixed maturities                            | \$1,004.4                      | \$983.0 | \$2,000.6                    | \$1,979.4 |
| Equity securities, available-for-sale       | 5.5                            | 1.1     | 8.9                          | 3.8       |
| Mortgage loans on real estate               | 147.1                          | 126.1   | 272.7                        | 258.9     |
| Policy loans                                | 26.9                           | 27.4    | 54.2                         | 55.6      |
| Short-term investments and cash equivalents | 1.8                            | 0.7     | 3.2                          | 1.6       |
| Other                                       | 20.4                           | (2.3)   | (13.3)                       | 13.0      |
| Gross investment income                     | 1,206.1                        | 1,136.0 | 2,326.3                      | 2,312.3   |
| Less: investment expenses                   | 30.9                           | 27.8    | (1) 57.0                     | 56.1 (1)  |



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Net investment income \$1,175.2 \$1,108.2 \$2,269.3 \$2,256.2

<sup>(1)</sup>Includes reclassification of \$25.8 and \$52.4 of certain internal investment management costs from Operating expenses to Net investment income for the three and six months ended June 30, 2015, respectively.

As of June 30, 2016 and December 31, 2015, the Company had \$1.6 and \$3.4, 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.

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

#### Net Realized Capital Gains (Losses)

Net realized capital gains (losses) comprise the difference between the amortized cost of investments and proceeds from sale and redemption, as well as losses incurred due to the credit-related and intent-related other-than-temporary impairment of investments. Realized investment gains and losses are also primarily generated from changes in fair value of embedded derivatives within products and fixed maturities, changes in fair value of fixed maturities recorded at FVO and changes in fair value including accruals on derivative instruments, except for effective cash flow hedges. The cost of the investments on disposal is generally determined based on first-in-first-out ("FIFO") methodology.

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

|  | Three Months<br>Ended June 30, |          |
|--|--------------------------------|----------|
|  | 2016                           | 2015     |
| Fixed maturities, available-for-sale, including securities pledged | \$(14.2 )                      | \$(4.9 ) |
| Fixed maturities, at fair value option                             | (17.0 )                        | (159.8 ) |
| Equity securities, available-for-sale                              | 0.1                            | (0.3 )   |
| Derivatives  | 30.7                           | (469.5 ) |
| Embedded derivative - fixed maturities                             | (0.6 )                         | (10.8 )  |
| Guaranteed benefit derivatives                                     | (100.5 )                       | 643.9    |
| Other investments  | 0.2                            | 1.1      |
| Net realized capital gains (losses)                                | \$(101.3 )                     | \$(0.3 ) |
| After-tax net realized capital gains (losses)                      | \$(65.5 )                      | \$(0.2 ) |

|  | Six Months Ended<br>June 30, |            |
|--|------------------------------|------------|
|  | 2016                         | 2015       |
| Fixed maturities, available-for-sale, including securities pledged | \$(68.9 )                    | \$(5.8 )   |
| Fixed maturities, at fair value option                             | (16.5 )                      | (178.0 )   |
| Equity securities, available-for-sale                              | 0.1                          | (0.4 )     |
| Derivatives  | 178.6                        | (391.3 )   |
| Embedded derivatives - fixed maturities                            | 2.8                          | (12.6 )    |
| Guaranteed benefit derivatives                                     | (186.9 )                     | 326.8      |
| Other investments  | 0.2                          | 1.5        |
| Net realized capital gains (losses)                                | \$(90.6 )                    | \$(259.8 ) |
| After-tax net realized capital gains (losses)                      | \$(58.4 )                    | \$(168.9 ) |

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<br>Ended June 30, | Six Months Ended<br>June 30, |
|--|--------------------------------|------------------------------|
|--|--------------------------------|------------------------------|

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|                   | 2016      | 2015      | 2016      | 2015      |
|-------------------|-----------|-----------|-----------|-----------|
| Proceeds on sales | \$1,967.6 | \$1,662.1 | \$4,458.2 | \$2,777.8 |
| Gross gains       | 52.3      | 22.1      | 121.2     | 32.5      |
| Gross losses      | 56.0      | 18.6      | 174.0     | 31.0      |

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Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

### 3. Derivative Financial Instruments

The Company enters into the following types of derivatives:

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

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

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

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

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

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

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

Futures: Futures contracts are used to hedge against a decrease in certain equity indices. Such decreases may result in a decrease in variable annuity account values which would increase the possibility of the Company incurring an expense for guaranteed benefits in excess of account values. The Company also uses 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 also used 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. During the first quarter of 2016, the Company moved to a static hedging strategy for its FIA contracts and replaced futures contracts with equity options.

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Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

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

**Variance swaps:** The Company uses variance swaps to manage equity volatility risk on the economic liabilities associated with certain minimum guaranteed living benefits and/or to mitigate certain rebalancing costs resulting from increased volatility. An increase in the equity volatility results in higher valuations of such liabilities. In an equity variance swap, the Company agrees with another party to exchange amounts in the future, based on the changes in equity volatility over a defined period. The Company utilizes equity variance swaps in non-qualifying hedging relationships.

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

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

The Company's use of derivatives is limited mainly to economic hedging to reduce the Company's exposure to cash flow variability of assets and liabilities, interest rate risk, credit risk, exchange rate risk and equity market risk. Subsequent to June 30, 2016, the Company expanded its usage of derivative types by adding interest rate floors to manage its interest rate exposure. See Part I, Item 2., MD&A-Trends and Uncertainties and Part I, Item 3., Quantitative and Qualitative Disclosures About Market Risk of this Quarterly Report on Form 10-Q for more information. It is the Company's policy not to offset amounts recognized for derivative instruments and amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral arising from derivative instruments executed with the same counterparty under a master netting arrangement, which provides the Company with the legal right of offset.



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

|   | June 30, 2016      |                        |                            | December 31, 2015  |                        |                            |
|---|--------------------|------------------------|----------------------------|--------------------|------------------------|----------------------------|
|   | Notional<br>Amount | Asset<br>Fair<br>Value | Liability<br>Fair<br>Value | Notional<br>Amount | Asset<br>Fair<br>Value | Liability<br>Fair<br>Value |
| Derivatives: Qualifying for hedge accounting <sup>(1)</sup>     |                    |                        |                            |                    |                        |                            |
| Cash flow hedges:   |                    |                        |                            |                    |                        |                            |
| Interest rate contracts   | \$364.0            | \$88.0                 | \$—                        | \$524.0            | \$73.3                 | \$—                        |
| Foreign exchange contracts                                      | 174.7              | 25.0                   | —                          | 174.7              | 36.4                   | —                          |
| Fair value hedges:  |                    |                        |                            |                    |                        |                            |
| Interest rate contracts   | 469.4              | —                      | 11.7                       | 551.4              | 0.8                    | 9.8                        |
| Derivatives: Non-qualifying for hedge accounting <sup>(1)</sup> |                    |                        |                            |                    |                        |                            |
| Interest rate contracts   | 66,573.8           | 2,361.7                | 1,023.8                    | 65,169.4           | 1,055.0                | 352.2                      |
| Foreign exchange contracts                                      | 1,348.0            | 58.5                   | 35.6                       | 1,281.9            | 60.5                   | 37.0                       |
| Equity contracts  | 27,198.7           | 390.2                  | 115.3                      | 19,738.4           | 286.2                  | 65.8                       |
| Credit contracts  | 4,221.3            | 25.2                   | 31.6                       | 4,266.3            | 26.3                   | 22.7                       |
| Embedded derivatives and Managed custody guarantees:            |                    |                        |                            |                    |                        |                            |
| Within fixed maturity investments                               | N/A                | 97.7                   | —                          | N/A                | 94.9                   | —                          |
| Within products   | N/A                | —                      | 4,201.8                    | N/A                | —                      | 3,907.2                    |
| Within reinsurance agreements                                   | N/A                | —                      | 151.7                      | N/A                | —                      | 25.2                       |
| Managed custody guarantees                                      | N/A                | —                      | 4.3                        | N/A                | —                      | 0.3                        |
| Total   |                    | \$3,046.3              | \$5,575.8                  |                    | \$1,633.4              | \$4,420.2                  |

