Voya Financial, Inc.
Form 10-Q
August 02, 2017

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

FORM 10-Q
(Mark
One)

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

For the quarterly period ended June 30, 2017

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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

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

APPLICABLE ONLY TO CORPORATE ISSUERS:
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of July 28, 2017, 179,703,004 shares of Common Stock, $0.01 par value, were outstanding.

Voya Financial, Inc.
Form 10-Q for the period ended June 30, 2017

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, 2016 (File No. 001-35897) (the "Annual Report on Form 10-K") and "Risk Factors," in this Quarterly Report on Form 10-Q.

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

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements
Voya Financial, Inc.
Condensed Consolidated Balance Sheets
June 30, 2017 (Unaudited) and December 31, 2016
(In millions, except share and per share data)

	June 30, 2017	December 31, 2016
Assets:		
Investments:		
Fixed maturities, available-for-sale, at fair value (amortized cost of $65,515.8 as of 2017 and $66,158.7 as of 2016)	$70,239.0	$ 69,468.7
Fixed maturities, at fair value using the fair value option	3,774.9	3,712.3
Equity securities, available-for-sale, at fair value (cost of $268.2 as of 2017 and $241.8 as of 2016)	304.0	274.2
Short-term investments	533.6	821.0
Mortgage loans on real estate, net of valuation allowance of $2.3 as of 2017 and $3.1 as of 2016	12,689.7	11,725.2
Policy loans	1,906.0	1,961.5
Limited partnerships/corporations	929.5	758.6
Derivatives	1,396.6	1,712.4
Other investments	54.0	47.4
Securities pledged (amortized cost of $1,812.8 as of 2017 and $1,983.8 as of 2016)	2,023.9	2,157.1
Total investments	93,851.2	92,638.4
Cash and cash equivalents	2,567.4	2,910.7
Short-term investments under securities loan agreements, including collateral delivered	956.5	788.4
Accrued investment income	892.5	891.2
Premium receivable and reinsurance recoverable	7,277.5	7,318.0
Deferred policy acquisition costs and Value of business acquired	4,434.3	4,887.5
Sales inducements to contract owners	224.4	242.8
Current income taxes	—	164.6
Deferred income taxes	1,756.9	2,089.8
Goodwill and other intangible assets	197.8	219.5
Other assets	1,010.4	909.5
Assets related to consolidated investment entities:		
Limited partnerships/corporations, at fair value	1,855.2	1,936.3
Cash and cash equivalents	145.9	133.2
Corporate loans, at fair value using the fair value option	1,636.0	1,952.5
Other assets	42.0	34.0
Assets held in separate accounts	102,990.8	97,118.7
Total assets	$219,838.8	$ 214,235.1

The
accompanying
notes are an

integral part of
these
Condensed
Consolidated
Financial
Statements.

Voya Financial, Inc.
Condensed Consolidated Balance Sheets
June 30, 2017 (Unaudited) and December 31, 2016
(In millions, except share and per share data)

	June 30, 2017	December 31, 2016
Liabilities and Shareholders' Equity:		
Future policy benefits	$21,291.3	$21,447.2
Contract owner account balances	70,603.9	70,606.2
Payables under securities loan agreement, including collateral held	1,975.9	1,841.3
Short-term debt	735.9	—
Long-term debt	2,726.2	3,549.5
Funds held under reinsurance agreements	758.6	729.1
Derivatives	408.1	470.7
Pension and other postretirement provisions	636.8	674.3
Current income taxes	2.8	—
Other liabilities	1,261.2	1,336.0
Liabilities related to consolidated investment entities:		
Collateralized loan obligations notes, at fair value using the fair value option	1,630.2	1,967.2
Other liabilities	525.1	527.8
Liabilities related to separate accounts	102,990.8	97,118.7
Total liabilities	205,546.8	200,268.0
Commitments and Contingencies (Note 12)		
Shareholders' equity:		
Common stock ($0.01 par value per share; 900,000,000 shares authorized; 269,952,457 and 268,079,931 shares issued as of 2017 and 2016, respectively; 179,692,831 and 194,639,273 shares outstanding as of 2017 and 2016, respectively)	2.7	2.7
Treasury stock (at cost; 90,259,626 and 73,440,658 shares as of 2017 and 2016, respectively)	(3,426.0)	(2,796.0)
Additional paid-in capital	23,872.8	23,608.8
Accumulated other comprehensive income (loss)	2,706.9	2,021.7
Retained earnings (deficit):		
Appropriated-consolidated investment entities	—	—
Unappropriated	(9,804.2)	(9,843.3)
Total Voya Financial, Inc. shareholders' equity	13,352.2	12,993.9
Noncontrolling interest	939.8	973.2
Total shareholders' equity	14,292.0	13,967.1
Total liabilities and shareholders' equity	$219,838.8	$214,235.1

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

Statements.

