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

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

FORM 10-Q
(Mark
One)

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

For the quarterly period ended September 30, 2016

OR

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

For the transition period from to

Commission File Number: 001-35897

Voya Financial, Inc.

(Exact name of registrant as specified in its charter)

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

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

(212) 309-8200

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

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

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

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

Large accelerated filer ý	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o
(Do not check if a smaller reporting company)	

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

APPLICABLE ONLY TO CORPORATE ISSUERS:
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of October 28, 2016, 194,621,612 shares of Common Stock, $0.01 par value, were outstanding.

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

INDEX

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

NOTE CONCERNING FORWARD-LOOKING STATEMENTS

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

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

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements
Voya Financial, Inc.
Condensed Consolidated Balance Sheets
September 30, 2016 (Unaudited) and December 31, 2015
(In millions, except share and per share data)

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

The
accompanying
notes are an

integral part of these Condensed Consolidated Financial Statements.

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

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

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

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

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

The accompanying notes are an integral part of these

Condensed
Consolidated
Financial
Statements.

6

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

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

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

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

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

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

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

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

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

The accompanying notes are an integral part of these Condensed Consolidated

Financial
Statements.

9

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

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

Elimination of appropriated retained earnings	17.8	—

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

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

1. Business, Basis of Presentation and Significant Accounting Policies

Business

Voya Financial, Inc. and its subsidiaries (collectively the "Company") is a financial services organization in the United States that offers a broad range of retirement services, annuities, investment management services, mutual funds, life insurance, group insurance and supplemental health products. The Company provides its principal products and services through five segments ("Ongoing Business"). In the third quarter of 2016, the Company simplified the management structure of its businesses and no longer groups the five segments into Insurance Solutions and Retirement and Investment Management Solutions businesses. The Company also has a Corporate segment, which includes the financial data not directly related to the businesses, and Closed Block segments. See the Segments Note to these Condensed Consolidated Financial Statements.

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

Basis of Presentation

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

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

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

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

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

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

Significant Accounting Policy
Consolidation and Noncontrolling Interests

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

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

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

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

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

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

Adoption of New Pronouncements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Instruments - Credit Losses

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

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

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

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

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

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

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

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

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

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

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

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

Financial Instruments - Recognition and Measurement

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

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

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

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

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

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

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

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

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

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

2. Investments (excluding Consolidated Investment Entities)

Fixed Maturities and Equity Securities

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

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

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

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

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

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

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

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

18

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

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

	Amortized Cost	Fair Value
Due to mature:		
One year or less	$2,154.4	$2,168.6
After one year through five years	13,491.0	14,325.3
After five years through ten years	18,948.0	20,135.4
After ten years	25,289.0	29,304.0
Mortgage-backed securities	10,692.2	11,525.8
Other asset-backed securities	1,233.2	1,282.0
Fixed maturities, including securities pledged	$71,807.8	$78,741.1

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

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

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

	Amortized Cost	Gross Unrealized Capital Gains	Gross Unrealized Capital Losses	Fair Value
September 30, 2016				
Communications	$3,819.0	$ 529.5	$ 4.5	$4,344.0
Financial	8,039.1	763.6	20.7	8,782.0
Industrial and other companies	25,507.9	2,324.1	42.6	27,789.4
Energy	6,414.8	509.6	120.3	6,804.1
Utilities	8,008.7	892.7	26.4	8,875.0
Transportation	1,792.6	187.0	1.9	1,977.7
Total	$53,582.1	$ 5,206.5	$ 216.4	$58,572.2
December 31, 2015				
Communications	$3,956.0	$ 251.0	$ 73.0	$4,134.0
Financial	7,937.8	473.0	53.2	8,357.6
Industrial and other companies	24,762.3	1,020.4	542.0	25,240.7
Energy	7,871.5	127.9	668.1	7,331.3
Utilities	7,540.3	457.4	89.8	7,907.9
Transportation	1,705.3	70.5	40.2	1,735.6

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

19

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

Fixed Maturities and Equity Securities

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

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

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

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

Securities Lending

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

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

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

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

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

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

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

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

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

Unrealized Capital Losses

Unrealized capital losses (including noncredit impairments), along with the fair value of fixed maturity securities, including securities pledged, by market sector and duration were as follows as of September 30, 2016:

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

* Less than $0.1.

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

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

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

Of the unrealized capital losses aged more than twelve months, the average market value of the related fixed maturities was 90.6% and 83.8% of the average book value as of September 30, 2016 and December 31, 2015, respectively.

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

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

	Amortized Cost		Unrealized Capital Losses		Number of Securities	
	< 20%	> 20%	< 20%	> 20%	< 20%	> 20%
September 30, 2016						
Six months or less below amortized cost	$2,954.0	$6.7	$86.9	$1.7	299	12
More than six months and twelve months or less below amortized cost	552.7	187.8	22.5	51.7	97	18
More than twelve months below amortized cost	1,260.1	100.2	63.9	35.1	282	13
Total	$4,766.8	$294.7	$173.3	$88.5	678	43
December 31, 2015						
Six months or less below amortized cost	$11,792.1	$1,863.4	$394.6	$524.5	1,051	130
More than six months and twelve months or less below amortized cost	9,465.3	48.3	518.0	23.2	737	5
More than twelve months below amortized cost	1,351.5	55.3	102.5	15.3	322	8
Total	$22,608.9	$1,967.0	$1,015.1	$563.0	2,110	143

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

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

	Amortized Cost		Unrealized Capital Losses		Number of Securities	
	< 20%	> 20%	< 20%	> 20%	< 20%	> 20%
September 30, 2016						
U.S. Treasuries	$50.1	$—	$0.1	$—	5	—
U.S. Government agencies and authorities	50.7	—	0.1	—	1	—
State, municipalities and political subdivisions	209.1	1.0	3.4	0.3	37	1
U.S. corporate public securities	1,242.9	64.5	50.7	17.8	121	4
U.S. corporate private securities	541.5	94.0	21.2	26.0	21	2
Foreign corporate public securities and foreign governments	697.3	119.4	45.0	38.8	66	11
Foreign corporate private securities	478.1	— *	23.8	— *	19	2
Residential mortgage-backed	1,022.0	9.4	19.1	2.8	318	17
Commercial mortgage-backed	229.0	4.1	0.4	2.3	20	4
Other asset-backed	246.1	2.3	9.5	0.5	70	2
Total	$4,766.8	$294.7	$173.3	$88.5	678	43
December 31, 2015						
U.S. Treasuries	$487.2	$—	$5.0	$—	21	—
U.S. Government agencies and authorities	49.6	—	0.3	—	1	—
State, municipalities and political subdivisions	772.6	2.0	17.1	0.7	117	3
U.S. corporate public securities	11,712.1	1,025.4	542.7	283.0	955	73
U.S. corporate private securities	2,006.6	164.0	85.1	47.4	92	4
Foreign corporate public securities and foreign governments	3,570.1	668.1	173.9	199.5	331	48
Foreign corporate private securities	2,115.3	97.6	148.3	28.2	86	5
Residential mortgage-backed	875.1	3.8	22.7	1.9	327	7
Commercial mortgage-backed	622.7	2.8	7.3	1.5	56	1
Other asset-backed	397.6	3.3	12.7	0.8	124	2
Total	$22,608.9	$1,967.0	$1,015.1	$563.0	2,110	143

* Less than $0.1.

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

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

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

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

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

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

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

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

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

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

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

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

Troubled Debt Restructuring

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

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

Mortgage Loans on Real Estate

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

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

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

	September 30, 2016			December 31, 2015		
	Impaired	Non Impaired	Total	Impaired	Non Impaired	Total
Commercial mortgage loans	$4.6	$11,474.1	$11,478.7	$20.2	$10,430.5	$10,450.7
Collective valuation allowance for losses	N/A	(3.0)	(3.0)	N/A	(3.2)	(3.2)
Total net commercial mortgage loans	$4.6	$11,471.1	$11,475.7	$20.2	$10,427.3	$10,447.5

N/A - Not Applicable

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

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

	September 30, 2016	December 31, 2015
Collective valuation allowance for losses, balance at January 1	$ 3.2	$ 2.8
Addition to (reduction of) allowance for losses	(0.2)	0.4
Collective valuation allowance for losses, end of period	$ 3.0	$ 3.2

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

	September 30, 2016	December 31, 2015
Impaired loans without allowances for losses	$ 4.6	$ 20.2
Less: Allowances for losses on impaired loans	—	—
Impaired loans, net	$ 4.6	$ 20.2
Unpaid principal balance of impaired loans	$ 6.1	$ 21.7

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

	September 30, 2016	December 31, 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 September 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 September 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.

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

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.

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

	Three Months Ended September 30,	
	2016	2015
Impaired loans, average investment during the period (amortized cost) [1]	$4.7	$33.7
Interest income recognized on impaired loans, on an accrual basis [1]	0.1	0.5
Interest income recognized on impaired loans, on a cash basis [1]	0.1	0.5
Interest income recognized on troubled debt restructured loans, on an accrual basis	—	0.4

[1] Includes amounts for Troubled debt restructured loans.

	Nine Months Ended September 30,	
	2016	2015
Impaired loans, average investment during the period (amortized cost) [1]	$12.4	$48.9
Interest income recognized on impaired loans, on an accrual basis [1]	0.3	2.0
Interest income recognized on impaired loans, on a cash basis [1]	0.4	2.3
Interest income recognized on troubled debt restructured loans, on an accrual basis	0.1	1.7

[1] Includes amounts for Troubled debt restructured loans.

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

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

	September 30, 2016[1]	December 31, 2015[1]
Loan-to-Value Ratio:		
0% - 50%	$1,357.7	$1,388.0
> 50% - 60%	2,909.0	2,694.1
> 60% - 70%	6,326.1	5,670.2
> 70% - 80%	869.3	679.6
> 80% and above	16.6	18.8
Total Commercial mortgage loans	$11,478.7	$10,450.7

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

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

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

	September 30, 2016[(1)]	December 31, 2015[(1)]
Debt Service Coverage Ratio:		
Greater than 1.5x	$9,106.5	$8,112.1
> 1.25x - 1.5x	1,639.2	1,489.5
> 1.0x - 1.25x	493.6	550.3
Less than 1.0x	158.6	158.6
Commercial mortgage loans secured by land or construction loans	80.8	140.2
Total Commercial mortgage loans	$11,478.7	$10,450.7

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

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

	September 30, 2016[(1)]		December 31, 2015[(1)]	
	Gross Carrying Value	% of Total	Gross Carrying Value	% of Total
Commercial Mortgage Loans by U.S. Region:				
Pacific	$2,884.6	25.1%	$2,605.3	24.9 %
South Atlantic	2,637.1	23.0%	2,318.9	22.2 %
Middle Atlantic	1,609.9	14.0%	1,499.1	14.3 %
West South Central	1,172.9	10.2%	1,103.7	10.6 %
Mountain	978.9	8.5%	924.2	8.8 %
East North Central	1,243.4	10.9%	1,103.3	10.6 %
New England	233.3	2.0%	222.8	2.1 %
West North Central	522.2	4.6%	488.8	4.7 %
East South Central	196.4	1.7%	184.6	1.8 %
Total Commercial mortgage loans	$11,478.7	100.0 %	$10,450.7	100.0%

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

	September 30, 2016[(1)]		December 31, 2015[(1)]	
	Gross Carrying Value	% of Total	Gross Carrying Value	% of Total
Commercial Mortgage Loans by Property Type:				
Retail	$3,731.5	32.5 %	$3,672.8	35.1 %
Industrial	2,530.4	22.1 %	2,161.3	20.7 %
Apartments	2,345.3	20.4 %	1,942.9	18.6 %
Office	1,851.6	16.1 %	1,617.7	15.5 %
Hotel/Motel	407.8	3.6 %	425.0	4.1 %

Other	498.0	4.3 %	525.9	5.0 %
Mixed Use	114.1	1.0 %	105.1	1.0 %
Total Commercial mortgage loans	$11,478.7	100.0%	$10,450.7	100.0%

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

31

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

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

	September 30, 2016[1]	December 31, 2015[1]
Year of Origination:		
2016	$1,888.2	$—
2015	2,071.5	2,114.0
2014	1,867.0	1,896.0
2013	1,969.7	2,024.8
2012	1,262.5	1,423.3
2011	1,000.6	1,237.7
2010 and prior	1,419.2	1,754.9
Total Commercial mortgage loans	$11,478.7	$10,450.7

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

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

Evaluating Securities for Other-Than-Temporary Impairments

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

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

	Three Months Ended September 30,			
	2016		2015	
	Impairment	No. of Securities	Impairment	No. of Securities
State, municipalities and political subdivisions	$—	—	$ —	—
U.S. corporate public securities	9.0	2	12.5	15
Foreign corporate public securities and foreign governments(1)	—	—	26.4	8
Foreign corporate private securities(1)	3.0	1	—	—
Residential mortgage-backed	0.7	41	1.7	23
Commercial mortgage-backed	—	—	0.6	1
Other asset-backed	— *	1	0.1	1
Equity	—	—	—	—
Total	$12.7	45	$ 41.3	48

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

	Nine Months Ended September 30,			
	2016		2015	
	Impairment	No. of Securities	Impairment	No. of Securities
State, municipalities and political subdivisions	$0.3	2	$ —	—
U.S. corporate public securities	9.6	3	13.5	18
Foreign corporate public securities and foreign governments(1)	10.0	2	33.4	10
Foreign corporate private securities(1)	3.2	2	1.4	1
Residential mortgage-backed	4.6	74	5.2	58
Commercial mortgage-backed	—	—	0.8	2
Other asset-backed	— *	1	0.2	2
Equity	—	—	0.1	1
Total	$27.7	84	$ 54.6	92

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

The above tables include $3.5 and $9.0 of write-downs related to credit impairments for the three and nine months ended September 30, 2016, respectively, in Other-than-temporary impairments, which are recognized in the Condensed Consolidated Statements of Operations. The remaining $9.2 and $18.7 in write-downs for the three and nine months ended September 30, 2016, respectively, are related to intent impairments.

The above tables include $0.6 and $10.9 of write-downs related to credit impairments for the three and nine months ended September 30, 2015, respectively, in Other-than-temporary impairments, which are recognized in the Condensed Consolidated Statements of Operations. The remaining $40.7 and $43.7 in write-downs for the three and nine months ended September 30, 2015, respectively, are related to intent impairments.

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

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

	Three Months Ended September 30,			
	2016		2015	
	Impairment	No. of Securities	Impairment	No. of Securities
U.S. corporate public securities	$9.1	2	$ 12.5	15
Foreign corporate public securities and foreign governments[1]	—	—	26.4	8
Residential mortgage-backed	0.1	6	1.2	7
Commercial mortgage-backed	—	—	0.6	1
Other asset-backed	—	—	—	—
Total	$9.2	8	$ 40.7	31

[1] Primarily U.S. dollar denominated.

	Nine Months Ended September 30,			
	2016		2015	
	Impairment	No. of Securities	Impairment	No. of Securities
U.S. corporate public securities	$9.1	2	$ 13.5	18
Foreign corporate public securities and foreign governments[1]	8.7	1	27.5	9
Residential mortgage-backed	0.9	11	1.8	10
Commercial mortgage-backed	—	—	0.8	2
Other asset-backed	—	—	0.1	1
Total	$18.7	14	$ 43.7	40

[1] Primarily U.S. dollar denominated.

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

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

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

	Three Months Ended September 30,	
	2016	2015
Balance at July 1	$71.6	$80.2
Additional credit impairments:		
On securities previously impaired	0.6	0.6
Reductions:		
Increase in cash flows	1.7	0.1
Securities sold, matured, prepaid or paid down	2.8	3.0
Balance at September 30	$67.7	$77.7

	Nine Months Ended September 30,	
	2016	2015
Balance at January 1	$75.3	$86.8
Additional credit impairments:		
On securities previously impaired	3.4	3.4
Reductions:		
Increase in cash flows	1.9	0.9
Securities sold, matured, prepaid or paid down	9.1	11.6
Balance at September 30	$67.7	$77.7

Net Investment Income

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Fixed maturities	$1,004.4	$983.6	$3,005.0	$2,963.0
Equity securities, available-for-sale	5.3	3.2	14.2	7.0
Mortgage loans on real estate	135.3	135.2	408.0	394.1
Policy loans	26.6	27.6	80.8	83.2
Short-term investments and cash equivalents	0.6	0.7	3.8	2.3
Other	19.9	(20.5)	6.6	(7.5)

Gross investment income	1,192.1	1,129.8	3,518.4	3,442.1
Less: investment expenses	28.7	26.2 [(1)]	85.7	82.3 [(1)]
Net investment income	$1,163.4	$1,103.6	$3,432.7	$3,359.8

[(1)] Includes reclassification of $23.1 and $75.5 of certain internal investment management costs from Operating expenses to Net investment income for the three and nine months ended September 30, 2015, respectively.

As of September 30, 2016 and December 31, 2015, the Company had $14.2 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.

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

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

Net Realized Capital Gains (Losses)

Net realized capital gains (losses) comprise the difference between the amortized cost of investments and proceeds from sale and redemption, as well as losses incurred due to the credit-related and intent-related other-than-temporary impairment of investments. Realized investment gains and losses are also primarily generated from changes in fair value of embedded derivatives within 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 Ended September 30,	
	2016	2015
Fixed maturities, available-for-sale, including securities pledged	$(4.5)	$(48.1)
Fixed maturities, at fair value option	(103.4)	(82.0)
Equity securities, available-for-sale	0.1	(0.9)
Derivatives	(392.9)	823.1
Embedded derivative - fixed maturities	(7.4)	2.0
Guaranteed benefit derivatives	140.5	(394.7)
Other investments	(0.1)	(0.3)
Net realized capital gains (losses)	$(367.7)	$299.1
After-tax net realized capital gains (losses)	$(242.2)	$192.5

	Nine Months Ended September 30,	
	2016	2015
Fixed maturities, available-for-sale, including securities pledged	$(73.4)	$(53.9)
Fixed maturities, at fair value option	(119.9)	(260.0)
Equity securities, available-for-sale	0.2	(1.3)
Derivatives	(214.3)	431.8
Embedded derivatives - fixed maturities	(4.6)	(10.6)
Guaranteed benefit derivatives	(46.4)	(67.9)
Other investments	0.1	1.2
Net realized capital gains (losses)	$(458.3)	$39.3
After-tax net realized capital gains (losses)	$(300.6)	$23.6

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Proceeds on sales	$1,030.6	$1,364.5	$5,488.8	$4,142.3
Gross gains	12.9	18.2	134.1	50.7
Gross losses	3.7	23.1	177.7	54.1

3. Derivative Financial Instruments

The Company enters into the following types of derivatives:

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

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

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

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

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

Currency forwards: The Company 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.

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.

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

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. It is the Company's policy not to offset amounts recognized for derivative instruments and amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral arising from derivative instruments executed with the same counterparty under a master netting arrangement, which provides the Company with the legal right of offset.

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

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

	September 30, 2016			December 31, 2015		
	Notional Amount	Asset Fair Value	Liability Fair Value	Notional Amount	Asset Fair Value	Liability Fair Value
Derivatives: Qualifying for hedge accounting[1]						
Cash flow hedges:						
Interest rate contracts	$286.5	$66.7	$—	$524.0	$73.3	$—
Foreign exchange contracts	207.3	22.1	0.1	174.7	36.4	—
Fair value hedges:						
Interest rate contracts	285.9	—	10.0	551.4	0.8	9.8
Derivatives: Non-qualifying for hedge accounting[1]						
Interest rate contracts	78,421.8	2,146.1	706.9	65,169.4	1,055.0	352.2
Foreign exchange contracts	1,860.7	34.8	32.2	1,281.9	60.5	37.0
Equity contracts	27,276.7	431.4	64.7	19,738.4	286.2	65.8
Credit contracts	4,513.3	30.3	28.9	4,266.3	26.3	22.7
Embedded derivatives and Managed custody guarantees:						
Within fixed maturity investments	N/A	90.3	—	N/A	94.9	—
Within products	N/A	—	4,087.6	N/A	—	3,907.2
Within reinsurance agreements	N/A	—	159.4	N/A	—	25.2
Managed custody guarantees	N/A	—	4.5	N/A	—	0.3
Total		$2,821.7	$5,094.3		$1,633.4	$4,420.2

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

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

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

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

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

	September 30, 2016		
	Notional Amount	Asset Fair Value	Liability Fair Value
Credit contracts	$4,513.3	$30.3	$28.9
Equity contracts	19,737.1	431.4	23.4
Foreign exchange contracts	2,068.0	56.9	32.3
Interest rate contracts	67,741.4	2,210.7	716.9
		2,729.3	801.5
Counterparty netting[1]		(651.8)	(651.8)
Cash collateral netting[1]		(1,820.6)	(91.9)
Securities collateral netting[1]		(138.6)	(29.1)
Net receivables/payables		$118.3	$28.7

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

	December 31, 2015		
	Notional Amount	Asset Fair Value	Liability Fair 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[1]		(415.6)	(415.6)
Cash collateral netting[1]		(848.1)	(12.6)
Securities collateral netting[1]		(24.3)	(24.4)
Net receivables/payables		$192.9	$21.1

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

Collateral

Under the terms of the OTC Derivative International Swaps and Derivatives Association, Inc. ("ISDA") agreements, the Company may receive from, or deliver to, counterparties collateral to assure that terms of the ISDA agreements will be met with regard to the Credit Support Annex ("CSA"). The terms of the CSA call for the Company to pay interest on any cash received equal to the Federal Funds rate. To the extent cash collateral is received and delivered, it is included in Payables under securities loan agreements, including collateral held and Short-term investments under securities loan agreements, including collateral delivered, respectively, on the Condensed Consolidated Balance Sheets and is reinvested in short-term investments. Collateral held is used in accordance with the CSA to satisfy any obligations. Investment grade bonds owned by the Company are the source of noncash collateral posted, which is reported in Securities pledged on the Condensed Consolidated Balance Sheets. As of September 30, 2016, the Company held $1,495.3 and $270.7 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 September 30, 2016, the Company delivered $751.5 of securities and held $143.3 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 Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Derivatives: Qualifying for hedge accounting[1]				
Cash flow hedges:				
Interest rate contracts	$0.3	$0.4	$0.9	$1.3
Foreign exchange contracts	0.6	0.5	2.0	1.5
Fair value hedges:				
Interest rate contracts	0.6	(4.0)	(5.1)	(8.1)
Derivatives: Non-qualifying for hedge accounting[2]				
Interest rate contracts	29.2	288.8	662.1	106.1
Foreign exchange contracts	(3.1)	6.0	(8.8)	42.7
Equity contracts	(421.7)	522.0	(863.8)	280.0
Credit contracts	1.2	9.4	(1.6)	8.3
Embedded derivatives and Managed custody guarantees:				
Within fixed maturity investments[2]	(7.4)	2.0	(4.6)	(10.6)
Within products[2]	140.5	(394.1)	(42.5)	(67.4)
Within reinsurance agreements[3]	(9.9)	6.3	(105.1)	75.6
Managed custody guarantees[2]	(0.1)	(0.6)	(4.0)	(0.5)
Total	$(269.8)	$436.7	$(370.5)	$428.9

[1] Changes in value for effective fair value hedges are recorded in Other net realized capital gains (losses). Changes in fair value upon disposal for effective cash flow hedges are amortized through Net investment income and the ineffective portion is recorded in Other net realized capital gains (losses) in the Condensed Consolidated Statements of Operations. For the three and nine months ended September 30, 2016 and 2015, ineffective amounts were immaterial.
[2] Changes in value are included in Other net realized capital gains (losses) in the Condensed Consolidated Statements of Operations.
[3] Changes in value are included in Policyholder benefits in the Condensed Consolidated Statements of Operations.

Credit Default Swaps

The Company has entered into various credit default swaps. When credit default swaps are sold, the Company assumes credit exposure to certain assets that it does not own. Credit default swaps may also be purchased to reduce credit exposure in the Company's portfolio. Credit default swaps involve a transfer of credit risk from one party to another in exchange for periodic payments. As of September 30, 2016, the fair values of credit default swaps of $30.3 and $28.9 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 September 30, 2016, the maximum potential future net exposure to the Company was $2.1 billion, net of purchased protection of $500.0 on credit default swaps. As of 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.

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.

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

The following table presents the Company’s hierarchy for its assets and liabilities measured at fair value on a recurring basis as of September 30, 2016:

	Level 1	Level 2	Level 3	Total
Assets:				
Fixed maturities, including securities pledged:				
U.S. Treasuries	$3,086.9	$726.5	$—	$3,813.4
U.S. Government agencies and authorities	—	378.5	—	378.5
State, municipalities and political subdivisions	—	2,126.1	—	2,126.1
U.S. corporate public securities	—	35,571.8	29.5	35,601.3
U.S. corporate private securities	—	6,478.0	1,206.9	7,684.9
Foreign corporate public securities and foreign governments[1]	—	8,412.8	9.0	8,421.8
Foreign corporate private securities[1]	—	7,438.5	468.8	7,907.3
Residential mortgage-backed securities	—	7,419.5	82.4	7,501.9
Commercial mortgage-backed securities	—	3,991.0	32.9	4,023.9
Other asset-backed securities	—	1,087.6	194.4	1,282.0
Total fixed maturities, including securities pledged	3,086.9	73,630.3	2,023.9	78,741.1
Equity securities, available-for-sale	182.1	—	103.2	285.3
Derivatives:				
Interest rate contracts	2.1	2,210.7	—	2,212.8
Foreign exchange contracts	—	56.9	—	56.9
Equity contracts	—	341.9	89.5	431.4
Credit contracts	—	17.8	12.5	30.3
Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements	5,167.2	70.7	0.1	5,238.0
Assets held in separate accounts	93,206.3	4,760.3	9.1	97,975.7
Total assets	$101,644.6	$81,088.6	$2,238.3	$184,971.5
Percentage of Level to total	55.0 %	43.8 %	1.2 %	100.0 %
Liabilities:				
Derivatives:				
Guaranteed benefit derivatives				
FIA	$—	$—	$1,747.7	$1,747.7
IUL	—	—	69.3	69.3
GMAB/GMWB/GMWBL[2]	—	—	2,008.0	2,008.0
Stabilizer and MCGs	—	—	267.1	267.1
Other derivatives:				
Interest rate contracts	—	716.9	—	716.9
Foreign exchange contracts	—	32.3	—	32.3
Equity contracts	41.3	23.0	0.4	64.7
Credit contracts	—	11.5	17.4	28.9
Embedded derivative on reinsurance	—	159.4	—	159.4
Total liabilities	$41.3	$943.1	$4,109.9	$5,094.3

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

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(1)	—	8,009.8	13.8	8,023.6
Foreign corporate private securities(1)	—	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

(1)Primarily U.S. dollar denominated.

44

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

Valuation of Financial Assets and Liabilities at Fair Value

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

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

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

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

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

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

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

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

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

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

Transfers in and out of Level 1 and 2

There were no securities transferred between Level 1 and Level 2 for the three and nine months ended September 30, 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 September 30, 2016										
	Fair Value as of July 1	Total Realized/Unrealized Gains (Losses) Included in:		Purchases	Issuances	Sales	Settlements	Transfers into Level 3[3]	Transfers out of Level 3[3]	Fair Value as of September 30	Change In Unrealized Gains (Losses) Included in Earnings[4]
		Net Income	OCI								
Fixed maturities, including securities pledged:											
U.S. corporate public securities	$ 59.9	$ —	$ —	$ —	$ —	$ —	$ (0.1)	$ —	$ (30.3)	$ 29.5	$ —
U.S. corporate private securities	1,092.4	—	11.1	133.1	—	—	(29.7)	—	—	1,206.9	—
Foreign corporate public securities and foreign governments[1]	9.0	—	0.1	—	—	—	(0.1)	—	—	9.0	—
Foreign corporate private securities[1]	475.0	(3.0)	8.3	—	—	—	(11.5)	—	—	468.8	(3.0)
Residential mortgage-backed securities	97.8	(4.4)	1.1	5.0	—	(2.6)	(0.4)	—	(14.1)	82.4	(3.7)
Commercial mortgage-backed securities	25.7	—	0.1	11.3	—	—	(2.7)	—	(1.5)	32.9	—
Other asset-backed securities	110.4	—	—	151.6	—	(1.0)	(0.7)	7.4	(73.3)	194.4	—
Total fixed maturities, including securities pledged	1,870.2	(7.4)	20.7	301.0	—	(3.6)	(45.2)	7.4	(119.2)	2,023.9	(6.7)

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

	Three Months Ended September 30, 2016 (continued)										
	Fair Value as of July 1	Total Realized/Unrealized Gains (Losses) Included in:		Purchases	Issuances	Sales	Settlements	Transfers into Level 3[(3)]	Transfers out of Level 3[(3)]	Fair Value as of September 30	Change In Unrealized Gains (Losses) Included in Earnings[(4)]
		Net Income	OCI								
Equity securities, available-for-sale	$ 101.9	$ —	$ 1.3	$ —	$ —	$ —	$ —	$ —	$ —	$ 103.2	$ —
Derivatives:											
Guaranteed benefit derivatives:											
FIA[(2)]	(1,642.8)	(121.7)	—	—	(38.3)	—	55.1	—	—	(1,747.7)	—
IUL[(2)]	(51.5)	(13.4)	—	—	(6.7)	—	2.3	—	—	(69.3)	—
GMAB/GMWB/GMWBL[(2)]	(2,239.8)	269.4	—	—	(37.7)	—	0.1	—	—	(2,008.0)	—
Stabilizer and MCGs[(2)]	(272.0)	6.1	—	—	(1.2)	—	—	—	—	(267.1)	—
Other derivatives, net	56.1	18.6	—	12.1	—	—	(2.6)	—	—	84.2	28.1
Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements	0.1	—	—	—	—	—	—	—	—	0.1	—
Assets held in separate accounts[(5)]	3.4	0.2	—	4.1	—	(0.7)	—	2.1	—	9.1	—

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

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

	Nine Months Ended September 30, 2016										
	Fair Value as of January 1	Total Realized/Unrealized Gains (Losses) Included in: Net Income	OCI	Purchases	Issuances	Sales	Settlements	Transfers into Level 3[3]	Transfers out of Level 3[3]	Fair Value as of September 30	Change In Unrealized Gains (Losses) Included in Earnings[4]
Fixed maturities, including securities pledged:											
U.S. corporate public securities	$ 6.9	$ (0.3)	$ 2.0	$ —	$ —	$ (2.1)	$ (1.1)	$ 24.1	$ —	$ 29.5	$ —
U.S. corporate private securities	1,040.3	0.1	47.4	268.3	—	(37.0)	(169.4)	81.9	(24.7)	1,206.9	0.2
Foreign corporate public securities and foreign governments[1]	13.8	(1.2)	(3.3)	—	—	—	(0.3)	—	—	9.0	(1.2)
Foreign corporate private securities[1]	430.4	(3.2)	26.3	—	—	(0.5)	(52.6)	80.0	(11.6)	468.8	(3.2)
Residential mortgage-backed securities	96.1	(3.1)	—	5.0	—	(14.9)	(0.7)	—	—	82.4	(10.7)
Commercial mortgage-backed securities	31.4	—	0.5	11.3	—	—	(9.3)	—	(1.0)	32.9	—
Other asset-backed securities	44.5	(0.2)	0.2	156.2	—	(1.0)	(3.6)	8.3	(10.0)	194.4	(0.3)
Total fixed maturities, including securities pledged	1,663.4	(7.9)	73.1	440.8	—	(55.5)	(237.0)	194.3	(47.3)	2,023.9	(15.2)

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

	Nine Months Ended September 30, 2016 (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[3]	Transfers out of Level 3[3]	Fair Value as of September 30	Change In Unrealized Gains (Losses) Included in Earnings[4]
Equity securities, available-for-sale	$ 97.4	$ —	$ 5.8	$ —	$ —	$ —	$ —	$ —	$ —	$ 103.2	$ —
Derivatives:											
Guaranteed benefit derivatives:											
FIA[2]	(1,820.1)	81.3	—	—	(160.9)	—	152.0	—	—	(1,747.7)	—
IUL[2]	(52.6)	(3.6)	—	—	(20.4)	—	7.3	—	—	(69.3)	—
GMAB/GMWB/GMWBL[2]	(1,873.5)	(21.9)	—	—	(113.0)	—	0.4	—	—	(2,008.0)	—
Stabilizer and MCGs[2]	(161.3)	(102.3)	—	—	(3.5)	—	—	—	—	(267.1)	—
Other derivatives, net	52.4	(1.3)	—	39.4	—	—	(6.3)	—	—	84.2	31.8
Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements	—	*—	0.1	—	—	—	—	—	—	0.1	—
Assets held in separate accounts[5]	3.9	0.2	—	4.1	—	(0.7)	—	5.5	(3.9)	9.1	—

* 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 September 30, amounts are included in Net investment income and Total net realized capital gains (losses) in the Condensed Consolidated Statements of Operations.
[5] The investment income and realized gains (losses) and change in unrealized gains (losses) included in net income for separate account assets are offset by an equal amount for separate account liabilities, which results in a net zero impact on Net income (loss) for the Company.

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

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

51

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

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

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

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

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:

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

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

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

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

For the three and nine months ended September 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 September 30, 2016:

	Range[1]				
Unobservable Input	GMWB/GMWBL	GMAB	FIA	IUL	Stabilizer/MCGs
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	-13% to 99%	-13% to 99%	—	—	—
Equity and Fixed Income Funds	-38% to 62%	-38% to 62%	—	—	—
Interest Rates and Equity Funds	-32% to 26%	-32% to 26%	—	—	—
Nonperformance risk	0.14% to 1.9%	0.14% to 1.9%	0.14% to 1.9%	0.14% to 0.81%	0.14% to 1.9%
Actuarial Assumptions:					
Benefit Utilization	85% to 100% [2]	—	—	—	—
Partial Withdrawals	—	0% to 3.4%	0% to 10%	—	—
Lapses	0.06% to 9.6% [3][4]	0.3% to 17.7% [3][4]	0% to 60% [3]	2% to 10%	0 % to 50% [5]
Policyholder Deposits[6]	—	—	—	—	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 policies, 40% are taking systematic withdrawals. The Company assumes that 85% of all policies will begin systematic withdrawals either immediately or after a delay period, with 100% utilizing at age 100. The utilization function varies by policyholder age and policy duration. Interactions with lapse and mortality also affect utilization. The utilization rate for GMWB and GMWBL tends to be lower for younger contract owners and contracts that have not reached their maximum accumulated GMWB and GMWBL benefit amount. There is also a lower utilization rate, though indirectly, for contracts that are less "in the money" (i.e., where the notional benefit amount is in excess of the account value) due to higher lapses. Conversely, the utilization rate tends to be higher for contract owners near or beyond retirement age and contracts that have accumulated their maximum GMWB or GMWBL benefit amount. There is also a higher utilization rate, though indirectly, for contracts which are highly "in the money." The chart below provides the GMWBL account value by current age group and average expected delay times from the associated attained age group as of September 30, 2016 (account value amounts are in $ billions).

	Account Values			
Attained Age Group	In the Money	Out of the Money	Total	Average Expected Delay (Years)**
< 60	$2.0	$ —	$2.0	10.0
60-69	5.9	0.1	6.0	5.0
70+	5.8	0.1	5.9	3.2

$13.7	$ 0.2	$13.9	5.7

** For population expected to withdraw in future. Excludes policies taking systematic withdrawals and 15% of policies the Company assumes will never withdraw until age 100.

(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 or at the shock lapse period and to whether they are "in the money" or "out of the money" as of September 30, 2016 (account value amounts are in $ billions). Lapse ranges are based on weighted average ranges of underlying account value exposure.

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

	Moneyness	GMAB Account Value	GMAB Lapse Range	GMWB/GMWBL Account Value	GMWB/GMWBL Lapse Range
During Surrender Charge Period					
	In the Money**	$—	0.4% to 6.9%	$2.9	0.1% to 4.5%
	Out of the Money	—*	1.6% to 7.6%	—*	0.6% to 4.7%
Shock Lapse Period					
	In the Money**	$—	4.7% to 17.3%	$2.8	2.3% to 11.6%
	Out of the Money	—*	17.3% to 19.1%	—*	11.6% to 12.2%
After Surrender Charge Period					
	In the Money**	$—	2.8% to 10.6%	$8.0	1.4% to 6.7%
	Out of the Money	0.1	10.6% to 11.7%	0.7	6.7% to 7.0%

*Less than $0.1.
** The low end of the range corresponds to policies that are highly "in the money." The high end of the range corresponds to the policies that are close to zero in terms of "in the moneyness."
(5) Stabilizer contracts with recordkeeping agreements have a different range of lapse and policyholder deposit assumptions from Stabilizer (Investment only) and MCG contracts as shown below:

	Percentage of Plans	Overall Range of Lapse Rates	Range of Lapse Rates for 85% of Plans	Overall Range of Policyholder Deposits	Range of Policyholder Deposits for 85% of Plans
Stabilizer (Investment Only) and MCG Contracts	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:

	Range(1)				
Unobservable Input	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%
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[6]	—		—		—		—		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.

57

(2) 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 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).

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

	Account Values			
Attained Age Group	In the Money	Out of the Money	Total	Average Expected Delay (Years)**
< 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 withdrawals and 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 or at the shock lapse 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). The December 31, 2015 presentation and calculation of the lapse ranges has been made consistent with the current period. Lapse ranges are based on weighted average ranges of underlying account value exposure.