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

N/A - Not Applicable

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

Based on the notional amounts, a substantial portion of the Company's derivative positions was not designated or did not qualify for hedge accounting as part of a hedging relationship as of June 30, 2016 and December 31, 2015. 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.





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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:

|  | June 30, 2016      |                        |                            |
|--|--------------------|------------------------|----------------------------|
|  | Notional<br>Amount | Asset<br>Fair<br>Value | Liability<br>Fair<br>Value |
| Credit contracts                             | \$4,221.3          | \$25.2                 | \$ 31.6                    |
| Equity contracts                             | 19,556.8           | 390.2                  | 15.3                       |
| Foreign exchange contracts                   | 1,522.7            | 83.5                   | 35.6                       |
| Interest rate contracts                      | 59,368.5           | 2,449.6                | 1,034.5                    |
|  |                    | 2,948.5                | 1,117.0                    |
| Counterparty netting <sup>(1)</sup>          |                    | (956.4 )               | (956.4 )                   |
| Cash collateral netting <sup>(1)</sup>       |                    | (1,733.0 )             | (93.2 )                    |
| Securities collateral netting <sup>(1)</sup> |                    | (119.1 )               | (32.3 )                    |
| Net receivables/payables                     |                    | \$140.0                | \$ 35.1                    |

<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, 2015  |                        |                            |
|--|--------------------|------------------------|----------------------------|
|  | Notional<br>Amount | Asset<br>Fair<br>Value | Liability<br>Fair<br>Value |
| Credit contracts                             | \$4,266.3          | \$26.3                 | \$ 22.7                    |
| Equity contracts                             | 12,034.9           | 228.6                  | 53.9                       |
| Foreign exchange contracts                   | 1,456.6            | 96.9                   | 37.0                       |
| Interest rate contracts                      | 57,145.6           | 1,129.1                | 360.1                      |
|  |                    | 1,480.9                | 473.7                      |
| Counterparty netting <sup>(1)</sup>          |                    | (415.6 )               | (415.6 )                   |
| Cash collateral netting <sup>(1)</sup>       |                    | (848.1 )               | (12.6 )                    |
| Securities collateral netting <sup>(1)</sup> |                    | (24.3 )                | (24.4 )                    |
| Net receivables/payables                     |                    | \$192.9                | \$ 21.1                    |

<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 June 30, 2016, the Company held \$1,436.1 and \$262.8 of net cash collateral related to OTC derivative contracts and cleared derivative contracts, respectively. As of December 31, 2015, the Company held \$640.9 and \$195.9 of net cash collateral related to OTC derivative contracts and cleared derivative contracts, respectively. In addition, as of June 30, 2016, the Company delivered \$855.3 of securities and held \$121.7 of securities as collateral. As of December 31, 2015, the Company delivered \$646.2 of securities and held \$24.8 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<br>Ended June 30, |          | Six Months<br>Ended June 30, |         |
|---|--------------------------------|----------|------------------------------|---------|
|   | 2016                           | 2015     | 2016                         | 2015    |
| Derivatives: Qualifying for hedge accounting <sup>(1)</sup>     |                                |          |                              |         |
| Cash flow hedges:   |                                |          |                              |         |
| Interest rate contracts   | \$0.3                          | \$0.7    | \$0.6                        | \$0.9   |
| Foreign exchange contracts                                      | 0.7                            | 0.5      | 1.4                          | 1.0     |
| Fair value hedges:  |                                |          |                              |         |
| Interest rate contracts   | (1.6 )                         | 0.6      | (5.7 )                       | (4.1 )  |
| Derivatives: Non-qualifying for hedge accounting <sup>(2)</sup> |                                |          |                              |         |
| Interest rate contracts   | 241.7                          | (419.8 ) | 632.9                        | (182.7) |
| Foreign exchange contracts                                      | 20.4                           | (29.3 )  | (5.7 )                       | 36.7    |
| Equity contracts  | (234.0 )                       | (24.2 )  | (442.1 )                     | (242.0) |
| Credit contracts  | 3.2                            | 2.0      | (2.8 )                       | (1.1 )  |
| Embedded derivatives and Managed custody guarantees:            |                                |          |                              |         |
| Within fixed maturity investments <sup>(2)</sup>                | (0.6 )                         | (10.8 )  | 2.8                          | (12.6)  |
| Within products <sup>(2)</sup>                                  | (98.9 )                        | 643.0    | (183.0 )                     | 326.7   |
| Within reinsurance agreements <sup>(3)</sup>                    | (50.4 )                        | 93.2     | (95.2 )                      | 69.3    |
| Managed custody guarantees <sup>(2)</sup>                       | (1.6 )                         | 0.9      | (3.9 )                       | 0.1     |
| Total   | \$(120.8)                      | \$256.8  | \$(100.7)                    | \$(7.8) |

<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 six months ended June 30, 2016 and 2015, 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 June 30, 2016, the fair values of credit default swaps of \$25.2 and \$31.6 were included in Derivatives assets and Derivatives liabilities, respectively, on the Condensed Consolidated Balance Sheets. As of December 31, 2015, the fair values of credit default swaps of \$26.3 and \$22.7 were included in Derivatives assets and Derivatives liabilities, respectively, on the Condensed Consolidated Balance Sheets. As of June 30, 2016 and December 31, 2015, the maximum potential future net exposure to the Company was \$1.7 billion, net of purchased protection of \$500.0 on credit default swaps. These instruments are typically written for a maturity period of 5 years and contain no recourse provisions. If the Company's current debt and claims paying ratings were downgraded in the future, the terms in the Company's derivative agreements may be triggered, which could negatively impact overall liquidity.