5

Voya Financial, Inc.
Condensed Consolidated Statements of Operations
For the Three and Six Months Ended June 30, 2017 and 2016 (Unaudited)
(In millions, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenues:				
Net investment income	$1,142.4	$1,175.2	$2,297.9	$2,269.3
Fee income	838.2	826.7	1,689.0	1,652.5
Premiums	577.1	711.6	1,168.7	1,678.4
Net realized capital gains (losses):				
Total other-than-temporary impairments	(0.8)	(3.3)	(3.1)	(13.2)
Less: Portion of other-than-temporary impairments recognized in Other comprehensive income (loss)	0.6	0.9	1.3	1.8
Net other-than-temporary impairments recognized in earnings	(1.4)	(4.2)	(4.4)	(15.0)
Other net realized capital gains (losses)	(192.4)	(97.1)	(695.0)	(75.6)
Total net realized capital gains (losses)	(193.8)	(101.3)	(699.4)	(90.6)
Other revenue	96.2	84.6	190.0	167.4
Income (loss) related to consolidated investment entities:				
Net investment income	128.7	(0.8)	156.0	28.3
Total revenues	2,588.8	2,696.0	4,802.2	5,705.3
Benefits and expenses:				
Policyholder benefits	828.9	1,052.0	1,796.9	2,432.8
Interest credited to contract owner account balances	528.4	497.7	1,038.4	992.6
Operating expenses	691.7	716.4	1,430.5	1,436.6
Net amortization of Deferred policy acquisition costs and Value of business acquired	234.2	98.0	326.9	200.5
Interest expense	44.6	149.7	90.5	197.4
Operating expenses related to consolidated investment entities:				
Interest expense	26.8	27.7	43.7	48.7
Other expense	3.1	1.4	3.6	2.3
Total benefits and expenses	2,357.7	2,542.9	4,730.5	5,310.9
Income (loss) before income taxes	231.1	153.1	71.7	394.4
Income tax expense (benefit)	11.9	17.1	(5.1)	66.1
Net income (loss)	219.2	136.0	76.8	328.3
Less: Net income (loss) attributable to noncontrolling interest	52.0	(25.5)	53.1	(24.8)
Net income (loss) available to Voya Financial, Inc.'s common shareholders	$167.2	$161.5	$23.7	$353.1
Net income (loss) available to Voya Financial, Inc.'s common shareholders per common share:				
Basic	$0.90	$0.80	$0.13	$1.73
Diluted	$0.89	$0.79	$0.12	$1.71
Cash dividends declared per share of common stock	$0.01	$0.01	$0.02	$0.02

The accompanying notes are an integral part of these Condensed

Consolidated
Financial
Statements.

6

Voya Financial, Inc.
Condensed Consolidated Statements of Comprehensive Income
For the Three and Six Months Ended June 30, 2017 and 2016 (Unaudited)
(In millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income (loss)	$219.2	$136.0	$76.8	$328.3
Other comprehensive income (loss), before tax:				
Unrealized gains (losses) on securities	762.3	1,479.4	1,047.4	3,092.3
Other-than-temporary impairments	0.9	3.2	11.9	6.3
Pension and other postretirement benefits liability	(3.5)	(3.5)	(7.0)	(6.9)
Other comprehensive income (loss), before tax	759.7	1,479.1	1,052.3	3,091.7
Income tax expense (benefit) related to items of other comprehensive income (loss)	265.1	515.6	367.1	1,076.9
Other comprehensive income (loss), after tax	494.6	963.5	685.2	2,014.8
Comprehensive income (loss)	713.8	1,099.5	762.0	2,343.1
Less: Comprehensive income (loss) attributable to noncontrolling interest	52.0	(25.5)	53.1	(24.8)
Comprehensive income (loss) attributable to Voya Financial, Inc.'s common shareholders	$661.8	$1,125.0	$708.9	$2,367.9