		GMAB		GMWB/GMWBL	
	Moneyness	Account Value	Lapse Range	Account Value	Lapse Range
During Surrender Charge Period					
	In the Money**	$ —	0.4% to 6.9%	$ 5.0	0.1% to 4.5%
	Out of the Money	—*	1.6% to 7.6%	—*	0.6% to 4.7%
Shock Lapse Period					
	In the Money**	$ *	5.4% to 22.3%	$ 2.0	3.0% to 13.7%
	Out of the Money	—*	22.3% to 24.5%	—*	13.7% to 14.4%
After Surrender Charge Period					
	In the Money**	$ *	2.8% to 12.1%	$ 7.1	1.8% to 7.9%
	Out of the Money	—*	12.1% to 13.3%	0.6	7.9% to 8.2%

* Less than $0.1.
** The low end of the range corresponds to policies that are highly "in the money." The high end of the range corresponds to the policies that are close to zero in terms of "in the moneyness."
(5) Stabilizer contracts with recordkeeping agreements have a different range of lapse and policyholder deposit assumptions from Stabilizer (Investment only) and MCG contracts as shown below:

	Percentage of Plans	Overall Range of Lapse Rates	Range of Lapse Rates for 85% of Plans	Overall Range of Policyholder Deposits	Range of Policyholder Deposits for 85% of Plans
Stabilizer (Investment Only) and MCG Contracts	90 %	0-25%	0-15%	0-30%	0-15%
	10 %	0-50%	0-30%	0-50%	0-25%

Stabilizer with Recordkeeping Agreements					
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.

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

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.

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

Other Financial Instruments

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

	September 30, 2016		December 31, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Fixed maturities, including securities pledged	$78,741.1	$78,741.1	$72,072.6	$72,072.6
Equity securities, available-for-sale	285.3	285.3	331.7	331.7
Mortgage loans on real estate	11,475.7	11,907.5	10,447.5	10,881.4
Policy loans	1,995.6	1,995.6	2,002.7	2,002.7
Cash, cash equivalents, short-term investments and short-term investments under securities loan agreements	5,238.0	5,238.0	4,669.4	4,669.4
Derivatives	2,731.4	2,731.4	1,538.5	1,538.5
Other investments	77.7	87.6	91.6	101.5
Assets held in separate accounts	97,975.7	97,975.7	96,514.8	96,514.8
Liabilities:				
Investment contract liabilities:				
Funding agreements without fixed maturities and deferred annuities[1]	53,058.4	59,612.8	51,361.7	56,884.4
Funding agreements with fixed maturities and guaranteed investment contracts	1,121.3	1,107.5	1,488.5	1,463.1
Supplementary contracts, immediate annuities and other	3,433.2	3,783.3	2,948.1	3,162.8
Derivatives:				
Guaranteed benefit derivatives:				
FIA	1,747.7	1,747.7	1,820.1	1,820.1
IUL	69.3	69.3	52.6	52.6
GMAB/GMWB/GMWBL	2,008.0	2,008.0	1,873.5	1,873.5
Stabilizer and MCGs	267.1	267.1	161.3	161.3
Other derivatives	842.8	842.8	487.5	487.5
Long-term debt	3,548.5	3,816.1	3,485.9	3,772.7
Embedded derivative on reinsurance	159.4	159.4	25.2	25.2

[1] 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.

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 2.

Investment contract liabilities:

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

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

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

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

Fair value estimates are made at a specific point in time, based on available market information and judgments about various financial instruments, such as estimates of timing and amounts of future cash flows. Such estimates do not reflect any premium or discount that could result from offering for sale at one time the Company’s entire holdings of a particular financial instrument, nor do they consider the tax impact of the realization of unrealized capital gains (losses). In many cases, the fair value estimates cannot be substantiated by comparison to independent markets, nor can the disclosed value be realized in immediate settlement of the instruments. In evaluating the Company’s management of interest rate, price and liquidity risks, the fair values of all assets and liabilities should be taken into consideration, not only those presented above.

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

5. Deferred Policy Acquisition Costs and Value of Business Acquired

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

	2016		
	DAC	VOBA	Total
Balance as of January 1, 2016	$4,357.5	$1,012.6	$5,370.1
Deferrals of commissions and expenses	286.5	7.3	293.8
Amortization:			
Amortization	(433.1)	(180.7)	(613.8)
Interest accrued[1]	173.9	58.7	232.6
Net amortization included in Condensed Consolidated Statements of Operations	(259.2)	(122.0)	(381.2)
Change due to unrealized capital gains/losses on available-for-sale securities	(905.7)	(317.5)	(1,223.2)
Balance as of September 30, 2016	$3,479.1	$580.4	$4,059.5

	2015		
	DAC	VOBA	Total
Balance as of January 1, 2015	$3,890.9	$680.0	$4,570.9
Deferrals of commissions and expenses	265.8	7.9	273.7
Amortization:			
Amortization	(675.9)	(146.2)	(822.1)
Interest accrued[1]	171.1	63.5	234.6
Net amortization included in Condensed Consolidated Statements of Operations	(504.8)	(82.7)	(587.5)
Change due to unrealized capital gains/losses on available-for-sale securities	390.7	278.2	668.9
Balance as of September 30, 2015	$4,042.6	$883.4	$4,926.0

[1]Interest accrued at the following rates for VOBA: 4.1% to 7.5% during 2016 and 3.5% to 7.5% during 2015.

6. Share-based Incentive Compensation Plans

The Company has provided equity-based compensation awards to its employees under the ING U.S., Inc. 2013 Omnibus Employee Incentive Plan (the "2013 Omnibus Plan") and the Voya Financial, Inc. 2014 Omnibus Employee Incentive Plan (the "2014 Omnibus Plan"). As of September 30, 2016, common stock reserved and available for issuance under the 2013 Omnibus Plan and the 2014 Omnibus Plan was 313,339 and 9,477,038 shares, respectively.

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

Compensation Cost

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016 [2]	2015	2016 [2]	2015
Restricted Stock Unit (RSU) awards [1]	$23.8	$13.8	$52.2	$40.5
RSUs - Deal incentive awards	—	—	—	2.1
Performance Stock Unit (PSU) awards [1]	11.0	8.2	26.4	34.2
Stock options	3.8	—	10.5	—
Phantom Plan	0.5	0.2	0.8	3.5
Share-based compensation expense	$39.1	$22.2	$89.9	$80.3
Income tax benefit	13.7	7.8	31.5	28.1
After-tax share-based compensation expense	$25.4	$14.4	$58.4	$52.2

[1] This table includes immaterial compensation expense for the three months ended September 30, 2015 and $0.8 for the nine months ended September 30, 2015 related to ING Group RSU awards. In addition, this table includes immaterial compensation expense for the three months ended September 30, 2015 and $7.9 for the nine months ended September 30, 2015, related to ING Group PSU awards.
[2] Includes $19.1 adjustment for expenses associated with the true-up of previously granted, unvested equity awards to certain grantees that have met the required service period.

Awards Outstanding

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

	RSU Awards		PSU Awards		Stock Options	
(awards in millions)	Number of Awards	Weighted Average Grant Date Fair Value	Number of Awards	Weighted Average Grant Date Fair Value	Number of Awards [1]	Weighted Average Grant Date Fair Value
Outstanding as of January 1, 2016	3.5	$ 34.81	0.8	$ 44.21	3.8	$ 11.89
Adjustment for PSU performance factor	—	—	0.1	44.22	—	—
Granted	1.7	31.31	1.6	28.83	—	—
Vested	(1.8)	31.25	(0.9)	44.19	—	—
Forfeited	(0.2)	34.16	(0.1)	29.30	(0.5)	11.89
Outstanding as of September 30, 2016	3.2	$ 34.97	1.5	$ 28.85	3.3	$ 11.89

[1]Vesting of stock options is contingent on satisfaction of specified performance conditions on or before December 31, 2018. As of September 30, 2016, none of the performance conditions have been satisfied.

64

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

7. Shareholders' Equity

Common Shares

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

	Common Shares		
(shares in millions)	Issued	Held in Treasury	Outstanding
Balance, January 1, 2015	263.7	21.8	241.9
Common shares issued	—	—	—
Common shares acquired - share repurchase	—	34.3	(34.3)
Share-based compensation	1.6	0.1	1.5
Balance, December 31, 2015	265.3	56.2	209.1
Common shares issued	—*	—	—*
Common shares acquired - share repurchase	—	17.0	(17.0)
Share-based compensation	2.7	0.2	2.5
Balance, September 30, 2016	268.0	73.4	194.6

* Less than 0.1.

Share Repurchase Program

From time to time, the Company's Board of Directors authorizes the Company to repurchase shares of its common stock. These authorizations permit stock repurchases up to a prescribed dollar amount and generally may be accomplished through various means, including, without limitation, open market transactions, privately negotiated transactions, forward, derivative, or accelerated repurchase transactions or tender offers. Share repurchase authorizations typically expire if unused by a prescribed date.
On February 4, 2016, the Board of Directors provided its most recent share repurchase authorization, increasing the aggregate amount of the Company’s common stock authorized for repurchase by $700.0. Additionally, on October 27, 2016 the Board of Directors provided its most recent share repurchase authorization, increasing the aggregate amount of the Company’s common stock authorized for repurchase by $600.0. The current share repurchase authorization expires on December 31, 2017 (unless extended), and does not obligate the Company to purchase any shares. The authorization for the share repurchase program may be terminated, increased or decreased by the Board of Directors at any time.

Warrants

On May 7, 2013, the Company issued to ING Group warrants to purchase up to 26,050,846 shares of the Company's common stock equal in the aggregate to 9.99% of the issued and outstanding shares of common stock at that date. The current exercise price of the warrants is $48.75 per share of common stock, subject to adjustments, including for stock dividends, cash dividends in excess of $0.01 per share a quarter, subdivisions, combinations, reclassifications and non-cash distributions. The warrants also provide for, upon the occurrence of certain change of control events affecting the Company, an increase in the number of shares to which a warrant holder will be entitled upon payment of the aggregate exercise price of the warrant. The warrants became exercisable (subject to the limitation stated below with respect to ING Group and its affiliates) starting on the first anniversary of the completion of the IPO (May 7, 2014) and expire on the tenth anniversary of the completion of the IPO (May 7, 2023). The warrants are net share settled, which means that no cash will be payable by a warrant holder in respect of the exercise price of a warrant upon exercise, and are classified as permanent equity. They have been recorded at their fair value determined on the issuance date of May 7, 2013 in the amount of $94.0 as an addition and reduction to Additional-paid-in-capital. Warrant holders are not entitled to receive dividends.

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

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

8. Earnings per Common Share

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

(in millions, except for per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
Earnings	2016	2015	2016	2015
Net income (loss) available to common shareholders:				
Net income (loss)	$(236.5)	$116.2	$91.8	$699.0
Less: Net income (loss) attributable to noncontrolling interest	11.6	75.9	(13.2)	183.9
Net income (loss) available to common shareholders	$(248.1)	$40.3	$105.0	$515.1
Weighted average common shares outstanding				
Basic	199.6	221.8	202.9	229.4
Dilutive Effects:[(1)(2)]				
RSU awards	—	1.8	1.6	1.7
PSU awards	—	—	0.2	0.2
Diluted	199.6	223.6	204.7	231.3
Net income (loss) available to common shareholders per common share				
Basic	$(1.24)	$0.18	$0.52	$2.25
Diluted	(1.24)	0.18	0.51	2.23

(1) For the three and nine months ended September 30, 2016 and 2015, weighted average shares used for calculating basic and diluted earnings per share excludes the dilutive impact of warrants, as the inclusion of this equity instrument would be antidilutive to the earnings per share calculation due to "out of the moneyness" in the periods presented. For more information on warrants, see the Shareholders' Equity Note to these Condensed Consolidated Financial Statements.

(2) For the three months ended September 30, 2016, weighted average shares used for calculating basic and diluted earnings per share are the same, as the inclusion of the 1.8 and 0.1 shares for stock compensation plans of RSU awards and PSU awards, respectively, would be antidilutive to the earnings per share calculation due to the net loss in the period.

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

9. Accumulated Other Comprehensive Income (Loss)

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

	September 30,	
	2016	2015
Fixed maturities, net of OTTI	$6,843.0	$3,490.8
Equity securities, available-for-sale	37.5	30.3
Derivatives	285.6	267.2
DAC/VOBA adjustment on available-for-sale securities	(1,988.0)	(1,171.7)
Sales inducements and other intangibles adjustment on available-for-sale securities	(327.2)	(42.7)
Other	(30.9)	(31.2)
Unrealized capital gains (losses), before tax	4,820.0	2,542.7
Deferred income tax asset (liability)	(1,328.7)	(531.7)
Net unrealized capital gains (losses)	3,491.3	2,011.0
Pension and other postretirement benefits liability, net of tax	25.8	34.7
AOCI	$3,517.1	$2,045.7

67

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

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

	Three Months Ended September 30, 2016		
	Before-Tax Amount	Income Tax	After-Tax Amount
Available-for-sale securities:			
Fixed maturities	$269.5	$(97.3)	$ 172.2
Equity securities	1.4	(0.5)	0.9
Other	0.1	—	0.1
OTTI	2.2	(0.8)	1.4
Adjustments for amounts recognized in Net realized capital gains (losses) in the Condensed Consolidated Statements of Operations	4.4	(1.5)	2.9
DAC/VOBA	(114.3)	40.0	(74.3)
Sales inducements and other intangibles	(28.5)	10.0	(18.5)
Change in unrealized gains/losses on available-for-sale securities	134.8	(50.1)	84.7
Derivatives:			
Derivatives	(2.4)[(1)]	0.8	(1.6)
Adjustments related to effective cash flow hedges for amounts recognized in Net investment income in the Condensed Consolidated Statements of Operations	(5.4)	1.9	(3.5)
Change in unrealized gains/losses on derivatives	(7.8)	2.7	(5.1)
Pension and other postretirement benefits liability:			
Amortization of prior service cost recognized in Operating expenses in the Condensed Consolidated Statements of Operations	(3.4)	1.2	(2.2)
Change in pension and other postretirement benefits liability	(3.4)	1.2	(2.2)
Change in Other comprehensive income (loss)	$123.6	$(46.2)	$ 77.4

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

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

	Nine Months Ended September 30, 2016		
	Before-Tax Amount	Income Tax	After-Tax Amount
Available-for-sale securities:			
Fixed maturities	$4,638.6	$(1,621.2)	$3,017.4
Equity securities	6.2	(2.2)	4.0
Other	0.4	(0.1)	0.3
OTTI	8.5	(3.0)	5.5
Adjustments for amounts recognized in Net realized capital gains (losses) in the Condensed Consolidated Statement of Operations	73.2	(25.6)	47.6
DAC/VOBA	(1,223.2) [1]	428.1	(795.1)
Sales inducements and other intangibles	(304.6)	106.6	(198.0)
Change in unrealized gains/losses on available-for-sale securities	3,199.1	(1,117.4)	2,081.7
Derivatives:			
Derivatives	41.3 [2]	(14.5)	26.8
Adjustments related to effective cash flow hedges for amounts recognized in Net investment income in the Condensed Consolidated Statements of Operations	(14.8)	5.2	(9.6)
Change in unrealized gains/losses on derivatives	26.5	(9.3)	17.2
Pension and other postretirement benefits liability:			
Amortization of prior service cost recognized in Operating expenses in the Condensed Consolidated Statement of Operations	(10.3)	3.6	(6.7)
Change in pension and other postretirement benefits liability	(10.3)	3.6	(6.7)
Change in Other comprehensive income (loss)	$3,215.3	$(1,123.1)	$2,092.2

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

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

	Three Months Ended September 30, 2015		
	Before-Tax Amount	Income Tax	After-Tax Amount
Available-for-sale securities:			
Fixed maturities	$(241.1)	$84.0	$(157.1)
Equity securities	(1.1)	0.4	(0.7)
Other	0.2	(0.1)	0.1
OTTI	3.5	(1.2)	2.3
Adjustments for amounts recognized in Net realized capital gains (losses) in the Condensed Consolidated Statements of Operations	49.0	(17.1)	31.9
DAC/VOBA	55.8	(19.5)	36.3
Sales inducements and other intangibles	9.2	(3.2)	6.0
Change in unrealized gains/losses on available-for-sale securities	(124.5)	43.3	(81.2)
Derivatives:			
Derivatives	34.3 [1]	(12.0)	22.3
Adjustments related to effective cash flow hedges for amounts recognized in Net investment income in the Condensed Consolidated Statements of Operations	(3.6)	1.2	(2.4)
Change in unrealized gains/losses on derivatives	30.7	(10.8)	19.9
Pension and other postretirement benefits liability:			
Amortization of prior service cost recognized in Operating expenses in the Condensed Consolidated Statements of Operations	(3.4)	1.2	(2.2)
Change in pension and other postretirement benefits liability	(3.4)	1.2	(2.2)
Change in Other comprehensive income (loss)	$(97.2)	$33.7	$(63.5)

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

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

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

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

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

10. Income Taxes

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

However, in the third quarter of 2016, the Company utilized the discrete-period method under ASC 740 to compute its interim income tax provision due to significant variations in the relationship between the income tax expense and the pre-tax loss. The discrete-period method is applied when the application of the estimated annual effective tax rate is impractical because it is not possible to reliably estimate the annual effective tax rate.

The Company's effective tax rates for the three and nine months ended September 30, 2016 were 33.6% and (138.4)%, respectively. These effective tax rates differed from the statutory rate of 35% primarily due to the effect of the relative dividends received deduction ("DRD") and noncontrolling interest.

The Company's effective tax rates for the three and nine months ended September 30, 2015 were (44.7)% and 15.6%, respectively. These effective tax rates differed from the statutory rate of 35% primarily due to the effect of the relative DRD and noncontrolling interest.

Tax Regulatory Matters

During April 2016, the Internal Revenue Service ("IRS") completed its examination of the Company's returns through tax year 2014. The 2014 audit settlement did not have a material impact on the Company. The Company is currently under audit by the IRS, and it is expected that the examination of tax year 2015 will be finalized within the next twelve months. The Company and the IRS have agreed to participate in the Compliance Assurance Process for the tax years 2015 and 2016.

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

11. Financing Agreements

Short-term Debt

The Company did not have any short-term debt borrowings outstanding as of September 30, 2016 and December 31, 2015.

Long-term Debt

The following table summarizes the carrying value of the Company's long-term debt securities issued and outstanding as of September 30, 2016 and December 31, 2015:

	Maturity	September 30, 2016	December 31, 2015
7.25% Voya Holdings Inc. debentures, due 2023[1]	08/15/2023	$ 142.8	$ 159.4
7.63% Voya Holdings Inc. debentures, due 2026[1]	08/15/2026	185.7	201.8
8.42% Equitable of Iowa Companies Capital Trust II Notes, due 2027	04/01/2027	13.6	13.7
6.97% Voya Holdings Inc. debentures, due 2036[1]	08/15/2036	93.7	108.6
1.00% Windsor Property Loan	06/14/2027	4.9	4.9
5.5% Senior Notes, due 2022	07/15/2022	360.6	843.8
2.9% Senior Notes, due 2018	02/15/2018	824.6	995.7
5.65% Fixed-to-Floating Rate Junior Subordinated Notes, due 2053	05/15/2053	738.1	737.8
5.7% Senior Notes, due 2043	07/15/2043	394.3	394.1
3.65% Senior Notes, due 2026	06/15/2026	494.0	—
4.8% Senior Notes, due 2046	06/15/2046	296.2	—
Subtotal		3,548.5	3,459.8
Less: Current portion of long-term debt		—	—
Total		$ 3,548.5	$ 3,459.8

[1] Guaranteed by ING Group.

Senior Notes

On June 13, 2016, Voya Financial, Inc. issued $500.0 of unsecured 3.65% Senior Notes due 2026 (the "2026 Notes") and $300.0 of unsecured 4.8% Senior Notes due 2046 (the "2046 Notes," and collectively with the 2026 Notes, the "Notes") in a registered public offering. The Notes are fully, irrevocably and unconditionally guaranteed by Voya Holdings Inc. ("Voya Holdings"). Interest is paid semi-annually, in arrears, on each June 15 and December 15, beginning on December 15, 2016. The Company may elect to redeem the Notes at any time at a redemption price equal to the principal amount, or, if greater, a "make-whole redemption price," plus, in each case accrued and unpaid interest. The Company used the proceeds of the Notes to repurchase $43.7 of the Aetna Notes and $659.8 of the Senior Notes on June 20, 2016 through a tender offer.

During the nine months ended September 30, 2016, Voya Financial, Inc. repurchased $486.8 and $173.0 of the outstanding principal amount of 5.5% Senior Notes due July 15, 2022 and 2.9% Senior Notes due February 15, 2018, respectively, all of which was repurchased in the tender offer. In connection with these transactions, the Company incurred a loss on debt extinguishment of $0.1 and $87.6 for the three and nine months ended September 30, 2016, respectively, which was recorded in Interest expense in the Condensed Consolidated Statements of Operations.

Aetna Notes

During the nine months ended September 30, 2016, Voya Holdings repurchased $14.8, $16.4, and $17.3 of the outstanding principal amount of 6.97% Debentures due August 15, 2036, 7.63% Debentures due August 15, 2026, and 7.25% Debentures due August 15, 2023, respectively. In connection with these transactions, the Company incurred a loss on debt extinguishment of $17.0 for the nine months ended September 30, 2016, which was recorded in Interest expense in the Condensed Consolidated Statements of Operations. As of September 30, 2016, the outstanding principal amount of the Aetna Notes was $426.5, which is guaranteed by ING Group.

On December 30, 2015, the Company exercised its option to establish a control account benefiting ING Group with a third-party collateral agent. During the nine months ended September 30, 2016, the Company withdrew $49.6 of collateral, net of interest earned, thereby reducing the remaining collateral balance to $27.4. The collateral may be exchanged at any time upon the posting of any other form of acceptable collateral to the account.

Senior Unsecured Credit Facility Agreement

Effective May 6, 2016, the Company revised the terms of its Amended and Restated Revolving Credit Agreement ("Amended Credit Agreement"), dated February 14, 2014, by entering into a Second Amended and Restated Revolving Credit Agreement ("Second Amended and Restated Credit Agreement") with a syndicate of banks, a large majority of which participated in the Amended Credit Agreement. The Second Amended and Restated Credit Agreement modifies the Amended Credit Agreement by extending the term of the agreement to May 6, 2021 and reducing the total amount of LOCs that may be issued from $3.0 billion to $2.25 billion. The revolving credit sublimit of $750.0 present in the Amended Credit Agreement remains unchanged.

As of September 30, 2016, there were no amounts outstanding as revolving credit borrowings and $30.7 of LOCs outstanding under the senior unsecured credit facility.

12. Commitments and Contingencies

Commitments

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

As of September 30, 2016, the Company had off-balance sheet commitments to acquire mortgage loans of $489.4 and purchase limited partnerships and private placement investments of $1,677.6, of which $210.6 related to consolidated investment entities. As of December 31, 2015, the Company had off-balance sheet commitments to acquire mortgage loans of $771.9 and purchase limited partnerships and private placement investments of $970.9, of which $225.9 related to consolidated investment entities.

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

Restricted Assets

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

	September 30, 2016	December 31, 2015
Fixed maturity collateral pledged to FHLB	$ 1,101.1	$ 1,528.5
FHLB restricted stock[(1)]	59.7	73.3
Other fixed maturities-state deposits	226.7	210.3
Securities pledged[(2)]	2,193.5	1,112.6
Total restricted assets	$ 3,581.0	$ 2,924.7

[(1)] Included in Other investments on the Condensed Consolidated Balance Sheets.
[(2)] Includes the fair value of loaned securities of $1,442.0 and $466.4 as of September 30, 2016 and December 31, 2015, respectively. In addition, as of September 30, 2016 and December 31, 2015, the Company delivered securities as collateral of $751.5 and $646.2, respectively. Loaned securities and securities delivered as collateral are included in Securities pledged on the Condensed Consolidated Balance Sheets.

Federal Home Loan Bank Funding Agreements

The Company is a member of the FHLB of Des Moines and the FHLB of Topeka and is required to pledge collateral to back funding agreements issued to the FHLB. As of September 30, 2016 and December 31, 2015, the Company had $0.9 billion and $1.3 billion, respectively, in non-putable funding agreements, which are included in Contract owner account balances on the Condensed Consolidated Balance Sheets. As of September 30, 2016 and December 31, 2015, assets with a market value of approximately $1.1 billion and $1.5 billion, respectively, collateralized the FHLB funding agreements.

Litigation, Regulatory Matters and Loss Contingencies

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

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

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

For some matters, the Company is able to estimate a possible range of loss. For such matters in which a loss is probable, an accrual has been made. For matters where the Company, however, believes a loss is reasonably possible, but not probable, no accrual is required. For matters for which an accrual has been made, but there remains a reasonably possible range of loss in excess of the amounts accrued or for matters where no accrual is required, the Company develops an estimate of the unaccrued amounts of the reasonably possible range of losses. As of September 30, 2016, the Company estimates the aggregate range of reasonably possible losses, in excess of any amounts accrued for these matters as of such date, to be up to approximately $75.0.

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

Litigation includes Beeson, et al. v SMMS, Lion Connecticut Holdings, Inc. and ING NAIC (Marin County CA Superior Court, CIV-092545). Thirty-four Plaintiff households (husband/wife/trust) assert that SMMS, which was purchased in 2000 and sold in 2003, breached a duty to monitor the performance of investments that Plaintiffs made with independent financial advisors they met in conjunction with retirement planning seminars presented at Fireman’s Fund Insurance Company. SMMS recommended the advisors to Fireman’s Fund as seminar presenters. Some of the seminars were arranged by SMMS. As a result of the performance of their investments, Plaintiffs claim they incurred damages. Fireman’s Fund has asserted breach of contract and concealment claims against SMMS alleging that SMMS failed to fulfill its ongoing obligation to monitor the financial advisors and the investments they recommended to Plaintiffs and by failing to disclose that a primary purpose of the seminars was to develop business for the financial advisors. The Company denied all claims and vigorously defended this case at trial. During trial, the Court ruled that SMMS had duties to Plaintiffs and Fireman’s Fund that it has breached. On December 12, 2014, the Court issued a Statement of Decision in which it awarded damages in the aggregate of $36.8 to Plaintiffs. On January 7, 2015, the Court made final the award in favor of the Plaintiffs. The Company appealed that judgment. On February 9, 2016, final judgment in favor of Fireman’s Fund was entered in the amount of $12.5. The Company has appealed that judgment.

Litigation also includes Dezelan v. Voya Retirement Insurance and Annuity Company (USDC District of Connecticut, No. 3:16-cv-1251) (filed July 26, 2016), a putative class action in which plaintiff, a participant in a 403(b) Plan, seeks to represent a class of plans whose assets are invested in Voya Retirement Insurance and Annuity Company ("VRIAC") “Group Annuity Contract Stable Value Funds.” Plaintiff alleges that VRIAC has violated the Employee Retirement Income Security Act of 1974 ("ERISA") by charging unreasonable fees and setting its own compensation in connection with stable value products. Plaintiff seeks declaratory and injunctive relief, disgorgement of profits, damages and attorney’s fees. The Company denies the allegations, which it believes are without merit, and intends to defend the case vigorously.

Litigation also includes Patrico v. Voya Financial, Inc., et al (USDC SDNY, No. 1:16-cv-07070) (filed September 9, 2016), a putative class action in which plaintiff, a participant in a 401(k) Plan, seeks to represent a class of plans "for which Voya or its subsidiaries provide recordkeeping, investment management or investment advisory services and for which Financial Engines provides investment advice to plan participants." Plaintiff alleges that the Company and its affiliates have violated ERISA by charging unreasonable fees in connection with in-plan investment advice provided in conjunction with Financial Engines, a third-party investment adviser. Plaintiff seeks declaratory and injunctive relief, disgorgement of profits, damages and attorney's fees. The Company denies the allegations, which it believes are without merit, and intends to defend the case vigorously.

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

Contingencies related to Performance-based Incentive Fees on Private Equity Funds

Certain performance fees related to sponsored private equity funds ("carried interest") are not final until the conclusion of an investment term specified in the relevant asset management contract. As a result, such fees, if accrued or paid to the Company during such term, are subject to later adjustment based on subsequent fund performance. As of September 30, 2016, approximately $28.1 of previously accrued carried interest would be subject to full or partial reversal in future periods if cumulative fund performance hurdles are not maintained throughout the remaining life of the affected funds.

For the nine months ended September 30, 2016, approximately $30.2 in previously accrued carried interest, associated with one private equity fund, was reversed as a result of a decline in fund performance through September 30, 2016. No such amounts for this private equity fund were reversed for the three months ended September 30, 2016.

13. Consolidated Investment Entities

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

The Company may own debt or equity investments, each of which is considered variable interests in the investment entities. The Company consolidates certain entities under the VIE guidance when it is determined that the Company is the primary beneficiary and consolidates certain entities under the VOE guidance when it has control through voting rights. See the Business, Basis of Presentation and Significant Accounting Policies Note for further information on the Company's accounting policy on consolidation.

As a result of the adoption of ASU 2015-02, the Company deconsolidated 10 previously consolidated CLOs and 19 previously consolidated limited partnerships effective January 1, 2016. It was determined that the fees earned by the Company are no longer included in the Company's assessment of whether or not it has a controlling financial interest in an investment entity. Accordingly, the Company's ownership interests in these entities are the only variable interests that remain relevant to this assessment. See the Business, Basis of Presentation and Significant Accounting Policies Note for further information on ASU 2015-02.

The Company has no right to the benefits from, nor does it bear the risks associated with consolidated investment entities beyond the Company's direct equity and debt investments in and management fees generated from these entities. Such direct investments amounted to approximately $603.5 and $722.8 as of September 30, 2016 and December 31, 2015, respectively. If the Company were to liquidate, the assets held by consolidated investment entities would not be available to the general creditors of the Company as a result of the liquidation.

Consolidated VIEs and VOEs

Collateral Loan Obligations Entities ("CLOs")

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

In return for providing collateral management services, the Company earns investment management fees and contingent performance fees. Subsequent to the adoption of ASU 2015-02 on January 1, 2016, it was determined that these fees are excluded from the Company’s assessment to determine if it is the primary beneficiary of the CLOs it manages. In addition to earning fee income, the Company often holds an investment in certain of the CLOs it manages, generally within the unrated and most subordinated tranche of each CLO. These investments have been and continue to be relevant to the Company’s ongoing primary beneficiary assessment for each CLO. Prior to the adoption of ASU 2015-02, the Company’s ownership interests, management fees, and contingent performance fees were assessed as variable interests and determined to be relevant to the Company's primary beneficiary assessment.

As of September 30, 2016 and December 31, 2015, the Company consolidated 8 and 17 CLOs, respectively.

Limited Partnerships

The Company invests in and manages various limited partnerships, including private equity funds and single strategy hedge funds. The Company's consolidated limited partnerships were VOEs under previous consolidation guidance as of December 31, 2015. Subsequent to adoption of ASU 2015-02 on January 1, 2016, the limited partnerships are VIEs due to the equity holders, as a group, lacking the characteristics of a controlling financial interest. Additionally, it was determined that the only variable interest relevant to the Company's status as primary beneficiary is its direct ownership interests in each entity.

As of September 30, 2016 and December 31, 2015, the Company consolidated 13 and 33 funds respectively, which were structured as partnerships.

Registered Investment Companies

The Company consolidates two sponsored investment funds accounted for as VOEs because it is the majority investor in the funds, and as such, has a controlling financial interest in the funds.

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

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

	September 30, 2016	December 31, 2015
Assets of Consolidated Investment Entities		
VIEs [1]		
Cash and cash equivalents	$ 184.3	$ 246.4
Corporate loans, at fair value using the fair value option	2,347.0	6,882.5
Limited partnerships/corporations, at fair value	1,799.2	—
Other assets	25.6	115.3
Total VIE assets	4,356.1	7,244.2
VOEs [1]		
Cash and cash equivalents	0.6	221.2
Limited partnerships/corporations, at fair value	183.6	4,973.7
Other assets	1.7	39.0
Total VOE assets	185.9	5,233.9
Total assets of consolidated investment entities	$ 4,542.0	$ 12,478.1
Liabilities of Consolidated Investment Entities		
VIEs [1]		
CLO notes, at fair value using the fair value option	$ 2,320.0	$ 6,956.2
Other liabilities	664.4	240.8
Total VIE liabilities	2,984.4	7,197.0
VOEs [1]		
Other liabilities	4.8	1,710.8
Total VOE liabilities	4.8	1,710.8
Total liabilities of consolidated investment entities	$ 2,989.2	$ 8,907.8

[1] The September 30, 2016 balances reflect the adoption of ASU 2015-02 which reflects limited partnerships as VIEs. Under previous guidance, as of December 31, 2015, these entities were considered VOEs and reflected in the relative line item.

Fair Value Measurement

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

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

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

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

When a price cannot be obtained from a commercial pricing service, independent broker quotes are solicited. Securities priced using independent broker quotes are classified as Level 3. Broker quotes and prices obtained from pricing services are reviewed and validated through an internal valuation committee price variance review, comparisons to internal pricing models, back testing to recent trades or monitoring of trading volumes.

Cash and Cash Equivalents

The carrying amounts for cash reflect the assets' fair values. The fair value for cash equivalents is determined based on quoted market prices. These assets are classified as Level 1.

CLO Entities

Corporate loans: Corporate loan investments, which comprise the majority of consolidated CLO portfolio collateral, are senior secured corporate loans maturing at various dates between 2016 and 2024, paying interest at LIBOR, EURIBOR or PRIME plus a spread of up to 10.0%. As of September 30, 2016 and December 31, 2015, the unpaid principal balance exceeded the fair value of the corporate loans by approximately $65.8 and $325.5, respectively. Less than 1.0% of the collateral assets were in default as of September 30, 2016 and December 31, 2015.

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

CLO notes: The CLO notes are backed by a diversified loan portfolio consisting primarily of senior secured floating rate leveraged loans. Repayment risk is segmented into tranches with credit ratings of these tranches reflecting both the credit quality of underlying collateral as well as how much protection a given tranche is afforded by tranches that are subordinate to it. The most subordinated tranche bears the first loss and receives the residual payments, if any. The interest rates are generally variable rates based on LIBOR plus a pre-defined spread, which varies from 0.22% for the more senior tranches to 6.55% for the more subordinated tranches. CLO notes mature at various dates between 2020 and 2027 and have a weighted average maturity of 8.4 years as of September 30, 2016. The investors in this debt are not affiliated with the Company and have no recourse to the general credit of the Company for this debt.

Subsequent to adoption of ASU 2014-13, the fair values of the CLO notes are measured based on the fair value of the CLO's corporate loans, as the Company uses the measurement alternative available under the ASU and determined that the inputs for measuring financial assets are more observable. The CLO notes are classified within Level 2 of the fair value hierarchy, consistent with the classification of the majority of the CLO financial assets. As of December 31, 2015, the CLO notes were classified within Level 3 of the fair value hierarchy.

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

As of September 30, 2016, the Level 3 assets and liabilities were immaterial.

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

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

	Fair Value	Valuation Technique	Unobservable Inputs
December 31, 2015			
Assets:			
CLO Investments	$18.3	Discounted Cash Flow	Default Rate
			Recovery Rate
			Prepayment Rate
			Discount Margin
Liabilities:			
CLO Notes	$6,956.2	Discounted Cash Flow	Default Rate
			Recovery Rate
			Prepayment Rate
			Discount Margin

The following narrative indicates the sensitivity of inputs:

- Default Rate: An increase (decrease) in the expected default rate would likely increase (decrease) the discount margin (increase risk premium) used to value the CLO investments and CLO notes and, as a result, would potentially decrease the value of the CLO investments and CLO notes.
- Recovery Rate: A decrease (increase) in the expected recovery of defaulted assets would potentially decrease (increase) the valuation of CLO investments and CLO notes.
- Prepayment Rate: A decrease (increase) in the expected rate of collateral prepayments would potentially decrease (increase) the valuation of CLO investments and CLO notes as the expected weighted average life ("WAL") would increase.
- Discount Margin (spread over LIBOR): An increase (decrease) in the discount margin used to value the CLO investments and CLO notes and would decrease (increase) the value of the CLO investments and CLO notes.

Private Equity Funds

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

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

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

- Unrestricted, publicly traded securities are valued at the closing public market price on the reporting date;
- Restricted, publicly traded securities may be valued at a discount from the closing public market price on the reporting date, depending on the circumstances; and
- Privately held securities are valued by the directors/general partner of the investee fund, based on a variety of factors, including the price of recent transactions in the company's securities and the company's earnings, revenue and book value.

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

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

As of September 30, 2016 and December 31, 2015, certain private equity funds maintained revolving lines of credit of $596.6 and $597.0, respectively, which renew annually and bear interest at LIBOR/EURIBOR plus 150 bps. The lines of credit are used for funding transactions before capital is called from investors, as well as for the financing of certain purchases. The private equity funds generally may borrow an amount that does not exceed the lesser of a certain percentage of the funds' undrawn commitments or a certain percentage of the funds' undrawn commitments plus 250% asset coverage from the invested assets of the funds as of September 30, 2016 and December 31, 2015. As of September 30, 2016 and December 31, 2015, outstanding borrowings amount to $473.3 and $553.7, respectively. The borrowings are reflected in Liabilities related to consolidated investment entities - other liabilities on the Condensed Consolidated Balance Sheets. The borrowings are carried at an amount equal to the unpaid principal balance.

Single Strategy Hedge Fund

Prior to the adoption of ASU 2015-02 and as of December 31, 2015, the Company consolidated a certain single strategy hedge fund (the "Fund") of which it was the investment manager. The Company deconsolidated the Fund upon the adoption of ASU 2015-02, as its fees are no longer deemed to be variable interests and the Company no longer had a controlling financial interest.

As of December 31, 2015 the Fund’s investments in securities that rely upon a vendor supplied price were classified as Level 2 and securities priced using independent broker quotes were classified as Level 3.

Voya Strategic Income Opportunities Fund

Voya Strategic Income Opportunities Fund seeks to achieve its investment strategy by investing primarily in fixed-income corporate, government, and agency securities. Investments in this fund are priced in accordance with the procedures adopted by the Fund’s Board, and such procedures provide that the fair value of debt securities are valued using an evaluated price provided by an independent pricing service. Evaluated prices provided by the pricing service may be determined without exclusive reliance on quoted prices, and may reflect factors such as institution-size trading in similar groups of securities, developments related to specific securities, benchmark yield, quality, type of issue, coupon rate, maturity, individual trading characteristics and other market data. Securities that rely upon a vendor supplied price are classified as Level 2.