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

#### 4. Fair Value Measurements (excluding Consolidated Investment Entities)

##### Fair Value Measurement

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

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



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(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 June 30, 2016:

|   | Level 1     | Level 2    | Level 3   | Total       |   |
|---|-------------|------------|-----------|-------------|---|
| Assets:   |             |            |           |             |   |
| Fixed maturities, including securities pledged:   |             |            |           |             |   |
| U.S. Treasuries   | \$3,271.2   | \$719.4    | \$—       | \$3,990.6   |   |
| U.S. Government agencies and authorities  | —           | 388.3      | —         | 388.3       |   |
| State, municipalities and political subdivisions  | —           | 1,906.0    | —         | 1,906.0     |   |
| U.S. corporate public securities  | —           | 35,435.8   | 59.9      | 35,495.7    |   |
| U.S. corporate private securities   | —           | 6,088.8    | 1,092.4   | 7,181.2     |   |
| Foreign corporate public securities and foreign governments <sup>(1)</sup>                                    | —           | 8,180.3    | 9.0       | 8,189.3     |   |
| Foreign corporate private securities <sup>(1)</sup>   | —           | 7,226.2    | 475.0     | 7,701.2     |   |
| Residential mortgage-backed securities  | —           | 7,057.9    | 97.8      | 7,155.7     |   |
| Commercial mortgage-backed securities   | —           | 4,052.1    | 25.7      | 4,077.8     |   |
| Other asset-backed securities   | —           | 1,006.9    | 110.4     | 1,117.3     |   |
| Total fixed maturities, including securities pledged  | 3,271.2     | 72,061.7   | 1,870.2   | 77,203.1    |   |
| Equity securities, available-for-sale   | 174.2       | —          | 101.9     | 276.1       |   |
| Derivatives:  |             |            |           |             |   |
| Interest rate contracts   | 0.1         | 2,449.6    | —         | 2,449.7     |   |
| Foreign exchange contracts  | —           | 83.5       | —         | 83.5        |   |
| Equity contracts  | —           | 325.2      | 65.0      | 390.2       |   |
| Credit contracts  | —           | 14.3       | 10.9      | 25.2        |   |
| Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements | 6,381.0     | 24.5       | 0.1       | 6,405.6     |   |
| Assets held in separate accounts  | 91,488.5    | 4,815.4    | 3.4       | 96,307.3    |   |
| Total assets  | \$101,315.0 | \$79,774.2 | \$2,051.5 | \$183,140.7 |   |
| Percentage of Level to total  | 55.3        | % 43.6     | % 1.1     | % 100.0     | % |
| Liabilities:  |             |            |           |             |   |
| Derivatives:  |             |            |           |             |   |
| Guaranteed benefit derivatives  |             |            |           |             |   |
| FIA   | \$—         | \$—        | \$1,642.8 | \$1,642.8   |   |
| IUL   | —           | —          | 51.5      | 51.5        |   |
| GMAB/GMWB/GMWBL <sup>(2)</sup>  | —           | —          | 2,239.8   | 2,239.8     |   |
| Stabilizer and MCGs   | —           | —          | 272.0     | 272.0       |   |
| Other derivatives:  |             |            |           |             |   |
| Interest rate contracts   | 1.0         | 1,034.5    | —         | 1,035.5     |   |
| Foreign exchange contracts  | —           | 35.6       | —         | 35.6        |   |
| Equity contracts  | 99.9        | 15.2       | 0.2       | 115.3       |   |
| Credit contracts  | —           | 12.0       | 19.6      | 31.6        |   |
| Embedded derivative on reinsurance  | —           | 151.7      | —         | 151.7       |   |
| Total liabilities   | \$100.9     | \$1,249.0  | \$4,225.9 | \$5,575.8   |   |

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

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





Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The following table presents the Company's hierarchy for its assets and liabilities measured at fair value on a recurring basis as of December 31, 2015:

|   | Level 1    | Level 2    | Level 3   | Total       |   |
|---|------------|------------|-----------|-------------|---|
| Assets:   |            |            |           |             |   |
| Fixed maturities, including securities pledged:   |            |            |           |             |   |
| U.S. Treasuries   | \$3,030.6  | \$618.4    | \$—       | \$3,649.0   |   |
| U.S. Government agencies and authorities  | —          | 352.6      | —         | 352.6       |   |
| State, municipalities and political subdivisions  | —          | 1,346.2    | —         | 1,346.2     |   |
| U.S. corporate public securities  | —          | 33,609.1   | 6.9       | 33,616.0    |   |
| U.S. corporate private securities   | —          | 5,600.8    | 1,040.3   | 6,641.1     |   |
| Foreign corporate public securities and foreign governments <sup>(1)</sup>                                    | —          | 8,009.8    | 13.8      | 8,023.6     |   |
| Foreign corporate private securities <sup>(1)</sup>   | —          | 6,918.2    | 430.4     | 7,348.6     |   |
| Residential mortgage-backed securities  | —          | 5,764.4    | 96.1      | 5,860.5     |   |
| Commercial mortgage-backed securities   | —          | 4,061.2    | 31.4      | 4,092.6     |   |
| Other asset-backed securities   | —          | 1,097.9    | 44.5      | 1,142.4     |   |
| Total fixed maturities, including securities pledged  | 3,030.6    | 67,378.6   | 1,663.4   | 72,072.6    |   |
| Equity securities, available-for-sale   | 234.3      | —          | 97.4      | 331.7       |   |
| Derivatives:  |            |            |           |             |   |
| Interest rate contracts   | —          | 1,129.1    | —         | 1,129.1     |   |
| Foreign exchange contracts  | —          | 96.9       | —         | 96.9        |   |
| Equity contracts  | 57.6       | 168.1      | 60.5      | 286.2       |   |
| Credit contracts  | —          | 18.0       | 8.3       | 26.3        |   |
| Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements | 4,617.7    | 51.7       | —         | 4,669.4     |   |
| Assets held in separate accounts  | 91,887.2   | 4,623.7    | 3.9       | 96,514.8    |   |
| Total assets  | \$99,827.4 | \$73,466.1 | \$1,833.5 | \$175,127.0 |   |
| Percentage of Level to total  | 57.0       | % 42.0     | % 1.0     | % 100.0     | % |
| Liabilities:  |            |            |           |             |   |
| Derivatives:  |            |            |           |             |   |
| Guaranteed benefit derivatives  |            |            |           |             |   |
| FIA   | \$—        | \$—        | \$1,820.1 | \$1,820.1   |   |
| IUL   | —          | —          | 52.6      | 52.6        |   |
| GMAB/GMWB/GMWBL   | —          | —          | 1,873.5   | 1,873.5     |   |
| Stabilizer and MCGs   | —          | —          | 161.3     | 161.3       |   |
| Other derivatives:  |            |            |           |             |   |
| Interest rate contracts   | 1.9        | 360.1      | —         | 362.0       |   |
| Foreign exchange contracts  | —          | 37.0       | —         | 37.0        |   |
| Equity contracts  | 11.9       | 53.9       | —         | 65.8        |   |
| Credit contracts  | —          | 6.3        | 16.4      | 22.7        |   |
| Embedded derivative on reinsurance  | —          | 25.2       | —         | 25.2        |   |
| Total liabilities   | \$13.8     | \$482.5    | \$3,923.9 | \$4,420.2   |   |