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 Six Months Ended June 30, 2017 (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, 2017	$ 2.7	$ (2,796.0)	$ 23,608.8	$ 2,021.7	$ —	$ (9,843.3)	$ 12,993.9	$ 973.2	$ 13,967.1
Cumulative effect of changes in accounting:									
Adjustment for adoption of ASU 2016-09	—	—	—	—	—	15.4	15.4	—	15.4
Balance as of January 1, 2017 - As adjusted	2.7	(2,796.0)	23,608.8	2,021.7	—	(9,827.9)	13,009.3	973.2	13,982.5
Comprehensive income (loss):									
Net income (loss)	—	—	—	—	—	23.7	23.7	53.1	76.8
Other comprehensive income (loss), after tax	—	—	—	685.2	—	—	685.2	—	685.2
Total comprehensive income (loss)							708.9	53.1	762.0
Common stock issuance	—	—	1.3	—	—	—	1.3	—	1.3
Common stock acquired - Share repurchase	—	(622.8)	200.0	—	—	—	(422.8)	—	(422.8)
Dividends on common stock	—	—	(3.8)	—	—	—	(3.8)	—	(3.8)
Share-based compensation	—	(7.2)	66.5	—	—	—	59.3	—	59.3
Contributions from (Distributions to) noncontrolling interest, net	—	—	—	—	—	—	—	(86.5)	(86.5)
Balance as of June 30, 2017	$ 2.7	$ (3,426.0)	$ 23,872.8	$ 2,706.9	$ —	$ (9,804.2)	$ 13,352.2	$ 939.8	$ 14,292.0

The accompanying notes are an

integral part of these Condensed Consolidated Financial Statements.

8

Voya Financial, Inc.
Condensed Consolidated Statements of Changes in Shareholders' Equity
For the Six Months Ended June 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)	—	—	—	—	—	353.1	353.1	(24.8)	328.3
Other comprehensive income (loss), after tax	—	—	—	2,014.8	—	—	2,014.8	—	2,014.8
Total comprehensive income (loss)							2,367.9	(24.8)	2,343.1
Common stock issuance	—	—	—	—	—	—	—	—	—
Common stock acquired - Share repurchase	—	(337.2)	(150.0)	—	—	—	(487.2)	—	(487.2)
Dividends on common stock	—	—	(4.1)	—	—	—	(4.1)	—	(4.1)
Share-based compensation	—	(6.3)	41.8	—	—	—	35.5	—	35.5
Contributions from (Distributions to) noncontrolling interest, net	—	—	—	—	—	—	—	(187.5)	(187.5)

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

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

Voya Financial, Inc.
Condensed Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2017 and 2016 (Unaudited)
(In millions)

	Six Months Ended June 30,	
	2017	2016
Net cash provided by operating activities	$555.2	$1,663.1
Cash Flows from Investing Activities:		
Proceeds from the sale, maturity, disposal or redemption of:		
Fixed maturities	7,072.1	6,700.8
Equity securities, available-for-sale	15.8	81.5
Mortgage loans on real estate	661.6	685.8
Limited partnerships/corporations	143.5	132.7
Acquisition of:		
Fixed maturities	(6,470.6)	(7,396.0)
Equity securities, available-for-sale	(30.2)	(35.1)
Mortgage loans on real estate	(1,625.3)	(1,447.2)
Limited partnerships/corporations	(220.1)	(166.8)
Short-term investments, net	287.5	216.6
Policy loans, net	55.5	4.2
Derivatives, net	(348.8)	(494.2)
Other investments, net	(5.5)	2.2
Sales from consolidated investment entities	1,214.4	903.6
Purchases within consolidated investment entities	(1,389.2)	(603.2)
Collateral received (delivered), net	(36.3)	861.2
Purchases of fixed assets, net	(26.1)	(36.3)
Net cash used in investing activities	(701.7)	(590.2)
Cash Flows from Financing Activities:		
Deposits received for investment contracts	3,578.0	4,190.4
Maturities and withdrawals from investment contracts	(3,921.1)	(3,318.4)
Proceeds from issuance of debt with maturities of more than three months	—	798.2
Repayment of debt with maturities of more than three months	(90.0)	(708.3)
Debt issuance costs	—	(14.4)
Borrowings of consolidated investment entities	737.7	43.0
Repayments of borrowings of consolidated investment entities	(725.1)	(296.4)
Contributions from (distributions to) participants in consolidated investment entities, net	656.2	17.6
Proceeds from issuance of common stock, net	1.3	—
Share-based compensation	(7.2)	(6.3)
Common stock acquired - Share repurchase	(422.8)	(487.2)
Dividends paid	(3.8)	(4.1)
Net cash (used in) provided by financing activities	(196.8)	214.1
Net (decrease) increase in cash and cash equivalents	(343.3)	1,287.0
Cash and cash equivalents, beginning of period	2,910.7	2,512.7
Cash and cash equivalents, end of period	$2,567.4	$3,799.7
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.

10

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: Retirement, Investment Management, Annuities, Individual Life and Employee Benefits. The Company also has one Closed Block segment. In addition, the Company includes in Corporate the financial data not directly related to its segments as well as certain run-off activities. 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 as of the date of the Condensed Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. Those estimates are inherently subject to change and actual results could differ from those estimates.