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

The following table summarizes the fair value hierarchy levels of consolidated investment entities as of September 30, 2016:

	Level 1	Level 2	Level 3	NAV	Total
Assets					
VIEs					
Cash and cash equivalents	$184.3	$—	$—	$—	$184.3
Corporate loans, at fair value using the fair value option	—	2,329.9	17.1	—	2,347.0
Limited partnerships/corporations, at fair value	—	—	—	1,799.2	1,799.2
VOEs					
Cash and cash equivalents	0.6	—	—	—	0.6
Limited partnerships/corporations, at fair value	—	127.7	—	55.9	183.6
Total assets, at fair value	$184.9	$2,457.6	$17.1	$1,855.1	$4,514.7
Liabilities					
VIEs					
CLO notes, at fair value using the fair value option	$—	$2,320.0	$—	$—	$2,320.0
Total liabilities, at fair value	$—	$2,320.0	$—	$—	$2,320.0

The following table summarizes the fair value hierarchy levels of consolidated investment entities as of December 31, 2015:

	Level 1	Level 2	Level 3	NAV	Total
Assets					
VIEs					
Cash and cash equivalents	$246.4	$—	$—	$—	$246.4
Corporate loans, at fair value using the fair value option	—	6,864.2	18.3	—	6,882.5
Limited partnerships/corporations, at fair value	—	—	—	—	—
VOEs					
Cash and cash equivalents	221.2	—	—	—	221.2
Limited partnerships/corporations, at fair value	—	2,092.6	39.7	2,841.4	4,973.7
Total assets, at fair value	$467.6	$8,956.8	$58.0	$2,841.4	$12,323.8
Liabilities					
VIEs					
CLO notes, at fair value using the fair value option	$—	$—	$6,956.2	$—	$6,956.2
Total liabilities, at fair value	$—	$—	$6,956.2	$—	$6,956.2

As a result of the adoption of ASU 2015-02 effective January 1, 2016, the Company deconsolidated 10 CLOs comprised of $4.6 billion of Corporate loans, none of which were Level 3 assets, and $4.6 billion of Collateralized loan obligation notes, all of which were Level 3 liabilities, as of December 31, 2015. Due to the adoption of ASU 2014-13 the CLO notes are classified within Level

(Dollar amounts in millions, unless otherwise stated)

2 of the fair value hierarchy, consistent with the majority of the CLO financial assets. As of September 30, 2016, the Level 3 assets were immaterial.

Transfers of investments out of Level 3 and into Level 2 or Level 1, if any, are recorded as of the beginning of the period in which the transfer occurred. For the three and nine months ended September 30, 2016 and September 30, 2015, there were no transfers in or out of Level 3 or transfers between Level 1 and Level 2.

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

	Fair Value as of July 1	Gains (Losses) Included in the Condensed Consolidated Statement of Operations	Purchases	Sales	Transfer into Level 3	Transfer out of Level 3	Fair Value as of September 30
Assets							
VIEs:							
Corporate loans, at fair value using the fair value option	$19.0	$ 0.1	$ —	$(0.5)	$ —	$ —	$ 18.6
VOEs:							
Limited partnerships/corporations, at fair value	16.1	(0.8)	—	—	—	—	15.3
Total assets, at fair value	$35.1	$ (0.7)	$ —	$(0.5)	$ —	$ —	$ 33.9
Liabilities							
VIEs:							
CLO notes, at fair value using the fair value option	$6,986.6	$ (114.0)	$ 565.6	$(212.6)	$ —	$ —	$ 7,225.6
Total liabilities, at fair value	$6,986.6	$ (114.0)	$ 565.6	$(212.6)	$ —	$ —	$ 7,225.6

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

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

	Fair Value as of January 1	Gains (Losses) Included in the Condensed Consolidated Statement of Operations	Purchases	Sales	Transfer into Level 3	Transfer out of Level 3	Fair Value as of September 30
Assets							
VIEs:							
Corporate loans, at fair value using the fair value option	$ 19.2	$ —	$ —	$ (0.6)	$ —	$ —	$ 18.6
VOEs:							
Limited partnerships/corporations, at fair value	17.1	(1.8)	—	—	—	—	15.3
Total assets, at fair value	$ 36.3	$ (1.8)	$ —	$ (0.6)	$ —	$ —	$ 33.9
Liabilities							
VIEs:							
CLO notes, at fair value using the fair value option	$ 6,838.1	$ (101.7)	$ 1,173.0	$ (683.8)	$ —	$ —	$ 7,225.6
Total liabilities, at fair value	$ 6,838.1	$ (101.7)	$ 1,173.0	$ (683.8)	$ —	$ —	$ 7,225.6

Deconsolidation of Certain Investment Entities

Other than deconsolidations due to the adoption of ASU 2015-02 on January 1, 2016, the Company deconsolidated one investment entity during the three and nine months ended September 30, 2016. Upon the Company's quarterly assessment of consolidation, the Company determined it was no longer the primary beneficiary of a consolidated limited partnership due to a reduction in the Company's investment in the partnership and reduction in their obligation to absorb losses/right to receive benefits of the VIE that could potentially be significant to the VIE. During the three and nine months ended September 30, 2015, the Company deconsolidated one investment entity.

Nonconsolidated VIEs

CLO Entities

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

The Company reviews its assumptions on a periodic basis to determine if conditions have changed such that the projection of these contingent fees becomes significant enough to reconsider the Company's consolidation status as variable interest holder. As of September 30, 2016 and December 31, 2015, the Company held $75.0 and $1.4 ownership interests, respectively, in unconsolidated CLOs.

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

Limited Partnerships

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

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

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

Variable Interests on the Condensed Consolidated Balance Sheet

	September 30, 2016		December 31, 2015	
	Carrying Amount	Maximum exposure to loss	Carrying Amount	Maximum exposure to loss
Fixed maturities, available for sale	$75.0	$ 75.0	$ —	$ —
Limited partnership/corporations	698.8	698.8	1.4	1.4

Securitizations

The Company invests in various tranches of securitization entities, including RMBS, CMBS and ABS. Through its investments, the Company is not obligated to provide any financial or other support to these entities. Each of the RMBS, CMBS and ABS entities are thinly capitalized by design and considered VIEs. The Company's involvement with these entities is limited to that of a passive investor. The Company has no unilateral right to appoint or remove the servicer, special servicer or investment manager, which are generally viewed to have the power to direct the activities that most significantly impact the securitization entities' economic performance, in any of these entities, nor does the Company function in any of these roles. The Company, through its investments or other arrangements, does not have the obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the entity. Therefore, the Company is not the primary beneficiary and will not consolidate any of the RMBS, CMBS and ABS entities in which it holds investments. These investments are accounted for as investments available-for-sale as described in the Fair Value Measurements (excluding Consolidated Investment Entities) Note to these Condensed Consolidated Financial Statements and unrealized capital gains (losses) on these securities are recorded directly in AOCI, except for certain RMBS which are accounted for under the FVO whose change in fair value is reflected in Other net realized gains (losses) in the Condensed Consolidated Statements of Operations. The Company’s maximum exposure to loss on these structured investments is limited to the amount of its investment. Refer to the Investments (excluding Consolidated Investment Entities) Note to these Condensed Consolidated Financial

Statements for details regarding the carrying amounts and classifications of these assets.

14. Segments

The Company provides its principal products and services through five segments: Retirement, Investment Management, Annuities, Individual Life and Employee Benefits. In addition, the Company has a Corporate and two Closed Block segments: Closed Block Variable Annuity ("CBVA") and Closed Block Other.

Measurement

Operating earnings before income taxes is a measure used by management to evaluate segment performance. The Company believes that operating earnings before income taxes provides a meaningful measure of its business and segment performances and enhances the understanding of the Company's financial results by focusing on the operating performance and trends of the

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

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

- Net investment gains (losses), net of related amortization of DAC, VOBA, sales inducements and unearned revenue, which are significantly influenced by economic and market conditions, including interest rates and credit spreads. Net investment gains (losses) include gains (losses) on the sale of securities, impairments, changes in the fair value of investments using the FVO unrelated to the implied loan-backed security income recognition for certain mortgage-backed obligations and changes in the fair value of derivative instruments, excluding realized gains (losses) associated with swap settlements and accrued interest;
- Net guaranteed benefit hedging gains (losses), which are significantly influenced by economic and market conditions, include changes in the fair value of derivatives related to guaranteed benefits, net of related reserve increases (decreases) and net of related amortization of DAC, VOBA and sales inducements, less the estimated cost of these benefits. The estimated cost, which is reflected in operating results, reflects the expected cost of these benefits if markets perform in line with the Company's long-term expectations and includes the cost of hedging. Other derivative and reserve changes related to guaranteed benefits are excluded from operating results, including the impacts related to changes in the Company's nonperformance spread;
- Income (loss) related to businesses exited through reinsurance or divestment (including net investment gains (losses) on securities sold and expenses directly related to these transactions);
- Income (loss) attributable to noncontrolling interest;
- Income (loss) related to early extinguishment of debt;
- Impairment of goodwill, value of management contract rights and value of customer relationships acquired;
- Immediate recognition of net actuarial gains (losses) related to the Company's pension and other postretirement benefit obligations and gains (losses) from plan amendments and curtailments; and
- Other items, including restructuring expenses (severance, lease write-offs, etc.), certain third-party expenses and deal incentives related to the divestment of the Company by ING Group, and expenses associated with the rebranding of Voya Financial, Inc. from ING U.S., Inc., which items represent expenses, the incurrence of which are generally limited to the period around the Company's initial public offering and subsequent secondary equity offerings by ING Group, which offerings were completed in March 2015.

Operating earnings before income taxes, when presented on a consolidated basis, also does not reflect the results of operations of the Company's CBVA segment because this segment is managed to focus on protecting regulatory and rating agency capital rather than achieving operating metrics or generating net income. As a result of this focus on regulatory and rating agency capital, the financial results of the CBVA segment presented in accordance with GAAP tend to exhibit a high degree of volatility based on factors, such as the asymmetry between the accounting for certain liabilities and the corresponding hedging assets, and gains and losses due to changes in nonperformance risk, that are not necessarily reflective of the economic costs and benefits of the CBVA business. When the Company presents the adjustments to Income (loss) before income taxes on a consolidated basis, each adjustment excludes the relative portions attributable to the Company's CBVA segment and the relative portions attributable to businesses exited through reinsurance or divestment.

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

The summary below reconciles operating earnings before income taxes for the Company's segments to Income (loss) before income taxes for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Retirement[1]	$62.9	$80.5	$307.1	$333.4
Investment Management[1]	51.5	45.6	106.0	139.5
Annuities[1]	113.3	50.5	236.6	180.1
Individual Life[1]	(76.2)	(10.8)	15.2	70.3
Employee Benefits[1]	41.3	44.2	94.4	122.5
Corporate	(77.5)	(75.6)	(244.8)	(177.1)
Closed Block Other	(6.9)	2.6	(1.2)	20.4
Total operating earnings before income taxes	108.4	137.0	513.3	689.1
Adjustments:				
Closed Block Variable Annuity	(328.0)	(7.1)	(225.5)	144.0
Net investment gains (losses) and related charges and adjustments	(65.6)	(64.6)	(150.7)	(23.6)
Net guaranteed benefit hedging gains (losses) and related charges and adjustments	(53.5)	(31.7)	61.2	(54.3)
Income (loss) related to businesses exited through reinsurance or divestment	1.3	(16.4)	3.4	(65.1)
Income (loss) attributable to noncontrolling interest	11.6	75.9	(13.2)	183.9
Loss related to early extinguishment of debt	(0.1)	(0.2)	(104.2)	(10.1)
Immediate recognition of net actuarial gains (losses) related to pension and other post-employment benefit obligations and gains (losses) from plan amendments and curtailments	(7.1)	—	(7.1)	—
Other adjustments to operating earnings	(22.9)	(12.6)	(38.7)	(36.1)
Income (loss) before income taxes	$(355.9)	$80.3	$38.5	$827.8

[1] Ongoing Business

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

- Net realized investment gains (losses) and related charges and adjustments, which are significantly influenced by economic and market conditions, including interest rates and credit spreads. Net investment gains (losses) include gains (losses) on the sale of securities, impairments, changes in the fair value of investments using the FVO unrelated to the implied loan-backed security income recognition for certain mortgage-backed obligations and changes in the fair value of derivative instruments, excluding realized gains (losses) associated with swap settlements and accrued interest. These are net of related amortization of unearned revenue;

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

- Gain (loss) on change in fair value of derivatives related to guaranteed benefits, which is significantly influenced by economic and market conditions, includes changes in the fair value of derivatives related to guaranteed benefits, less the estimated cost of these benefits. The estimated cost, which is reflected in operating results, reflects the expected cost of these benefits if markets perform in line with the Company's long-term expectations and includes the cost of hedging. Other derivative and reserve changes related to guaranteed benefits are excluded from operating revenues, including the impacts related to changes in the Company's nonperformance spread;

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

- Revenues attributable to noncontrolling interest; and

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

Operating revenues also do not reflect the revenues of the Company's CBVA segment, since this segment is managed to focus on protecting regulatory and rating agency capital rather than achieving operating metrics or generating revenues. When the Company presents the adjustments to total revenues on a consolidated basis, each adjustment excludes the relative portions attributable to the Company's CBVA segment and the relative portions attributable to businesses exited through reinsurance or divestment.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Retirement[1]	$673.8	$1,137.3	$2,333.8	$2,331.6
Investment Management[1]	163.0	152.6	437.6	474.3
Annuities[1]	310.6	314.4	932.7	940.4
Individual Life[1]	637.7	670.1	1,886.6	2,001.8
Employee Benefits[1]	405.9	376.7	1,206.4	1,123.8
Corporate	14.5	14.1	44.9	53.1
Closed Block Other	10.4	14.9	41.6	52.8
Total operating revenues	2,215.9	2,680.1	6,883.6	6,977.8
Adjustments:				
Closed Block Variable Annuity	271.7	789.0	1,086.7	1,711.9
Net realized investment gains (losses) and related charges and adjustments	(12.8)	(97.8)	(160.1)	(63.8)
Gain (loss) on change in fair value of derivatives related to guaranteed benefits	(51.1)	119.9	114.6	110.7
Revenues related to businesses exited through reinsurance or divestment	32.3	27.3	156.9	15.7

Revenues attributable to noncontrolling interest	39.3	146.8	65.3	396.4
Other adjustments to operating revenues	33.2	31.1	86.8	120.2
Total revenues	$2,528.5	$3,696.4	$8,233.8	$9,268.9

(1) Ongoing Business

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

Other Segment Information

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Investment Management intersegment revenues	$42.4	$39.9	$123.1	$118.4

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

	September 30, 2016	December 31, 2015
Retirement	$ 100,933.3	$ 93,771.5
Investment Management	487.8	556.8
Annuities	25,852.7	25,055.7
Individual Life	27,403.8	26,068.9
Employee Benefits	2,653.6	2,554.8
Total Ongoing Business	157,331.2	148,007.7
Corporate	4,487.7	5,893.1
Closed Blocks:		
Closed Block Variable Annuity	45,234.4	44,322.9
Closed Block Other	7,630.4	8,244.5
Closed Blocks	52,864.8	52,567.4
Total assets of segments	214,683.7	206,468.2
Noncontrolling interest	3,938.5	11,755.3
Total assets	$ 218,622.2	$ 218,223.5

15. Condensed Consolidating Financial Information

The accompanying condensed consolidating financial information has been prepared and presented pursuant to SEC Regulation S-X, Rule 3-10, "Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered" ("Rule 3-10"). The condensed consolidating financial information presents the financial position of Voya Financial, Inc. ("Parent Issuer"), Voya Holdings ("Subsidiary Guarantor") and all other subsidiaries ("Non-Guarantor Subsidiaries") of the Company as of September 30, 2016 and December 31, 2015, their results of operations and comprehensive income for the three and nine months ended September 30, 2016 and 2015, and their statement of cash flows for the nine months ended September 30, 2016 and 2015.

The 5.5% senior notes due 2022, the 2.9% senior notes due 2018, the 5.7% senior notes due 2043, the 3.65% senior notes due 2026, the 4.8% senior notes due 2046 (collectively, the "Senior Notes") and the 5.65% fixed-to-floating rate junior subordinated notes due 2053 (the "Junior Subordinated Notes"), each issued by Parent Issuer, are fully and unconditionally guaranteed by Subsidiary Guarantor, a 100% owned subsidiary of Parent Issuer. No other subsidiary of Parent Issuer guarantees the Senior Notes or the Junior Subordinated Notes. Rule 3-10(h) provides that a guarantee is full and unconditional if, when the issuer of a guaranteed security has failed to make a scheduled payment, the guarantor is obligated to make the scheduled payment immediately and, if it does not, any holder of the guaranteed security may immediately bring suit directly against the guarantor for payment of amounts due and payable. In the event that Parent Issuer does not fulfill the guaranteed obligations, any holder of the Senior Notes or the Junior Subordinated Notes may immediately bring a claim against Subsidiary Guarantor for amounts due and payable.

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

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

Condensed Consolidating Balance Sheets
September 30, 2016

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Assets:					
Investments:					
Fixed maturities, available-for-sale, at fair value	$—	$—	$ 72,659.4	$ (15.3)	$ 72,644.1
Fixed maturities, at fair value using the fair value option	—	—	3,903.5	—	3,903.5
Equity securities, available-for-sale, at fair value	93.9	—	191.4	—	285.3
Short-term investments	212.0	—	1,134.8	—	1,346.8
Mortgage loans on real estate, net of valuation allowance	—	—	11,475.7	—	11,475.7
Policy loans	—	—	1,995.6	—	1,995.6
Limited partnerships/corporations	—	—	698.8	—	698.8
Derivatives	59.6	—	2,791.0	(119.2)	2,731.4
Investments in subsidiaries	16,590.7	11,759.5	—	(28,350.2)	—
Other investments	—	0.4	77.3	—	77.7
Securities pledged	—	—	2,193.5	—	2,193.5
Total investments	16,956.2	11,759.9	97,121.0	(28,484.7)	97,352.4
Cash and cash equivalents	523.3	3.4	2,240.0	—	2,766.7
Short-term investments under securities loan agreements, including collateral delivered	10.7	—	1,113.8	—	1,124.5
Accrued investment income	—	—	932.3	—	932.3
Reinsurance recoverable	—	—	7,305.1	—	7,305.1
Deferred policy acquisition costs and Value of business acquired	—	—	4,059.5	—	4,059.5
Sales inducements to contract holders	—	—	211.4	—	211.4
Current income taxes	(1.8)	(1.9)	11.0	—	7.3
Deferred income taxes	473.6	38.4	616.1	—	1,128.1
Goodwill and other intangible assets	—	—	227.3	—	227.3
Loans to subsidiaries and affiliates	445.3	—	—	(445.3)	—
Due from subsidiaries and affiliates	4.8	8.3	2.4	(15.5)	—
Other assets	22.1	—	967.8	—	989.9
Assets related to consolidated investment entities:					
Limited partnerships/corporations, at fair value	—	—	1,982.8	—	1,982.8
Cash and cash equivalents	—	—	184.9	—	184.9
Corporate loans, at fair value using the fair value option	—	—	2,347.0	—	2,347.0
Other assets	—	—	27.3	—	27.3
Assets held in separate accounts	—	—	97,975.7	—	97,975.7
Total assets	$ 18,434.2	$ 11,808.1	$ 217,325.4	$ (28,945.5)	$ 218,622.2

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

Condensed Consolidating Balance Sheets (Continued)
September 30, 2016

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Liabilities and Shareholders' Equity:					
Future policy benefits	$—	$—	$ 21,506.7	$—	$ 21,506.7
Contract owner account balances	—	—	69,899.3	—	69,899.3
Payables under securities loan agreement, including collateral held	—	—	2,878.0	—	2,878.0
Short-term debt with affiliates	—	259.5	185.8	(445.3)	—
Long-term debt	3,107.8	437.4	18.6	(15.3)	3,548.5
Funds held under reinsurance agreements	—	—	773.3	—	773.3
Derivatives	59.6	—	902.4	(119.2)	842.8
Pension and other postretirement provisions	—	—	631.4	—	631.4
Due to subsidiaries and affiliates	0.2	—	12.8	(13.0)	—
Other liabilities	60.6	5.1	1,358.7	(2.5)	1,421.9
Liabilities related to consolidated investment entities:					
Collateralized loan obligations notes, at fair value using the fair value option	—	—	2,320.0	—	2,320.0
Other liabilities	—	—	669.2	—	669.2
Liabilities related to separate accounts	—	—	97,975.7	—	97,975.7
Total liabilities	3,228.2	702.0	199,131.9	(595.3)	202,466.8
Shareholders' equity:					
Total Voya Financial, Inc. shareholders' equity	15,206.0	11,106.1	17,244.1	(28,350.2)	15,206.0
Noncontrolling interest	—	—	949.4	—	949.4
Total shareholders' equity	15,206.0	11,106.1	18,193.5	(28,350.2)	16,155.4
Total liabilities and shareholders' equity	$ 18,434.2	$ 11,808.1	$ 217,325.4	$ (28,945.5)	$ 218,622.2

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

Condensed Consolidating Balance Sheets
December 31, 2015

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Assets:					
Investments:					
Fixed maturities, available-for-sale, at fair value	$—	$—	$ 67,748.7	$ (15.3)	$ 67,733.4
Fixed maturities, at fair value using the fair value option	—	—	3,226.6	—	3,226.6
Equity securities, available-for-sale, at fair value	83.7	—	248.0	—	331.7
Short-term investments	212.0	—	1,284.7	—	1,496.7
Mortgage loans on real estate, net of valuation allowance	—	—	10,447.5	—	10,447.5
Policy loans	—	—	2,002.7	—	2,002.7
Limited partnerships/corporations	—	—	510.6	—	510.6
Derivatives	67.2	—	1,605.7	(134.4)	1,538.5
Investments in subsidiaries	15,110.5	11,092.2	—	(26,202.7)	—
Other investments	—	0.5	91.1	—	91.6
Securities pledged	—	—	1,112.6	—	1,112.6
Total investments	15,473.4	11,092.7	88,278.2	(26,352.4)	88,491.9
Cash and cash equivalents	378.1	18.4	2,116.2	—	2,512.7
Short-term investments under securities loan agreements, including collateral delivered	10.6	—	649.4	—	660.0
Accrued investment income	—	—	899.0	—	899.0
Reinsurance recoverable	—	—	7,653.7	—	7,653.7
Deferred policy acquisition costs and Value of business acquired	—	—	5,370.1	—	5,370.1
Sales inducements to contract holders	—	—	263.3	—	263.3
Deferred income taxes	404.4	32.7	1,777.7	—	2,214.8
Goodwill and other intangible assets	—	—	250.8	—	250.8
Loans to subsidiaries and affiliates	330.2	—	—	(330.2)	—
Due from subsidiaries and affiliates	6.1	0.1	1.9	(8.1)	—
Other assets	19.8	—	894.5	—	914.3
Assets related to consolidated investment entities:					
Limited partnerships/corporations, at fair value	—	—	4,973.7	—	4,973.7
Cash and cash equivalents	—	—	467.6	—	467.6
Corporate loans, at fair value using the fair value option	—	—	6,882.5	—	6,882.5
Other assets	—	—	154.3	—	154.3
Assets held in separate accounts	—	—	96,514.8	—	96,514.8
Total assets	$16,622.6	$11,143.9	$ 217,147.7	$ (26,690.7)	$ 218,223.5

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

Condensed Consolidating Balance Sheets (Continued)
December 31, 2015

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Liabilities and Shareholders' Equity:					
Future policy benefits	$—	$—	$ 19,508.0	$—	$ 19,508.0
Contract owner account balances	—	—	68,664.1	—	68,664.1
Payables under securities loan agreement, including collateral held	—	—	1,485.0	—	1,485.0
Short-term debt with affiliates	—	206.5	123.7	(330.2)	—
Long-term debt	2,971.4	485.0	18.7	(15.3)	3,459.8
Funds held under reinsurance agreements	—	—	702.4	—	702.4
Derivatives	67.2	—	554.7	(134.4)	487.5
Pension and other postretirement provisions	—	—	687.4	—	687.4
Current income taxes	70.1	(2.5)	2.4	—	70.0
Due to subsidiaries and affiliates	0.2	—	5.9	(6.1)	—
Other liabilities	77.9	13.3	1,371.7	(2.0)	1,460.9
Liabilities related to consolidated investment entities:					
Collateralized loan obligations notes, at fair value using the fair value option	—	—	6,956.2	—	6,956.2
Other liabilities	—	—	1,951.6	—	1,951.6
Liabilities related to separate accounts	—	—	96,514.8	—	96,514.8
Total liabilities	3,186.8	702.3	198,546.6	(488.0)	201,947.7
Shareholders' equity:					
Total Voya Financial, Inc. shareholders' equity	13,435.8	10,441.6	15,761.1	(26,202.7)	13,435.8
Noncontrolling interest	—	—	2,840.0	—	2,840.0
Total shareholders' equity	13,435.8	10,441.6	18,601.1	(26,202.7)	16,275.8
Total liabilities and shareholders' equity	$16,622.6	$11,143.9	$ 217,147.7	$ (26,690.7)	$ 218,223.5

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

Condensed Consolidating Statement of Operations
For the Three Months Ended September 30, 2016

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Revenues:					
Net investment income	$7.1	$ —	$ 1,159.3	$ (3.0)	$ 1,163.4
Fee income	—	—	857.9	—	857.9
Premiums	—	—	726.7	—	726.7
Net realized capital gains (losses):					
Total other-than-temporary impairments	—	—	(12.8)	—	(12.8)
Less: Portion of other-than-temporary impairments recognized in Other comprehensive income (loss)	—	—	(0.1)	—	(0.1)
Net other-than-temporary impairments recognized in earnings	—	—	(12.7)	—	(12.7)
Other net realized capital gains (losses)	—	0.1	(355.1)	—	(355.0)
Total net realized capital gains (losses)	—	0.1	(367.8)	—	(367.7)
Other revenue	—	—	90.5	—	90.5
Income (loss) related to consolidated investment entities:					
Net investment income	—	—	57.7	—	57.7
Total revenues	7.1	0.1	2,524.3	(3.0)	2,528.5
Benefits and expenses:					
Policyholder benefits	—	—	1,385.5	—	1,385.5
Interest credited to contract owner account balances	—	—	521.4	—	521.4
Operating expenses	1.8	—	721.8	—	723.6
Net amortization of Deferred policy acquisition costs and Value of business acquired	—	—	180.7	—	180.7
Interest expense	37.1	9.9	1.4	(3.0)	45.4
Operating expenses related to consolidated investment entities:					
Interest expense	—	—	26.7	—	26.7
Other expense	—	—	1.1	—	1.1
Total benefits and expenses	38.9	9.9	2,838.6	(3.0)	2,884.4
Income (loss) before income taxes	(31.8)	(9.8)	(314.3)	—	(355.9)
Income tax expense (benefit)	55.3	(2.9)	(105.1)	(66.7)	(119.4)
Net income (loss) before equity in earnings (losses) of unconsolidated affiliates	(87.1)	(6.9)	(209.2)	66.7	(236.5)
Equity in earnings (losses) of subsidiaries, net of tax	(161.0)	2.4	—	158.6	—
Net income (loss) including noncontrolling interest	(248.1)	(4.5)	(209.2)	225.3	(236.5)
Less: Net income (loss) attributable to noncontrolling interest	—	—	11.6	—	11.6
Net income (loss) available to Voya Financial, Inc.'s common shareholders	$(248.1)	$ (4.5)	$ (220.8)	$ 225.3	$ (248.1)

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

Condensed Consolidating Statement of Operations
For the Nine Months Ended September 30, 2016

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Revenues:					
Net investment income	$ 14.8	$ 0.1	$ 3,426.9	$ (9.1)	$ 3,432.7
Fee income	—	—	2,510.4	—	2,510.4
Premiums	—	—	2,405.1	—	2,405.1
Net realized capital gains (losses):					
Total other-than-temporary impairments	—	—	(26.0)	—	(26.0)
Less: Portion of other-than-temporary impairments recognized in Other comprehensive income (loss)	—	—	1.7	—	1.7
Net other-than-temporary impairments recognized in earnings	—	—	(27.7)	—	(27.7)
Other net realized capital gains (losses)	1.3	—	(431.9)	—	(430.6)
Total net realized capital gains (losses)	1.3	—	(459.6)	—	(458.3)
Other revenue	1.0	—	256.9	—	257.9
Income (loss) related to consolidated investment entities:					
Net investment income	—	—	86.0	—	86.0
Total revenues	17.1	0.1	8,225.7	(9.1)	8,233.8
Benefits and expenses:					
Policyholder benefits	—	—	3,818.3	—	3,818.3
Interest credited to contract owner account balances	—	—	1,514.0	—	1,514.0
Operating expenses	6.6	—	2,153.6	—	2,160.2
Net amortization of Deferred policy acquisition costs and Value of business acquired	—	—	381.2	—	381.2
Interest expense	201.0	47.2	3.7	(9.1)	242.8
Operating expenses related to consolidated investment entities:					
Interest expense	—	—	75.4	—	75.4
Other expense	—	—	3.4	—	3.4
Total benefits and expenses	207.6	47.2	7,949.6	(9.1)	8,195.3
Income (loss) before income taxes	(190.5)	(47.1)	276.1	—	38.5
Income tax expense (benefit)	(0.2)	(16.3)	29.9	(66.7)	(53.3)
Net income (loss) before equity in earnings (losses) of unconsolidated affiliates	(190.3)	(30.8)	246.2	66.7	91.8
Equity in earnings (losses) of subsidiaries, net of tax	295.3	137.2	—	(432.5)	—
Net income (loss) including noncontrolling interest	105.0	106.4	246.2	(365.8)	91.8
Less: Net income (loss) attributable to noncontrolling interest	—	—	(13.2)	—	(13.2)
Net income (loss) available to Voya Financial, Inc.'s common shareholders	$ 105.0	$ 106.4	$ 259.4	$ (365.8)	$ 105.0

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

Condensed Consolidating Statement of Operations
For the Three Months Ended September 30, 2015

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Revenues:					
Net investment income	$(5.4)	$—	$ 1,111.0	$ (2.0)	$ 1,103.6
Fee income	—	—	871.8	—	871.8
Premiums	—	—	1,128.8	—	1,128.8
Net realized capital gains (losses):					
Total other-than-temporary impairments	—	—	(40.7)	—	(40.7)
Less: Portion of other-than-temporary impairments recognized in Other comprehensive income (loss)	—	—	0.6	—	0.6
Net other-than-temporary impairments recognized in earnings	—	—	(41.3)	—	(41.3)
Other net realized capital gains (losses)	(1.7)	(0.1)	342.2	—	340.4
Total net realized capital gains (losses)	(1.7)	(0.1)	300.9	—	299.1
Other revenue	0.9	—	106.7	(0.9)	106.7
Income (loss) related to consolidated investment entities:					
Net investment income	—	—	175.4	—	175.4
Changes in fair value related to collateralized loan obligations	—	—	11.0	—	11.0
Total revenues	(6.2)	(0.1)	3,705.6	(2.9)	3,696.4
Benefits and expenses:					
Policyholder benefits	—	—	1,956.5	—	1,956.5
Interest credited to contract owner account balances	—	—	498.3	—	498.3
Operating expenses	3.9	—	724.8	(0.9)	727.8
Net amortization of Deferred policy acquisition costs and Value of business acquired	—	—	316.3	—	316.3
Interest expense	37.0	10.3	1.1	(2.0)	46.4
Operating expenses related to consolidated investment entities:					
Interest expense	—	—	66.7	—	66.7
Other expense	—	—	4.1	—	4.1
Total benefits and expenses	40.9	10.3	3,567.8	(2.9)	3,616.1
Income (loss) before income taxes	(47.1)	(10.4)	137.8	—	80.3
Income tax expense (benefit)	(15.3)	—	(23.0)	2.4	(35.9)
Net income (loss) before equity in earnings (losses) of unconsolidated affiliates	(31.8)	(10.4)	160.8	(2.4)	116.2
Equity in earnings (losses) of subsidiaries, net of tax	72.1	(221.1)	—	149.0	—
Net income (loss) including noncontrolling interest	40.3	(231.5)	160.8	146.6	116.2
Less: Net income (loss) attributable to noncontrolling interest	—	—	75.9	—	75.9
Net income (loss) available to Voya Financial, Inc.'s common shareholders	$40.3	$(231.5)	$ 84.9	$ 146.6	$ 40.3

98

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

Condensed Consolidating Statement of Operations
For the Nine Months Ended September 30, 2015

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Revenues:					
Net investment income	$(1.9)	$ 0.1	$ 3,368.4	$ (6.8)	$ 3,359.8
Fee income	—	—	2,644.0	—	2,644.0
Premiums	—	—	2,404.8	—	2,404.8
Net realized capital gains (losses):					
Total other-than-temporary impairments	—	—	(51.3)	—	(51.3)
Less: Portion of other-than-temporary impairments recognized in Other comprehensive income (loss)	—	—	3.3	—	3.3
Net other-than-temporary impairments recognized in earnings	—	—	(54.6)	—	(54.6)
Other net realized capital gains (losses)	(1.0)	0.3	94.6	—	93.9
Total net realized capital gains (losses)	(1.0)	0.3	40.0	—	39.3
Other revenue	2.7	—	315.3	(2.7)	315.3
Income (loss) related to consolidated investment entities:					
Net investment income	—	—	529.3	—	529.3
Changes in fair value related to collateralized loan obligations	—	—	(23.6)	—	(23.6)
Total revenues	(0.2)	0.4	9,278.2	(9.5)	9,268.9
Benefits and expenses:					
Policyholder benefits	—	—	3,802.3	—	3,802.3
Interest credited to contract owner account balances	—	—	1,473.2	—	1,473.2
Operating expenses	7.4	—	2,210.5	(2.7)	2,215.2
Net amortization of Deferred policy acquisition costs and Value of business acquired	—	—	587.5	—	587.5
Interest expense	113.1	41.1	3.0	(6.8)	150.4
Operating expenses related to consolidated investment entities:					
Interest expense	—	—	203.9	—	203.9
Other expense	—	—	8.6	—	8.6
Total benefits and expenses	120.5	41.1	8,289.0	(9.5)	8,441.1
Income (loss) before income taxes	(120.7)	(40.7)	989.2	—	827.8
Income tax expense (benefit)	(32.6)	(0.4)	175.8	(14.0)	128.8
Net income (loss) before equity in earnings (losses) of unconsolidated affiliates	(88.1)	(40.3)	813.4	14.0	699.0
Equity in earnings (losses) of subsidiaries, net of tax	603.2	339.3	—	(942.5)	—
Net income (loss) including noncontrolling interest	515.1	299.0	813.4	(928.5)	699.0
Less: Net income (loss) attributable to noncontrolling interest	—	—	183.9	—	183.9
Net income (loss) available to Voya Financial, Inc.'s common shareholders	$515.1	$ 299.0	$ 629.5	$ (928.5)	$ 515.1

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

Condensed Consolidating Statement of Comprehensive Income
For the Three Months Ended September 30, 2016

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net income (loss) including noncontrolling interest	$(248.1)	$ (4.5)	$ (209.2)	$ 225.3	$ (236.5)
Other comprehensive income (loss), before tax:					
Unrealized gains (losses) on securities	124.8	53.7	124.9	(178.6)	124.8
Other-than-temporary impairments	2.2	1.2	2.2	(3.4)	2.2
Pension and other postretirement benefits liability	(3.4)	(0.8)	(3.4)	4.2	(3.4)
Other comprehensive income (loss), before tax	123.6	54.1	123.7	(177.8)	123.6
Income tax expense (benefit) related to items of other comprehensive income (loss)	46.2	21.9	46.3	(68.2)	46.2
Other comprehensive income (loss), after tax	77.4	32.2	77.4	(109.6)	77.4
Comprehensive income (loss)	(170.7)	27.7	(131.8)	115.7	(159.1)
Less: Comprehensive income (loss) attributable to noncontrolling interest	—	—	11.6	—	11.6
Comprehensive income (loss) attributable to Voya Financial, Inc.'s common shareholders	$(170.7)	$ 27.7	$ (143.4)	$ 115.7	$ (170.7)

Condensed Consolidating Statement of Comprehensive Income
For the Nine Months Ended September 30, 2016

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net income (loss) including noncontrolling interest	$105.0	$106.4	$ 246.2	$ (365.8)	$ 91.8
Other comprehensive income (loss), before tax:					
Unrealized gains (losses) on securities	3,217.1	2,163.0	3,217.3	(5,380.3)	3,217.1
Other-than-temporary impairments	8.5	5.7	8.5	(14.2)	8.5
Pension and other postretirement benefits liability	(10.3)	(2.4)	(10.3)	12.7	(10.3)
Other comprehensive income (loss), before tax	3,215.3	2,166.3	3,215.5	(5,381.8)	3,215.3
Income tax expense (benefit) related to items of other comprehensive income (loss)	1,123.1	756.0	1,123.2	(1,879.2)	1,123.1
Other comprehensive income (loss), after tax	2,092.2	1,410.3	2,092.3	(3,502.6)	2,092.2
Comprehensive income (loss)	2,197.2	1,516.7	2,338.5	(3,868.4)	2,184.0
Less: Comprehensive income (loss) attributable to noncontrolling interest	—	—	(13.2)	—	(13.2)
Comprehensive income (loss) attributable to Voya Financial, Inc.'s common shareholders	$2,197.2	$1,516.7	$ 2,351.7	$ (3,868.4)	$ 2,197.2

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

Condensed Consolidating Statement of Comprehensive Income
For the Three Months Ended September 30, 2015

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

Condensed Consolidating Statement of Comprehensive Income
For the Nine Months Ended September 30, 2015

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net income (loss) including noncontrolling interest	$ 515.1	$ 299.0	$ 813.4	$ (928.5)	$ 699.0
Other comprehensive income (loss), before tax:					
Unrealized gains (losses) on securities	(1,627.0)	(1,174.9)	(1,627.0)	2,801.9	(1,627.0)
Other-than-temporary impairments	12.9	9.8	12.9	(22.7)	12.9
Pension and other postretirement benefits liability	(10.3)	(2.4)	(10.3)	12.7	(10.3)
Other comprehensive income (loss), before tax	(1,624.4)	(1,167.5)	(1,624.4)	2,791.9	(1,624.4)
Income tax expense (benefit) related to items of other comprehensive income (loss)	(566.4)	(406.5)	(566.4)	972.9	(566.4)
Other comprehensive income (loss), after tax	(1,058.0)	(761.0)	(1,058.0)	1,819.0	(1,058.0)
Comprehensive income (loss)	(542.9)	(462.0)	(244.6)	890.5	(359.0)
Less: Comprehensive income (loss) attributable to noncontrolling interest	—	—	183.9	—	183.9
Comprehensive income (loss) attributable to Voya Financial, Inc.'s common shareholders	$ (542.9)	$ (462.0)	$ (428.5)	$ 890.5	$ (542.9)

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

Condensed Consolidating Statement of Cash Flows
For the Nine Months Ended September 30, 2016

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net cash provided by (used in) operating activities	$(218.3)	$ 130.5	$ 2,799.2	$ (233.0)	$ 2,478.4
Cash Flows from Investing Activities:					
Proceeds from the sale, maturity, disposal or redemption of:					
Fixed maturities	—	—	8,786.2	—	8,786.2
Equity securities, available-for-sale	12.7	—	77.6	—	90.3
Mortgage loans on real estate	—	—	917.6	—	917.6
Limited partnerships/corporations	—	—	206.0	—	206.0
Acquisition of:					
Fixed maturities	—	—	(10,731.8)	—	(10,731.8)
Equity securities, available-for-sale	(16.4)	—	(22.6)	—	(39.0)
Mortgage loans on real estate	—	—	(1,945.5)	—	(1,945.5)
Limited partnerships/corporations	—	—	(304.6)	—	(304.6)
Short-term investments, net	—	—	150.0	—	150.0
Policy loans, net	—	—	7.1	—	7.1
Derivatives, net	1.3	—	(1,077.7)	—	(1,076.4)
Other investments, net	—	0.1	14.2	—	14.3
Sales from consolidated investments entities	—	—	1,539.8	—	1,539.8
Purchases within consolidated investment entities	—	—	(1,006.4)	—	(1,006.4)
Maturity of intercompany loans with maturities more than three months	0.3	—	—	(0.3)	—
Net maturity of short-term intercompany loans	(115.4)	—	—	115.4	—
Return of capital contributions and dividends from subsidiaries	922.0	756.0	—	(1,678.0)	—
Capital contributions to subsidiaries	(65.0)	(44.0)	—	109.0	—
Collateral received (delivered), net	(0.1)	—	927.5	—	927.4
Purchases of fixed assets, net	—	—	(49.2)	—	(49.2)
Net cash provided by (used in) investing activities	739.4	712.1	(2,511.8)	(1,453.9)	(2,514.2)

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

Condensed Consolidating Statement of Cash Flows (Continued)
For the Nine Months Ended September 30, 2016

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Cash Flows from Financing Activities:					
Deposits received for investment contracts	—	—	6,328.5	—	6,328.5
Maturities and withdrawals from investment contracts	—	—	(5,183.1)	—	(5,183.1)
Proceeds from issuance of debt with maturities of more than three months	798.2	—	—	—	798.2
Repayment of debt with maturities of more than three months	(659.8)	(48.5)	—	—	(708.3)
Debt issuance costs	(16.0)	—	—	—	(16.0)
Intercompany loans with maturities of more than three months	—	—	(0.3)	0.3	—
Net (repayments of) proceeds from short-term intercompany loans	—	52.9	62.5	(115.4)	—
Return of capital contributions and dividends to parent	—	(892.0)	(1,019.0)	1,911.0	—
Contributions of capital from parent	—	30.0	79.0	(109.0)	—
Borrowings of consolidated investment entities	—	—	124.6	—	124.6
Repayments of borrowings of consolidated investment entities	—	—	(410.1)	—	(410.1)
Contributions from (distributions to) participants in consolidated investment entities	—	—	(150.1)	—	(150.1)
Proceeds from issuance of common stock, net	1.3	—	—	—	1.3
Excess tax benefits on share-based compensation	—	—	4.4	—	4.4
Share-based compensation	(6.3)	—	—	—	(6.3)
Common stock acquired - Share repurchase	(487.2)	—	—	—	(487.2)
Dividends paid	(6.1)	—	—	—	(6.1)
Net cash provided by (used in) financing activities	(375.9)	(857.6)	(163.6)	1,686.9	289.8
Net (decrease) increase in cash and cash equivalents	145.2	(15.0)	123.8	—	254.0
Cash and cash equivalents, beginning of period	378.1	18.4	2,116.2	—	2,512.7
Cash and cash equivalents, end of period	$ 523.3	$ 3.4	$ 2,240.0	$ —	$ 2,766.7

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

Condensed Consolidating Statement of Cash Flows
For the Nine Months Ended September 30, 2015

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

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

Condensed Consolidating Statement of Cash Flows (Continued)
For the Nine Months Ended September 30, 2015

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

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

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

The following discussion and analysis presents a review of our consolidated results of operations for the three and nine months ended September 30, 2016 and 2015 and financial condition as of September 30, 2016 and December 31, 2015. This item should be read in its entirety and in conjunction with the Condensed Consolidated Financial Statements and related notes contained in Part I, Item 1. of this Quarterly Report on Form 10-Q, as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations" section contained in our Annual Report on Form 10-K for the year ended December 31, 2015 ("Annual Report on Form 10-K").