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



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Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

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

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

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

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

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

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

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

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

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

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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

There were no securities transferred between Level 1 and Level 2 for the three and six months ended June 30, 2016 and 2015. 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 June 30, 2016 |   |       |           |           |        |             |                                       |   |                          |   |      |
|--|----------------------------------|---|-------|-----------|-----------|--------|-------------|---------------------------------------|---|--------------------------|---|------|
|  | Fair Value as of April 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 June 30 | Change In Unrealized Gains (Losses) Included in Earnings <sup>(4)</sup> |      |
|  |                                  | Net Income  | OCI   |           |           |        |             |                                       |   |                          |   |      |
| Fixed maturities, including securities pledged:                            |                                  |   |       |           |           |        |             |                                       |   |                          |   |      |
| U.S. corporate public securities   | \$5.7                            | \$(0.3)   | \$1.6 | \$ —      | —         | —      | \$(2.1)     | \$(0.2)                               | \$55.2                                  | \$ —                     | \$59.9  | \$ — |
| U.S. corporate private securities  | 983.7                            | (0.1)   | 16.1  | 115.0     | —         | —      | (42.2)      | 19.9                                  | —                                       | 1,092.4                  | —   |      |
| Foreign corporate public securities and foreign governments <sup>(1)</sup> | 11.4                             | (1.2)   | (1.2) | —         | —         | —      | —           | —                                     | —                                       | 9.0                      | (1.2)   |      |
| Foreign corporate private securities <sup>(1)</sup>                        | 495.7                            | (3.9)   | 14.2  | —         | —         | (32.4) | (12.6)      | 14.0                                  | —                                       | 475.0                    | (0.2)   |      |
| Residential mortgage-backed securities                                     | 86.7                             | (3.1)   | 0.2   | 14.1      | —         | —      | (0.1)       | —                                     | —                                       | 97.8                     | (3.1)   |      |
| Commercial mortgage-backed securities                                      | 13.2                             | —   | 0.2   | 1.5       | —         | —      | (2.7)       | 26.7                                  | (13.2)                                  | 25.7                     | —   |      |
| Other asset-backed securities  | 43.1                             | (0.4)   | 0.5   | 67.9      | —         | —      | (0.7)       | —                                     | —                                       | 110.4                    | (0.4)   |      |
| Total fixed maturities including securities pledged                        | 1,639.8                          | (9.0)   | 31.6  | 198.5     | —         | (34.5) | (58.5)      | 115.8                                 | (13.2)                                  | 1,870.2                  | (4.9)   |      |

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

|   | Three Months Ended June 30, 2016 (continued) |   |           |         |       |             |  |   |                                   | Change<br>In<br>Unrealized<br>Gains<br>(Losses)<br>Included<br>in<br>Earnings <sup>(4)</sup> |
|---|--|---|-----------|---------|-------|-------------|--|---|-----------------------------------|--|
|   | Fair<br>Value<br>as of<br>April<br>1         | Total<br>Realized/Unrealized<br>Gains<br>(Losses)<br>Included in:<br>Net<br>Income<br>OCI | Purchases | Issues  | Sales | Settlements | Transfers<br>into<br>Level<br>3 <sup>(3)</sup> | Transfers<br>out<br>of<br>Level<br>3 <sup>(3)</sup> | Fair<br>Value<br>as of<br>June 30 |  |
| Equity securities, available-for-sale   | \$99.5                                       | \$ — \$ 2.4   | \$ —      | \$ —    | \$ —  | \$ —        | \$ —   | \$ —  | \$101.9                           | \$ —   |
| Derivatives:  |  |   |           |         |       |             |  |   |                                   |  |
| Guaranteed benefit derivatives:   |  |   |           |         |       |             |  |   |                                   |  |
| FIA <sup>(2)</sup>  | (1,686.6)                                    | 637.6 —   | —         | (45.7)  | —     | 51.9        | —  | —   | (1,642.8)                         | —  |
| IUL <sup>(2)</sup>  | (48.0 )                                      | (0.2 )  | —         | (7.5 )  | —     | 4.2         | —  | —   | (51.5 )                           | —  |
| GMAB/GMWB/GMWBL <sup>(2)</sup>  | (2,109.4)                                    | (93.1 )   | —         | (37.5 ) | —     | 0.2         | —  | —   | (2,239.8 )                        | —  |
| Stabilizer and MCGs <sup>(2)</sup>  | (226.0 )                                     | (44.8 )   | —         | (1.2 )  | —     | —           | —  | —   | (272.0 )                          | —  |
| Other derivatives, net  | 42.9   | 2.5   | —         | 13.9    | —     | (3.2)       | —  | —   | 56.1                              | 13.1   |
| Cash and cash equivalents, short-term<br>investments and short-term investments under<br>securities loan agreements | 0.1  | —   | —         | —       | —     | —           | —  | —   | 0.1                               | —  |
| Assets held in separate accounts <sup>(5)</sup>   | 1.1  | —   | —         | —       | —     | —           | 3.4  | (1.1)   | 3.4                               | —  |

(1) Primarily U.S. dollar denominated.

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

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

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

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



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

|  | Six Months Ended June, 2016 |  |                                     |           |           |          |             |                                       |   |                          |   |
|--|-----------------------------|--|-------------------------------------|-----------|-----------|----------|-------------|---------------------------------------|---|--------------------------|---|
|  | Fair Value as of January 1  | Total Realized Gains (Losses) Included in Net Income | Total Unrealized Gains (Losses) OCI | Purchases | Issuances | Sales    | Settlements | Transfers into Level 3 <sup>(3)</sup> | Transfers out of Level 3 <sup>(3)</sup> | Fair Value as of June 30 | Change In Unrealized Gains (Losses) Included in Earnings <sup>(4)</sup> |
| Fixed maturities, including securities pledged:                            |                             |  |                                     |           |           |          |             |                                       |   |                          |   |
| U.S. corporate public securities   | \$6.9                       | \$ (0.3 )  | \$ 2.6                              | \$ —      | \$ —      | \$ (2.1) | \$ (1.0 )   | \$ 53.8                               | \$ —                                    | \$ 59.9                  | \$ —  |
| U.S. corporate private securities  | 1,040.8                     | 1.1  | 36.4                                | 135.2     | —         | (37.0)   | (139.8)     | 81.9                                  | (24.7)                                  | 1,092.4                  | 0.3   |
| Foreign corporate public securities and foreign governments <sup>(1)</sup> | 13.8                        | (1.2 )   | (3.5 )                              | —         | —         | —        | (0.1 )      | —                                     | —                                       | 9.0                      | (1.2)   |
| Foreign corporate private securities <sup>(1)</sup>                        | 430.4                       | (0.2 )   | 18.0                                | —         | —         | (0.6 )   | (41.0 )     | 80.0                                  | (11.6)                                  | 475.0                    | (0.2)   |
| Residential mortgage-backed securities                                     | 96.1                        | 1.3  | (1.1 )                              | 14.1      | —         | (12.3)   | (0.3 )      | —                                     | —                                       | 97.8                     | (7.1)   |
| Commercial mortgage-backed securities                                      | 31.4                        | —  | 0.4                                 | 1.5       | —         | —        | (6.6 )      | —                                     | (1.0)                                   | 25.7                     | —   |
| Other asset-backed securities  | 44.5                        | (0.2 )   | 0.1                                 | 67.9      | —         | —        | (1.9 )      | —                                     | —                                       | 110.4                    | (0.2)   |
| Total fixed maturities including securities pledged                        | 1,663.4                     | (0.5 )   | 52.9                                | 218.7     | —         | (52.0)   | (190.7 )    | 215.7                                 | (37.3)                                  | 1,870.2                  | (8.4)   |