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

The accompanying Condensed Consolidated Financial Statements reflect adjustments (including normal, recurring adjustments) necessary to present fairly the financial position of the Company as of June 30, 2017, its results of operations and comprehensive income for the three and six months ended June 30, 2017 and 2016, and its changes in shareholders' equity and statements of cash flows for the six months ended June 30, 2017 and 2016, in conformity with U.S. GAAP. Interim results are not necessarily indicative of full year performance. The December 31, 2016 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.

Adoption of New Pronouncements

Interests Held through Related Parties

In October 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-17, “Consolidation (ASC Topic 810): Interests Held through Related Parties That Are under Common Control” (“ASU 2016-17”), which changes how a single decision maker of a VIE should treat indirect interests in the entity that are held through related parties under common control when determining whether it is the primary beneficiary of the VIE.

The provisions of ASU 2016-17 were adopted by the Company, retrospectively, on January 1, 2017. 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)

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

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

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

- On a prospective basis, all excess tax benefits and tax deficiencies related to share-based compensation will be reported in Net income (loss), rather than Additional paid-in capital. Prior year excess tax benefits will remain in Additional paid-in capital.
- The provision that removed the requirement to delay recognition of excess tax benefits until they reduce taxes payable was required to be adopted on a modified retrospective basis. Upon adoption, this provision resulted in a $15.4 increase in Deferred income tax assets with an offsetting increase to Retained earnings on the Condensed Consolidated Balance Sheet as of January 1, 2017, to record previously unrecognized excess tax benefits.
- The Company elected to retrospectively adopt the requirement to present cash inflows related to excess tax benefits as operating activities, which resulted in a $4.4 reclassification of Share-based compensation cash flows from financing activities to operating activities in the Condensed Consolidated Statement of Cash Flows for the six months ended June 30, 2016.
- The Company also elected to continue its existing accounting policy of including estimated forfeitures in the calculation of share-based compensation expense.

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

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

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.

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

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

Retirement Benefits

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

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

The provisions of ASU 2017-07 are effective for annual periods beginning after December 15, 2017, including interim periods, with early adoption permitted. Initial adoption of ASU 2017-07 is required to be reported retrospectively for the presentation of service costs and other components in the statement of operations and prospectively for the capitalization of service costs in assets. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2017-07.

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

The provisions of ASU 2017-05 are effective for annual and interim reporting periods beginning after December 15, 2017, with early adoption permitted, using either a retrospective or modified retrospective method. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2017-05.

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.

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.

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

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.

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. ASU 2014-09 also updated the accounting for certain costs associated with obtaining and fulfilling contracts with customers and requires disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In addition, the FASB issued various amendments during 2016 to clarify the provisions and implementation guidance of ASU 2014-09. Revenue recognition for insurance contracts and financial instruments is explicitly scoped out of the guidance.

The provisions of ASU 2014-09 are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted as of January 1, 2017. Initial adoption of ASU 2014-09 is required to be reported using either a retrospective or modified retrospective approach.

The Company plans to adopt ASU 2014-09 on January 1, 2018. As the scope of ASU 2014-09 excludes insurance contracts and financial instruments, the guidance does not apply to a significant portion of the Company's business. Consequently, the Company does not currently expect the adoption of this guidance to have a material impact; however, implementation efforts, including assessment of transition approach, are ongoing. Based on review to date, the Company anticipates that the adoption of ASU 2014-09 may impact the timing of recognition of carried interest (less than 1.5% of the Company's Total revenues for the three and six months ended June 30, 2017 and 2016) in the Investment Management segment and may result in the deferral of costs to obtain and fulfill certain financial services contracts in the Retirement, Investment Management, and Annuities segments.

15

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

2. Investments (excluding Consolidated Investment Entities)

Fixed Maturities and Equity Securities

Available-for-sale and fair value option ("FVO") fixed maturities and equity securities were as follows as of June 30, 2017:

	Amortized Cost	Gross Unrealized Capital Gains	Gross Unrealized Capital Losses	Embedded Derivatives[2]	Fair Value	OTTI[3][4]
Fixed maturities:						
U.S. Treasuries	$ 3,056.0	$ 525.7	$ 4.3	$ —	$ 3,577.4	$ —
U.S. Government agencies and authorities	253.4	54.2	—	—	307.6	—
State, municipalities and political subdivisions	2,355.5	60.4	23.5	—	2,392.4	—
U.S. corporate public securities	30,757.0	2,782.8	91.6	—	33,448.2	—
U.S. corporate private securities	8,255.0	332.0	85.7	—	8,501.3	—
Foreign corporate public securities and foreign governments[1]	7,850.4	561.2	39.7	—	8,371.9	—
Foreign corporate private securities[1]	7,442.3	359.9	30.1	—	7,772.1	—