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

Overview

We provide our principal products and services through five segments: Retirement, Investment Management, Annuities, Individual Life and Employee Benefits ("Ongoing Business"). In the third quarter of 2016, we simplified the management structure of our businesses and no longer group our five segments into Insurance Solutions and Retirement and Investment Management Solutions businesses. In addition, we also have a Corporate and two Closed Block reporting segments: Closed Block Variable Annuity ("CBVA") and Closed Block Other.

Certain reclassifications have been made to prior year financial information to conform to the current year classifications.

Trends and Uncertainties

Throughout this MD&A, we discuss a number of trends and uncertainties that we believe may materially affect our future liquidity, financial condition or results of operations. Where these trends or uncertainties are specific to a particular aspect of our business, we often include such a discussion under the relevant caption of this MD&A, as part of our broader analysis of that area of our business. In addition, the following factors represent some of the key general trends and uncertainties that have influenced the development of our business and our historical financial performance and that we believe will continue to influence our business and financial performance in the future.

Market Conditions

While extraordinary monetary accommodation has suppressed volatility in rate, credit and domestic equity markets for an extended period, the start of the normalization process of monetary policy has resulted in an increase in volatility, exacerbated by heightened concern around the health of economic activity in China and, by extension, global economic conditions. This concern has been particularly acute in commodity-related sectors of the markets as investors adjust their expectations for companies in the energy and metals sectors in light of the correction in commodity prices. The result of the United Kingdom's referendum on membership in the European Union could lead to further heightened volatility as the market reprices risk premia attributable to the political tail risk of a disorderly fracturing of this long-standing economic union. In the short- to medium-term, the potential for increased volatility, coupled with prevailing low interest rates, can pressure sales and reduce demand as consumers hesitate to make financial decisions. In addition, this environment could make it difficult to manufacture products that are consistently both attractive to customers and profitable. Financial performance can be adversely affected by market volatility as fees driven by assets under management ("AUM") fluctuate, hedging costs increase and revenue declines due to reduced sales and increased outflows. In the long-term, however, we believe the financial crisis of 2008-2009 ("financial crisis") and resultant lingering uncertainty will motivate individuals to seek solutions combining elements of capital preservation, income and growth. Thus, as a company with strong retirement, investment management and insurance capabilities, we believe the current market conditions noted above may ultimately enhance the attractiveness of our broad portfolio of products and services. We will need to continue to monitor the behavior of our customers and other factors, including mortality rates, morbidity rates, annuitization rates and lapse rates, which adjust in response to changes in market conditions in order to ensure that our products and services remain attractive as well as profitable. For additional information on our sensitivity to equity market prices, see Quantitative and Qualitative Disclosures About Market Risk in Part I, Item 3. of this Quarterly Report on Form 10-Q.

Interest Rate Environment

After moving modestly higher in 2015, interest rates declined in the first half of 2016 and remain at levels that are extremely low by historical standards. The flattening of the yield curve that resulted from the beginning of the normalization of monetary policy in 2015 has persisted into 2016 despite no additional increases in the Federal Funds rate. The timing and impact of any further increases in the Federal Funds rate are uncertain and dependent on the Federal Reserve Board's assessment of economic growth, continued development in labor markets, the outlook for inflation and other risks that will impact the level and volatility of rates. Ultra-low yields throughout the developed world may serve as an anchor for U.S. Treasury rates.

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

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

- Our general account investment portfolio, which was approximately $95.4 billion as of September 30, 2016, consists predominantly of fixed income investments and currently has an average yield of approximately 5.0%. In the near term and absent further material change in yields available on fixed income investments, we expect the yield we earn on new investments will be lower than the yields we earn on maturing investments, which were generally purchased in environments where interest rates were higher than current levels. We currently anticipate that proceeds that are reinvested in fixed income investments in the remainder of 2016 will earn an average yield in the range of 3.25% to 3.50%. If interest rates were to rise, we expect the yield on our new money investments would also rise and gradually converge toward the yield of those maturing assets. In addition, while less material to financial results than new money investment rates, movements in prevailing interest rates also influence the prices of fixed income investments that we sell on the secondary market rather than holding until maturity or repayment, with rising interest rates generally leading to lower prices in the secondary market, and falling interest rates generally leading to higher prices.

- Certain of our products pay guaranteed minimum rates. For example, fixed accounts and a portion of the stable value accounts included within defined contribution retirement plans, universal life ("UL") policies and individual fixed annuities include guaranteed minimum credited rates. We are required to pay these guaranteed minimum rates even if earnings on our investment portfolio decline, with the resulting investment margin compression negatively impacting earnings. In addition, we expect more policyholders to hold policies (lower lapses) with comparatively high guaranteed rates longer in a low interest rate environment. Conversely, a rise in average yield on our investment portfolio would positively impact earnings if the average interest rate we pay on our products does not rise correspondingly. Similarly, we expect policyholders would be less likely to hold policies (higher lapses) with existing guarantees as interest rates rise.

- Our CBVA segment provides certain guaranteed minimum benefits. A prolonged low interest rate environment may subject us to increased hedging costs or an increase in the amount of statutory reserves that our insurance subsidiaries are required to hold for these variable annuity guarantees, lowering their statutory surplus, which would adversely affect their ability to pay dividends to us. A prolonged low interest rate environment may also affect the perceived value of guaranteed minimum income benefits, which in turn may lead to a higher rate of annuitization of those products over time.

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

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

Seasonality and Other Matters

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

Retirement

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

- In the third quarters, education tax-exempt markets typically have the lowest recurring deposits.

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

Investment Management

- The first quarters tend to have the lowest performance fees.

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

Individual Life

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

Employee Benefits

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

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

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

108

Furthermore, Net investment income and net realized gains (losses), within our Investment Management segment, includes, for this and previous periods, performance fees related to sponsored private equity funds (“carried interest”) that are subject to later adjustment based on subsequent fund performance, to the extent that cumulative rates of investment return fall below specified investment hurdles. For the three and nine months ended September 30, 2016, our carried interest total net results were a gain of $1.3 million and a loss of $26.7 million, respectively, including the reversal of $30.2 million in previously accrued carried interest for the nine months ended September 30, 2016 related to a private equity fund which experienced significant declines in the market value of its investment portfolio. No such amounts for this private equity fund were reversed for the three months ended September 30, 2016. Should the market value of this portfolio increase in future periods, this reversal could be fully or partially recovered. As of September 30, 2016, approximately $28.1 million of previously accrued carried interest, none of which is related to the private equity fund referenced above, would be subject to full or partial reversal in future periods if cumulative fund performance hurdles are not maintained throughout the remaining life of the affected funds. See Risk Factors in Part I, Item 1A. of our Annual Report on Form 10-K for further information.

Restructuring

Through a series of initiatives focused on Voya becoming a simpler, more agile company able to deliver an enhanced customer experience, we expect to achieve annual run rate cost savings of at least $100 million in 2018 and subsequent years. These cost savings represent an increase of at least $60 million to $70 million annually from our previously announced plans to achieve $30 million to $40 million in annual run rate cost savings in 2018. A portion of these incremental cost savings will be achieved by simplifying how we operate, including a further emphasis on less capital-intensive products and the achievement of operational synergies from the combination of our Annuities and Individual Life businesses.

In the third quarter of 2016, actions related to our simplification efforts resulted in restructuring expenses, which are reflected in Operating expenses in the Condensed Consolidated Statements of Operations. For the three and nine months ended September 30, 2016, we incurred an immaterial amount of restructuring expense, which was classified as a component of other reconciling items from net income to operating income ("Non-operating").

Based on plans approved in October 2016, we will incur restructuring expenses of at least $30 million in connection with these cost savings initiatives during the fourth quarter of 2016. As we develop and approve additional restructuring plans, we will incur additional restructuring expenses in one or more periods through the end of 2018, which will be classified as Non-operating. These costs, which include severance and other costs, cannot currently be estimated, but which could be material, and are not reflected in our run-rate cost savings estimates for 2018.

Operating Measures

This MD&A includes a discussion of Operating earnings before income taxes and Operating revenues, each of which is a measure used by management to evaluate segment performance. In addition, we believe that operating earnings before income taxes provides a meaningful measure of our business performance and enhances the understanding of our financial results by focusing on the operating performance and trends of the underlying business segments and excluding items that tend to be highly variable from period to period based on capital market conditions and/or other factors. Operating earnings before income taxes does not replace Net income (loss) as the U.S. GAAP measure of our consolidated results of operations. Therefore, we believe that it is useful to evaluate both Net income (loss) and Operating earnings before income taxes when reviewing our financial and operating performance.

We also discuss certain operating measures as well as Operating earnings before income taxes and Operating revenues, which provide useful information about our Ongoing Business and the operational factors underlying our financial performance. See the Segments Note in our Condensed Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q for a description of the adjustments made to reconcile Income (loss) before income taxes to Total operating earnings before income taxes and the adjustments made to reconcile Total revenues to Total operating revenues.

Results of Operations - Company Condensed Consolidated

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in millions)	2016	2015	2016	2015
Revenues:				
Net investment income	$1,163.4	$1,103.6	$3,432.7	$3,359.8
Fee income	857.9	871.8	2,510.4	2,644.0
Premiums	726.7	1,128.8	2,405.1	2,404.8
Net realized capital gains (losses)	(367.7)	299.1	(458.3)	39.3
Other revenue	90.5	106.7	257.9	315.3
Income (loss) related to consolidated investment entities:				
Net investment income	57.7	175.4	86.0	529.3
Changes in fair value related to collateralized loan obligations	—	11.0	—	(23.6)
Total revenues	2,528.5	3,696.4	8,233.8	9,268.9
Benefits and expenses:				
Interest credited and other benefits to contract owners/policyholders	1,906.9	2,454.8	5,332.3	5,275.5
Operating expenses	723.6	727.8	2,160.2	2,215.2
Net amortization of Deferred policy acquisition costs and Value of business acquired	180.7	316.3	381.2	587.5
Interest expense	45.4	46.4	242.8	150.4
Operating expenses related to consolidated investment entities:				
Interest expense	26.7	66.7	75.4	203.9
Other expense	1.1	4.1	3.4	8.6
Total benefits and expenses	2,884.4	3,616.1	8,195.3	8,441.1
Income (loss) before income taxes	(355.9)	80.3	38.5	827.8
Income tax expense (benefit)	(119.4)	(35.9)	(53.3)	128.8
Net income (loss)	(236.5)	116.2	91.8	699.0
Less: Net income (loss) attributable to noncontrolling interest	11.6	75.9	(13.2)	183.9
Net income (loss) available to our common shareholders	$(248.1)	$40.3	$105.0	$515.1

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in millions)	2016	2015	2016	2015
Operating expenses:				
Commissions	$244.7	$278.3	$745.5	$827.3
General and administrative expenses:				
Strategic Investment Program	28.9	31.7	93.5	44.8
Other general and administrative expenses	540.7	514.4	1,615.0	1,616.8
Total general and administrative expenses	569.6	546.1	1,708.5	1,661.6
Total operating expenses, before DAC/VOBA deferrals	814.3	824.4	2,454.0	2,488.9
DAC/VOBA deferrals	(90.7)	(96.6)	(293.8)	(273.7)
Total operating expenses	$723.6	$727.8	$2,160.2	$2,215.2

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

	September 30,	
($ in millions)	2016	2015
AUM and AUA:		
Retirement	$314,705.3	$288,349.7
Investment Management	258,470.1	249,439.0
Annuities	27,517.1	26,700.9
Individual Life	15,193.0	15,485.9
Employee Benefits	1,815.6	1,809.7
Eliminations/Other	(177,298.3)	(171,336.4)
Total Ongoing Business	440,402.8	410,448.8
Closed Blocks:		
Closed Block Variable Annuity	38,092.8	38,229.2
Closed Block Other	1,362.9	1,724.8
Total Closed Blocks	39,455.7	39,954.0
Total AUM and AUA	$479,858.5	$450,402.8
AUM	283,288.7	268,932.9
AUA	196,569.8	181,469.9
Total AUM and AUA	$479,858.5	$450,402.8

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in millions)	2016	2015	2016	2015
Retirement[1]	$62.9	$80.5	$307.1	$333.4
Investment Management[1]	51.5	45.6	106.0	139.5
Annuities[1]	113.3	50.5	236.6	180.1
Individual Life[1]	(76.2)	(10.8)	15.2	70.3
Employee Benefits[1]	41.3	44.2	94.4	122.5
Corporate	(77.5)	(75.6)	(244.8)	(177.1)
Closed Block Other	(6.9)	2.6	(1.2)	20.4
Total operating earnings before income taxes	108.4	137.0	513.3	689.1
Adjustments:				
Closed Block Variable Annuity[2]	(328.0)	(7.1)	(225.5)	144.0
Net investment gains (losses) and related charges and adjustments[3]	(65.6)	(64.6)	(150.7)	(23.6)
Net guaranteed benefit hedging gains (losses) and related charges and adjustments[3]	(53.5)	(31.7)	61.2	(54.3)
Income (loss) related to businesses exited through reinsurance or divestment[3]	1.3	(16.4)	3.4	(65.1)
Income (loss) attributable to noncontrolling interest[3]	11.6	75.9	(13.2)	183.9
Loss related to early extinguishment of debt[3]	(0.1)	(0.2)	(104.2)	(10.1)
Immediate recognition of net actuarial gains (losses) related to pension and other post-employment benefit obligations and gains (losses) from plan amendments and curtailments[3]	(7.1)	—	(7.1)	—
Other adjustments to operating earnings[3]	(22.9)	(12.6)	(38.7)	(36.1)
Income (loss) before income taxes	$(355.9)	$80.3	$38.5	$827.8

[1] Ongoing Business

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

[3] Refer to the Segments Note to the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for a description of these items.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in millions)	2016	2015	2016	2015
Retirement[1]	$673.8	$1,137.3	$2,333.8	$2,331.6
Investment Management[1]	163.0	152.6	437.6	474.3
Annuities[1]	310.6	314.4	932.7	940.4
Individual Life[1]	637.7	670.1	1,886.6	2,001.8
Employee Benefits[1]	405.9	376.7	1,206.4	1,123.8
Corporate	14.5	14.1	44.9	53.1
Closed Block Other	10.4	14.9	41.6	52.8
Total operating revenues	2,215.9	2,680.1	6,883.6	6,977.8
Adjustments:				
Closed Block Variable Annuity[2]	271.7	789.0	1,086.7	1,711.9
Net realized investment gains (losses) and related charges and adjustments[3]	(12.8)	(97.8)	(160.1)	(63.8)
Gain (loss) on change in fair value of derivatives related to guaranteed benefits[3]	(51.1)	119.9	114.6	110.7
Revenues related to businesses exited through reinsurance or divestment[3]	32.3	27.3	156.9	15.7
Revenues attributable to noncontrolling interest[3]	39.3	146.8	65.3	396.4
Other adjustments to operating revenues[3]	33.2	31.1	86.8	120.2
Total revenues	$2,528.5	$3,696.4	$8,233.8	$9,268.9

[1] Ongoing Business

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

[3] Refer to the Segments Note to the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for a description of these items.

We believe the following tables will help investors better understand the components of the reconciliation between Operating earnings before income taxes and Income (loss) before income taxes related to Net investment gains (losses) and Net guaranteed benefits hedging gains (losses) and related charges and adjustments.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in millions)	2016	2015	2016	2015
Other-than-temporary impairments	$(4.1)	$(37.7)	$(19.0)	$(49.9)
CMO-B fair value adjustments[1]	2.6	(51.6)	(30.5)	(14.0)
Gains (losses) on the sale of securities	(0.8)	(7.1)	(62.2)	2.3
Other, including changes in the fair value of derivatives	(10.3)	2.7	(27.7)	3.7
Total investment gains (losses)	(12.6)	(93.7)	(139.4)	(57.9)
Net amortization of DAC/VOBA and other intangibles on above	(50.5)	26.0	8.2	32.7
Net investment gains (losses), including Closed Block Variable Annuity	(63.1)	(67.7)	(131.2)	(25.2)
Less: Closed Block Variable Annuity net investment gains (losses) and related charges and adjustments	2.5	(3.1)	19.5	(1.6)
Net investment gains (losses)	$(65.6)	$(64.6)	$(150.7)	$(23.6)

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in millions)	2016	2015	2016	2015
Gain (loss), excluding nonperformance risk	$(102.4)	$75.3	$(53.0)	$51.4
Gain (loss) due to nonperformance risk	14.0	19.9	110.3	14.4
Net gain (loss) prior to related amortization of DAC/VOBA and sales inducements	(88.4)	95.2	57.3	65.8
Net amortization of DAC/VOBA and sales inducements	34.9	(126.9)	3.9	(120.1)
Net guaranteed benefit hedging gains (losses) and related charges and adjustments	$(53.5)	$(31.7)	$61.2	$(54.3)

Notable Items

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

During the third quarter of 2016, we completed our annual review of the assumptions, including projection model inputs, in each of our segments (except for the Investment Management and Corporate segments, for which assumption reviews are not relevant). As a result of this review, we have made a number of changes to our assumptions resulting in a net unfavorable impact of $144.9 million to Operating earnings before income taxes for the three and nine months ended September 30, 2016, compared to a net unfavorable impact of $82.0 million for the three and nine months ended September 30, 2015. These impacts are included in the table below as components of DAC/VOBA and other intangibles unlocking and include a net favorable variance in DAC/VOBA unlocking being more than offset by a net unfavorable variance in other intangibles unlocking.

During the third quarter of 2016 and 2015, we received a distribution of cash in the amount of $2.6 million and $2.5 million, respectively, in conjunction with a Lehman Brothers bankruptcy settlement ("Lehman Recovery") which was recognized in Net investment income. In addition, during the third quarter of 2015, we recognized losses on certain receivables associated with previously disposed Low Income Housing Tax Credit partnerships (“LIHTC”). These losses, in the amount of $0.9 million, were also recognized in Net investment income. Collectively, the Lehman Recovery and LIHTC losses, net of DAC/VOBA and other intangibles impacts, are referred to as “Net gain(loss) from Lehman Recovery/LIHTC.”

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in millions)	2016	2015	2016	2015
DAC/VOBA and other intangibles unlocking[1]	$(140.0)	$(93.1)	$(120.8)	$(95.4)
Net gain (loss) from Lehman Recovery/LIHTC[2]	2.6	1.6	2.6	1.6

[1] DAC/VOBA and other intangibles unlocking is included in Fee income, Interest credited and other benefits to contract owners/policyholders and Net amortization of DAC/VOBA and includes the impact of the review of the assumptions. See DAC/VOBA and Other Intangibles Unlocking in Part I, Item 2. of this Quarterly Report on Form 10-Q for further description.
[2] Net gain (loss) from Lehman Recovery/LIHTC is included in Operating earnings before income taxes of the Investment Management segment and the Corporate segment in 2016 and 2015, respectively.

Terminology Definitions

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

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

Consolidated - Three Months Ended September 30, 2016 Compared to Three Months Ended September 30, 2015

Net Income (Loss)

Net investment income increased $59.8 million from $1,103.6 million to $1,163.4 million primarily due to growth in general account assets in our Retirement and CBVA segments, higher prepayment fee income and higher alternative investment income. The unfavorable impacts of the continued low interest rate environment on reinvestment rates and the Fourth Quarter 2015 Reinsurance Transaction (defined below in our Individual Life segment's results of operations) partially offset the increase.

Fee income decreased $13.9 million from $871.8 million to $857.9 million primarily due to continued runoff in our CBVA segment and lower Fee income in our Retirement segment. These declines are partially offset by an increase in cost of insurance fees on the aging in-force universal life block and higher contractual charges from higher universal life sales in our Individual Life segment. The decline in Fee income in our Retirement segment was due to a shift in the business mix, terminated contracts in the recordkeeping business and the impact of participants' transfers from variable investment options into fixed investment options, partially offset by the cumulative impact of equity market performance on the separate account and institutional mutual fund AUM.

Premiums decreased $402.1 million from $1,128.8 million to $726.7 million primarily due to lower sales of pension risk transfer contracts in our Retirement segment and lower premiums as a result of the Fourth Quarter 2015 Reinsurance Transaction in our Individual Life segment. These declines were partially offset by higher premiums from the annuitization of life contingent contracts in our CBVA segment and increased block size due to sales across all product lines in our Employee Benefits segment.

Net realized capital gains (losses) decreased $666.8 million from a gain $299.1 million to a loss $367.7 million primarily due to net unfavorable changes in guaranteed benefit derivatives, including the impact of nonperformance risk, partially driven by annual assumption updates. Additionally, an unfavorable variance in our CHO program, primarily due to equity market performance variances, movements in credit spreads, and lower than expected market volatility contributed to the decline. The focus in managing our CBVA segment continues to be on protecting regulatory and rating agency capital, and our hedging program is primarily designed to mitigate the impacts of market movements on capital resources, rather than mitigating earnings volatility.

The unfavorable variances described above were partially offset by lower net realized investment losses, primarily due to lower impairments and favorable changes in CMO-B fair value adjustments.

Other revenue decreased $16.2 million from $106.7 million to $90.5 million primarily due to lower letter of credit (“LOC”) recoveries as a result of debt restructuring in 2015 (see Liquidity and Capital Resources - Other Credit Facilities in Part II, Item 7. of our Annual Report on Form 10-K for further description).

Interest credited and other benefits to contract owners/policyholders decreased $547.9 million from $2,454.8 million to $1,906.9 million primarily due to lower sales of pension risk transfer contracts in our Retirement segment, a decrease in reserves due to favorable fund returns in the current period in our CBVA segment and a decrease in reserves as a result of the Fourth Quarter 2015 Reinsurance Transaction in our Individual Life segment. The decreases were partially offset by unfavorable changes in intangibles unlocking resulting from annual assumption updates and higher annuitization of life contingent contracts in our CBVA segment. In addition, higher Employee Benefits group stop loss and group life in-force and higher loss ratios due to favorable loss ratio experience in the prior period that did not reoccur contributed to the offset.

Operating expenses decreased $4.2 million from $727.8 million to $723.6 million primarily due to the Fourth Quarter 2015 Reinsurance Transaction and lower LOC fees as a result of debt restructuring in 2015, referenced above, as well as lower legal costs, lower expenses in our CBVA segment as a result of continued runoff and lower recordkeeping expenses associated with terminated contracts in our Retirement segment. These declines were partially offset by net compensation adjustments, higher restructuring costs, the recognition of net actuarial losses related to our pension and other postretirement benefit obligations and higher expenses associated with growth of the business in our Employee Benefits segment.

Net amortization of DAC/VOBA decreased $135.6 million from $316.3 million to $180.7 million primarily due to favorable changes in DAC/VOBA unlocking, mostly resulting from annual assumption updates, and lower DAC/VOBA amortization as a result of unfavorable changes in guaranteed benefit derivatives related to annual assumption updates. In addition, a favorable variance in amortization offset by unlocking on the universal life block, both driven by lower gross profits, contributed to the decrease.

Income (loss) before income taxes decreased $436.2 million from a gain of $80.3 million to a loss of $355.9 million primarily due to losses in our CBVA segment, where our focus continues to be on protecting regulatory and rating agency capital, and our hedging program is primarily designed to mitigate the impacts of market movements on capital resources, rather than mitigating earnings volatility. In addition, lower income attributable to noncontrolling interests, and lower Operating earnings before income taxes, described below, which included the unfavorable impact of annual assumption updates, contributed to the decline.

Income tax benefit increased $83.5 million from $35.9 million to $119.4 million primarily due to a decrease in our income, partially offset by a decrease in the benefit associated with the dividends received deduction ("DRD").

Operating Earnings before Income Taxes

Operating earnings before income taxes decreased $28.6 million from $137.0 million to $108.4 million primarily due to higher unfavorable DAC/VOBA and other intangible unlocking from annual assumption updates as well as higher benefits incurred, compared to favorable results in the prior period in our Employee Benefits segment. A decline in our Annuities segment due to net unfavorable reserve refinements was partially offset by a favorable reserve refinement in our Employee Benefits segment. Additionally, the decrease was partially offset by higher prepayment fee income, higher alternative investment income, and improved results in our Individual Life segment driven by improved mortality as a result of reduced severity, in addition to higher cost of insurance fees and lower net intangible amortization on the aging in-force universal life blocks.

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

CBVA results are discussed in Results of Operations - Segment by Segment - Closed Block Variable Annuity in Part I, Item 2. of this Quarterly Report on Form 10-Q.

Net investment losses and related charges and adjustments increased $1.0 million from $64.6 million to $65.6 million due to lower investment losses being more than offset by unfavorable changes in DAC/VOBA and other intangibles. A decline in impairments and favorable changes in CMO-B fair value adjustments drove lower investment losses. The unfavorable variance in DAC/VOBA and other intangibles was primarily due to higher amortization on improved investment results as well as unfavorable changes in unlocking.

Net guaranteed benefit hedging losses and related charges and adjustments increased $21.8 million from $31.7 million to $53.5 million primarily as a result of unfavorable changes in guaranteed benefit derivatives, net of related amortization and unlocking, due to annual assumption updates.

Income (loss) related to businesses exited through reinsurance or divestment changed $17.7 million from a loss of $16.4 million to a gain of $1.3 million primarily due to lower LOC fees as a result of debt restructuring in 2015, described above, and investment gains on securities associated with business reinsured.

Loss on early extinguishment of debt decreased $0.1 million in the current period primarily due to the debt extinguishment in connection with repurchased debt. See Liquidity and Capital Resources - Debt Securities in Part I, Item 2. of this Quarterly Report on Form 10-Q for further description.

Immediate recognition of net actuarial gains (losses) related to pension and other post-employment benefit obligations and gains (losses) from plan amendments and curtailments was a loss of $7.1 million in the current period.

Other adjustments to operating earnings increased $10.3 million from a loss of $12.6 million to a loss of $22.9 million primarily due to higher restructuring costs slightly offset by lower rebranding costs.

Consolidated - Nine Months Ended September 30, 2016 Compared to Nine Months Ended September 30, 2015

Net Income (Loss)

Net investment income increased $72.9 million from $3,359.8 million to $3,432.7 million primarily due to growth in general account assets in our Retirement and CBVA segments, higher prepayment fee income and growth in FIAs in our Annuities segment, partially offset by lower AR/MYGAs general account assets resulting from continued run-off. Additionally, partially offsetting these increases were lower alternative investment income, the impact of the continued low interest rate environment on reinvestment rates and the impact of the Fourth Quarter 2015 Reinsurance

Transaction. The decline in alternative investment income included the reversal of previously accrued carried interest as a result of declines in the market value of a sponsored private equity fund.

Fee income decreased $133.6 million from $2,644.0 million to $2,510.4 million primarily due to continued runoff in our CBVA segment and lower Fee income in our Retirement segment. These declines are partially offset by an increase in cost of insurance fees on the aging in-force universal life block and higher contractual charges from higher universal life sales in our Individual Life segment. The decline in Fee income in our Retirement segment was primarily due to participants' transfers from variable investment options into fixed investment options, the cumulative impact of equity market performance on the separate account and institutional mutual fund AUM, the shift in the business mix and terminated contracts in the recordkeeping business.

Premiums increased $0.3 million from $2,404.8 million to $2,405.1 million primarily due to an increased block size due to sales across product lines in our Employee Benefits segment and higher annuitization of life contingent contracts in our CBVA segment. These increases were partially offset by lower premiums as a result of the Fourth Quarter 2015 Reinsurance Transaction in our Individual Life segment and lower sales of pension risk transfer contracts in our Retirement segment.

Net realized capital gains (losses) decreased $497.6 million from a gain of $39.3 million to a loss of $458.3 million primarily due to changes in fair value of derivatives and guaranteed benefit derivatives, excluding nonperformance risk, partially driven by annual assumption updates. Additionally, an unfavorable variance in our CHO program was primarily due to equity market performance variances, movements in credit spreads, and lower than expected market volatility, partially offset by the impact of equity markets. The focus in managing our CBVA segment continues to be on protecting regulatory and rating agency capital, and our hedging program is primarily designed to mitigate the impacts of market movements on capital resources, rather than mitigating earnings volatility.

The decline was partially offset by favorable changes in fair value of guaranteed benefit derivatives due to nonperformance risk. Gains from market value changes associated with business reinsured are partially offset by a corresponding increase in Interest credited and other benefits to contract owners/policyholders.

Other revenue decreased $57.4 million from $315.3 million to $257.9 million primarily due to lower letter of credit ("LOC") recoveries as a result of debt restructuring in 2015 (see Liquidity and Capital Resources - Other Credit Facilities in Part II, Item 7. of our Annual Report on Form 10-K for further description).

Interest credited and other benefits to contract owners/policyholders increased $56.8 million from $5,275.5 million to $5,332.3 million primarily due to unfavorable variances resulting from annual assumption updates, higher net mortality related to the aging of the universal life block, higher annuitization of life contingent contracts in our CBVA segment and higher group stop loss and group life benefits, which were associated with growth in our Employee Benefits segment, and favorable loss ratio experience in the prior period that did not reoccur. An increase in the funds withheld reserve and changes in the reinsurance deposit asset associated with business reinsured resulting from market value changes in the related assets are more than offset by a corresponding amount recorded in net realized capital losses. These increases were partially offset by lower sales of pension risk transfer contracts in our Retirement segment and a decrease in reserves as a result of the Fourth Quarter 2015 Reinsurance Transaction in our Individual Life segment.

Operating expenses decreased $55.0 million from $2,215.2 million to $2,160.2 million primarily due to lower expenses in our CBVA segment as a result of continued runoff, lower LOC fees as a result of debt restructuring in 2015, described above, lower expenses as a result of the Fourth Quarter 2015 Reinsurance Transaction and the Second Quarter 2015 Reinsurance Transaction, lower recordkeeping expenses associated with terminated contracts as well as lower rebranding and variable compensation costs. These declines were partially offset by an increase in expenses related to our Strategic Investment Program, higher expenses associated with growth of the business in our Employee Benefits segment, and net compensation adjustments, as well as higher legal costs, restructuring costs and the recognition of net actuarial losses related to our pension and other postretirement benefit obligations.

Net amortization of DAC/VOBA decreased $206.3 million from $587.5 million to $381.2 million primarily due to favorable net changes in DAC/VOBA unlocking, mostly resulting from annual assumption updates, and lower DAC/VOBA amortization as a result of unfavorable changes in embedded derivatives related to annual assumption updates. In addition, favorable unlocking in our Retirement segment in the current period from higher separate account performance and higher prepayment fee income compared to unfavorable unlocking in the prior period due to anticipated contract terminations contributed to the decrease. Higher amortization on net investment gains (losses) partially offset the decrease.

Income (loss) before income taxes decreased $789.3 million from $827.8 million to $38.5 million primarily due to an unfavorable variance related to annual assumption updates, losses related to the CHO program in our CBVA segment, losses attributable to noncontrolling interests, lower Operating earnings before income taxes, described below, and higher losses related to the early extinguishment of debt.

Income tax expense decreased $182.1 million from an expense of $128.8 million to a benefit of $53.3 million primarily due to a decrease in our income, partially offset by a decrease in the benefit associated with the DRD.

Operating Earnings before Income Taxes

Operating earnings before income taxes decreased $175.8 million from $689.1 million to $513.3 million primarily due to higher unfavorable DAC/VOBA and other intangible unlocking from annual assumption updates, higher expenses in our Corporate segment, primarily related to our Strategic Investment Program and higher legal costs, as well as higher benefits incurred in our Employee Benefits segment, compared to favorable results in the prior period. In addition, lower alternative investment income included the reversal of previously accrued carried interest as a result of declines in the market value of a sponsored private equity fund. A decline in our Annuities segment due to net unfavorable reserve refinements was partially offset by a favorable reserve refinement in our Employee Benefits segment. Additionally, the decreases were partially offset by improved results in our Individual Life segment and higher prepayment fee income. Improvements in our Individual Life segment were driven by higher cost of insurance fees and lower net intangible amortization partially offset by unfavorable mortality on the aging in-force universal life blocks.

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

CBVA results are discussed in Results of Operations - Segment by Segment - Closed Block Variable Annuity in Part I, Item 2. of this Quarterly Report on Form 10-Q.

Net investment losses and related charges and adjustments increased $127.1 million from $23.6 million to $150.7 million primarily due to losses on the sale of securities and unfavorable changes in fair value adjustments on our CMO-B and derivatives portfolios, partially offset by lower impairments.

Net guaranteed benefit hedging gains (losses) and related charges and adjustments changed $115.5 million from a loss of $54.3 million to a gain of $61.2 million primarily due to changes in the fair value of guaranteed benefit derivatives due to nonperformance risk. An unfavorable variance in guaranteed benefit derivatives excluding nonperformance risk was more than offset by a favorable variance in related intangibles amortization and unlocking, primarily due to the impact of annual assumption updates.