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

|   | Six Months Ended June 30, 2016 (continued) |  |        |           |         |       |             |                                       |   |                          |   |
|---|--|--|--------|-----------|---------|-------|-------------|---------------------------------------|---|--------------------------|---|
|   | Fair Value as of January 1                 | Total Realized/Unrealized Gains (Losses) Included in: Net Income | OCI    | Purchases | Issues  | Sales | Settlements | Transfers into Level 3 <sup>(3)</sup> | Transfers out of Level 3 <sup>(3)</sup> | Fair Value as of June 30 | Change In Unrealized Gains (Losses) Included in Earnings <sup>(4)</sup> |
| Equity securities, available-for-sale   | \$97.4                                     | \$ —   | \$ 4.5 | \$ —      | \$ —    | \$ —  | \$ —        | \$ —                                  | \$ —                                    | \$101.9                  | \$ —  |
| Derivatives:  |  |  |        |           |         |       |             |                                       |   |                          |   |
| Guaranteed benefit derivatives:   |  |  |        |           |         |       |             |                                       |   |                          |   |
| FIA <sup>(2)</sup>  | (1,820)                                    | 1,203.0  | —      | —         | (122.6) | 96.9  | —           | —                                     | (1,642.8)                               | —                        | —   |
| IUL <sup>(2)</sup>  | (52.6)                                     | 9.8  | —      | —         | (13.7)  | 5.0   | —           | —                                     | (51.5)                                  | —                        | —   |
| GMAB/GMWB/GMWBL <sup>(2)</sup>  | (1,873)                                    | 5(29)  | 1.3    | —         | (75)    | 3     | 0.3         | —                                     | —                                       | (2,239.8)                | —   |
| Stabilizer and MCGs <sup>(2)</sup>  | (161.3)                                    | (108.4)  | —      | —         | (2.3)   | —     | —           | —                                     | —                                       | (272.0)                  | —   |
| Other derivatives, net  | 52.4                                       | (19.9)   | —      | 27.3      | —       | —     | (3.7)       | —                                     | —                                       | 56.1                     | 3.6   |
| Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements | —  | *  | 0.1    | —         | —       | —     | —           | —                                     | —                                       | 0.1                      | —   |
| Assets held in separate accounts <sup>(5)</sup>   | 3.9  | —  | —      | —         | —       | —     | —           | 3.4                                   | (3.9)                                   | 3.4                      | —   |

\* Less than \$0.1.

(1) Primarily U.S. dollar denominated.

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

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

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

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

|  | Three Months Ended June 30, 2015  |  |           |      |      |           |                                   |                                     |           |         | Change<br>In<br>Unrealized<br>Gains<br>(Losses)<br>Included<br>in<br>Earnings <sup>(4)</sup> |
|--|-----------------------------------|--|-----------|------|------|-----------|-----------------------------------|-------------------------------------|-----------|---------|--|
|  | Fair<br>Value<br>as of<br>April 1 | Total<br>Realized/Unrealized<br>Gains (Losses)<br>Included in: | Purchases |      |      | Sales     |                                   |                                     | Transfers |         |  |
|  | Net<br>Income                     | OCI  |           |      |      |           | into<br>Level<br>3 <sup>(3)</sup> | out of<br>Level<br>3 <sup>(3)</sup> |           |         |  |
| Fixed maturities, including securities pledged:                            |                                   |  |           |      |      |           |                                   |                                     |           |         |  |
| U.S. corporate public securities   | \$114.6                           | \$ —   | \$ (0.3 ) | \$ — | \$ — | \$ (0.5 ) | \$ —                              | \$ (42.9 )                          | \$ 70.9   | \$ —    |  |
| U.S. corporate private securities  | 995.0                             | 0.2  | (21.2 )   | 55.8 | —    | —         | (62.9 )                           | —                                   | 966.9     | 0.2     |  |
| Foreign corporate public securities and foreign governments <sup>(1)</sup> | 15.4                              | (5.9)  | 1.7       | —    | —    | —         | (0.6 )                            | 12.3                                | (3.4 )    | 19.5    | (5.9)  |
| Foreign corporate private securities <sup>(1)</sup>                        | 487.1                             | (1.4)  | (2.3 )    | —    | —    | —         | (43.7 )                           | 9.2                                 | —         | 448.9   | (1.4)  |
| Residential mortgage-backed securities                                     | 109.2                             | (2.9)  | (1.6 )    | —    | —    | —         | (0.3 )                            | —                                   | (7.9 )    | 96.5    | (3.0)  |
| Commercial mortgage-backed securities                                      | —                                 | —  | —         | —    | —    | —         | —                                 | —                                   | —         | —       | —  |
| Other asset-backed securities  | 9.3                               | —  | 0.1       | 29.0 | —    | —         | (0.5 )                            | —                                   | (1.5 )    | 36.4    | —  |
| Total fixed maturities including securities pledged                        | 1,730.6                           | (10.0)   | (23.6 )   | 84.8 | —    | —         | (108.5 )                          | 21.5                                | (55.7 )   | 1,639.1 | (10.1)   |

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

|   | Three Months Ended June 30, 2015 (continued) |  |           |           |       |             |  |   |                                      |         | Change<br>In<br>Unrealized<br>Gains<br>(Losses)<br>Included<br>in<br>Earnings <sup>(4)</sup> |
|---|--|--|-----------|-----------|-------|-------------|--|---|--------------------------------------|---------|--|
|   | Fair<br>Value<br>as of<br>April<br>1         | Total<br>Realized/Unrealized<br>Gains<br>(Losses)<br>Included in:<br>Net<br>Income | Purchases | Issuances | Sales | Settlements | Transfers<br>into<br>Level<br>3 <sup>(3)</sup> | Transfers<br>out<br>of<br>Level<br>3 <sup>(3)</sup> | Fair<br>Value<br>as of<br>June<br>30 |         |  |
| Equity securities, available-for-sale   | \$58.2                                       | \$ —   | \$ (1.5 ) | \$ —      | \$ —  | \$ —        | \$ —   | \$ —  | \$ —                                 | \$ 56.7 | \$ —   |
| Derivatives:  |  |  |           |           |       |             |  |   |                                      |         |  |
| Guaranteed benefit derivatives:   |  |  |           |           |       |             |  |   |                                      |         |  |
| FIA <sup>(2)</sup>  | (2,015)                                      | 658.5  | —         | —         | (53)  | 1           | —  | 56.7  | —                                    | (1,953) | 5  |
| IUL <sup>(2)</sup>  | —  | —  | —         | —         | —     | —           | —  | —   | —                                    | —       | —  |
| GMAB/GMWB/GMWBL <sup>(2)</sup>  | (1,796)                                      | 6528.1   | —         | —         | (37)  | 8           | —  | 0.2   | —                                    | (1,305) | 5  |
| Stabilizer and MCGs <sup>(2)</sup>  | (148.1)                                      | 57.3   | —         | —         | (1.2) | —           | —  | —   | —                                    | (92.0 ) | —  |
| Other derivatives, net  | 72.6   | (7.1)  | —         | 11.0      | —     | —           | (9.7)  | —   | —                                    | 66.8    | (5.9)  |
| Cash and cash equivalents, short-term<br>investments and short-term investments<br>under securities loan agreements | 6.0  | —  | —         | —         | —     | —           | —  | —   | —                                    | 6.0     | —  |
| Assets held in separate accounts <sup>(5)</sup>   | 0.6  | —  | —         | —         | —     | —           | —  | (0.6)   | —                                    | —       | —  |