Income (loss) related to businesses exited through reinsurance or divestment changed $68.5 million from a loss of $65.1 million to a gain of $3.4 million primarily due to lower LOC fees as a result of debt restructuring in 2015, described above, and investment gains on securities associated with business reinsured.

Loss on early extinguishment of debt increased $94.1 million in the current period primarily due to the debt extinguishment in connection with repurchased debt. See Liquidity and Capital Resources - Debt Securities in Part I, Item 2. of this Quarterly Report on Form 10-Q for further description.

Immediate recognition of net actuarial gains (losses) related to pension and other post-employment benefit obligations and gains (losses) from plan amendments and curtailments was a loss of $7.1 million in the current period.

Other adjustments to operating earnings changed $2.6 million from a loss of $36.1 million to a loss of $38.7 million primarily due to higher restructuring costs slightly offset by lower rebranding costs.

Results of Operations - Segment by Segment

Retirement

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in millions)	2016	2015	2016	2015
Operating revenues:				
Net investment income and net realized gains (losses)	$420.0	$395.1	$1,240.1	$1,166.1
Fee income	176.0	180.9	511.3	556.7
Premiums	60.4	543.6	529.6	558.0
Other revenue	17.4	17.7	52.8	50.8
Total operating revenues	673.8	1,137.3	2,333.8	2,331.6
Operating benefits and expenses:				
Interest credited and other benefits to contract owners/policyholders	290.3	759.9	1,209.6	1,190.7
Operating expenses	207.8	210.6	647.0	651.7
Net amortization of DAC/VOBA	112.8	86.3	170.1	155.8
Total operating benefits and expenses	610.9	1,056.8	2,026.7	1,998.2
Operating earnings before income taxes	$62.9	$80.5	$307.1	$333.4

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in millions)	2016	2015	2016	2015
DAC/VOBA and other intangibles unlocking[1]	$(74.1)	$(48.2)	$(61.6)	$(48.9)

[1] See DAC/VOBA and Other Intangibles Unlocking in Part I, Item 2. of this Quarterly Report on Form 10-Q for further description.

The DAC/VOBA and other intangibles unlocking includes the impact of the annual review of the assumptions of $(83.0) million for the three months and nine months ended September 30, 2016 and $(39.0) million for the three months and nine months ended September 30, 2015, which was included in Net amortization of DAC/VOBA. The unlocking in the current period was primarily driven by changes in portfolio yields and expectations for future contract changes. The unlocking in the prior period was primarily driven by changes in portfolio yields and projected margins partially offset by favorable lapse and renewal premium experience.

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

	September 30,	
($ in millions)	2016	2015
Corporate markets	$48,963.8	$43,215.1
Tax-exempt markets	54,796.4	50,226.4
Total full service plans	103,760.2	93,441.5
Stable value[1] and pension risk transfer	12,346.5	10,664.6
Retail wealth management	3,461.7	3,186.7
Total AUM	119,568.4	107,292.8
AUA	195,136.9	181,056.9

Total AUM and AUA	$314,705.3	$288,349.7

(1) Consists of assets where we are the investment manager.

	September 30,	
($ in millions)	2016	2015
General Account	$31,672.3	$29,324.4
Separate Account	59,792.6	54,842.4
Mutual Fund/Institutional Funds	28,103.5	23,126.0
AUA	195,136.9	181,056.9
Total AUM and AUA	$314,705.3	$288,349.7

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in millions)	2016	2015	2016	2015
Balance as of beginning of period	$114,912.1	$112,983.5	$110,807.1	$109,693.3
Deposits	4,609.3	3,934.4	12,526.3	11,752.2
Surrenders, benefits and product charges	(3,252.6)	(5,063.4)	(9,394.8)	(11,745.3)
Net flows	1,356.7	(1,129.0)	3,131.5	6.9
Interest credited and investment performance	3,299.6	(4,561.7)	5,629.8	(2,407.4)
Balance as of end of period	$119,568.4	$107,292.8	$119,568.4	$107,292.8

Retirement - Three Months Ended September 30, 2016 Compared to Three Months Ended September 30, 2015

Operating revenues

Net investment income and net realized gains (losses) increased $24.9 million from $395.1 million to $420.0 million primarily due to the growth in general account assets driven by positive net flows, including participants' transfers from variable investment options into fixed investment options and higher alternative investment income. These increases were partially offset by lower yields, including the impact of the continued low interest rate environment on reinvestment rates.

Fee income decreased $4.9 million from $180.9 million to $176.0 million primarily due to terminated contracts in the recordkeeping business and lower retirement plan fees resulting from participants' transfers from variable investment options into fixed investment options and the shift in the business mix, partially offset by the cumulative impact of equity market performance on the separate account and institutional mutual fund AUM.

Premiums decreased $483.2 million from $543.6 million to $60.4 million primarily due to lower sales of pension risk transfer contracts in the current period which correspond to lower Interest credited and other benefits to contract owners/policyholders below.

Operating benefits and expenses

Interest credited and other benefits to contract owners/policyholders decreased $469.6 million from $759.9 million to $290.3 million primarily due to a decrease in the change in reserves associated with the pension risk transfer contracts, partially offset by higher general account liabilities, which correspond to the growth in general account assets as referenced above.

Operating expenses decreased $2.8 million from $210.6 million to $207.8 million primarily due to lower recordkeeping expenses associated with terminated contracts and the reversal of expense accruals partially offset by increased distribution costs and higher asset based commissions.

Net amortization of DAC/VOBA increased $26.5 million from $86.3 million to $112.8 million primarily due to higher unfavorable DAC/VOBA unlocking as a result of annual assumption updates, partially offset by favorable DAC/VOBA unlocking related to higher separate account performance in the current period.

Operating earnings before income taxes

Operating earnings before income taxes decreased $17.6 million from $80.5 million to $62.9 million primarily due to higher unfavorable DAC/VOBA unlocking as a result of annual assumption updates and lower investment yields, including the impact of the continued low interest rate environment. The shift in the business mix and higher asset based commissions also contributed to the decrease. These decreases are partially offset by favorable DAC/VOBA unlocking as a result of higher separate account performance in the current period. Additionally, growth in the general account assets, the cumulative impact of equity market performance and an increase in alternative investment income partially offset these decreases.

Retirement - Nine Months Ended September 30, 2016 Compared to Nine Months Ended September 30, 2015

Operating revenues

Net investment income and net realized gains (losses) increased $74.0 million from $1,166.1 million to $1,240.1 million primarily due to the growth in general account assets driven by positive net flows, including participants' transfers from variable investment options into fixed investment options and and higher prepayment fee income. These increases were partially offset by lower alternative investment income and lower yields, including the impact of the continued low interest rate environment on reinvestment rates.

Fee income decreased $45.4 million from $556.7 million to $511.3 million primarily due to lower retirement plan fees resulting from participants' transfers from variable investment options into fixed investment options, the cumulative impact of equity market performance on the separate account and institutional mutual fund AUM and the shift in the business mix. Terminated contracts in the recordkeeping business also contributed to the decrease.

Premiums decreased $28.4 million from $558.0 million to $529.6 million primarily due to lower sales of pension risk transfer contracts, in the current period which correspond to lower Interest credited and other benefits to contract owners/policyholders below.

Other revenue increased $2.0 million from $50.8 million to $52.8 million primarily due to an increase in broker-dealer revenue.

Operating benefits and expenses

Interest credited and other benefits to contract owners/policyholders increased $18.9 million from $1,190.7 million to $1,209.6 million primarily due to higher general account liabilities, which correspond to the growth in general account assets as referenced above, partially offset by a decrease in the change in reserves associated with the pension risk transfer contracts.

Operating expenses decreased $4.7 million from $651.7 million to $647.0 million primarily due to lower recordkeeping expenses associated with terminated contracts partially off set by higher distribution and information technology expenses.

Net amortization of DAC/VOBA increased $14.3 million from $155.8 million to $170.1 million primarily due to higher unfavorable DAC/VOBA unlocking as a result of annual assumption updates, partially offset by favorable changes in DAC/VOBA unlocking in the current period resulting from higher separate account performance and higher prepayment fee income compared to unfavorable DAC/VOBA unlocking in the prior period due to anticipated contract terminations.

Operating earnings before income taxes

Operating earnings before income taxes decreased $26.3 million from $333.4 million to $307.1 million primarily due to higher unfavorable DAC/VOBA unlocking as a result of annual assumption updates, lower alternative investment income, the shift in the business mix and the cumulative impact of equity market performance. The impact of terminated contracts in the recordkeeping business and an increase in distribution and information technology spend also contributed to the decrease. These unfavorable changes were partially offset by growth in the general account assets, higher prepayment fee income and favorable changes in DAC/VOBA unlocking as a result of higher separate account performance compared to unfavorable unlocking in the prior period due to anticipated contract terminations.

Investment Management

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in millions)	2016	2015	2016	2015
Operating revenues:				
Net investment income and net realized gains (losses)	$6.7	$0.4	$(16.6)	$9.9
Fee income	145.9	145.0	429.6	439.5
Other revenue	10.4	7.2	24.6	24.9
Total operating revenues	163.0	152.6	437.6	474.3
Operating benefits and expenses:				
Operating expenses	111.5	107.0	331.6	334.8
Total operating benefits and expenses	111.5	107.0	331.6	334.8
Operating earnings before income taxes	$51.5	$45.6	$106.0	$139.5

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in millions)	2016	2015	2016	2015
Investment Management intersegment revenues	$42.4	$39.9	$123.1	$118.4

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in millions)	2016	2015	2016	2015
Net gain from Lehman Recovery	$ 2.6	$ —	$ 2.6	$ —

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

	September 30,	
($ in millions)	2016	2015
AUM:		
Institutional/retail		
Investment Management sourced	$72,813.2	$67,929.9
Affiliate sourced[(1)]	55,356.1	53,830.5
General account	80,212.9	79,748.5
Total AUM	208,382.2	201,508.9
AUA:		
Affiliate sourced[(2)]	50,087.9	47,930.1

Total AUM and AUA	$258,470.1	$249,439.0

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in millions)	2016	2015	2016	2015
Net Flows:				
Investment Management sourced	$174.8	$(1,126.0)	$1,156.1	$168.3
Affiliate sourced	(504.3)	(777.4)	(1,917.5)	(3,152.5)
Total	$(329.5)	$(1,903.4)	$(761.4)	$(2,984.2)

Investment Management - Three Months Ended September 30, 2016 Compared to Three Months Ended September 30, 2015

Operating revenues

Net investment income and net realized gains (losses) increased $6.3 million from $0.4 million to $6.7 million primarily due to higher alternative investment income as well as proceeds from the Lehman Recovery in the current period.

Fee income increased $0.9 million from $145.0 million to $145.9 million primarily due to an increase in average AUM primarily driven by market improvements resulting in higher management and administrative fees earned, partially offset by lower fees earned associated with a private equity fund.

Other revenue increased $3.2 million from $7.2 million to $10.4 million primarily due to higher performance and production fees earned in the current period.

Operating benefits and expenses

Operating expenses increased $4.5 million from $107.0 million to $111.5 million primarily due to higher compensation related expenses associated with higher earnings and an increase in commission expenses.

Operating earnings before income taxes

Operating earnings before income taxes increased $5.9 million from $45.6 million to $51.5 million primarily due to higher alternative investment income, an increase in performance and production fees as well as proceeds from the Lehman Recovery in the current period. These increases were partially offset by higher compensation related expenses associated with higher earnings and higher commission expenses.

Investment Management - Nine Months Ended September 30, 2016 Compared to Nine Months Ended September 30, 2015

Operating revenues

Net investment income and net realized gains (losses) decreased $26.5 million from a gain of $9.9 million to a loss of $16.6 million related to lower alternative investment income primarily due to a reversal of previously accrued carried interest as a result of declines in the market value of a sponsored private equity fund. This decrease was partially offset by proceeds from a Lehman Recovery in the current period.

Fee income decreased $9.9 million from $439.5 million to $429.6 million due to a decline in average AUM primarily driven by the impact of net outflows in the second half of 2015 resulting in lower management and administrative fees earned.

Operating benefits and expenses

Operating expenses decreased $3.2 million from $334.8 million to $331.6 million primarily due to lower compensation related expenses including variable expenses associated with lower operating earnings and a decrease in commission expenses.

Operating earnings before income taxes

Operating earnings before income taxes decreased $33.5 million from $139.5 million to $106.0 million primarily due to lower alternative investment income primarily related to the reversal of previously accrued carried interest related to a sponsored private equity fund and lower management and administrative fees due to a decline in average AUM. These decreases were partially offset by lower compensation related expenses associated with decreases in operating earnings, lower commission expenses and proceeds from a Lehman Recovery in the current period.

Annuities

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

($ in millions)	Three Months Ended September 30, 2016	2015	Nine Months Ended September 30, 2016	2015
Operating revenues:				
Net investment income and net realized gains (losses)	$267.2	$264.8	$791.6	$795.0
Fee income	17.1	16.0	49.3	47.2
Premiums	22.5	30.1	79.8	87.2
Other revenue	3.8	3.5	12.0	11.0
Total operating revenues	310.6	314.4	932.7	940.4
Operating benefits and expenses:				
Interest credited and other benefits to contract owners/policyholders	163.5	166.0	512.4	518.7
Operating expenses	39.7	38.1	119.2	114.1
Net amortization of DAC/VOBA	(5.9)	59.8	64.5	127.5
Total operating benefits and expenses	197.3	263.9	696.1	760.3
Operating earnings before income taxes	$113.3	$50.5	$236.6	$180.1

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

($ in millions)	Three Months Ended September 30, 2016	2015	Nine Months Ended September 30, 2016	2015
DAC/VOBA and other intangibles unlocking[1]	$56.4	$(12.9)	$78.8	$1.6

[1] See DAC/VOBA and Other Intangibles Unlocking in Part I, Item 2. of this Quarterly Report on Form 10-Q for further description.

The DAC/VOBA and other intangibles unlocking in the table above includes the impact of the annual review of the assumptions of $46.4 million for the three and nine months ended September 30, 2016 and $(18.0) million for the three and nine months ended September 30, 2015. The unlocking in the current period was driven primarily reductions in the expected future lapse rates. The unlocking in the prior period was driven primarily by revisions to projected margins for FIAs.

The following tables present AUM for our Annuities segment as of the dates indicated:

($ in millions)	September 30, 2016	2015
AUM by Product Group:		
Fixed single-year	$3,280.7	$3,440.7
Fixed multi-year	1,753.0	2,081.8
Indexed	14,224.6	13,661.6

SPIA & Payout	2,832.9	2,819.6
Investment-only products[1]	5,030.9	4,301.3
Other annuities	395.0	396.0
Total AUM	$27,517.1	$26,700.9

[1] Includes mutual funds and certain separate accounts.

125

	September 30,	
($ in millions)	2016	2015
AUM by Fund Group:		
General account	$21,792.2	$21,704.1
Separate account	773.8	711.3
Mutual funds	4,951.1	4,285.5
Total AUM	$27,517.1	$26,700.9

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in millions)	2016	2015	2016	2015
Balance as of beginning of period	$27,337.6	$26,889.5	$27,035.8	$26,650.0
Deposits	692.9	875.5	2,350.4	2,302.5
Surrenders, benefits and product charges	(828.3)	(841.5)	(2,480.9)	(2,481.2)
Net flows	(135.4)	34.0	(130.5)	(178.7)
Interest credited and investment performance	314.9	(222.6)	611.8	229.6
Balance as of end of period	$27,517.1	$26,700.9	$27,517.1	$26,700.9

Annuities - Three Months Ended September 30, 2016 Compared to Three Months Ended September 30, 2015

Operating revenues

Net investment income and net realized gains (losses) increased $2.4 million from $264.8 million to $267.2 million primarily due to an increase in prepayment fee income and higher investment income resulting from the growth of FIAs. Partially offsetting these items were lower AR/MYGA general account assets resulting from continued run-off and the impact of the continued low interest rate environment on reinvestment rates, as well as lower alternative investment income.

Fee income increased $1.1 million from $16.0 million to $17.1 million primarily due to the growth in assets of investment-only products.

Premiums decreased $7.6 million from $30.1 million to $22.5 million primarily due to lower premiums in immediate annuities with life contingencies which correspond to lower interest credited and other benefits to contract/policyholders.

Operating benefits and expenses

Interest credited and other benefits to contract owners/policyholders decreased $2.5 million from $166.0 million to $163.5 million primarily due to a decrease in sales inducements related to annual assumption updates, a decrease in payout reserves resulting from a decrease in immediate annuities with life contingencies, and the favorable impact of the continued runoff of the AR/MYGAs. Additionally, the change in the mix of business between AR/MYGAs and FIAs had a favorable impact on total interest credited, since option costs of FIAs are generally lower than credited rates on AR/MYGAs. These favorable changes were partially offset by unfavorable changes in payout reserves related to valuation model refinements, primarily due to the impact of favorable adjustments in the prior period, as well as unfavorable adjustments in the current period.

Net amortization of DAC/VOBA decreased $65.7 million from an expense of $59.8 million to a benefit of $5.9 million primarily due to a favorable DAC/VOBA unlocking as a result of annual assumption updates and decreases in amortization due to lower gross profits in the current period.

Operating earnings before income taxes

Operating earnings before income taxes increased $62.8 million from $50.5 million to $113.3 million primarily due to favorable DAC/VOBA unlocking resulting from annual assumption updates, higher prepayment fee income, and improved margins related to the change in the mix of business between AR/MYGA and FIAs. Partially offsetting these items were unfavorable changes in payout reserves related to valuation model refinements, primarily due to the impact of favorable adjustments in the prior period, as well as unfavorable adjustments in the current period.

Annuities - Nine Months Ended September 30, 2016 Compared to Nine Months Ended September 30, 2015

Operating revenues

Net investment income and net realized gains decreased $3.4 million from $795.0 million to $791.6 million primarily due to lower AR/MYGA general account assets resulting from the continued run-off, and the impact of the continued low interest rate environment on reinvestment rates, as well as lower alternative investment income. Partially offsetting these items were increases in prepayment fee income and higher investment income resulting from the growth in FIAs.

Fee income increased $2.1 million from $47.2 million to $49.3 million primarily due to growth in assets of investment-only products.

Premiums decreased $7.4 million from $87.2 million to $79.8 million primarily due to lower premiums in immediate annuities with life contingencies which correspond to lower interest credited and other benefits to contract/policyholders.

Operating benefits and expenses

Interest credited and other benefits to contract owners/policyholders decreased $6.3 million from $518.7 million to $512.4 million primarily driven by the change in the mix of business between AR/MYGAs and FIAs due to option costs of FIAs being generally lower than the credited rates on AR/MYGAs and a decrease in payout reserves resulting from a decrease in immediate annuities with life contingencies. Also contributing to the decline in interest credited is a decrease in sales inducements related to annual assumption updates. These favorable changes were partially offset by unfavorable changes in payout reserves related to valuation model refinements, primarily due to the impact of favorable adjustments in the prior period, as well as unfavorable adjustments in the current period.

Operating expenses increased by $5.1 million from $114.1 million to $119.2 million primarily due to distribution and information technology expenses to support business activities.

Net amortization of DAC/VOBA decreased $63.0 million from $127.5 million to $64.5 million primarily due to favorable DAC/VOBA unlocking mainly as a result of annual assumption updates.

Operating earnings before income taxes

Operating earnings before income taxes increased $56.5 million from $180.1 million to $236.6 million primarily due to favorable DAC/VOBA and other intangible unlocking resulting from annual assumption updates, higher prepayment fee income, and improved margins related to the change in the mix of business between AR/MYGA and FIAs. Partially offsetting these items were higher operating expenses, lower alternative investment income and unfavorable changes in payout reserves related to valuation model refinements, primarily due to the impact of favorable adjustments in the prior period, as well as unfavorable adjustments in the current period.

127

Individual Life

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

($ in millions)	Three Months Ended September 30, 2016	2015	Nine Months Ended September 30, 2016	2015
Operating revenues:				
Net investment income and net realized gains (losses)	$213.3	$218.8	$631.9	$662.0
Fee income	307.8	307.0	905.2	889.3
Premiums	111.7	140.2	336.5	438.2
Other revenue	4.9	4.1	13.0	12.3
Total operating revenues	637.7	670.1	1,886.6	2,001.8
Operating benefits and expenses:				
Interest credited and other benefits to contract owners/policyholders	582.0	527.5	1,498.9	1,513.9
Operating expenses	82.5	90.1	247.9	267.8
Net amortization of DAC/VOBA	49.4	63.3	124.6	149.8
Total operating benefits and expenses	713.9	680.9	1,871.4	1,931.5
Operating earnings before income taxes	$(76.2)	$(10.8)	$15.2	$70.3

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

($ in millions)	Three Months Ended September 30, 2016	2015	Nine Months Ended September 30, 2016	2015
DAC/VOBA and other intangibles unlocking[1]	$(122.1)	$(29.4)	$(134.0)	$(43.9)

[1] DAC/VOBA and other intangibles unlocking are included in Fee income, Interest credited and other benefits to contract owners/policyholders and Net amortization of DAC/VOBA and includes the impact of the review of the assumptions. See DAC/VOBA and Other Intangibles Unlocking in Part I, Item 2. of this Quarterly Report on Form 10-Q for further description.

The DAC/VOBA and other intangibles unlocking in the table above includes the impact of the annual review of the assumptions of $(109.0) million for the three and nine months ended September 30, 2016 compared to $(23.0) million for the three and nine months ended September 30, 2015. The net unfavorable unlocking in the current period was driven primarily by changes in portfolio yields and reinsurer rate increases. The net unfavorable unlocking in the prior period was driven primarily by higher persistency on less profitable policies.

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

($ in millions)	Three Months Ended September 30, 2016	2015	Nine Months Ended September 30, 2016	2015[1]
Fee income	$9.0	$14.7	$9.0	$14.6
Interest credited and other benefits to contract owners/policyholders	(105.5)	(19.8)	(105.5)	(34.8)
Net amortization of DAC/VOBA	(12.5)	(17.9)	(12.5)	(17.8)
Total	$(109.0)	$(23.0)	$(109.0)	$(38.0)

[1]Amounts also include $(15.0) million related to prospective assumption updates.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in millions)	2016	2015	2016	2015
Sales by Product Line:				
Universal life:				
Guaranteed	$—	$0.1	$0.1	$0.1
Accumulation	0.9	1.4	4.0	4.0
Indexed	19.7	18.2	60.1	48.1
Total universal life	20.6	19.7	64.2	52.2
Variable life	0.7	1.0	2.5	3.7
Term	2.6	4.0	9.1	14.0
Total sales by product line	$23.9	$24.7	$75.8	$69.9
Total gross premiums	$442.6	$464.7	$1,330.2	$1,409.9
End of period:				
In-force face amount	$351,196.5	$466,215.8	$351,196.5	$466,215.8
In-force policy count	897,467	1,091,950	897,467	1,091,950
New business policy count (paid)	3,526	4,654	11,746	15,668

Effective October 1, 2015, we disposed of, via reinsurance, a block of in-force term life contracts ("Fourth Quarter 2015 Reinsurance Transaction"). Consistent with our practice to exclude business (including blocks of business) exited via reinsurance or divestment from operating earnings before income taxes and from operating revenues, beginning in the fourth quarter of 2015, the revenues and expenses of this reinsured block of business are excluded from these metrics.

Individual Life - Three Months Ended September 30, 2016 Compared to Three Months Ended September 30, 2015

Net investment income and net realized gains (losses) decreased $5.5 million from $218.8 million to $213.3 million primarily due to the impact of the Fourth Quarter 2015 Reinsurance transaction and the impact of the continued low interest rate environment on reinvestment rates, partially offset by higher prepayment fee income.

Fee income increased $0.8 million from $307.0 million to $307.8 million primarily due to an increase in cost of insurance fees on the aging in-force universal life block and higher contractual charges driven by higher universal life premiums, partially offset by an unfavorable change in intangible unlocking primarily resulting from prospective assumption updates.

Premiums decreased $28.5 million from $140.2 million to $111.7 million primarily due to the impact of the Fourth Quarter 2015 Reinsurance Transaction.

Operating benefits and expenses

Interest credited and other benefits to contract owners/policyholders increased $54.5 million from $527.5 million to $582.0 million primarily due to higher unfavorable intangible unlocking from prospective assumption updates in the current period. Excluding the impact of the prospective assumption updates, interest credited decreased driven by the impact of the Fourth Quarter 2015 Reinsurance Transaction and improved mortality as a result of reduced severity.

Operating expenses decreased $7.6 million from $90.1 million to $82.5 million primarily due to the impact of the Fourth Quarter 2015 Reinsurance Transaction.

Net amortization of DAC/VOBA decreased $13.9 million from $63.3 million to $49.4 million primarily due to a favorable variance in amortization partially offset by unfavorable DAC/VOBA unlocking on the universal life block, both of which were driven by lower gross profits. Additionally, a favorable variance in DAC/VOBA unlocking resulting from prospective assumption updates and the impact of the Fourth Quarter 2015 Reinsurance Transaction contributed to the improvement.

Operating earnings before income taxes

Operating earnings before income taxes decreased $65.4 million from a loss of $10.8 million to a loss of $76.2 million primarily due to net unfavorable DAC/VOBA and other intangibles unlocking mostly driven by assumption updates. Excluding the impact of unlocking, Operating earnings increased primarily due to an increase in the cost of insurance fees on the aging in-force of universal life blocks, lower net intangible amortization driven by lower profits on universal life blocks and improved mortality.

Individual Life - Nine Months Ended September 30, 2016 Compared to Nine Months Ended September 30, 2015

Operating revenues

Net investment income and net realized gains (losses) decreased $30.1 million from $662.0 million to $631.9 million primarily due to the impact of the Fourth Quarter 2015 Reinsurance, lower alternative investment income, lower prepayment fee income, and the impact of the continued low interest rate environment on reinvestment rates.

Fee income increased $15.9 million from $889.3 million to $905.2 million primarily due to an increase in cost of insurance fees on the aging in-force universal life block and higher net contractual charges driven by higher universal life premiums, partially offset by lower unearned revenue amortization driven by lower profits on universal life blocks and the net unfavorable impact of intangible unlocking primarily due to assumption updates.

Premiums decreased $101.7 million from $438.2 million to $336.5 million primarily due to the impact of the Fourth Quarter 2015 Reinsurance Transaction.

Operating benefits and expenses

Interest credited and other benefits to contract owners/policyholders decreased $15.0 million from $1,513.9 million to $1,498.9 million primarily due to the impact of the Fourth Quarter 2015 Reinsurance Transaction. Excluding the impact of this transaction, interest credited and other benefits to contract owners/policyholders increased primarily due to higher unfavorable intangible unlocking from prospective assumption updates in the current period and unfavorable net mortality due to the aging of the block partially offset by favorable reserve developments in the prior period that did not reoccur.

Operating expenses decreased $19.9 million from $267.8 million to $247.9 million primarily due to the impact of the Fourth Quarter 2015 Reinsurance Transaction.

Net amortization of DAC/VOBA decreased $25.2 million from $149.8 million to $124.6 million primarily due to a favorable variance in amortization partially offset by unfavorable DAC/VOBA unlocking on the universal life block, both of which were driven by lower gross profits. Additionally, a favorable variance in DAC/VOBA unlocking from prospective assumption updates and the impact of the Fourth Quarter 2015 Reinsurance Transaction contributed to the improvement.

Operating earnings before income taxes

Operating earnings before income taxes decreased $55.1 million from $70.3 million to $15.2 million primarily due to higher net unfavorable DAC/VOBA and other intangibles unlocking, mostly as a result of assumption updates. Excluding the impact of unlocking, Operating earnings before income taxes increased due to an increase in the cost of insurance fees on the aging in-force universal life blocks and lower net intangible amortization driven by lower profits on universal life blocks, partially offset by unfavorable net mortality due to the aging of the block.

130

Employee Benefits

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

($ in millions)	Three Months Ended September 30, 2016	2015	Nine Months Ended September 30, 2016	2015
Operating revenues:				
Net investment income and net realized gains (losses)	$28.2	$26.8	$81.1	$81.3
Fee income	15.2	21.0	46.8	52.3
Premiums	363.6	330.2	1,081.7	994.6
Other revenue	(1.1)	(1.3)	(3.2)	(4.4)
Total operating revenues	405.9	376.7	1,206.4	1,123.8
Operating benefits and expenses:				
Interest credited and other benefits to contract owners/policyholders	286.9	252.7	866.5	768.2
Operating expenses	75.6	71.2	232.4	214.8
Net amortization of DAC/VOBA	2.1	8.6	13.1	18.3
Total operating benefits and expenses	364.6	332.5	1,112.0	1,001.3
Operating earnings before income taxes	$41.3	$44.2	$94.4	$122.5

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

($ in millions)	Three Months Ended September 30, 2016	2015	Nine Months Ended September 30, 2016	2015
DAC/VOBA and other intangibles unlocking[1]	$(0.2)	$(2.6)	$(4.0)	$(4.2)

[1] DAC/VOBA and other intangibles unlocking are included in Fee income, Interest credited and other benefits to contract owners/policyholders and Net amortization of DAC/VOBA and includes the impact of the review of the assumptions. See DAC/VOBA and Other Intangibles Unlocking in Part I, Item 2. of this Quarterly Report on Form 10-Q for further description.

The DAC/VOBA and other intangibles unlocking in the table above includes the impact of the annual review of the assumptions completed during the current period of $0.7 million for the three and nine months ended September 30, 2016 and $(2.0) million for the three and nine months ended September 30, 2015. The unlocking in both periods was driven primarily by in-force assumption updates.

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

($ in millions)	Three and Nine Months Ended September 30, 2016	2015
Fee income	$(0.2)	$3.8
Net amortization of DAC/VOBA	0.9	(5.8)
Total	$0.7	$(2.0)

131

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in millions)	2016	2015	2016	2015
Sales by Product Line:				
Group life	$8.1	$6.1	$56.1	$48.7
Group stop loss	32.1	28.2	214.1	253.1
Other group products	4.8	3.0	29.0	23.9
Total group products	45.0	37.3	299.2	325.7
Voluntary products	9.4	5.6	47.5	30.7
Total sales by product line	$54.4	$42.9	$346.7	$356.4
Total gross premiums and deposits	$412.0	$380.2	$1,229.3	$1,138.2
Total annualized in-force premiums	1,699.0	1,599.7	1,699.0	1,599.7
Loss Ratios:				
Group life (interest adjusted)	77.9 %	75.6 %	78.5 %	74.6 %
Group stop loss	79.5 %	67.3 %	77.2 %	70.0 %

Employee Benefits - Three Months Ended September 30, 2016 Compared to Three Months Ended September 30, 2015

Operating revenues

Net investment income and net realized gains (losses) increased $1.4 million from $26.8 million to $28.2 million primarily driven by higher prepayment fee income.

Fee income decreased $5.8 million from $21.0 million to $15.2 million primarily due to the impact of intangible unlocking in the unearned revenue reserve resulting from annual assumption updates.

Premiums increased $33.4 million from $330.2 million to $363.6 million primarily due to increased block size due to higher sales across all product lines.

Operating benefits and expenses

Interest credited and other benefits to contract owners/policyholders increased $34.2 million from $252.7 million to $286.9 million primarily due to higher group stop loss benefits incurred as a result of higher in-force and higher loss ratios from favorable experience in the prior period that did not reoccur, partially offset by a favorable reserve refinement in the current period.

Operating expenses increased $4.4 million from $71.2 million to $75.6 million primarily due to higher variable expenses associated with the growth of the business.

Net amortization of DAC/VOBA decreased $6.5 million from $8.6 million to $2.1 million primarily due to favorable DAC/VOBA unlocking resulting from annual assumption updates.

Operating earnings before income taxes

Operating earnings before income taxes decreased $2.9 million from $44.2 million to $41.3 million primarily due to higher benefits incurred and increased expenses, partially offset by the impact of annual assumption updates, a favorable reserve refinement in the current period and higher premiums related to growth of the business. The current period group stop loss and group life ratios are within the expected range although higher than the prior period.

Employee Benefits - Nine Months Ended September 30, 2016 Compared to Nine Months Ended September 30, 2015

Operating revenues

Fee income decreased $5.5 million from $52.3 million to $46.8 million primarily due to the impact of intangible unlocking in the unearned revenue reserve resulting from annual assumption updates.

Premiums increased $87.1 million from $994.6 million to $1,081.7 million primarily due to increased block size due to higher sales across all product lines.

Operating benefits and expenses

Interest credited and other benefits to contract owners/policyholders increased $98.3 million from $768.2 million to $866.5 million primarily due to higher group stop loss and group life benefits associated with growth of the business and higher benefits incurred as a result of favorable loss ratio experience in the prior period that did not reoccur, partially offset by a favorable reserve refinement in the current period.

Operating expenses increased $17.6 million from $214.8 million to $232.4 million primarily due to higher variable expenses associated with growth of the business.

Net amortization of DAC/VOBA decreased $5.2 million from $18.3 million to $13.1 million primarily due to favorable DAC/VOBA unlocking resulting from annual assumption updates, partially offset by higher terminated cases in the current period.

Operating earnings before income taxes

Operating earnings before income taxes decreased $28.1 million from $122.5 million to $94.4 million primarily due to higher benefits incurred and increased expenses, partially offset by the impact of annual assumption updates, a favorable reserve refinement in the current period and higher premiums driven by growth of the business. The current period group stop loss and group life ratios are within the expected range although higher than the prior period.

Corporate

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in millions)	2016	2015	2016	2015
Interest expense	$(47.6)	$(48.1)	$(145.3)	$(146.0)
Amortization of intangibles	(8.9)	(9.1)	(27.1)	(27.5)
Strategic Investment Program	(28.9)	(31.7)	(93.5)	(44.8)
Other	7.9	13.3	21.1	41.2
Operating earnings before income taxes	$(77.5)	$(75.6)	$(244.8)	$(177.1)

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

Corporate - Three Months Ended September 30, 2016 Compared to Three Months Ended September 30, 2015

Operating earnings before income taxes decreased $1.9 million from a loss of $75.6 million to a loss of $77.5 million primarily related to higher Operating expenses, including net compensation adjustments, partially offset by a reduction in legal costs and lower expenses associated with our Strategic Investment Program.

Corporate - Nine Months Ended September 30, 2016 Compared to Nine Months Ended September 30, 2015

Operating earnings before income taxes decreased $67.7 million from a loss of $177.1 million to a loss of $244.8 million primarily related to expenses associated with our Strategic Investment Program, and higher Operating expenses, including net compensation adjustments, as well as legal costs primarily due to higher reserves with respect to several litigation and regulatory matters that were previously included within our disclosures of reasonably possible losses in excess of reserves in prior periods.

Closed Block Other

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in millions)	2016	2015	2016	2015
Operating revenues:				
Net investment income and net realized gains (losses)	$9.8	$14.0	$37.5	$50.8
Premiums	0.5	0.8	2.2	2.1
Other revenue	0.1	0.1	1.9	(0.1)
Total operating revenues	10.4	14.9	41.6	52.8
Operating benefits and expenses:				
Interest credited and other benefits to contract owners/policyholders	14.3	8.4	32.6	20.7
Operating expenses	3.0	3.9	10.2	11.7
Total operating benefits and expenses	17.3	12.3	42.8	32.4
Operating earnings before income taxes	$(6.9)	$2.6	$(1.2)	$20.4

Effective April 1, 2015, we disposed of, via reinsurance, retained group reinsurance policies (the "Second Quarter 2015 Reinsurance Transaction"). Consistent with our practice to exclude business (including blocks of business) exited via reinsurance or divestment from Operating earnings before income taxes and from Operating revenues, beginning in the second quarter of 2015, the revenues and expenses of this reinsured block of business are excluded from these metrics.

Closed Block Other - Three Months Ended September 30, 2016 Compared to Three Months Ended September 30, 2015

Operating earnings before income taxes

Operating earnings before income taxes decreased $9.5 million from $2.6 million to $(6.9) million primarily due to an increase in recognition of deferred prepayment penalties associated with the early termination of certain FHLB funding agreements as well as lower earnings resulting from declines in the block size of GICs and funding agreements. The average block size of GICs and funding agreements, based on AUM, declined approximately 13% from $1.5 billion in 2015 to $1.3 billion in 2016, causing decreases in both Net investment income and Interest credited and other benefits to contract owners/policyholders.

Closed Block Other - Nine Months Ended September 30, 2016 Compared to Nine Months Ended September 30, 2015

Operating earnings before income taxes

Operating earnings before income taxes decreased $21.6 million from a gain of $20.4 million to a loss of $1.2 million primarily due to declines in the block size of GICs and funding agreements, an increase in recognition of deferred prepayment penalties associated with the early termination of certain FHLB funding agreements, and a decrease in earnings from the Second Quarter 2015 Reinsurance Transaction. The decreases were partially offset by an accrual release in the current period. The average block size of GICs and funding agreements, based on AUM, declined approximately 13% from $1.6 billion in 2015 to $1.4 billion in 2016, causing decreases in both Net investment income and Interest credited and other benefits to contract owners/policyholders.

Closed Block Variable Annuity

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in millions)	2016	2015	2016	2015
Revenues:				
Net investment income	$72.0	$61.1	$208.7	$166.7
Fee income	252.4	274.9	747.1	854.1
Premiums	166.6	82.4	371.0	335.9
Net realized capital gains (losses)	(219.8)	370.3	(243.2)	349.6
Other revenue	0.5	0.3	3.1	5.6
Total revenues	271.7	789.0	1,086.7	1,711.9
Benefits and expenses:				
Interest credited and other benefits to contract owners/policyholders	497.9	682.9	988.4	1,203.2
Operating expenses and interest expense	98.0	104.1	295.0	326.7
Net amortization of DAC/VOBA	3.8	9.1	28.8	38.0
Total benefits and expenses	599.7	796.1	1,312.2	1,567.9
Income (loss) before income taxes	$(328.0)	$(7.1)	$(225.5)	$144.0

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in millions)	2016	2015	2016	2015
Net gains (losses) related to incurred guaranteed benefits and guarantee hedge program, excluding nonperformance risk	$(309.6)	$(601.7)	$(1,188.1)	$(859.3)
Gain (losses) related to Capital Hedge Overlay ("CHO") program	(91.0)	122.4	(160.7)	105.7
Gain (loss) due to nonperformance risk	(123.3)	240.9	519.1	228.7
Net investment gains (losses)	2.5	(3.1)	19.5	(1.6)
DAC/VOBA and other intangibles unlocking	9.4	4.1	6.7	1.8

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

	September 30,	
($ in millions)	2016	2015
AUM:		
General account	$4,334.2	$3,269.8
Separate account	33,758.6	34,959.4
Total AUM	$38,092.8	$38,229.2

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in millions)	2016	2015	2016	2015
Balance as of beginning of period	$34,227.9	$38,902.6	$35,575.8	$41,132.0
Deposits	15.5	27.8	65.1	95.7
Surrenders, benefits and product charges	(1,099.2)	(1,016.6)	(2,905.3)	(3,685.5)
Net flows	(1,083.7)	(988.8)	(2,840.2)	(3,589.8)
Interest credited and investment performance	1,056.2	(2,502.0)	1,464.8	(2,130.4)
Balance as of end of period	$34,200.4	$35,411.8	$34,200.4	$35,411.8
End of period contracts in payout status	$3,892.4	$2,817.4	$3,892.4	$2,817.4
Total balance as of end of period[1]	$38,092.8	$38,229.2	$38,092.8	$38,229.2

[1] Includes products in accumulation and payout phase, policy loans and life insurance business.

The focus in managing our CBVA segment continues to be on protecting regulatory and rating agency capital, and our hedging program is primarily designed to mitigate the impacts of market movements on capital resources, rather than mitigating earnings volatility. Additionally, we continue to judiciously seek opportunities to accelerate the run-off of the block, such as through our recent offerings of enhanced income for eligible guaranteed minimum income benefit ("GMIB") policyholders which allowed for optional early annuitization. In October 2016, we filed a GMIB enhanced surrender value offer with the SEC which, if we decide to proceed with, would provide certain GMIB policyholders an option to surrender their contracts in exchange for an enhancement to their contract's surrender value.

Closed Block Variable Annuity - Three Months Ended September 30, 2016 Compared to Three Months Ended September 30, 2015

Loss before income taxes increased $320.9 million from $7.1 million to $328.0 million. Annual assumption updates and revisions to projection model inputs implemented during the current period resulted in a loss of $95.5 million, compared to loss of $86.0 million in the prior period. The $95.5 million loss included an unfavorable $250.2 million as a result of updates made to assumptions principally related to expected earned rates on certain investment options available to variable annuity contract holders, and discount rates applicable to future cash flows from variable annuity contracts. This loss was partially offset by $154.7 million of favorable policyholder behavior assumption changes, driven by a favorable update to utilization rates on Guaranteed minimum withdrawal benefits with life payouts ("GMWBL") contracts, partially offset by an unfavorable update to lapse rates. The prior period loss of $86.0 million included an unfavorable $43.0 million resulting from policyholder behavior assumption updates, partially offset by a favorable $27.4 million resulting from changes to mortality assumptions. The loss also included an unfavorable $70.4 million as a result of updates made to other assumptions, principally relating to expected earned rates on certain investment options available to variable annuity contract holders, discount rates applicable to future cash flows from variable annuity contracts and long term volatility.

The current period results also included an unfavorable variance of $364.2 million related to changes in the fair value of guaranteed benefit reserves related to nonperformance risk, from gains of $240.9 million in the prior period to losses of $123.3 million in the current period. Equity market performance variances, movements in credit spreads, and lower than expected market volatility led to an unfavorable variance in our CHO program of $213.4 million, from a gain of $122.4 million to a loss of $91.0 million. These losses were partially offset by favorable changes related to the incurred guaranteed benefits and our guarantee hedge program, from a loss of $601.7 million in the prior period, to a loss of $309.6 million in the current period. The $292.1 million favorable variance was primarily due to interest rate movements, which increased in the current period compared to a decrease in the prior period, and lower than expected market volatility, partially offset by the impact of equity markets.

Lower Fee income was partially offset by lower Operating expenses as a result of the continued run-off of the block, and higher Net investment income was primarily due to higher general account AUM. Higher Premiums associated with the annuitization of life contingent contracts were offset by corresponding reserve increases in Interest credited to contract owners/policyholders.

Closed Block Variable Annuity - Nine Months Ended September 30, 2016 Compared to Nine Months Ended September 30, 2015

Income (loss) before income taxes decreased $369.5 million from a gain of $144.0 million to a loss of $225.5 million. Annual assumption updates and revisions to projection model inputs implemented during the current period resulted in a loss of $95.5 million, compared to loss of $86.0 million in the prior period. The $95.5 million loss included an unfavorable $250.2 million as a result of updates made to other assumptions, principally relating to expected earned rates on certain investment options available to variable annuity contract holders, and discount rates applicable to future cash flows from variable annuity contracts. This loss was partially offset by $154.7 million of favorable policyholder behavior assumption changes, driven by a favorable update to utilization rates on GMWBL contracts, partially offset by an unfavorable update to lapse rates. The prior period loss of $86.0 million included an unfavorable $43.0 million resulting from policyholder behavior assumption updates, partially offset by a favorable $27.4 million resulting from changes to mortality assumptions. The loss also included an unfavorable $70.4 million as a result of updates made to other assumptions, principally relating to expected earned rates on certain investment options available to variable annuity contract holders, discount rates applicable to future cash flows from variable annuity contracts and long-term volatility.

The current period results also included an unfavorable variance of $328.8 million million related to the incurred guaranteed benefits and our guarantee hedge program, which resulted in a $1,188.1 million loss in the current period compared to a loss of $859.3 million in the prior period. The $328.8 million unfavorable variance was primarily due to continued decreases in interest rates, as well as equity market movements which increased in the current period compared to a decrease in the prior period. Equity market performance variances, movements in credit spreads, and lower than expected market volatility, partially offset by the impact of equity markets, led to an unfavorable variance in our CHO program of $266.4 million, from a gain of $105.7 million to a loss of $160.7 million. These losses were partially offset by the gains in the fair value of guaranteed benefit reserves related to nonperformance risk, which increased by $290.4 million from gains of $228.7 million to gains of $519.1 million in the current period.

Lower Fee income was partially offset by lower Operating expenses as a result of the continued run-off of the block, and higher Net investment income was primarily due to higher general account AUM. Higher Premiums associated with the annuitization of life contingent contracts were offset by corresponding reserve increases in Interest credited to contract owners/policyholders.

Alternative Investment Income

Investment income on certain alternative investments can be volatile due to changes in market conditions. The following table presents the amount of investment income (loss) on certain alternative investments that is included on segment Operating earnings before income taxes and the average level of assets in each segment, prior to intercompany eliminations. These alternative investments are carried at fair value, which is estimated based on the net asset value ("NAV") of these funds.

While investment income on these assets can be volatile, based on current plans, we expect to earn 8.0% to 9.0% on these assets over the long term.

137

The following table presents the investment income for the three and nine months ended September 30, 2016 and 2015, respectively, and the average assets of alternative investments as of the dates indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in millions)	2016	2015	2016	2015
Retirement:				
Alternative investment income	$7.7	$1.7	$0.4	$12.8
Average alternative investment	438.4	436.3	426.6	400.1
Investment Management:				
Alternative investment income	4.1	0.4	(19.2)	9.9
Average alternative investment	180.2	219.4	180.4	184.5
Annuities:				
Alternative investment income	4.8	2.6	(0.1)	8.9
Average alternative investment	263.5	270.0	259.9	254.1
Individual Life:				
Alternative investment income	3.4	2.8	0.9	7.6
Average alternative investment	191.2	178.4	182.1	169.3
Employee Benefits:				
Alternative investment income	0.8	0.2	0.2	1.3
Average alternative investment	42.5	44.4	41.6	40.4
Total Ongoing Business:				
Alternative investment income	20.8	7.7	(17.8)	40.5
Average alternative investment	1,115.8	1,148.5	1,090.6	1,048.4
Corporate:[1]				
Alternative investment income	—	—	—	2.8
Average alternative investment	—	—	—	36.6
Closed Block Other:[2]				
Alternative investment income	—	—	—	0.9
Average alternative investment	5.7	28.2	6.9	27.4
Total Voya Financial, Inc.:				
Alternative investment income	20.8	7.7	(17.8)	44.2
Average alternative investment	$1,121.5	$1,176.7	$1,097.5	$1,112.4

[1] Effective in the second quarter of 2015, approximately $110 million of alternative assets previously allocated to excess capital in the Corporate segment was allocated to all segments in proportion to each segment's target statutory capital.

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

DAC/VOBA and Other Intangibles Unlocking

Changes in Operating earnings before income taxes and Net income (loss) are influenced by increases and decreases in amortization of DAC, VOBA, deferred sales inducements ("DSI") and unearned revenue ("URR"), collectively, "DAC/VOBA and other intangibles." For Individual Life, changes in Operating earnings before income taxes and net income (loss) are also influenced by increases and decreases in amortization of net cost of reinsurance, as well as by changes in reserves associated with UL and VUL secondary guarantees and paid-up guarantees. Unlocking, described below, related to DAC, VOBA, DSI and URR, as well as amortization of net cost of reinsurance and reserve adjustments associated with UL and VUL secondary guarantees and paid-up guarantees are referred to as "DAC/VOBA and other intangibles unlocking." See the "Deferred Policy Acquisition Costs, Value of Business Acquired and Other Intangibles," "Reinsurance," and "Future Policy Benefits and Contract Owner Account Balances" sections in the Business, Basis of Presentation and Significant Accounting Policies Note in our Consolidated Financial Statements in Part II, Item 8. of our Annual Report on Form 10-K for more information.

We amortize DAC/VOBA and other intangibles related to universal life-type contracts and fixed and variable deferred annuity contracts in the Ongoing Business over the estimated lives of the contracts in relation to the emergence of estimated gross profits. Net cost of reinsurance is amortized in a similar manner. Assumptions as to mortality, persistency, interest crediting rates, returns associated with separate account performance, impact of hedge performance, expenses to administer the business and certain economic variables, such as inflation, are based on our experience and our overall short-term and long-term future expectations for returns available in the capital markets. At each valuation date, estimated gross profits are updated with actual gross profits and the assumptions underlying future estimated gross profits are evaluated for continued reasonableness. Adjustments to estimated gross profits require that amortization rates be revised retroactively to the date of the contract issuance, which is referred to as unlocking. As a result of this process, the cumulative balances of DAC/VOBA and other intangibles and net cost of reinsurance are adjusted with an offsetting benefit or charge to income to reflect changes in the period of the revision. An unlocking event that results in a benefit ("favorable unlocking") generally occurs as a result of actual experience or future expectations being favorable compared to previous estimates. Changes in DAC/VOBA and other intangibles and net cost of reinsurance due to contract changes or contract terminations higher than estimated are also included in "unlocking." An unlocking event that results in a charge ("unfavorable unlocking") generally occurs as a result of actual experience or future expectations being unfavorable compared to previous estimates. As a result of unlocking, the amortization schedules for future periods are also adjusted.

Reserves for UL and VUL secondary guarantees and paid-up guarantees are calculated by estimating the expected value of death benefits payable and recognizing those benefits ratably over the accumulation period based on total expected assessments. The reserve for such products recognizes the portion of contract assessments received in early years used to compensate us for benefits provided in later years. Assumptions used, such as the interest rate, lapse rate and mortality, are consistent with assumptions used in estimating gross profits for purposes of amortizing DAC. At each valuation date, we evaluate these assumptions and, if actual experience or other evidence suggests that earlier assumptions should be revised, we adjust the reserve balance, with a related charge or credit to Policyholder benefits. These reserve adjustments are included in unlocking associated with our Ongoing Business.

We also review the estimated gross profits for each of these blocks of business to determine the recoverability of DAC, VOBA and DSI balances each period. These assets are deemed to be unrecoverable if the estimated gross profits do not exceed these balances and a write-down is recorded that is referred to as loss recognition. There was no loss recognition for the three and nine months ended September 30, 2016 and 2015.

During the third quarter of 2016, we completed our annual review of the assumptions, including projection model inputs, in each of our segments (except for the Investment Management and Corporate segments, for which assumption reviews are not relevant). As a result of this review, we have made a number of changes to our assumptions resulting in a net unfavorable impact of $144.9 million in the current period, compared to a net unfavorable impact of $82.0 million to Operating earnings before income taxes in the third quarter of 2015. These impacts are included in the DAC/VOBA and other intangibles unlocking.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in millions)	2016	2015	2016	2015
Retirement	$(74.1)	$(48.2)	$(61.6)	$(48.9)
Annuities	56.4	(12.9)	78.8	1.6
Individual Life	(122.1)	(29.4)	(134.0)	(43.9)
Employee Benefits	(0.2)	(2.6)	(4.0)	(4.2)
Total DAC/VOBA and other intangibles unlocking[1]	$(140.0)	$(93.1)	$(120.8)	$(95.4)

[1]Includes unlocking related to cost of reinsurance and secondary and paid-up guarantees.

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in millions)	2016	2015	2016	2015
CBVA	$9.4	$4.1	$6.7	$1.8
Ongoing Business	(53.0)	(81.7)	11.1	(65.7)
Total DAC/VOBA and other intangibles unlocking	$(43.6)	$(77.6)	$17.8	$(63.9)

Liquidity and Capital Resources

Liquidity is our ability to generate sufficient cash flows to meet the cash requirements of operating, investing and financing activities. Capital refers to our long-term financial resources available to support the business operations and contribute to future growth. Our ability to generate and maintain sufficient liquidity and capital depends on the profitability of the businesses, timing of cash flows on investments and products, general economic conditions and access to the capital markets and the alternate sources of liquidity and capital described herein.

Consolidated Sources and Uses of Liquidity and Capital

Our principal available sources of liquidity are product charges, investment income, proceeds from the maturity and sale of investments, proceeds from debt issuance and borrowing facilities, repurchase agreements, contract deposits and securities lending. Primary uses of these funds are payments of policyholder benefits commissions and operating expenses, interest credits, share repurchases, investment purchases and contract maturities, withdrawals and surrenders.

Parent Company Sources and Uses of Liquidity and Capital

In evaluating liquidity, it is important to distinguish the cash flow needs of Voya Financial, Inc. from the cash flow needs of the Company as a whole. Voya Financial, Inc. is largely dependent on cash flows from its operating subsidiaries to meet its obligations. The principal sources of funds available to Voya Financial, Inc. include dividends and returns of capital from its operating subsidiaries, as well as cash and short-term investments. These sources of funds are currently supplemented by Voya Financial, Inc.'s access to the $750.0 million revolving credit sublimit of its Second Amended and Restated Credit Agreement and reciprocal borrowing facilities maintained with its subsidiaries as well as other alternate sources of liquidity described below either directly or indirectly through its insurance subsidiaries.

Voya Financial, Inc.'s primary sources and uses of cash for the periods indicated are presented in the following table:

($ in millions)	Nine Months Ended September 30, 2016	2015
Beginning cash and cash equivalents balance	$378.1	$682.1
Sources:		
Dividends and returns of capital from subsidiaries	977.0	1,522.0
Proceeds from 2026 Notes offering	498.6	—
Proceeds from 2046 Notes offering	299.6	—
Total sources	1,775.2	1,522.0
Uses:		
Repurchase of Senior Notes	659.8	—
Premium paid and other fees related to debt extinguishment	84.0	—
Payment of interest expense	118.5	122.0
Capital provided to subsidiaries	65.0	—
New issuances of loans to subsidiaries, net of repayments	115.2	95.6
Amounts paid to subsidiaries under tax sharing agreements, net	5.0	15.7
Payment of income taxes, net	64.1	77.1
Debt issuance costs	16.0	—
Common stock acquired - Share repurchase	487.2	1,340.5
Share-based compensation	6.3	4.4
Dividends paid	6.1	6.9
Acquisition of short-term investments	—	212.0
Other, net	2.8	8.6
Total uses	1,630.0	1,882.6
Net increase (decrease) in cash and cash equivalents	145.2	(360.6)
Ending cash and cash equivalents balance	$523.3	$321.5

Share Repurchase Program and Dividends to Shareholders

On March 13, 2014, our Board of Directors authorized a share repurchase program, pursuant to which we may, from time to time, purchase shares of our common shares through various means, including, without limitation, open market transactions, privately negotiated transactions, forward, derivative, or accelerated repurchase transactions or tender offers. On February 4, 2016, our Board of Directors increased the amount of the Company’s common stock authorized for repurchase under the Company’s share repurchase program by an additional $700.0 million. The additional share repurchase authorization expires on December 31, 2016 (unless extended), and does not obligate the Company to purchase any shares. The authorization for the share repurchase program may be terminated, increased or decreased by our Board of Directors at any time.

During the nine months ended September 30, 2016, we repurchased 11,313,031 shares of our common stock in open market repurchases for an aggregate purchase price of $337.0 million and 5,690,254 shares of our common shares under discounted share repurchase agreements with third-party financial institutions for an aggregate purchase price of $150.0 million. These repurchases reduced the remaining amount of our share repurchase authorization to $233.3 million as of September 30, 2016.

On October 27, 2016, our Board of Directors provided its most recent share repurchase authorization, increasing the aggregate amount of our common stock authorized for repurchase by $600.0 million. The current share repurchase authorization expires on December 31, 2017 (unless extended), and does not obligate us to purchase any shares. The authorization for the share repurchase program may be terminated, increased or decreased by our Board of Directors at any time.

Our Board of Directors has authorized us to spend at least $233.3 million of the remaining authorization in the fourth quarter of 2016.

The following table summarizes our return of capital to common shareholders:

($ in millions)	Nine Months Ended September 30, 2016	2015
Dividends to shareholders	$6.1	$6.9
Repurchase of common shares	487.0	1,240.2 [1]
Total cash returned to shareholders	$493.1	$1,247.1

[1] Amount excludes $100.0 million share repurchase arrangement entered into on September 23, 2015.

Liquidity

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

Description of Certain Indebtedness

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

We did not have any short-term debt borrowings outstanding as of September 30, 2016. The following table summarizes our borrowing activities for the nine months ended September 30, 2016:

($ in millions)	Beginning Balance	Issuance	Maturities and Repurchases	Other Changes	Ending Balance
Long-Term Debt:					
Debt securities	$ 3,454.9	$ 798.2	$ (708.3)	$ (1.2)	$ 3,543.6
Windsor property loan	4.9	—	—	—	4.9
Subtotal	3,459.8	798.2	(708.3)	(1.2)	3,548.5
Less: Current portion of long-term debt	—	—	—	—	—
Total long-term debt	$ 3,459.8	$ 798.2	$ (708.3)	$ (1.2)	$ 3,548.5

As of September 30, 2016, we were in compliance with our debt covenants.

Debt Securities

Senior Notes. On June 13, 2016, Voya Financial, Inc. issued $500.0 million of unsecured 3.65% Senior Notes due 2026 (the “2026 Notes”) and $300.0 million of unsecured 4.8% Senior Notes due 2046 (the "2046 Notes," and collectively with the 2026 Notes, the “Notes”) in a registered public offering. The Notes are fully, irrevocably and unconditionally guaranteed by Voya Holdings Inc. (“Voya Holdings”). Interest is paid semi-annually, in arrears, on each June 15 and December 15, beginning on December 15, 2016. We may elect to redeem the Notes at any time at a redemption price equal to the principal amount, or, if greater, a "make-whole redemption price," plus, in each case accrued and unpaid interest. We used the proceeds of the Notes to repurchase $43.7 million of the Aetna Notes and $659.8 million of the Senior Notes on June 20, 2016 through a tender offer.

As of September 30, 2016, Voya Financial, Inc. had five series of senior notes outstanding (collectively, the "Senior Notes") with an aggregate principal amount outstanding of $2,390.2 million. We may elect to redeem all or any portion of the Senior Notes at any time at a redemption price equal to the principal amount redeemed, or, if greater, a "make-whole redemption price," plus, in each case accrued and unpaid interest.

During the nine months ended September 30, 2016, Voya Financial, Inc. repurchased $486.8 million and $173.0 million of the outstanding principal amount of 5.5% Senior Notes due July 15, 2022 and 2.9% Senior Notes due February 15, 2018, respectively, all of which was repurchased in the tender offer. In connection with these transactions, we incurred a loss on debt extinguishment of $0.1 million and $87.6 million for the three and nine months ended September 30, 2016, respectively, which was recorded in Interest expense in the Condensed Consolidated Statements of Operations.

Junior Subordinated Notes. As of September 30, 2016, the principal amount outstanding of junior subordinated notes (the "Junior Subordinated Notes") was $750.0 million. The Junior Subordinated Notes are guaranteed on an unsecured, junior subordinated basis by Voya Holdings.

Aetna Notes. During the nine months ended September 30, 2016, Voya Holdings repurchased $14.8 million, $16.4 million, $17.3 million of the outstanding principal amount of 6.97% Debentures due August 15, 2036, 7.63% Debentures due August 15, 2026, and 7.25% Debentures due August 15, 2023, respectively. In connection with these transactions, we incurred a loss on debt extinguishment of $17.0 million for the nine months ended September 30, 2016, which was recorded in Interest expense in the Condensed Consolidated Statements of Operations. As of September 30, 2016, the outstanding principal amount of the Aetna Notes was $426.5 million, which is guaranteed by ING Group.

On December 30, 2015, we exercised our option to establish a control account benefiting ING Group with a third-party collateral agent. During the nine months ended September 30, 2016, we withdrew $49.6 million of collateral, net of interest earned, thereby reducing the remaining collateral balance to $27.4 million. The collateral may be exchanged at any time upon the posting of any other form of acceptable collateral to the account.

Senior Unsecured Credit Facility

Effective May 6, 2016, we revised the terms of our Amended and Restated Revolving Credit Agreement (“Amended Credit Agreement”), dated February 14, 2014, by entering into a Second Amended and Restated Revolving Credit Agreement (“Second Amended and Restated Credit Agreement”) with a syndicate of banks, a large majority of which participated in the Amended Credit Agreement. The Second Amended and Restated Credit Agreement modifies the Amended Credit Agreement by extending the term of the agreement to May 6, 2021 and reducing the total amount of LOCs that may be issued from $3.0 billion to $2.25 billion. The revolving credit sublimit of $750.0 million present in the Amended Credit Agreement remains unchanged.

As of September 30, 2016, there were no amounts outstanding as revolving credit borrowings and $30.7 million of LOCs outstanding under the senior unsecured credit facility.

Other Credit Facilities

We use credit facilities primarily to provide collateral required under our affiliated reinsurance transactions as well as certain third-party reinsurance arrangements to which Security Life of Denver International Limited ("SLDI"), an Arizona captive, is a party. We also issue guarantees and enter into financing arrangements in connection with our affiliated reinsurance transactions. These arrangements are primarily designed to facilitate the financing of statutory reserve requirements. By reinsuring business to our captive reinsurance subsidiaries and SLDI, we are able to use alternative sources of collateral to fund the statutory reserve requirements and are generally able to secure longer term financing on a more capital efficient basis.

We also utilize LOCs to provide credit for reinsurance on portions of the CBVA segment liabilities reinsured to an affiliate in order to meet statutory reserve requirements at those times when the assets and other capital backing the reinsurance liabilities may be less than the statutory reserve requirement. With respect to the CBVA segment liabilities, as of September 30, 2016, there were no LOC requirements or LOCs issued, as the statutory reserves were fully supported by assets in trust.

In addition to the $1.8 billion of credit facilities utilized by Individual Life, Retirement, and Hannover Re block, $73.1 million of LOCs were outstanding to support miscellaneous requirements. In total, $1.9 billion of credit facilities were utilized as of September 30, 2016. As of September 30, 2016, the capacity of our unsecured and uncommitted credit facilities totaled $301.7 million and the capacity of our unsecured and committed credit facilities totaled $4.7 billion. We also have $205.0 million in secured facilities.

The following table summarizes our credit facilities, including our senior unsecured credit facility, as of September 30, 2016:
($ in millions)

Obligor / Applicant	Business Supported	Secured / Unsecured	Committed / Uncommitted	Expiration	Capacity	Utilization	Estimated amount of Collateral Required	Unused Commitment
Voya Financial, Inc.		Unsecured	Committed	05/06/2021	$2,250.0	$ 30.7	$ 30.7	$ 2,219.3
	Individual Life					20.0	20.0	
	Retirement					—	—	
	Other					10.7	10.7	
SLDI	Retirement	Unsecured	Committed	01/24/2018	175.0	159.0	159.0	16.0
Voya Financial, Inc./ Langhorne I, LLC	Retirement	Unsecured	Committed	01/15/2019	500.0	—	—	500.0
SLDI	Hannover Re	Unsecured	Committed	10/29/2022	300.0	233.6	233.6	66.4
Voya Financial, Inc. / SLDI	Individual Life	Unsecured	Committed	12/31/2025	475.0	475.0	475.0	—
Voya Financial, Inc.	Individual Life	Secured	Committed	02/11/2018	195.0	195.0	195.0	—
Voya Financial, Inc.	Other	Unsecured	Uncommitted	Various	1.7	1.7	1.7	—
Voya Financial, Inc.	Other	Secured	Uncommitted	Various	10.0	0.7	0.7	—
Voya Financial, Inc. / Roaring River LLC	Individual Life	Unsecured	Committed	10/01/2025	425.0	258.6	258.6	166.4
Voya Financial, Inc. / Roaring River IV, LLC	Individual Life	Unsecured	Committed	12/31/2028	565.0	357.4	357.4	207.6
Voya Financial, Inc. / SLDI	Individual Life/Other	Unsecured	Uncommitted	04/20/2017	300.0	200.5	200.5	—
Total					$5,196.7	$ 1,912.2	$ 1,912.2	$ 3,175.7

Total fees associated with credit facilities were $10.1 million and $27.2 million for the three months ended September 30, 2016 and 2015, respectively. Total fees associated with credit facilities were $33.8 million and $76.9 million for the nine months ended September 30, 2016 and 2015, respectively. The reduction in expenses associated with credit facilities during the three and nine months ended September 30, 2016 is primarily attributed to the elimination of fees associated the Individual Reinsurance business upon the completion of the Hannover Note facility in September 2015 and the unwind of the financing arrangement associated with the business sold to Reinsurance Group of America, Inc., ("RGA") during the fourth quarter of 2015.

Effective April 15, 2016, SLDI, Voya Financial, Inc. and Voya Holdings, Inc. entered into a $300.0 million letter of credit facility agreement with a third party bank used to provide letters of credit associated with affiliated reinsurance treaties reinsured to SLDI.

The following tables present our existing financing facilities for each of our Individual Life, Retirement and Hannover Re blocks of business as of September 30, 2016. While these tables present the current financing for each block, these financing facilities will expire prior to the runoff of the reserve liabilities they support. In addition, these liabilities will change over the life of each block. As a result, we expect to periodically extend or replace and increase, as necessary, the existing financing as each block grows toward the peak reserve requirement noted below.

Individual Life
($ in millions)

Obligor / Applicant	Financing Structure	Reserve Type	Expiration	Capacity	Utilization	Estimated amount of Collateral Required
Voya Financial, Inc.	Credit Facility	XXX	05/06/2021	$ 20.0	$ 20.0	$ 20.0
Voya Financial, Inc.	Credit Facility	XXX/AG38	02/11/2018	195.0	195.0	195.0
Voya Financial, Inc. / Roaring River LLC	LOC Facility	XXX	10/01/2025	425.0	258.6	258.6
Voya Financial, Inc. / Roaring River IV, LLC	Trust Note	AG38	12/31/2028	565.0	357.4	357.4
Voya Financial, Inc. / SLDI	LOC Facility	AG38	12/31/2025	475.0	475.0	475.0
Voya Financial, Inc. / SLDI	Credit Facility	XXX/AG38	04/20/2017	140.5	140.5	140.5
Total				$ 1,820.5	$ 1,446.5	$ 1,446.5

The peak financing requirement for the Individual Life liabilities above is expected to reach approximately $2.1 billion during the period 2020 - 2025.

Retirement
($ in millions)

Obligor / Applicant	Financing Structure	Product	Expiration	Capacity	Utilization	Estimated amount of Collateral Required
SLDI	LOC Facility	Individual & Group Deferred Annuities	01/24/2018	$ 175.0	$ 159.0	$ 159.0
Voya Financial, Inc./ Langhorne I, LLC	Trust Note	Stable Value	01/15/2019	500.0	—	—
Total				$ 675.0	$ 159.0	$ 159.0

Hannover Re block
($ in millions)

Obligor / Applicant	Financing Structure	Reserve Type	Expiration	Capacity	Utilization	Estimated amount of Collateral Required
SLDI	LOC Facility	XXX/AG38	10/29/2022	$ 300.0	$ 233.6	$ 233.6
Total				$ 300.0	$ 233.6	$ 233.6

Voya Financial, Inc. Credit Support of Subsidiaries

Voya Financial, Inc. maintains credit facilities with third-party banks to support the reinsurance obligations of our captive reinsurance subsidiaries. As of September 30, 2016, such facilities provided for up to $2.0 billion of capacity, of which $1.1 billion was utilized.

In addition to providing credit facilities, we also provide credit support to our captive reinsurance subsidiaries through surplus maintenance agreements, pursuant to which we agree to cause these subsidiaries to maintain particular levels of capital or surplus and which we entered into, in connection with particular credit facility agreements. Since these obligations are not subject to limitations, it is not possible to determine the maximum potential amount due under these agreements.

Voya Financial, Inc. has also entered into a corporate guarantee agreement with a third-party ceding insurer where it guarantees the reinsurance obligations of our subsidiary, Security Life of Denver Insurance Company ("SLD"), assumed under a reinsurance agreement with the third-party cedent. SLD retrocedes the business to Hannover Life Reassurance Company of America ("Hannover US") who is the claim paying party. The current amount of reserves outstanding as of September 30, 2016 is $24.7 million. The maximum potential obligation is not specified or applicable. Since these obligations are not subject to limitations, it is not possible to determine the maximum potential amount due under these guarantees.

Voya Financial, Inc. guarantees the obligations of Voya Holdings under the $13.0 million principal amount Equitable Notes maturing in 2027 as well as $426.5 million combined principal amount of Aetna Notes. For more information see "Debt Securities" above. From time to time, Voya Financial, Inc. may also have outstanding guarantees of various additional obligations of its subsidiaries.

Effective April 15, 2016, Voya Financial, Inc. and Voya Holdings entered into a $300.0 million letter of credit facility agreement with a third party bank in order to guarantee the reimbursement obligations of SLDI as borrower.

We did not recognize any asset or liability as of September 30, 2016 in relation to intercompany indemnifications and support agreements. As of September 30, 2016, no circumstances existed in which we were required to currently perform under these indemnifications and support agreements.

Borrowings from Subsidiaries

We maintain revolving reciprocal loan agreements with a number of our life and non-life insurance subsidiaries that are used to fund short-term cash requirements that arise in the ordinary course of business. Under these agreements, either party may borrow up to the maximum allowable under the agreement for a term not more than 270 days. For life insurance subsidiaries, the amounts that either party may borrow from the other under the agreement vary and are between 2% and 5% of the insurance subsidiary's statutory net admitted assets (excluding separate accounts) as of the previous year end depending on the state of domicile. As of September 30, 2016, the aggregate amount that may be borrowed or lent under agreements with life insurance subsidiaries was $2.6 billion. For non-life insurance subsidiaries, the maximum allowable under the agreement is based on the assets of the subsidiaries and their particular cash requirements. As of September 30, 2016, Voya Financial, Inc. had no outstanding borrowings from subsidiaries. Voya Financial, Inc. loaned $445.3 million to its subsidiaries as of September 30, 2016.

Ratings

Our access to funding and our related cost of borrowing, requirements for derivatives collateral posting and the attractiveness of certain of our products to customers are affected by our credit ratings and insurance financial strength ratings, which are periodically reviewed by the rating agencies. Financial strength ratings and credit ratings are important factors affecting public confidence in an insurer and its competitive position in marketing products. The credit ratings are also important for the ability to raise capital through the issuance of debt and for the cost of such financing.

A downgrade in our credit ratings or the credit or financial strength ratings of our rated subsidiaries could potentially, among other things, limit our ability to market products, reduce our competitiveness, increase the number or value of policy surrenders and withdrawals, increase our borrowing costs and potentially make it more difficult to borrow funds, adversely affect the availability of financial guarantees or LOCs, cause additional collateral requirements or other required payments under certain agreements, allow counterparties to terminate derivative agreements and/or hurt our relationships with creditors, distributors or trading counterparties thereby potentially negatively affecting our profitability, liquidity and/or capital. In addition, we consider nonperformance risk in determining the fair value of our liabilities. Therefore, changes in our credit or financial strength ratings may affect the fair value of our liabilities.

Additionally, ratings of the Aetna Notes, which are guaranteed by ING Group are influenced by ING Group's ratings. A change in the credit ratings of ING Group could result in a change in the ratings of these securities, as occurred during April 2016.

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

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

	Rating Agency			
	A.M. Best	Fitch, Inc.	Moody's Investors Service, Inc.	Standard & Poor's
Company	("A.M. Best")	("Fitch")	("Moody's")	("S&P")
Voya Financial, Inc. (Long-term Issuer Credit)	bbb (4 of 10)	BBB+ (4 of 11)	Baa2 (4 of 9)	BBB (4 of 11)
Voya Financial, Inc. (Senior Unsecured Debt)(1)	bbb (4 of 10)	BBB (4 of 9)	Baa2 (4 of 9)	BBB (4 of 9)
Voya Financial, Inc. (Junior Subordinated Debt)(2)	bb+ (5 of 10)	BB+ (5 of 9)	Baa3 (hyb) (4 of 9)	BB+ (5 of 9)
Voya Retirement Insurance and Annuity Company				
Financial Strength Rating	A (3 of 16)	A (3 of 9)	A2 (3 of 9)	A (3 of 9)
Voya Insurance and Annuity Company				
Financial Strength Rating	A (3 of 16)	A (3 of 9)	A2 (3 of 9)	A (3 of 9)
Short-term Issuer Credit Rating	NR*	NR	NR	NR
ReliaStar Life Insurance Company				
Financial Strength Rating	A (3 of 16)	A (3 of 9)	A2 (3 of 9)	A (3 of 9)
Short-term Issuer Credit Rating	NR	NR	NR	A-1 (1 of 8)
Security Life of Denver Insurance Company				
Financial Strength Rating	A (3 of 16)	A (3 of 9)	A2 (3 of 9)	A (3 of 9)
Short-term Issuer Credit Rating	NR	NR	NR	A-1 (1 of 8)
Midwestern United Life Insurance Company				
Financial Strength Rating	A- (4 of 16)	NR	NR	A (3 of 9)
Voya Holdings Inc.				
Long-term Issuer Credit Rating	NR	NR	Baa2 (4 of 9)	BBB (4 of 11)
	NR	A+	Baa1 (4 of 9)	

Backed Senior Unsecured Debt Credit Rating [3]	A- (3 of 9)

* "NR" indicates not rated.
[1] $363.2 million, $827.0 million, $400.0 million, $500.0 million and $300.0 million of our Senior Notes.
[2] $750.0 million of our Junior Subordinated Notes.
[3] $426.5 million of our Aetna Notes guaranteed by ING Group.

Rating Agency	Financial Strength Rating Scale	Long-term Credit Rating Scale	Senior Unsecured Debt Credit Rating Scale	Short-term Credit Rating Scale
A.M. Best[1]	"A++" to "S"	"aaa" to "rs"	"aaa" to "d"	"AMB-1+" to "d"
Fitch[2]	"AAA" to "C"	"AAA" to "D"	"AAA" to "C"	"F1" to "D"
Moody's[3]	"Aaa" to "C"	"Aaa" to "C"	"Aaa" to "C"	"Prime-1" to "Not Prime"
S&P[4]	"AAA" to "R"	"AAA" to "D"	"AAA" to "D"	"A-1" to "D"

(1) A.M. Best’s financial strength rating is an independent opinion of an insurer's financial strength and ability to meet its ongoing insurance policy and contract obligations. It is based on a comprehensive quantitative and qualitative evaluation of a company's balance sheet strength, operating performance and business profile. A.M. Best’s long-term credit ratings reflect its assessment of the ability of an obligor to pay interest and principal in accordance with the terms of the obligation. Ratings from "aa" to "ccc" may be enhanced with a "+" (plus) or "-" (minus) to indicate whether credit quality is near the top or bottom of a category. A.M. Best’s short-term credit rating is an opinion to the ability of the rated entity to meet its senior financial commitments on obligations maturing in generally less than one year.
(2) Fitch’s financial strength ratings provide an assessment of the financial strength of an insurance organization. The IFS Rating is assigned to the insurance company's policyholder obligations, including assumed reinsurance obligations and contract holder obligations, such as guaranteed investment contracts. Within long-term and short-term ratings, a "+" or a "–" may be appended to a rating to denote relative status within major rating categories.
(3) Moody’s financial strength ratings provide opinions of the ability of insurance companies to repay punctually senior policyholder claims and obligations. Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category. Moody’s long-term credit ratings provide opinions of the relative credit risk of fixed-income obligations with an original maturity of one year or more. They address the possibility that a financial obligation will not be honored as promised. Moody’s short-term ratings are opinions of the ability of issuers to honor short-term financial obligations.
(4) S&P’s insurer financial strength rating is a forward-looking opinion about the financial security characteristics of an insurance organization with respect to its ability to pay under its insurance policies and contracts in accordance with their terms. A "+" or "-" indicates relative strength within a category. An S&P credit rating is an assessment of default risk, but may incorporate an assessment of relative seniority or ultimate recovery in the event of default. Short-term issuer credit ratings reflect the obligor's creditworthiness over a short-term time horizon.