(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 June 30, amounts are included in Net investment income and Total net realized capital gains (losses) in the Condensed Consolidated Statements of Operations.

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

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:

|  | Six Months Ended June 30, 2015 |   |           |       |           |           |           |             |                                       |   |                          |   |
|--|--------------------------------|---|-----------|-------|-----------|-----------|-----------|-------------|---------------------------------------|---|--------------------------|---|
|  | Fair Value as of January 1     | Total Realized/Unrealized Gains (Losses) Included in: |           |       | Purchases | Issuances | Sales     | Settlements | Transfers into Level 3 <sup>(3)</sup> | Transfers out of Level 3 <sup>(3)</sup> | Fair Value as of June 30 | Change In Unrealized Gains (Losses) Included in Earnings <sup>(4)</sup> |
|  |                                | Net   | OCI       |       |           |           |           |             |                                       |   |                          |   |
| Fixed maturities, including securities pledged:                            |                                |   |           |       |           |           |           |             |                                       |   |                          |   |
| U.S. corporate public securities   | \$ 103.8                       | \$ —  | \$ (1.8 ) | \$ —  | \$ —      | \$ —      | \$ (1.7 ) | \$ 14.0     | \$ (43.4 )                            | \$ 70.9                                 | \$ —                     |   |
| U.S. corporate private securities  | 978.8                          | 0.4   | (17.4 )   | 140.8 | —         | —         | (171.3 )  | 35.6        | —                                     | 966.9                                   | 0.4                      |   |
| Foreign corporate public securities and foreign governments <sup>(1)</sup> | 13.5                           | (5.9)   | (0.1 )    | —     | —         | —         | (3.2 )    | 15.2        | —                                     | 19.5                                    | (5.9)                    |   |
| Foreign corporate private securities <sup>(1)</sup>                        | 435.2                          | (0.8)   | (1.9 )    | 8.9   | —         | —         | (55.3 )   | 62.8        | —                                     | 448.9                                   | (1.4)                    |   |
| Residential mortgage-backed securities                                     | 94.2                           | (5.4)   | (1.9 )    | —     | —         | —         | (0.4 )    | 12.6        | (2.6 )                                | 96.5                                    | (5.4)                    |   |
| Commercial mortgage-backed securities                                      | 22.0                           | —   | —         | —     | —         | —         | —         | —           | (22.0 )                               | —                                       | —                        |   |
| Other asset-backed securities  | 10.1                           | —   | 0.1       | 29.0  | —         | —         | (0.6 )    | —           | (2.2 )                                | 36.4                                    | —                        |   |
| Total fixed maturities including securities pledged                        | 1,657.6                        | (11.7)  | (23.0 )   | 178.7 | —         | —         | (232.5 )  | 140.2       | (70.2 )                               | 1,639.1                                 | (12.3)                   |   |

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

|   | Six Months Ended June 30, 2015 (continued) |   |            |      |           |           |        |             |                                       |   |                          |   |
|---|--|---|------------|------|-----------|-----------|--------|-------------|---------------------------------------|---|--------------------------|---|
|   | Fair Value as of January 1                 | Total Realized/Unrealized Gains (Losses) Included in: | Net Income | OCI  | Purchases | Issuances | Sales  | Settlements | Transfers into Level 3 <sup>(3)</sup> | Transfers out of Level 3 <sup>(3)</sup> | Fair Value as of June 30 | Change In Unrealized Gains (Losses) Included in Earnings <sup>(4)</sup> |
| Equity securities, available-for-sale   | \$56.3                                     | \$ (0.1 )   | \$ 0.5     | \$ — | \$ —      | \$ —      | \$ —   | \$ —        | \$ —                                  | \$ —                                    | \$56.7                   | \$ (0.1 )   |
| Derivatives:  |  |   |            |      |           |           |        |             |                                       |   |                          |   |
| Guaranteed benefit derivatives:   |  |   |            |      |           |           |        |             |                                       |   |                          |   |
| FIA <sup>(2)</sup>  | (1,970)                                    | 012.8   | —          | —    | (93)      | 6         | 97.3   | —           | —                                     | —                                       | (1,953)                  | 5—  |
| IUL <sup>(2)</sup>  | —  | —   | —          | —    | —         | —         | —      | —           | —                                     | —                                       | —                        | —   |
| GMAB/GMWB/GMWBL <sup>(2)</sup>  | (1,527)                                    | 7300.8  | —          | —    | (78)      | 9         | 0.3    | —           | —                                     | —                                       | (1,305)                  | 5—  |
| Stabilizer and MCGs <sup>(2)</sup>  | (102.9)                                    | 13.2  | —          | —    | (2.3)     | —         | —      | —           | —                                     | —                                       | (92.0)                   | ) —   |
| Other derivatives, net  | 72.1                                       | (6.7 )  | —          | 19.3 | —         | —         | (17.9) | —           | —                                     | —                                       | 66.8                     | (5.3 )  |
| Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements | 6.0  | —   | —          | —    | —         | —         | —      | —           | —                                     | —                                       | 6.0                      | —   |
| Assets held in separate accounts <sup>(5)</sup>   | 2.3  | —   | —          | —    | —         | —         | —      | —           | (2.3)                                 | —                                       | —                        | —   |

(1) Primarily U.S. dollar denominated.

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

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

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

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

Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

For the three and six months ended June 30, 2016 and 2015, the transfers in and out of Level 3 for fixed maturities and equity securities, as well as separate accounts, were due to the variation in inputs relied upon for valuation each quarter. Securities that are primarily valued using independent broker quotes when prices are not available from one of the commercial pricing services are reflected as transfers into Level 3. When securities are valued using more widely available information, the securities are transferred out of Level 3 and into Level 1 or 2, as appropriate.