Our ratings by A.M. Best, Fitch, Moody’s and S&P reflect a broader view of how the financial services industry is being challenged by the current economic environment, but also are based on the rating agencies’ specific views of our financial strength. In making their ratings decisions, the agencies consider past and expected future capital and earnings, asset quality and risk, profitability and risk of existing liabilities and current products, market share and product distribution capabilities and direct or implied support from parent companies, including implications of the recently completed divestment of Voya Financial, Inc. by ING Group, among other factors.

Rating agencies use an "outlook" statement for both industry sectors and individual companies. For an industry sector, a stable outlook generally implies that over the next 12 to 18 months the rating agency expects ratings to remain unchanged among companies in the sector. For a particular company, an outlook generally indicates a medium- or long-term trend in credit fundamentals, which if continued, may lead to a rating change.

Ratings actions, affirmation and outlook changes by A.M. Best, Fitch, Moody's and S&P from December 31, 2015 through September 30, 2016 and subsequently through the date of this Quarterly Report on Form 10-Q are as follows:

- On September 20, 2016, Fitch affirmed Voya Financial, Inc.'s long-term issuer credit rating, senior debt ratings and junior subordinated debt rating. Fitch also affirmed the financial strength ratings of the U.S. operating entities. The rating outlook for all ratings is Stable.

- On June 29, 2016, S&P affirmed Voya Financial, Inc.'s issuer credit rating and debt ratings. The financial strength ratings of the key operating subsidiaries were also affirmed. All ratings were assigned a Stable outlook.

- On June 13, 2016, the following rating actions were taken upon the issuance of the Notes:
  S&P assigned its BBB issue-level rating to the Notes with an outlook Stable.
  Moodys assigned a Baa2 senior unsecured debt rating to the notes with an outlook Stable.
  Fitch assigned a BBB senior unsecured debt rating to the Notes with an outlook Stable.
  A.M. Best assigned issue ratings of bbb to the Notes with an outlook Positive.

- On April 15, 2016, Fitch upgraded the ratings of the senior unsecured debt of Voya Holdings to A+ from A. The outlook is Stable. As Voya Holdings senior unsecured debt is guaranteed by ING Group, the upgrade is a result of Fitch upgrading, on April 14, 2016, the long-term issuer debt rating of ING Group to A+ from A, outlook Stable.

- On April 8, 2016, Fitch affirmed Voya Financial, Inc.'s issuer credit rating and debt ratings. The financial strength ratings of the key operating subsidiaries were also affirmed. All ratings were assigned a Stable outlook.

148

Potential Impact of a Ratings Downgrade

Our ability to borrow funds and the terms under which we borrow are sensitive to our short- and long-term issuer credit ratings. A downgrade of either or both of these credit ratings could increase our cost of borrowing. Additionally, a downgrade of either or both of these credit ratings could decrease the total amount of new debt that we are able to issue in the future or increase the costs associated with an issuance.

With respect to our credit facility agreements, based on the amount of credit outstanding as of September 30, 2016, no increase in collateral requirements would result due to a ratings downgrade of the credit ratings of Voya Financial, Inc. by S&P or Moody's.

Certain of our derivative and reinsurance agreements contain provisions that are linked to the financial strength ratings of certain of our insurance subsidiaries. If financial strength ratings were downgraded in the future, these provisions might be triggered and counterparties to the agreements could demand collateralization which could negatively impact overall liquidity.

Based on the amount of credit outstanding as of September 30, 2016, a one-notch or two-notch downgrade in Voya Financial, Inc.’s credit ratings by S&P or Moody's would not have resulted in an additional increase in our collateral requirements. The nature of the collateral that we may be required to post is principally in the form of cash and U.S. Treasury securities. Alternative forms of collateral, such as LOC, may also be used.

Certain of our reinsurance agreements contain provisions that are linked to the financial strength ratings of the individual legal entity that entered into the reinsurance agreement. If the insurance subsidiaries' financial strength ratings were downgraded in the future, the terms in our reinsurance agreements might be triggered and counterparties to the credit facility agreements could demand collateralization which could negatively impact overall liquidity. Based on the amount of credit outstanding as of September 30, 2016 and December 31, 2015, a two-notch downgrade of our insurance subsidiaries would have resulted in an estimated increase in our collateral requirements by $24.7 million and $25.0 million, respectively. The nature of the collateral that we may be required to post is principally in the form of cash, highly rated securities or LOC.

Certain of our derivative agreements contain provisions that are linked to the financial strength ratings of the individual legal entity that entered into the derivative agreement. If insurance subsidiaries' financial strength ratings were downgraded in the future, the terms in our derivative agreements might be triggered and counterparties to the derivative agreements could demand immediate further collateralization which could negatively impact overall liquidity. Based on the market value of our derivatives as of September 30, 2016 and December 31, 2015, a one-notch downgrade of our insurance subsidiaries would have resulted in an estimated increase in our derivative collateral requirements by approximately $15.0 million. The nature of the collateral that we may be required to post is principally in the form of cash and U.S. Treasury securities. Based on the market value of our derivatives as of September 30, 2016 and December 31, 2015, a two-notch downgrade of our insurance subsidiaries would have resulted in an estimated increase in the derivative collateral requirements required by a one-notch downgrade by an additional $37.5 million and $30.0 million additional requirements, respectively.

The amount of collateral that would be required to be posted is also dependent on the fair value of our derivative positions. For additional information on our derivative positions, see the Derivative Financial Instruments in Part I, Item 1. of this Quarterly Report on Form 10-Q.

Restrictions on Dividends and Returns of Capital from Subsidiaries

Our business is conducted through operating subsidiaries. U.S. insurance laws and regulations regulate the payment of dividends and other distributions by our U.S. insurance subsidiaries to their respective parents. These restrictions are based in part on the prior year's statutory income and surplus. In general, dividends up to specified levels are considered ordinary and may be paid without prior approval. Dividends in larger amounts, or "extraordinary" dividends, are subject to approval by the insurance commissioner of the state of domicile of the insurance subsidiary proposing to pay the dividend. In addition, under the insurance laws of our principal insurance subsidiaries domiciled in Connecticut, Iowa and Minnesota (these insurance subsidiaries, together with our insurance subsidiary domiciled in Colorado are referred to collectively, as our "principal insurance subsidiaries"), no dividend or other distribution exceeding an amount equal to an insurance company's earned surplus may be paid without the domiciliary insurance regulator's prior approval. As a result of the extraordinary dividend it paid in 2015, our Principal Insurance Subsidiary domiciled in Minnesota currently has negative earned surplus and therefore does not have capacity at this time to make ordinary dividend payments to Voya Holdings without domiciliary insurance regulatory approval which can be granted or withheld at the discretion of the regulator.

SLDI may not declare or pay dividends other than in accordance with its annual capital and dividend plan as approved by the Arizona Department of Insurance, which includes a minimum capital requirement.

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

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

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

	Dividends Paid		Extraordinary Distributions Paid	
	Nine Months Ended September 30,		Nine Months Ended September 30,	
($ in millions)	2016	2015	2016	2015
Subsidiary Name (State of domicile):				
Voya Insurance and Annuity Company ("VIAC") (IA)	$ 373.0	$ 394.0	$ —	$ 98.0
Voya Retirement Insurance and Annuity Company ("VRIAC") (CT)	274.0	231.0	—	—
Security Life of Denver Insurance Company (CO)	54.0	111.0	—	130.0
ReliaStar Life Insurance Company ("RLI") (MN)	—	194.0	100.0	280.0

Voya Financial, Inc.’s principal insurance subsidiary domiciled in Connecticut is planning to pay an ordinary dividend of $4.0 million on or after December 24, 2016.

Off-Balance Sheet Arrangements

We have obligations for the return of non-cash collateral under an amendment to our securities lending program. Non-cash collateral received in connection with the securities lending program may not be sold or re-pledged by our lending agent, except in the event of default, and is not reflected on our Condensed Consolidated Balance Sheets. For information regarding obligations under this program, see the Investments (excluding Consolidated Investment Entities) Note in our Condensed Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q. Additionally, for changes in commitments related to securities, mortgage loans, or money market instruments, see the Commitments and Contingencies Note in our Condensed Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q. Other than the above, there have been no material changes to our off-balance sheet arrangements since the filing of our Annual Report on Form 10-K.

Impact of New Accounting Pronouncements

For information regarding the impact of new accounting pronouncements, see the Business, Basis of Presentation and Significant Accounting Policies Note in our Condensed Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q.

Critical Accounting Judgments and Estimates

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Critical estimates and assumptions are evaluated on an on-going basis based on historical developments, market conditions, industry trends and other information that is reasonable under the circumstances. There can be no assurance that actual results will conform to estimates and assumptions and that reported results of operations will not be materially affected by the need to make future accounting adjustments to reflect changes in these estimates and assumptions from time to time.

We have identified the following accounting judgments and estimates as critical in that they involve a higher degree of judgment and are subject to a significant degree of variability:

- Reserves for future policy benefits;
- DAC, VOBA and other intangibles (collectively, "DAC/VOBA and other intangibles");
- Valuation of investments and derivatives;
- Impairments;
- Income taxes;
- Contingencies; and
- Employee benefit plans.

In developing these accounting estimates, we make subjective and complex judgments that are inherently uncertain and subject to material changes as facts and circumstances develop. Although variability is inherent in these estimates, we believe the amounts provided are appropriate based on the facts available upon preparation of the Condensed Consolidated Financial Statements.

The above critical accounting estimates are described in the Business, Basis of Presentation and Significant Accounting Policies Note in our Consolidated Financial Statements in Part II, Item 8. of our Annual Report on Form 10-K.

Assumptions and Periodic Review

Changes in assumptions can have a significant impact on DAC/VOBA and other intangibles balances, amortization rates, reserve levels and results of operations. Assumptions are management's best estimates of future outcome. We periodically review these assumptions against actual experience and, based on additional information that becomes available, update our assumptions. Deviation of emerging experience from our assumptions could have a significant effect on our DAC/VOBA and other intangibles, reserves and the related results of operations.

During the third quarter of 2016 and 2015, we conducted our annual review of assumptions, including projection model inputs and made a number of changes to our assumptions which impacted our Ongoing Business segments. During the current period, the impact of assumption changes resulted in a loss of $226.5 million, of which $144.9 million was included in Operating earnings before income taxes and reflects net (unfavorable) DAC/VOBA and other intangibles unlocking. The remaining loss of $81.6 million mainly reflects unfavorable DAC/VOBA and other intangibles unlocking associated with realized investment gains and losses, including derivatives, as well as assumption updates for guaranteed benefit derivatives. During the third quarter of 2015, the impact of assumption changes resulted in a loss of $128.4 million, of which $82.0 million was included in Operating earnings before income taxes and reflected net unfavorable DAC/VOBA and other intangibles unlocking. The remaining loss of $46.4 million mainly reflects changes in FIA policyholder behavior and net unfavorable DAC/VOBA and other intangibles unlocking associated with realized investment gains and losses, including derivatives, as well as assumption updates for guaranteed benefit derivatives.

In addition, we conducted our annual review of assumptions related to our CBVA contracts. Annual assumption changes and revisions to projection model inputs implemented during 2016 resulted in a loss of $95.5 million. This $95.5 million loss included an unfavorable $250.2 million as a result of updates made to assumptions principally related to expected earned rates on certain investment options available to variable annuity contract holders, and discount rates applicable to future cash flows from variable annuity contracts. This loss was partially offset by $154.7 million of favorable policyholder behavior assumption changes, driven by a favorable update to utilization on GMWBL contracts, partially offset by an unfavorable update to lapse rates.

Annual assumption changes and revisions to projection model inputs implemented during 2015 resulted in a loss of $86.0 million. This $86.0 million loss included an unfavorable $43.0 million resulting from policyholder behavior assumption changes partially offset by a favorable $27.4 million resulting from changes to mortality assumptions. The loss also included an unfavorable $70.4 million as a result of updates we have made to other assumptions, principally relating to expected earned rates on certain investment options available to variable annuity contractholders, discount rates applicable to future cash flows from variable annuity contracts and long-term volatility.
Refer to Risk Factors in PART II, Item 1A. of this Quarterly Report on Form 10-Q for more information on assumptions related to our CBVA contracts.

Sensitivity

We perform sensitivity analyses to assess the impact that certain assumptions have on DAC/VOBA and other intangibles, as well as certain reserves. The following table presents the estimated instantaneous net impact to income before income taxes of various assumption changes on our DAC/VOBA and other intangible balances and the impact on related reserves for future policy benefits and reinsurance. The effects presented are not representative of the aggregate impacts that could result if a combination of such changes to equity markets, interest rates and other assumptions occurred. (Assumptions regarding shifts in market factors may be overly simplistic and not indicative of actual market behavior in stress scenarios.)

($ in millions)	As of September 30, 2016
Decrease in long-term rate of return assumption by 100 basis points	$ (230.7)
A change to the long-term interest rate assumption of -50 basis points	(96.8)
A change to the long-term interest rate assumption of +50 basis points	61.9
An assumed increase in future mortality by 1%	(19.5)
A one-time, 10% decrease in equity market values	(428.9)

In addition, in our CBVA segment, assumption changes relating to the rate of return on fixed income investments backing CBVA contracts can also have a significant effect on reported financial results. The following table shows the sensitivity of the results of operations before income taxes of the CBVA segment to changes in these assumptions:

($ in millions)	As of September 30, 2016
A change of -50 basis points to the assumed rate of return on fixed-income investments backing CBVA contracts[(1)]	$ (253.8)
A change of +50 basis points to the assumed rate of return on fixed-income investments backing CBVA contracts	233.6

[(1)]Additionally, the assumption changes would result in loss recognition of approximately $250 million to $350 million.

We generally assume that the rate of return on fixed income investments backing CBVA contracts moves in a manner correlated with changes to our assumed long term rate of return. Furthermore, assumptions regarding shifts in market factors may be overly simplistic and not indicative of actual market behavior in stress scenarios.

Lower assumed equity rates of return, lower assumed interest rates, increased assumed future mortality and decreases in equity market values generally decrease DAC/VOBA and other intangibles and increase future policy benefits, thus decreasing income before income taxes. Higher assumed interest rates generally increase DAC/VOBA and other intangibles and decrease future policy benefits, thus increasing income before income taxes.

Income Taxes

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

However, in the third quarter of 2016, we utilized the discrete-period method under ASC 740 to compute our interim income tax provision due to significant variations in the relationship between the income tax expense and the pre-tax loss. The discrete-period method is applied when the application of the estimated annual effective tax rate is impractical because it is not possible to reliably estimate the annual effective tax rate.

Our effective tax rates for the three and nine months ended September 30, 2016 were 33.6% and (138.4)%, respectively. The effective tax rates differed from the statutory rate of 35% for primarily due to the effect of the relative dividends received deduction ("DRD") and noncontrolling interest.

Our effective tax rates for the three and nine months ended September 30, 2015 were (44.7)% and 15.6%, respectively. These effective tax rates differed from the statutory rate of 35% primarily due to the effect of the relative DRD and noncontrolling interest.

Investments (excluding Consolidated Investment Entities)

Investments for our general account are managed by our wholly owned asset manager, Voya Investment Management LLC, pursuant to investment advisory agreements with affiliates. In addition, our internal treasury group manages our holding company liquidity investments, primarily money market funds.

See the Management's Discussion and Analysis of Financial Condition and Results of Operations in our Consolidated Financial Statements in Part II, Item 7. of our Annual Report on Form 10-K for information on our investment strategy.

See the Investments (excluding Consolidated Investment Entities) Note in our Condensed Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q for more information on investments.

Portfolio Composition

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

($ in millions)	September 30, 2016			December 31, 2015		
	Carrying Value	% of Total		Carrying Value	% of Total	
Fixed maturities, available-for-sale, excluding securities pledged	$72,644.1	74.6	%	$67,733.4	76.5	%
Fixed maturities, at fair value using the fair value option	3,903.5	4.0	%	3,226.6	3.6	%
Equity securities, available-for-sale	285.3	0.3	%	331.7	0.4	%
Short-term investments[1]	1,346.8	1.4	%	1,496.7	1.7	%
Mortgage loans on real estate	11,475.7	11.8	%	10,447.5	11.8	%
Policy loans	1,995.6	2.0	%	2,002.7	2.3	%
Limited partnerships/corporations	698.8	0.7	%	510.6	0.6	%
Derivatives	2,731.4	2.8	%	1,538.5	1.7	%
Other investments	77.7	0.1	%	91.6	0.1	%
Securities pledged	2,193.5	2.3	%	1,112.6	1.3	%
Total investments	$97,352.4	100.0	%	$88,491.9	100.0	%

[1] Short-term investments include investments with remaining maturities of one year or less, but greater than 3 months, at the time of purchase.

Fixed Maturities

Total fixed maturities by market sector, including securities pledged, were as presented below as of the dates indicated:

($ in millions)	September 30, 2016 Amortized Cost	% of Total	Fair Value	% of Total
Fixed maturities:				
U.S. Treasuries	$3,016.0	4.3 %	$3,813.4	4.8 %
U.S. Government agencies and authorities	306.3	0.4 %	378.5	0.5 %
State, municipalities and political subdivisions	2,004.0	2.8 %	2,126.1	2.7 %
U.S. corporate public securities	32,055.1	44.6 %	35,601.3	45.2 %
U.S. corporate private securities	7,228.9	10.1 %	7,684.9	9.8 %
Foreign corporate public securities and foreign governments(1)	7,843.4	10.9 %	8,421.8	10.7 %
Foreign corporate private securities(1)	7,428.7	10.3 %	7,907.3	10.1 %
Residential mortgage-backed securities	6,907.9	9.6 %	7,501.9	9.5 %
Commercial mortgage-backed securities	3,784.3	5.3 %	4,023.9	5.1 %
Other asset-backed securities	1,233.2	1.7 %	1,282.0	1.6 %
Total fixed maturities, including securities pledged	$71,807.8	100.0%	$78,741.1	100.0%

(1) Primarily U.S. dollar denominated.

($ in millions)	December 31, 2015 Amortized Cost	% of Total	Fair Value	% of Total
Fixed maturities:				
U.S. Treasuries	$3,136.4	4.5 %	$3,649.0	5.1 %
U.S. Government agencies and authorities	309.8	0.4 %	352.6	0.5 %
State, municipalities and political subdivisions	1,337.8	1.9 %	1,346.2	1.9 %
U.S. corporate public securities	32,794.3	47.0 %	33,616.0	46.6 %
U.S. corporate private securities	6,527.5	9.3 %	6,641.1	9.2 %
Foreign corporate public securities and foreign governments(1)	8,129.1	11.6 %	8,023.6	11.1 %
Foreign corporate private securities(1)	7,252.5	10.4 %	7,348.6	10.2 %
Residential mortgage-backed securities	5,302.0	7.6 %	5,860.5	8.1 %
Commercial mortgage-backed securities	3,967.8	5.7 %	4,092.6	5.7 %
Other asset-backed securities	1,097.8	1.6 %	1,142.4	1.6 %
Total fixed maturities, including securities pledged	$69,855.0	100.0%	$72,072.6	100.0%

(1)Primarily U.S. dollar denominated.

As of September 30, 2016, the average duration of our fixed maturities portfolio, including securities pledged, is between 7.5 and 8.0 years.

Fixed Maturities Credit Quality - Ratings

For information regarding our fixed maturities credit quality ratings, see the Management's Discussion and Analysis of Financial Condition and Results of Operations in our Consolidated Financial Statements in Part II, Item 7. of our Annual Report on Form 10-K.

The following tables present credit quality of fixed maturities, including securities pledged, using NAIC designations as of the dates indicated:

($ in millions)	September 30, 2016						
NAIC Quality Designation	1	2	3	4	5	6	Total Fair Value
U.S. Treasuries	$3,813.4	$—	$—	$—	$—	$—	$3,813.4
U.S. Government agencies and authorities	378.5	—	—	—	—	—	378.5
State, municipalities and political subdivisions	1,993.2	130.5	1.0	—	0.1	1.3	2,126.1
U.S. corporate public securities	18,823.9	15,145.4	1,330.1	270.6	14.3	17.0	35,601.3
U.S. corporate private securities	3,724.2	3,481.2	347.6	117.4	9.5	5.0	7,684.9
Foreign corporate public securities and foreign governments[1]	4,096.8	3,603.0	566.1	155.4	—	0.5	8,421.8
Foreign corporate private securities[1]	1,156.5	6,089.5	619.9	16.4	11.9	13.1	7,907.3
Residential mortgage-backed securities	7,111.1	154.9	24.0	24.7	31.8	155.4	7,501.9
Commercial mortgage-backed securities	4,022.4	—	—	1.5	—	—	4,023.9
Other asset-backed securities	1,151.2	74.5	25.4	8.6	1.2	21.1	1,282.0
Total fixed maturities	$46,271.2	$28,679.0	$2,914.1	$594.6	$68.8	$213.4	$78,741.1
% of Fair Value	58.8 %	36.4 %	3.7 %	0.7 %	0.1 %	0.3 %	100.0 %

[1] Primarily U.S. dollar denominated.

155

($ in millions)	December 31, 2015						
NAIC Quality Designation	1	2	3	4	5	6	Total Fair Value
U.S. Treasuries	$3,649.0	$—	$—	$—	$—	$—	$3,649.0
U.S. Government agencies and authorities	352.6	—	—	—	—	—	352.6
State, municipalities and political subdivisions	1,294.2	49.8	1.0	—	0.1	1.1	1,346.2
U.S. corporate public securities	17,129.2	14,823.5	1,382.8	260.1	—	20.4	33,616.0
U.S. corporate private securities	3,179.0	3,148.7	247.8	60.8	4.8	—	6,641.1
Foreign corporate public securities and foreign governments[1]	4,018.2	3,355.2	620.3	25.5	2.6	1.8	8,023.6
Foreign corporate private securities[1]	904.6	6,116.8	290.5	35.0	—	1.7	7,348.6
Residential mortgage-backed securities	5,626.5	31.1	9.2	17.2	35.3	141.2	5,860.5
Commercial mortgage-backed securities	4,084.0	4.0	1.3	3.3	—	—	4,092.6
Other asset-backed securities	1,078.1	24.8	18.8	19.1	1.2	0.4	1,142.4
Total fixed maturities	$41,315.4	$27,553.9	$2,571.7	$421.0	$44.0	$166.6	$72,072.6
% of Fair Value	57.3 %	38.2 %	3.6 %	0.6 %	0.1 %	0.2 %	100.0 %

[1]Primarily U.S. dollar denominated.

156

The following tables present credit quality of fixed maturities, including securities pledged, using ARO ratings as of the dates indicated:

($ in millions)	September 30, 2016					
ARO Quality Ratings	AAA	AA	A	BBB	BB and Below	Total Fair Value
U.S. Treasuries	$3,813.4	$—	$—	$—	$—	$3,813.4
U.S. Government agencies and authorities	369.3	9.2	—	—	—	378.5
State, municipalities and political subdivisions	219.8	1,283.4	490.0	130.5	2.4	2,126.1
U.S. corporate public securities	498.3	2,729.5	15,540.6	15,168.2	1,664.7	35,601.3
U.S. corporate private securities	297.3	329.7	2,812.3	3,786.4	459.2	7,684.9
Foreign corporate public securities and foreign governments[(1)]	122.6	960.0	3,018.7	3,550.9	769.6	8,421.8
Foreign corporate private securities[(1)]	—	—	1,318.9	6,284.1	304.3	7,907.3
Residential mortgage-backed securities	6,161.3	6.0	14.2	50.4	1,270.0	7,501.9
Commercial mortgage-backed securities	2,787.0	340.5	480.0	108.6	307.8	4,023.9
Other asset-backed securities	692.3	68.1	30.8	131.8	359.0	1,282.0
Total fixed maturities	$14,961.3	$5,726.4	$23,705.5	$29,210.9	$5,137.0	$78,741.1
% of Fair Value	19.0 %	7.3 %	30.1 %	37.1 %	6.5 %	100.0 %

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

($ in millions)	December 31, 2015					
ARO Quality Ratings	AAA	AA	A	BBB	BB and Below	Total Fair Value
U.S. Treasuries	$3,649.0	$—	$—	$—	$—	$3,649.0
U.S. Government agencies and authorities	349.4	3.2	—	—	—	352.6
State, municipalities and political subdivisions	163.3	832.7	298.2	49.8	2.2	1,346.2
U.S. corporate public securities	585.1	1,984.1	14,507.2	14,839.6	1,700.0	33,616.0
U.S. corporate private securities	297.7	226.3	2,479.1	3,397.4	240.6	6,641.1
Foreign corporate public securities and foreign governments[1]	121.5	1,201.0	2,709.1	3,341.8	650.2	8,023.6
Foreign corporate private securities[1]	—	21.8	1,144.0	5,895.8	287.0	7,348.6
Residential mortgage-backed securities	4,902.7	20.7	16.0	61.8	859.3	5,860.5
Commercial mortgage-backed securities	2,516.0	423.7	331.8	339.0	482.1	4,092.6
Other asset-backed securities	616.5	9.2	28.9	88.4	399.4	1,142.4
Total fixed maturities	$13,201.2	$4,722.7	$21,514.3	$28,013.6	$4,620.8	$72,072.6
% of Fair Value	18.3 %	6.6 %	29.9 %	38.8 %	6.4 %	100.0 %

[1]Primarily U.S. dollar denominated.

Fixed maturities rated BB and below may have speculative characteristics and changes in economic conditions or other circumstances that are more likely to lead to a weakened capacity of the issuer to make principal and interest payments than is the case with higher rated fixed maturities.

Unrealized Capital Losses

Gross unrealized capital losses on fixed maturities, including securities pledged, decreased $1,316.3 million from $1,578.1 million to $261.8 million for the nine months ended September 30, 2016. The decrease in gross unrealized capital losses was primarily due to declining interest rates.

As of September 30, 2016 and December 31, 2015, we held two and nineteen fixed maturities with unrealized capital losses in excess of $10.0 million. As of September 30, 2016 and December 31, 2015, the unrealized capital losses on these fixed maturities equaled $30.0 million or 11.5% and $239.0 million or 15.1% of the total unrealized losses, respectively.

As of September 30, 2016, we held $6.8 billion of energy sector fixed maturity securities, constituting 8.6% of the total fixed maturities portfolio, with gross unrealized capital losses of $120.3 million, including two energy sector fixed maturity securities with unrealized capital losses in excess of $10.0 million each. The unrealized capital losses on these fixed maturity securities equaled $30.0 million. As of September 30, 2016, our fixed maturity exposure to the energy sector is comprised of 86.4% investment grade securities.

As of December 31, 2015, we held $7.3 billion of energy sector fixed maturity securities, constituting 10.1% of the total fixed maturities portfolio, with gross unrealized capital losses of $668.1 million including thirteen energy sector fixed maturity securities with unrealized capital losses in excess of $10.0 million each. The unrealized capital losses on these fixed maturity securities equaled $163.7 million. As of December 31, 2015, our fixed maturity exposure to the energy sector is comprised of 92.0% investment grade securities.

The following table presents the U.S. and foreign corporate securities within our energy holdings by sector as of the dates indicated:

($ in millions)	September 30, 2016				December 31, 2015			
Sector Type	Amortized Cost	Fair Value	% Fair Value		Amortized Cost	Fair Value	% Fair Value	
Midstream	$2,260.4	$2,462.1	36.2	%	$2,675.9	$2,511.6	34.3	%
Integrated Energy	1,626.8	1,746.1	25.7	%	1,735.5	1,687.5	23.0	%
Independent Energy	1,329.5	1,391.2	20.4	%	1,749.0	1,586.6	21.6	%
Oil Field Services	807.3	772.0	11.3	%	1,301.6	1,144.4	15.6	%
Refining	390.8	432.7	6.4	%	409.5	401.2	5.5	%
Total	$6,414.8	$6,804.1	100.0	%	$7,871.5	$7,331.3	100.0	%

See the Other-Than-Temporary Impairments section below for further information on energy sector investments. See the Investments (excluding Consolidated Investment Entities) Note in our Condensed Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q for further information on unrealized capital losses.

CMO-B Portfolio

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

($ in millions)	September 30, 2016				December 31, 2015			
NAIC Quality Designation	Amortized Cost	Fair Value	% Fair Value		Amortized Cost	Fair Value	% Fair Value	
1	$3,493.9	$3,944.3	92.6	%	$2,930.4	$3,365.3	94.6	%
2	122.8	129.6	3.1	%	0.9	1.0	—	%
3	3.7	7.9	0.2	%	0.7	4.4	0.1	%
4	5.8	8.3	0.2	%	6.4	8.9	0.3	%
5	23.0	31.4	0.7	%	24.7	34.9	1.0	%
6	83.6	137.9	3.2	%	85.3	141.2	4.0	%
	$3,732.8	$4,259.4	100.0	%	$3,048.4	$3,555.7	100.0	%

For CMO securities where we elected the FVO, amortized cost represents the market values. For details on the NAIC designation methodology, see "Fixed Maturities Credit Quality-Ratings" in the Management’s Discussion and Analysis of Financial Condition and Results of Operations in our Consolidated Financial Statements in Part II, Item 7. of our Annual Report on Form 10-K.

The following table presents the notional amounts and fair values of interest rate derivatives used in our CMO-B portfolio as of the dates indicated:

	September 30, 2016			December 31, 2015		
($ in millions)	Notional Amount	Asset Fair Value	Liability Fair Value	Notional Amount	Asset Fair Value	Liability Fair Value
Derivatives non-qualifying for hedge accounting:						
Interest Rate Contracts	$27,280.0	$419.0	$ 372.8	$28,784.5	$352.5	$ 224.6

Starting in the second quarter of 2015, the Company implemented interest rate futures contracts as a part of the CMO-B portfolio to hedge interest rate risk. Historically only interest rate swaps were utilized for this purpose in the CMO-B portfolio. Because of duration differences between interest rate swaps and interest rate futures, a higher level of notional is necessary when utilizing interest rate futures to achieve the same relative hedge position. This change in the hedge program notional amount resulted in no material change to the risk profile of the CMO-B Portfolio.

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

($ in millions)	September 30, 2016			December 31, 2015		
Tranche Type	Amortized Cost	Fair Value	% Fair Value	Amortized Cost	Fair Value	% Fair Value
Inverse Floater	$776.5	$1,052.7	24.7 %	$833.8	$1,116.5	31.4 %
Interest Only (IO)	282.8	297.0	7.0 %	264.6	283.4	8.0 %
Inverse IO	1,707.8	1,891.6	44.4 %	1,471.3	1,664.3	46.8 %
Principal Only (PO)	489.0	504.0	11.8 %	446.8	458.2	12.9 %
Floater	24.5	24.4	0.6 %	28.1	28.4	0.8 %
Other	452.2	489.7	11.5 %	3.8	4.9	0.1 %
Total	$3,732.8	$4,259.4	100.0%	$3,048.4	$3,555.7	100.0%

Generally, a continued increase in valuations, as well as muted prepayments despite low interest rates, led to a very strong performance for our CMO-B portfolio in recent years. Based on fundamental prepayment analysis, we have been able to increase the allocation to notional securities in a manner that was diversified by borrower and mortgage characteristics without unduly increasing portfolio risk because the underlying drivers of prepayment behavior across collateral type are varied.

During the nine months ended September 30, 2016, the market value of our CMO-B portfolio increased mainly due to new purchase activity exceeding paydowns and maturities. Yields within the CMO-B portfolio continue to decline as higher yielding historical CMO-B assets paydown or mature and are replaced with lower yielding new assets.

The following table presents returns for our CMO-B portfolio for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in millions)	2016	2015	2016	2015
Net investment income (loss)	$192.3	$180.6	$576.7	$553.9
Net realized capital gains (losses)[1]	(93.6)	(156.4)	(325.9)	(354.4)
Total income (pre-tax)	$98.7	$24.2	$250.8	$199.5

[1]Net realized capital gains (losses) also include derivatives interest settlements, mark to market adjustments and realized gains (losses) on standalone derivatives contracts that are in the CMO-B portfolio.

In defining operating earnings before income taxes and non-operating earnings for our CMO-B portfolio, certain recharacterizations are recognized. As indicated in footnote (1) above, derivatives activity, including net coupon settlement on interest rate swaps, is included in Net realized capital gains (losses). Since these swaps are hedging securities whose coupon payments are reflected in Net investment income (loss) (operating earnings), it is appropriate to represent the net swap coupons as operating income before income taxes rather than non-operating income. Also included in Net realized capital gains (losses) are the premium amortization and the change in fair value for securities designated under the FVO, whereas the coupon for these securities is included in Net investment income (loss). In order to present the economics of these fair value securities in a similar manner to those of an available for sale security, the premium amortization is reclassified from Net realized capital gains (losses) (or non-operating income) to operating income.

After adjusting for the two items referenced immediately above, the following table presents operating earnings before income taxes and non-operating income for our CMO-B portfolio for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in millions)	2016	2015	2016	2015

Operating earnings before income taxes	$86.5	$73.1	$264.0	$208.3
Realized gains/losses including OTTI	(0.4)	2.7	7.3	5.2
Fair value adjustments	12.6	(51.6)	(20.5)	(14.0)
Non-operating income	12.2	(48.9)	(13.2)	(8.8)
Income (loss) before income taxes	$98.7	$24.2	$250.8	$199.5

160

See the Management's Discussion and Analysis of Financial Condition and Results of Operations in our Consolidated Financial Statements in Part II, Item 7. of our Annual Report on Form 10-K for information on our CMO-B portfolio.

Subprime and Alt-A Mortgage Exposure

Pre-2008 vintage subprime and Alt-A mortgage collateral continues to distance itself from the credit crisis and payment performance reflects a housing market firmly entrenched in recovery. While collateral losses continue to be realized, the pace and magnitude at which losses are being realized are steadily decreasing. Serious delinquencies and other measures of performance, like prepayments and loan defaults, have also displayed sustained periods of improvement. More broadly, home prices have moved steadily higher, further supporting bond payment performance. Year-over-year home price measures, while at a lower magnitude than experienced in the years following the trough in home prices, appear to have stabilized at sustainable levels, when measured on a nationwide basis. This backdrop remains supportive of continued improvement in overall borrower payment behavior. Reflecting these fundamental improvements, related bond prices and sector liquidity have increased substantially since the credit crisis. In managing our risk exposure to subprime and Alt-A mortgages, we take into account collateral performance and structural characteristics associated with our various positions.

We do not originate or purchase subprime or Alt-A whole-loan mortgages. Subprime lending is the origination of loans to customers with weaker credit profiles. We define Alt-A mortgages to include the following: residential mortgage loans to customers who have strong credit profiles but lack some element(s), such as documentation to substantiate income; residential mortgage loans to borrowers that would otherwise be classified as prime but whose loan structure provides repayment options to the borrower that increase the risk of default; and any securities backed by residential mortgage collateral not clearly identifiable as prime or subprime.

We have exposure to RMBS, CMBS and ABS. Our exposure to subprime mortgage-backed securities is primarily in the form of ABS structures collateralized by subprime residential mortgages and the majority of these holdings were included in Other ABS under "Fixed Maturities" above. As of September 30, 2016, the fair value, amortized cost and gross unrealized losses related to our exposure to subprime mortgage-backed securities totaled $405.8 million, $377.6 million and $11.4 million, respectively, representing 0.5% of total fixed maturities, including securities pledged, based on fair value. As of December 31, 2015, the fair value, amortized cost and gross unrealized losses related to our exposure to subprime mortgage-backed securities totaled $461.2 million, $428.6 million and $13.2 million, respectively, representing 0.6% of total fixed maturities, including securities pledged, based on fair value.

Our exposure to Alt-A mortgages is included in the "RMBS" line item in the "Fixed Maturities" table under "Fixed Maturities" above. As of September 30, 2016, the fair value, amortized cost and gross unrealized losses related to our exposure to Alt-A RMBS totaled $337.9 million, $294.9 million and $5.1 million, respectively, representing 0.4% of total fixed maturities, including securities pledged, based on fair value. As of December 31, 2015, the fair value, amortized cost and gross unrealized losses related to our exposure to Alt-A RMBS totaled $332.0 million, $283.3 million and $4.5 million, respectively, representing 0.5% of total fixed maturities, including securities pledged, based on fair value.

Commercial Mortgage-backed and Other Asset-backed Securities

CMBS investments represent pools of commercial mortgages that are broadly diversified across property types and geographical areas. Delinquency rates on commercial mortgages increased over the course of 2009 through mid-2012. Since then, the steep pace of increases observed in the early years following the credit crisis has ceased, and the percentage of delinquent loans declined through February 2016 (although certain months did post marginal increases). Since then, the delinquency rate has increased slowly and remains lower on a year-over-year and year to date basis. Other performance metrics like vacancies, property values and rent levels have posted sustained improvement trends, although these metrics are not observed uniformly, differing by dimensions such as geographic location and property type. These improvements have been buoyed by some of the same macro-economic tailwinds alluded to in regards to our subprime and Alt-A mortgage exposure. A robust environment for property refinancing was particularly supportive of improving credit performance metrics throughout much of the post-credit crisis period. In the first quarter of 2016, however, this virtuous lending cycle was disrupted as the dislocation in corporate credit markets negatively impacted liquidity conditions in CMBS. As a result, the new issuance market for CMBS slowed considerably during the first half of this year. This dynamic, should it resurface, is a risk for the overall performance health of the sectors and is being monitored closely for potential negative impacts. Spread performance in the first half of 2016 was volatile, although signs of increased liquidity and more general stability in credit spreads was observed over the course of the third quarter.

For non-student loan consumer ABS, delinquency and loss rates have been maintained at levels considered low by historical standards and indicative of high credit quality. Relative strength in various credit metrics across multiple types of asset-backed loans have been observed on a sustained basis.

As of September 30, 2016, the fair value, amortized cost and gross unrealized losses of our Other ABS, excluding subprime exposure, totaled $902.8 million, $884.7 million and $1.7 million, respectively. As of December 31, 2015, the fair value, amortized cost and gross unrealized losses of our Other ABS, excluding subprime exposure, totaled $702.8 million, $691.4 million and $2.1 million, respectively.