#### Significant Unobservable Inputs

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

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

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

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

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

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

Following is a description of selected inputs:

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

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

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

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



Voya Financial, Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The following table presents the unobservable inputs for Level 3 fair value measurements as of June 30, 2016:

| Unobservable Input                   | Range <sup>(1)</sup> |                     | FIA              | IUL           | Stabilizer/MCGs |
|--------------------------------------|----------------------|---------------------|------------------|---------------|-----------------|
|                                      | GMWB/GMWBL           | GMAB                |                  |               |                 |
| Long-term equity implied volatility  | 15% to 25%           | 15% to 25%          | —                | —             | —               |
| Interest rate implied volatility     | 0.2% to 18%          | 0.2% to 18%         | —                | —             | 0.2% to 7.6%    |
| Correlations between:                |                      |                     |                  |               |                 |
| Equity Funds                         | 48% to 98%           | 48% to 98%          | —                | —             | —               |
| Equity and Fixed Income Funds        | -38% to 62%          | -38% to 62%         | —                | —             | —               |
| Interest Rates and Equity Funds      | -32% to 26%          | -32% to 26%         | —                | —             | —               |
| Nonperformance risk                  | 0.26% to 1.9%        | 0.26% to 1.9%       | 0.26% to 1.9%    | 0.26% to 1.1% | 0.26% to 1.9%   |
| Actuarial Assumptions:               |                      |                     |                  |               |                 |
| Benefit Utilization                  | 85% to 100%          | (2) —               | —                | —             | —               |
| Partial Withdrawals                  | 0% to 10%            | 0% to 10%           | 0% to 10%        | —             | —               |
| Lapses                               | 0.08% to 22%         | (3)(4) 0.08% to 25% | (3)(4) 0% to 60% | (3) 2% to 10% | 0% to 50% (5)   |
| Policyholder Deposits <sup>(6)</sup> | —                    | —                   | —                | —             | 0% to 50% (5)   |
| Mortality                            | —                    | (7) —               | (7) —            | (7) —         | (8) —           |

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

(2) Those policyholders who have elected systematic withdrawals are assumed to continue taking withdrawals. As a percent of account value, 38% are taking systematic withdrawals. Of those policyholders who are not taking withdrawals, the Company assumes that 85% will begin systematic withdrawals after a delay period. The utilization function varies by policyholder age and policy duration. Interactions with lapse and mortality also affect utilization. The utilization rate for GMWB and GMWBL tends to be lower for younger contract owners and contracts that have not reached their maximum accumulated GMWB and GMWBL benefit amount. There is also a lower utilization rate, though indirectly, for contracts that are less "in the money" (i.e., where the notional benefit amount is in excess of the account value) due to higher lapses. Conversely, the utilization rate tends to be higher for contract owners near or beyond retirement age and contracts that have accumulated their maximum GMWB or GMWBL benefit amount. There is also a higher utilization rate, though indirectly, for contracts which are highly "in the money." The chart below provides the GMWBL account value by current age group and average expected delay times from the associated attained age group as of June 30, 2016 (account value amounts are in \$ billions).

| Attained Age Group | Account Values |                  | Total  | Average Expected Delay (Years)** |
|--------------------|----------------|------------------|--------|----------------------------------|
|                    | In the Money   | Out of the Money |        |                                  |
| < 60               | \$2.1          | \$ —             | \$2.1  | 8.8                              |
| 60-69              | 5.9            | 0.1              | 6.0    | 3.9                              |
| 70+                | 5.6            | 0.1              | 5.7    | 2.2                              |
|                    | \$13.6         | \$ 0.2           | \$13.8 | 4.6                              |

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

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

(4) The Company makes dynamic adjustments to lower the lapse rates for contracts that are more "in the money." The table below shows an analysis of policy account values according to whether they are in or out of the surrender charge period and to whether they are "in the money" or "out of the money" as of June 30, 2016 (account value amounts are in \$ billions).

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Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

|                                | Moneyiness       | GMAB          |             | GMWB/GMWBL    |                 |
|--------------------------------|------------------|---------------|-------------|---------------|-----------------|
|                                |                  | Account Value | Lapse Range | Account Value | Lapse Range     |
| During Surrender Charge Period |                  |               |             |               |                 |
|                                | In the Money**   | \$ *0.08%     | to 7.2%     | \$3.5         | 0.08% to 5.6%   |
|                                | Out of the Money | — *0.41%      | to 7.9%     | —             | *0.36 % to 5.9% |
| After Surrender Charge Period  |                  |               |             |               |                 |
|                                | In the Money**   | \$ *2.5%      | to 22.5%    | \$10.1        | 1.4 % to 20.7%  |
|                                | Out of the Money | — *11.9%      | to 24.8%    | 0.6           | 5.0% to 21.7%   |

\*Less than \$0.1.

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

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

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

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

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

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

The following table presents the unobservable inputs for Level 3 fair value measurements as of December 31, 2015:

| Unobservable Input                  | Range <sup>(1)</sup> |               |               |               |                 |
|-------------------------------------|----------------------|---------------|---------------|---------------|-----------------|
|                                     | GMWB/GMWBL           | GMAB          | FIA           | IUL           | Stabilizer/MCGs |
| Long-term equity implied volatility | 15% to 25%           | 15% to 25%    | —             | —             | —               |
| Interest rate implied volatility    | 0.1% to 18%          | 0.1% to 18%   | —             | —             | 0.1% to 7.3%    |
| Correlations between:               |                      |               |               |               |                 |
| Equity Funds                        | 48% to 98%           | 48% to 98%    | —             | —             | —               |
| Equity and Fixed Income Funds       | -38% to 62%          | -38% to 62%   | —             | —             | —               |
| Interest Rates and Equity Funds     | -32% to 16%          | -32% to 16%   | —             | —             | —               |
| Nonperformance risk                 | 0.23% to 1.3%        | 0.23% to 1.3% | 0.23% to 1.3% | 0.23% to 0.9% | 0.23% to 1.3%   |

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Actuarial Assumptions:

|                                      |                 |        |                 |           |           |     |                        |     |
|--------------------------------------|-----------------|--------|-----------------|-----------|-----------|-----|------------------------|-----|
| Benefit Utilization                  | 85% to<br>100%  | (2)    | —               | —         | —         | —   | —                      |     |
| Partial Withdrawals                  | 0% to 10%       |        | 0% to 10%       | 0% to 10% | —         | —   | —                      |     |
| Lapses                               | 0.08% to<br>22% | (3)(4) | 0.08% to<br>25% | (3)(4)    | 0% to 60% | (3) | 2% to 10%<br>0% to 50% | (5) |
| Policyholder Deposits <sup>(6)</sup> | —               |        | —               | —         | —         | —   | 0% to 50%              | (5) |
| Mortality                            | —               | (7)    | —               | (7)       | —         | (7) | (8) —                  |     |

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

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Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Those policyholders who have elected systematic withdrawals are assumed to continue taking withdrawals. As a percent of account value, 36% are taking systematic withdrawals. Of those policyholders who are not taking withdrawals, the Company assumes that 85% will begin systematic withdrawals after a delay period. The utilization function varies by policyholder age and policy duration. Interactions with lapse and mortality also affect utilization. The utilization rate for GMWB and GMWBL tends to be lower for younger contract owners and contracts that have not reached their maximum accumulated GMWB and GMWBL benefit amount. There is also a (2) lower utilization rate, though indirectly, for contracts that are less "in the money" (i.e., where the notional benefit amount is in excess of the account value) due to higher lapses. Conversely, the utilization rate tends to be higher for contract owners near or beyond retirement age and contracts that have accumulated their maximum GMWB or GMWBL benefit amount. There is also a higher utilization rate, though indirectly, for contracts which are highly "in the money." The chart below provides the GMWBL account value by current age group and average expected delay times from the associated attained age group as of December 31, 2015 (account value amounts are in \$ billions).