As of September 30, 2016, Other ABS was broadly diversified both by type and issuer with credit card receivables, nonconsolidated collateralized loan obligations and automobile receivables, comprising 36.6%, 25.0% and 17.8%, respectively, of total Other ABS, excluding subprime exposure. As of December 31, 2015, Other ABS was broadly diversified both by type and issuer with credit card receivables, nonconsolidated collateralized loan obligations and automobile receivables, comprising 55.1%, 1.4% and 17.3%, respectively, of total Other ABS, excluding subprime exposure.

Mortgage Loans on Real Estate

We rate commercial mortgages to quantify the level of risk. We place those loans with higher risk on a watch list and closely monitor these loans for collateral deficiency or other credit events that may lead to a potential loss of principal and/or interest. If we determine the value of any mortgage loan to be OTTI (i.e., when it is probable that we will be unable to collect on amounts due according to the contractual terms of the loan agreement), the carrying value of the mortgage loan is reduced to either the present value of expected cash flows from the loan, discounted at the loan's effective interest rate or fair value of the collateral. For those mortgages that are determined to require foreclosure, the carrying value is reduced to the fair value of the underlying collateral, net of estimated costs to obtain and sell at the point of foreclosure. The carrying value of the impaired loans is reduced by establishing an other-than-temporary write-down recorded in Net realized capital gains (losses) in the Condensed Consolidated Statements of Operations.

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

As of September 30, 2016 and December 31, 2015, our mortgage loans on real estate portfolio had a weighted average DSC of 2.3 and 2.2 times, and a weighted average LTV ratio of 60.5% and 60.0%, respectively. See the Investments (excluding Consolidated Investment Entities) Note in our Condensed Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q for further information on mortgage loans on real estate.

Other-Than-Temporary Impairments

We evaluate available-for-sale fixed maturities and equity securities for impairment on a regular basis. The assessment of whether impairments have occurred is based on a case-by-case evaluation of the underlying reasons for the decline in estimated fair value. See the Business, Basis of Presentation and Significant Accounting Policies Note in our Consolidated Financial Statements in Part II, Item 8. in our Annual Report on Form 10-K for the policy used to evaluate whether the investments are other-than-temporarily impaired.

During the three and nine months ended September 30, 2016, we recorded $3.5 million and $9.0 million, respectively, of credit related OTTI of which the primary contributor was $3.0 million and $4.3 million, respectively, of write-downs recorded in the Foreign Private and Foreign Gov & Public sector. During the three and nine months ended September 30, 2016, we recorded $9.2 million and $18.7 million, respectively, of intent related OTTI, which were primarily related to the intent to sell positions in energy sector public corporate credits, either because of a commitment to sell or an expectation that we may be required to sell as a result of our investment guidelines. See the Investments (excluding Consolidated Investment Entities) Note in our Condensed Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q for further information on OTTI.

Derivatives

We use derivatives for a variety of hedging purposes as further described below. We also have embedded derivatives within fixed maturities instruments and certain product features. See the Business, Basis of Presentation and Significant Accounting Policies Note in our Consolidated Financial Statements in Part II, Item 8. of our Annual Report on Form 10-K for further information.

Closed Block Variable Annuity Hedging

See Quantitative and Qualitative Disclosures About Market Risk in Part I, Item 3. of this Quarterly Report on Form 10-Q for further information.

Invested Asset and Credit Hedging

See the Management's Discussion and Analysis of Financial Condition and Results of Operations in our Consolidated Financial Statements in Part II, Item 8. of our Annual Report on Form 10-K for further information.

European Exposures

We closely monitor our exposures to European sovereign debt in general, with a primary focus on the sovereign debt of Greece, Ireland, Italy, Portugal and Spain (which we refer to as "peripheral Europe"), as these countries have applied for support from the European Financial Stability Facility or received support from the European Central Bank via government bond purchases in the secondary market.

The financial turmoil in Europe continues to be a potential threat to global capital markets and remains a challenge to global financial stability. Additionally, the possibility of capital market volatility spreading through a highly integrated and interdependent banking system remains. Despite signs of continuous improvement in the region, it is our view that the risk among European sovereigns and financial institutions still warrants scrutiny, in addition to our customary surveillance and risk monitoring, given how highly correlated these sectors of the region have become.

The United States and European Union continue to maintain sanctions against select Russian businesses in response to the ongoing conflict in eastern Ukraine. We remain comfortable with our aggregate Russian exposure given its relatively small allocation in our total investment portfolio.

We quantify and allocate our exposure to the region, as described in the table below, by attempting to identify aspects of the region or country risk to which we are exposed. Among the factors we consider are the nationality of the issuer, the nationality of the issuer's ultimate parent, the corporate and economic relationship between the issuer and its parent, as well as the political, legal and economic environment in which each functions. By undertaking this assessment, we believe that we develop a more accurate assessment of the actual geographic risk, with a more integrated understanding of contributing factors to the full risk profile of the issuer.

In the normal course of our ongoing risk and portfolio management process, we closely monitor compliance with a credit limit hierarchy designed to minimize overly concentrated risk exposures by geography, sector and issuer. This framework takes into account various factors such as internal and external ratings, capital efficiency and liquidity and is overseen by a combination of Investment and Corporate Risk Management, as well as insurance portfolio managers focused specifically on managing the investment risk embedded in our portfolio.

The following table presents our European exposures, for selected countries based on risk, at fair value and amortized cost as of September 30, 2016:

Selected Countries Fixed Maturities and Equity Securities

	Sovereign	Financial Institutions	Non-Financial Institutions	Total (Fair Value)	Total (Amortized Cost)
Ireland	$ —	$ —	$ 224.7 [1]	$ 224.7 [1]	$ 203.2
Italy	—	—	244.4	244.4	219.6
Portugal	—	—	10.5	10.5	8.6
Spain	—	—	170.1	170.1	147.2
Total Peripheral Europe	—	—	649.7	649.7	578.6
Russian Federation	53.0	5.1	73.5	131.6	115.9
Total	$ 53.0	$ 5.1	$ 723.2	$ 781.3	$ 694.5

(1) Includes $1.2 million derivative assets.

We did not have any exposure to Greece. Among the remaining $8,352.4 million of total non-peripheral European exposure, we had a portfolio of credit-related assets similarly diversified by country and sector across developed and developing Europe. As of September 30, 2016, our sovereign exposure was $254.3 million, which consisted of fixed maturities. We also had $1,058.2 million in net exposure to non-peripheral financial institutions, with a concentration in Switzerland of $319.4 million and the United Kingdom of $359.7 million. The balance of $7,039.9 million was invested across non-peripheral, non-financial institutions.

In addition to aggregate concentration in the United Kingdom of $3,466.6 million, we had significant non-peripheral European total country exposures in The Netherlands of $1,122.5 million, in Belgium of $490.8 million, in France of $592.4 million, in Germany of $844.3 million and in Switzerland of $800.1 million. We place additional scrutiny on our financial exposure in the United Kingdom, France, Switzerland and The Netherlands given our concern for the potential for volatility to spread through the European banking system. We believe the primary risk results from market value fluctuations resulting from spread volatility and the secondary risk is default risk, dependent upon the strength of the recovery of economic conditions in Europe.

Consolidated Investment Entities

We provide investment management services to, and have transactions with, various collateralized loan obligations ("CLO entities"), private equity funds, single strategy hedge funds, registered investment companies, insurance entities, securitizations and other investment entities in the normal course of business. In certain instances, we serve as the investment manager, making day-to-day investment decisions concerning the assets of these entities. These entities are considered to be either variable interest entities ("VIEs") or voting interest entities ("VOEs"), and we evaluate our involvement with each entity to determine whether consolidation is required.

Certain investment entities are consolidated under consolidation guidance. We consolidate certain entities under the VIE guidance when it is determined that we are the primary beneficiary. We consolidate certain entities under the VOE guidance when we act as the controlling general partner and the limited partners have no substantive rights to impact ongoing governance and operating activities of the entity, or when we otherwise have control through voting rights. In February 2015, the FASB issued ASU 2015-02, “Consolidation (ASC Topic 810): Amendments to the Consolidation Analysis” (“ASU 2015-02”), which significantly amends the consolidation analysis required under current consolidation guidance. The Company adopted the provisions of ASU 2015-02 on January 1, 2016 using the modified retrospective approach.

We have no right to the benefits from, nor do we bear the risks associated with these investments beyond our direct equity and debt investments in and management fees generated from these investment products. Such direct investments amounted to approximately $603.5 million and $722.8 million as of September 30, 2016 and December 31, 2015, respectively. If we were to liquidate, the assets held by consolidated investment entities would not be available to our general creditors as a result of the liquidation.

Fair Value Measurement

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

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

The methodology for measuring the fair value and fair value hierarchy classification of financial assets and liabilities of consolidated investment entities is consistent with the methodology and fair value hierarchy rules that we apply to our investment portfolio. See the Fair Value Measurement section of Business, Basis of Presentation and Significant Accounting Policies Note in our Consolidated Financial Statements in Part II, Item 8. of our Annual Report on Form 10-K.

Nonconsolidated VIEs

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

We manage or hold investments in certain private equity funds and hedge funds. With these entities, we serve as the investment manager and are entitled to receive investment management fees and contingent performance fees that are generally expected to be insignificant. Although we have the power to direct the activities that significantly impact the economic performance of the funds, we do not hold a significant variable interest in any of these funds and, as such, do not have the obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the entity. Accordingly, we are not considered the primary beneficiary and did not consolidate any of these investment funds.

In addition, we do not consolidate funds in which our involvement takes the form of a limited partner interest and is restricted to a role of a passive investor, as a limited partner's interest does not provide us with any substantive kick-out or participating rights, which would overcome the presumption of control by the general partner. See the Consolidated Investment Entities Note in our Condensed Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q for more information.

Securitizations

We invest in various tranches of securitization entities, including RMBS, CMBS and ABS. Through our investments, we are not obligated to provide any financial or other support to these entities. Each of the RMBS, CMBS and ABS entities are thinly capitalized by design and considered VIEs. Our involvement with these entities is limited to that of a passive investor. We have no unilateral right to appoint or remove the servicer, special servicer or investment manager, which are generally viewed to have the power to direct the activities that most significantly impact the securitization entities' economic performance, in any of these entities, nor do we function in any of these roles. We, through our investments or other arrangements, do not have the obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the entity. Therefore, we are not the primary beneficiary and will not consolidate any of the RMBS, CMBS and ABS entities in which we hold investments. These investments are accounted for as investments available-for-sale as described in the Fair Value Measurements (excluding Consolidated Investment Entities) Note in our Condensed Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q and unrealized capital gains (losses) on these securities are recorded directly in AOCI, except for certain RMBS which are accounted for under the FVO whose change in fair value is reflected in Other net realized gains (losses) in the Condensed Consolidated Statements of Operations. Our maximum exposure to loss on these structured investments is limited to the amount of our investment. Refer to the Investments (excluding Consolidated Investment Entities) Note in our Condensed Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q for details regarding the carrying amounts and classifications of these assets.

Legislative and Regulatory Developments

In 2015, the NAIC Financial Condition (E) Committee (the "E Committee") established the Variable Annuities Issues (E) Working Group ("VAIWG") to oversee the NAIC's efforts to study and address, as appropriate, regulatory issues resulting in variable annuity captive reinsurance transactions. In November 2015, upon the recommendation of the VAIWG, the E Committee adopted a preliminary framework, the Variable Annuities Framework for Change (the "VA Framework for Change") which recommends charges for NAIC working groups to adjust the variable annuity statutory framework applicable to all insurers that have written or are writing variable annuity business. The VA Framework for Change contemplates a holistic set of reforms that would improve the current VA reserve and capital framework and address root cause issues that result in the use of captive arrangements but would not mandate recapture of VA cessions to captives. In November 2015, the VAIWG engaged Oliver Wyman ("OW") to conduct a quantitative impact study involving industry participants including the Company, of various reforms outlined in the VA Framework for Change (the "QIS"). OW completed the QIS in July of this year and reported its initial findings to the VAIWG in late August. The OW report proposes certain revisions to the current VA reserve and capital framework and recommends a second quantitative impact study be conducted so that testing can inform the proper calibration for certain conceptual and/or preliminary parameters set out in the OW proposal. The VAIWG has exposed for comment, until November 14, 2016, the OW report on the QIS and OW VA framework recommendations. The VAIWG's initial goal was to complete all of its work in 2016; however, it was announced at the NAIC Summer meeting that more time is needed for the VAIWG and other NAIC committees to consider and fully vet OW's recommendations and to develop the NAIC's proposals regarding revisions to the current VA reserve and capital framework. Although the revised timetable indicates the VAIWG expects to complete its work in 2017, with the goal that its work product becomes effective as of January 1, 2018, timing remains uncertain. We cannot predict what revisions, if any, will be made to the current VA reserve and capital framework or the impact of VA framework revisions on variable annuity captives, given the ongoing deliberations by the VAIWG and other NAIC working groups and a possible second quantitative impact study. It is also unclear whether VAIWG or other proposals will be adopted by the NAIC, or what additional actions and regulatory changes will result from continued variable annuity captives scrutiny and reform efforts by the NAIC and other regulatory bodies. See "Risk Factors-Our insurance businesses are heavily regulated, and changes in regulation in the United States, enforcement actions and regulatory investigations may reduce profitability" in Part I, Item 1A of our Annual Report on Form 10-K and Management's Discussion and Analysis of Financial Condition and Results of Operation-Captive Reinsurance Subsidiaries in Part II, Item 7 of the Annual Report on Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the risk that our consolidated financial position and results of operations will be affected by fluctuations in the value of financial instruments. We have significant holdings in financial instruments and are naturally exposed to a variety of market risks. The main market risks we are exposed to include interest rate risk, equity market price risk and credit risk. We do not have material market risk exposure to "trading" activities in our Condensed Consolidated Financial Statements. For further details on the Company’s interest rate risk, equity market price risk and credit risk, see Quantitative and Qualitative Disclosures About Market Risk in Part II, Item 7A. in our Annual Report on Form 10-K.

Market Risk Related to Interest Rates

We assess interest rate exposures for financial assets, liabilities and derivatives using hypothetical test scenarios that assume either increasing or decreasing 100 basis point parallel shifts in the yield curve. The following table summarizes the net estimated potential change in fair value from hypothetical 100 basis point upward and downward shifts in interest rates as of September 30, 2016. While the test scenarios are for illustrative purposes only and do not reflect our expectations regarding future interest rates or the performance of fixed-income markets, they are a near-term, reasonably possible hypothetical change that illustrates the potential impact of such events. These tests do not measure the change in value that could result from non-parallel shifts in the yield curve. As a result, the actual change in fair value from a 100 basis point change in interest rates could be different from that indicated by these calculations.

	As of September 30, 2016			
			Hypothetical Change in Fair Value[2]	
($ in millions)	Notional	Fair Value[1]	+ 100 Basis Points Yield Curve Shift	- 100 Basis Points Yield Curve Shift
Financial assets with interest rate risk:				
Fixed maturity securities, including securities pledged	$—	$78,741.1	$(5,731.0)	$6,341.3
Commercial mortgage and other loans	—	11,907.5	(648.5)	700.6
Derivatives:				
Interest rate contracts	78,994.5	[illegible]	(645.7)	850.2
Financial liabilities with interest rate risk:				
Investment contracts:				
Funding agreements without fixed maturities and deferred annuities[3]	—	59,612.8	(4,328.0)	5,289.8
Funding agreements with fixed maturities and GICs	—	1,107.5	(29.1)	30.1
Supplementary contracts and immediate annuities	—	3,783.3	(228.3)	256.6
Long-term debt	—	3,816.1	(251.8)	288.8
Embedded derivatives on reinsurance	—	159.4	(139.1)	163.0
Guaranteed benefit derivatives[3]:				
FIA	—	1,747.7	165.0	(143.3)
IUL	—	69.3	4.6	(4.5)
GMAB / GMWB / GMWBL	—	2,008.0	(717.2)	909.8
Stabilizer and MCGs	—	267.1	(130.1)	172.7

(1) Separate account assets and liabilities, which are interest sensitive, are not included herein as any interest rate risk is borne by the holder of the separate account.

(2) (Decreases) in assets or (decreases) in liabilities are presented in parentheses. Increases in assets or increases in liabilities are presented without parentheses.

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

The following table summarizes detail on the differences between the interest rate being credited to contract holders as of September 30, 2016, and the respective guaranteed minimum interest rates ("GMIRs"):

	Account Value [1]						
	Excess of crediting rate over GMIR						
($ in millions)	At GMIR	Up to 0.50% Above GMIR	0.51% - 1.00% Above GMIR	1.01% - 1.50% Above GMIR	1.51% - 2.00% Above GMIR	More than 2.00% Above GMIR	Total
Guaranteed minimum interest rate:							
Up to 1.00%	$2,722.2	$1,038.8	$1,375.1	$882.7	$714.0	$1,015.5	$7,748.3
1.01% - 2.00%	1,871.7	354.4	385.7	90.1	21.5	56.0	2,779.4
2.01% - 3.00%	17,815.9	502.0	505.4	190.6	36.7	23.0	19,073.6
3.01% - 4.00%	12,508.4	593.8	693.8	0.9	0.1	—	13,797.0
4.01% and Above	3,279.6	109.3	0.4	0.3	—	0.1	3,389.7
Renewable beyond 12 months (MYGA) [2]	1,792.3	—	—	—	—	—	1,792.3
Total discretionary rate setting products	$39,990.1	$2,598.3	$2,960.4	$1,164.6	$772.3	$1,094.6	$48,580.3
Percentage of Total	82.3 %	5.3 %	6.1 %	2.4 %	1.6 %	2.3 %	100.0 %

(1) Includes only the account values for investment spread products with GMIRs and discretionary crediting rates, net of policy loans. Excludes Stabilizer products, which are fee based. Also excludes the portion of the account value of FIA products for which the crediting rate is based on market indexed strategies.

(2) Represents MYGA contracts with renewal dates after September 30, 2017 on which we are required to credit interest above the contractual GMIR for at least the next twelve months.

Market Risk Related to Equity Market Prices

We assess equity risk exposures for financial assets, liabilities and derivatives using hypothetical test scenarios that assume either an increase or decrease of 10% in all equity market benchmark levels. The following table summarizes the net estimated potential change in fair value from an instantaneous increase and decrease in all equity market benchmark levels of 10% as of September 30, 2016. In calculating these amounts, we exclude separate account equity securities related to products for which the investment risk is borne primarily by the separate account contract holder rather than by us. While the test scenarios are for illustrative purposes only and do not reflect our expectations regarding the future performance of equity markets, they are near-term, reasonably possible hypothetical changes that illustrate the potential impact of such events. These scenarios consider only the direct effect on fair value of declines in equity benchmark market levels and not changes in asset-based fees recognized as revenue, changes in our estimates of total gross profits used as a basis for amortizing DAC/VOBA, other intangibles and other costs, or changes in any other assumptions such as market volatility or mortality, utilization or persistency rates in variable contracts that could also impact the fair value of our living benefits features. In addition, these scenarios do not reflect the effect of basis risk, such as potential differences in the performance of the investment funds underlying the variable annuity products relative to the equity market benchmark we use as a basis for developing our hedging strategy. The impact of basis risk could result in larger differences between the change in fair value of the equity-based derivatives and the related living benefit features, in comparison to the hypothetical test scenarios.

	As of September 30, 2016			
			Hypothetical Change in Fair Value[1]	
($ in millions)	Notional	Fair Value	+ 10% Equity Shock	-10% Equity Shock
Financial assets with equity market risk:				
Equity securities, available-for-sale	$ —	$ 285.3	$ 24.0	$ (24.0)
Limited liability partnerships/corporations	—	698.8	43.6	(43.6)
Derivatives:				
Equity futures and total return swaps[2]	[illegible]	[illegible]	(972.9)	977.5
Equity options	[illegible]	[illegible]	229.8	(236.7)
Financial liabilities with equity market risk:				
Guaranteed benefit derivatives:				
FIA	—	1,747.7	105.3	(140.7)
IUL	—	69.3	37.8	(29.9)
GMAB / GMWB/ GMWBL	—	2,008.0	(212.1)	254.7

(1) (Decreases) in assets or (decreases) in liabilities are presented in parentheses. Increases in assets or increases in liabilities are presented without parentheses.
(2) Primarily related to Closed Block Variable Annuity hedging programs.

Market Risk Related to Closed Block Variable Annuity

Closed Block Variable Annuity ("CBVA") Net Amount at Risk ("NAR")

The account values and NAR, both gross and net of reinsurance ("retained NAR"), of contract owners by type of minimum guaranteed benefit for retail variable annuity contracts are summarized below as of September 30, 2016:

	As of September 30, 2016				
($ in millions, unless otherwise indicated)	Account Value[1]	Gross NAR	Retained NAR	% Contracts Retained NAR In-the-Money[2]	% Retained NAR In-the-Money[3]
GMDB	$ 34,151	$ 6,091	$ 5,664	49 %	27 %
Living Benefit					
GMIB	$ 10,864	$ 3,662	$ 3,662	89 %	28 %
GMWBL	13,921	3,220	3,220	74 %	24 %
GMAB/GMWB	586	15	15	13 %	20 %
Living Benefit Total	$ 25,371	$ 6,897	$ 6,897	80 % [4]	26 % [5]

(1) Account value excludes $3.9 billion of Payout, Policy Loan and life insurance business which is included in consolidated account values.
(2) Percentage of contracts that have a Retained NAR greater than zero.
(3) For contracts with a Gross NAR greater than zero, % Retained NAR In-the-Money is defined as NAR/(NAR + Account Value).
(4) Total Living Benefit % Contracts NAR In-the-Money as of December 31, 2015 was 73%.
(5) Total Living Benefit % NAR In-the-Money as of December 31, 2015 was 22%.

As of the date indicated above, compared to $6.9 billion of NAR, we held gross statutory reserves before reinsurance of $4.3 billion for living benefit guarantees; of this amount, $4.2 billion was ceded to an affiliate, fully supported by assets in trust. However, NAR and statutory reserves are not directly comparable measures. Our U.S. GAAP reserves for living benefit guarantees were $3.6 billion as of September 30, 2016.

For a discussion of our U.S. GAAP reserves calculation methodology, see the Business, Basis of Presentation and Significant Accounting Policies - Future Policy Benefits and Contract Owner Account Balances Note in our Consolidated Financial Statements in Part II, Item 8. of our Annual Report on Form 10-K for the year ended December 31, 2015.

Variable Annuity Hedge Program

The following table summarizes the estimated net impacts to funding our regulatory reserves to our CBVA segment, after giving effect to our Capital Hedge Overlay ("CHO") program and the Variable Annuity Guarantee Hedge Program for various shocks in equity markets and interest rates. This reflects the hedging as well as any collateral (in the form of LOC and/or available assets) or change in underlying asset values that would be used to achieve credit for reinsurance for the segment of liabilities reinsured to an affiliate in light of our determination of risk tolerance and available collateral, which, as noted above, we assess periodically. As part of our risk management approach, we may use LOCs to meet regulatory requirements in our affiliates even when capital requirements may be met in aggregate without LOCs. We assess and determine appropriate capital use in various scenarios including a combination of LOCs and available assets.

	As of September 30, 2016							
	Equity Market (S&P 500)						Interest Rates	
($ in millions)	-25%	-15%	-5%	+5%	+15%	+25%	-1%	+1%
Decrease/(increase) in regulatory reserves	$(3,400)	$(2,000)	$(650)	$600	$1,700	$2,500	$(1,100)	$800
Hedge gain/(loss) immediate impact	2,650	1,450	450	(400)	(1,000)	(1,350)	950	(700)
Increase/(decrease) in Market Value of Assets	—	—	—	—	—	—	650	(650)
Increase/(decrease) in LOCs	750	550	200	—	—	—	—	550
Net impact	$—	$—	$—	$200	$700	$1,150	$500	$—

The foregoing sensitivities illustrate the estimated impact of the indicated shocks beginning on the first market trading day following September 30, 2016 and give effect to rebalancing over the course of the shock event, as well as certain modifications to our CHO program in our CBVA segment. The estimates of equity market shocks reflect a shock to all equity markets, domestic and global, of the same magnitude. The estimates of interest rate shocks reflect a shock to rates at all durations (a "parallel" shift in the yield curve). Decrease / (increase) in regulatory reserves includes statutory reserves for policyholder account balances, AG43 reserves and additional cash flow testing reserves related to the CBVA segment. Hedge Gain (Loss) includes both the Variable Annuity Guarantee Hedge Program and the CHO program and assumes that hedge positions can be rebalanced during the market shock and that the performance of the derivative contracts reasonably matches the performance of the contract owners' variable fund returns. Increase / (decrease) in LOCs and/or available assets indicates the change in the amount of LOCs and/or available assets used to provide credit for reinsurance at those times when the assets backing the reinsurance liabilities may be less than the statutory reserve requirement. Increase / (decrease) in Market Value of Assets is the estimated potential change in market value of assets supporting the segment of liabilities reinsured to an affiliate from 100 basis point upward and downward shifts in interest rates.

Results of an actual shock to equity markets or interest rates will differ from the above illustration for reasons such as variance in market volatility versus what is assumed, 'basis risk' (differences in the performance of the derivative contracts versus the contract owner variable fund returns), equity shocks not occurring uniformly across all equity markets, combined effects of interest rates and equities, additional impacts from rebalancing of hedges and/or the effects of time and changes in assumptions or methodology that affect reserves or hedge targets. Additionally, estimated net impact sensitivities vary over time as the market and closed block of business evolve or if assumptions or methodologies that affect reserves or hedge targets are refined.

There was approximately a $400 million and $600 million increase in our hedge resources related to equity movements (which include guarantee and overlay equity hedges, as well as other assets) for the three and nine months ended September 30, 2016, respectively. The guarantee and overlay equity hedge results were offset by the equity market decrease of approximately $600 million and $900 million in AG43 reserves in excess of reserves for cash surrender value for the three and nine months ended September 30, 2016, respectively. Changes in statutory reserves due to equity and equity hedges include the effects of non-affiliated reinsurance for variable annuity policies, but exclude the effect of the affiliated reinsurance transaction associated with the GMIB and GMWBL riders. In addition to equity hedge results and change in reserves due to the impact of equity market movements, statutory income includes fee income, investment income and other income offset by benefit payments, operating expenses and other costs as well as impacts to reserves and hedges due to effects of time and other market factors.

As U.S. GAAP accounting differs from the methods used to determine regulatory reserves and rating agency capital requirements, our hedge programs may result in immediate impacts that may be lower or higher than the regulatory impacts illustrated above. The following table summarizes the estimated net impacts to U.S. GAAP earnings pre-tax in our CBVA segment, which is the sum of the increase or decrease in U.S. GAAP reserves and the hedge gain or loss from our CHO program and the Variable Annuity Guarantee Hedge Program for various shocks in both equity markets and interest rates.

	As of September 30, 2016							
	Equity Market (S&P 500)						Interest Rates	
($ in millions)	-25%	-15%	-5%	+5%	+15%	+25%	-1%	+1%
Total estimated earnings sensitivity	$450	$250	$100	$(100)	$(100)	$(50)	$(300)	$200

The foregoing sensitivities illustrate the impact of the indicated shocks on the first market trading day following September 30, 2016 and give effect to dynamic rebalancing over the course of the shock events, as well as certain modifications to our CHO program in our CBVA segment. The estimates of equity market shocks reflect a shock to all equity markets, domestic and global, of the same magnitude. The estimates of interest rate shocks reflect a shock to rates at all durations (a "parallel" shift in the yield curve). We regularly monitor and refine our hedge program targets in line with our primary goal of protecting regulatory and rating agency capital. It is possible that further changes to our hedge program will be made and those changes may either increase or decrease earnings sensitivity. Liabilities are based on U.S. GAAP reserves and embedded derivatives, with the latter excluding the effects of nonperformance risk. DAC is amortized over estimated gross revenues, which we do not expect to be volatile; however, volatility could be driven by loss recognition. Hedge Gain (Loss) impacting the above estimated earnings sensitivity includes both the Variable Annuity Guarantee Hedge Program and the CHO program and assumes that hedge positions can be rebalanced during the market shock and that the performance of the derivative contracts reasonably matches the performance of the contract owners' variable fund returns.

Actual results will differ from the estimates above for reasons such as variance in market volatility versus what is assumed, 'basis risk' (differences in the performance of the derivative contracts versus the contract owner variable fund returns), changes in nonperformance spreads, equity shocks not occurring uniformly across all equity markets, combined effects of interest rates and equities, additional impacts from rebalancing of hedges, and/or the effects of time and changes in assumptions or methodology that affect reserves or hedge targets. Additionally, estimated net impact sensitivities vary over time as the market and closed block of business evolves, or if changes in assumptions or methodologies that affect reserves or hedge targets are refined. As the closed block of business evolves, actual net impacts are realized, or if changes are made to the target of the hedge program, the sensitivities may vary over time. Additionally, actual results will differ from the above due to issues such as basis risk, market volatility, changes in implied volatility, combined effects of interest rates and equities, rebalancing of hedges in the future, or the effects of time and other variations from the assumptions in the above table.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

The Company carried out an evaluation, under the supervision and with the participation of its management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended ("Exchange Act")) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company's current disclosure controls and procedures are effective in ensuring that material information relating to the Company required to be disclosed in the Company's periodic SEC filings is made known to them in a timely manner.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during the quarter ended September 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

For a discussion of the Company's potential risks and uncertainties, please see Risk Factors in Part I, Item IA. of our Annual Report on Form 10-K for the year ended December 31, 2015 (the "Annual Report on Form 10-K") and Risk Factors in Part II, Item 1A. of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 filed with the SEC . In addition, please see Management's Discussion and Analysis of Financial Condition and Results of Operations-Trends and Uncertainties in Part I, Item 2. of this Quarterly Report on Form 10-Q .

The following should be read in conjunction with and supplements and amends the risk factors described in our Annual Report on Form 10-K.

The performance of our CBVA segment depends on assumptions that may not be accurate.

Our CBVA segment is subject to risks associated with the future behavior of policyholders and future claims payment patterns, using assumptions for mortality experience, lapse rates, GMIB annuitization rates and GMWBL withdrawal rates. We are required to make assumptions about these behaviors and patterns, which may not reflect the actual behaviors and patterns we experience in the future. It is possible that future assumption changes could produce reserve changes that could be material. Any such increase to reserves could require us to make material additional capital contributions to one or more of our insurance company subsidiaries or could otherwise be material and adverse to the results of operations or financial condition of the Company.
In particular, we have only minimal experience regarding the long-term implications of policyholder behavior for our GMIB and as a result, future experience could lead to significant changes in our assumptions. Our GMIB contracts, most of which were issued during the period from 2004 to 2006, have a ten-year waiting period before annuitization is available. These contracts first become eligible to annuitize during the period from 2014 through 2016 but contain significant incentives to delay annuitization beyond the first eligibility date. In recent years, we have made several income enhancement offers to holders of particular series of GMIB contracts, under which policyholders were offered an incentive to annuitize prior to the end of the waiting period, and we have waived the remaining waiting period on these GMIB contracts. As a result, although we have increased experience on policyholder behavior for the first opportunity to annuitize, including from the acceptance rates of the income enhancement offers, we continue to have only a statistically small sample of experience used to set annuitization rates beyond the first eligibility date. Therefore, we anticipate that observable experience data will become statistically credible later this decade, when a large volume of GMIB benefits begin to reach their maximum benefit over the four-year period from 2019 to 2022. Similarly, most of our GMWBL contracts were issued during the period 2006 to 2009, so our assumptions for withdrawal from contracts with GMWBL benefits may change as experience emerges. In addition, many of our GMWBL contracts contain significant incentives to delay withdrawal with the GMWBL benefits reaching their maximum rollup over the four-year period from 2016 to 2019. Our experience for GMWBL contracts has recently become more credible, however, it is possible that policyholders may choose to withdraw sooner or later than our current best estimate assumes. We expect customer decisions on withdrawal will be influenced by their financial plans and needs as well as by interest rate and market conditions over time and by the availability and features of competing products.
We also make estimates of expected lapse rates, which represent the probability that a policy will not remain in force from one period to the next, for contracts in the CBVA segment. Lapse rates of our variable annuity contracts may be significantly impacted by the value of guaranteed minimum benefits relative to the value of the underlying separate

accounts (account value or account balance). In general, policies with guarantees that are "in the money" are assumed to be less likely to lapse. Conversely, "out of the money" guarantees are assumed to be more likely to lapse as the policyholder has less incentive to retain the policy. Lapse rates could also be adversely affected generally by developments that affect customer perception of us.

Our variable annuity lapse rate experience has varied significantly over the period from 2006 to the present, reflecting among other factors, both pre-and post-financial crisis experience. Relative to our current expectations, actual lapse rates have generally demonstrated a declining trend over the period from 2006 to the present. We analyze actual experience over that entire period, as we believe that over the duration of the variable annuity policies we may experience the full range of policyholder behavior and market conditions. However, management's current best estimate of variable annuity policyholder lapse behavior is weighted more heavily toward more recent experience, as the last three years of data have shown a more consistent trend of lapse behavior. Actual lapse rates that are lower than our lapse rate assumptions could have an adverse effect on profitability in the later years of a block of business because the anticipated claims experience may be higher than expected in these later years, and, as discussed above, future reserve increases in connection with experience updates could be material and adverse to our results of operations or financial condition.

We make estimates regarding mortality, which refers to the ceasing of life contingent benefit payments due to the death of the annuitant. Mortality also refers to the incidence of death amongst policyholders triggering the payment of Guaranteed Minimum Death Benefits. We use a combination of actual and industry experience when setting our mortality assumptions.

We review overall policyholder experience at least annually (including lapse, annuitization, withdrawal and mortality), and update these assumptions when deemed necessary based on additional information that becomes available. As customer experience continues to materialize, we may adjust our assumptions. We increased reserves in the fourth quarter of 2011 after a comprehensive review of our assumptions relating to lapses, mortality, annuitization of income benefits and utilization of withdrawal benefits. The review in 2011 included an analysis of a larger body of actual experience than was previously available, including a longer period with low equity markets and interest rates, which we believe provided greater insight into anticipated policyholder behavior for contracts that are in the money. This resulted in an increase of U.S. GAAP reserves of $741 million and gross U.S. statutory reserves of $2,776 million in the fourth quarter of 2011.

During the third quarters of 2016 and 2015, we conducted our annual review of assumptions, including projection model inputs. Annual assumption changes and revisions to projection model inputs implemented during 2016 resulted in a loss of $95.5 million. This $95.5 million loss included an unfavorable $250.2 million as a result of updates made to assumptions principally related to expected earned rates on certain investment options available to variable annuity contract holders, and discount rates applicable to future cash flows from variable annuity contracts. This loss was partially offset by $154.7 million of favorable policyholder behavior assumption changes, driven by a favorable update to utilization rates on Guaranteed minimum withdrawal benefits with life payouts contracts, partially offset by an unfavorable update to lapse rates.

Annual assumption changes and revisions to projection model inputs implemented during 2015 resulted in a loss of $86.0 million. This $86.0 million loss included an unfavorable $43.0 million resulting from policyholder behavior assumption changes partially offset by a favorable $27.4 million resulting from changes to mortality assumptions. The loss also included an unfavorable $70.4 million as a result of updates we have made to other assumptions, principally relating to expected earned rates on certain investment options available to variable annuity contractholders, discount rates applicable to future cash flows from variable annuity contracts, and long-term volatility.

We will continue to monitor the emergence of experience. If adjustments to policyholder behavior assumptions (e.g., lapse, annuitization and withdrawal) are necessary, which is ordinary course for interest-sensitive long-dated liabilities, we anticipate that the financial impact of such a change (either under U.S. GAAP or due to increases or decreases in gross U.S. statutory reserves) will likely be in a range, either up or down, that is generally consistent with the impact experienced in the past three years.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Purchases of Equity Securities by the Issuer

The following table summarizes Voya Financial, Inc.'s repurchases of its common stock for the three months ended September 30, 2016:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs	
				(in millions)	
July 1, 2016 - July 31, 2016	—	$ —	—	$ 233.3	
August 1, 2016 - August 31, 2016	—	—	—	233.3	
September 1, 2016 - September 30, 2016	5,690,254	26.36	5,690,254	233.3	(1)
Total	5,690,254	$ —	5,690,254	N/A	

(1) Includes 5,690,254 shares delivered upon termination of a $150.0 million share repurchase arrangement entered into on June 16, 2016. The transaction settled at a per-share repurchase price of $26.36, which was determined based on a formula incorporating the volume weighted average price of the Company's common stock over the relevant purchase period.

Item 6. Exhibits

See Exhibit Index on page 177 hereof.

SIGNATURE

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

November 2, 2016	Voya Financial, Inc.	
(Date)	(Registrant)	
	By: /s/	Ewout L. Steenbergen
		Ewout L. Steenbergen
		Executive Vice President and
		Chief Financial Officer
		(Duly Authorized Officer and Principal Financial Officer)

Voya Financial, Inc.
Exhibit Index

Exhibit No.	Description of Exhibit
12.1+	Voya Financial, Inc. Ratio of Earnings to Fixed Charges
31.1+	Rule 13a-14(a)/15d-14(a) Certification of Rodney O. Martin, Jr. Chief Executive Officer (included as Exhibit 31.1 to Form 10-Q)
31.2+	Rule 13a-14(a)/15d-14(a) Certification of Ewout L. Steenbergen, Chief Financial Officer (included as Exhibit 31.2 to Form 10-Q)
32.1+	Section 1350 Certification of Rodney O. Martin, Jr. Chief Executive Officer (included as Exhibit 32.1 to Form 10-Q)
32.2+	Section 1350 Certification of Ewout L. Steenbergen, Chief Financial Officer (included as Exhibit 32.2 to Form 10-Q)
101.INS+	XBRL Instance Document
101.SCH+	XBRL Taxonomy Extension Schema
101.CAL+	XBRL Taxonomy Extension Calculation Linkbase
101.DEF+	XBRL Taxonomy Extension Definition Linkbase
101.LAB+	XBRL Taxonomy Extension Label Linkbase
101.PRE+	XBRL Taxonomy Extension Presentation Linkbase

+ Filed herewith.