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Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

| Attained Age Group | Account Values |                  | Total   | Average Expected Delay (Years)** |
|--------------------|----------------|------------------|---------|----------------------------------|
|                    | In the Money   | Out of the Money |         |                                  |
| < 60               | \$2.3          | \$ —             | *\$2.3  | 9.0                              |
| 60-69              | 6.2            | —                | *6.2    | 4.2                              |
| 70+                | 5.5            | —                | *5.5    | 2.4                              |
|                    | \$14.0         | \$ —             | *\$14.0 | 4.9                              |

\*Less than \$0.1

\*\* For population expected to withdraw in future. Excludes policies taking systematic withdraws and 15% of policies the Company assumes will never withdraw.<sup>(3)</sup> Lapse rates tend to be lower during the contractual surrender charge period and higher after the surrender charge period ends; the highest lapse rates occur in the year immediately after the end of the surrender charge period.

<sup>(4)</sup> The Company makes dynamic adjustments to lower the lapse rates for contracts that are more "in the money." The table below shows an analysis of policy account values according to whether they are in or out of the surrender charge period and to whether they are "in the money" or "out of the money" as of December 31, 2015 (account value amounts are in \$ billions).

|                                | Moneyiness       | GMAB<br>Account<br>Value | Lapse Range     | GMWB/GMWBL<br>Account<br>Value | Lapse Range    |
|--------------------------------|------------------|--------------------------|-----------------|--------------------------------|----------------|
| During Surrender Charge Period |                  |                          |                 |                                |                |
|                                | In the Money**   | \$*                      | 0.08% to 7.2%   | \$5.0                          | 0.08% to 5.6%  |
|                                | Out of the Money | —                        | *0.41% to 7.9%  | —                              | *0.36% to 5.9% |
| After Surrender Charge Period  |                  |                          |                 |                                |                |
|                                | In the Money**   | \$*                      | 2.5% to 22.5%   | \$9.1                          | 1.4% to 20.7%  |
|                                | Out of the Money | —                        | *11.9% to 24.8% | 0.6                            | 5.0% to 21.7%  |

\* Less than \$0.1.

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

<sup>(5)</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<br>of Plans | Overall Range<br>of Lapse<br>Rates | Range of Lapse<br>Rates for 85% of<br>Plans | Overall Range of<br>Policyholder<br>Deposits | Range of Policyholder<br>Deposits for 85% of<br>Plans |
|--|------------------------|------------------------------------|---|--|---|
| Stabilizer (Investment Only) and MCG Contracts | 90 %                   | 0-25%                              | 0-15%                                       | 0-30%  | 0-15%   |
| Stabilizer with Recordkeeping Agreements       | 10 %                   | 0-50%                              | 0-30%                                       | 0-50%  | 0-25%   |
| Aggregate of all plans                         | 100 %                  | 0-50%                              | 0-30%                                       | 0-50%  | 0-25%   |

<sup>(6)</sup> Measured as a percentage of assets under management or assets under administration.

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

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

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

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

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

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

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

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

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

The Company notes the following interrelationships:

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

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

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





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Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

### Other Financial Instruments

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

|  | June 30, 2016  |            | December 31, 2015 |            |
|--|----------------|------------|-------------------|------------|
|  | Carrying Value | Fair Value | Carrying Value    | Fair Value |
| <b>Assets:</b>   |                |            |                   |            |
| Fixed maturities, including securities pledged   | \$77,203.1     | \$77,203.1 | \$72,072.6        | \$72,072.6 |
| Equity securities, available-for-sale  | 276.1          | 276.1      | 331.7             | 331.7      |
| Mortgage loans on real estate  | 11,209.4       | 11,617.1   | 10,447.5          | 10,881.4   |
| Policy loans   | 1,998.5        | 1,998.5    | 2,002.7           | 2,002.7    |
| Cash, cash equivalents, short-term investments and short-term investments under securities loan agreements | 6,405.6        | 6,405.6    | 4,669.4           | 4,669.4    |
| Derivatives  | 2,948.6        | 2,948.6    | 1,538.5           | 1,538.5    |
| Other investments  | 89.7           | 99.6       | 91.6              | 101.5      |
| Assets held in separate accounts   | 96,307.3       | 96,307.3   | 96,514.8          | 96,514.8   |
| <b>Liabilities:</b>  |                |            |                   |            |
| <b>Investment contract liabilities:</b>  |                |            |                   |            |
| Funding agreements without fixed maturities and deferred annuities <sup>(1)</sup>                          | 52,661.9       | 59,096.5   | 51,361.7          | 56,884.4   |
| Funding agreements with fixed maturities and guaranteed investment contracts                               | 1,421.7        | 1,398.9    | 1,488.5           | 1,463.1    |
| Supplementary contracts, immediate annuities and other   | 3,165.0        | 3,471.8    | 2,948.1           | 3,162.8    |
| <b>Derivatives:</b>  |                |            |                   |            |
| <b>Guaranteed benefit derivatives:</b>   |                |            |                   |            |
| FIA  | 1,642.8        | 1,642.8    | 1,820.1           | 1,820.1    |
| IUL  | 51.5           | 51.5       | 52.6              | 52.6       |
| GMAB/GMWB/GMWBL  | 2,239.8        | 2,239.8    | 1,873.5           | 1,873.5    |
| Stabilizer and MCGs  | 272.0          | 272.0      | 161.3             | 161.3      |
| Other derivatives  | 1,218.0        | 1,218.0    | 487.5             | 487.5      |
| Long-term debt   | 3,547.5        | 3,798.3    | 3,485.9           | 3,772.7    |
| Embedded derivative on reinsurance   | 151.7          | 151.7      | 25.2              | 25.2       |

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

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



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(Dollar amounts in millions, unless otherwise stated)

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

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

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

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

**Other investments:** Primarily Federal Home Loan Bank ("FHLB") stock, which is carried at cost and periodically evaluated for impairment based on ultimate recovery of par value and is classified as Level 1.

**Investment contract liabilities:**

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

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

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

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

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

particular financial instrument, nor do they consider the tax impact of the realization of unrealized capital gains (losses). In many cases, the fair value estimates cannot be substantiated by comparison to independent markets, nor can the disclosed value be realized in immediate settlement of the instruments. In evaluating the Company's