Voya Financial, Inc.
Form 10-Q
May 02, 2018

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

FORM 10-Q
(Mark
One)

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

For the quarterly period ended March 31, 2018

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 April 27, 2018, 168,814,615 shares of Common Stock, $0.01 par value, were outstanding.

Voya Financial, Inc.
Form 10-Q for the period ended March 31, 2018

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

NOTE CONCERNING FORWARD-LOOKING STATEMENTS

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

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
March 31, 2018 (Unaudited) and December 31, 2017
(In millions, except share and per share data)

	March 31, 2018	December 31, 2017
Assets:		
Investments:		
Fixed maturities, available-for-sale, at fair value (amortized cost of $44,718 as of 2018 and $44,366 as of 2017)	$47,274	$ 48,329
Fixed maturities, at fair value using the fair value option	2,903	3,018
Equity securities, at fair value (cost of $349 as of 2018 and $353 as of 2017)	382	380
Short-term investments	193	471
Mortgage loans on real estate, net of valuation allowance of $2 as of 2018 and $3 as of 2017	8,837	8,686
Policy loans	1,863	1,888
Limited partnerships/corporations	820	784
Derivatives	390	397
Other investments	77	47
Securities pledged (amortized cost of $1,724 as of 2018 and $1,823 as of 2017)	1,869	2,087
Total investments	64,608	66,087
Cash and cash equivalents	1,411	1,218
Short-term investments under securities loan agreements, including collateral delivered	1,479	1,626
Accrued investment income	691	667
Premium receivable and reinsurance recoverable	7,601	7,632
Deferred policy acquisition costs and Value of business acquired	3,769	3,374
Current income taxes	28	4
Deferred income taxes	1,022	781
Other assets	1,360	1,310
Assets related to consolidated investment entities:		
Limited partnerships/corporations, at fair value	1,796	1,795
Cash and cash equivalents	186	217
Corporate loans, at fair value using the fair value option	769	1,089
Other assets	75	75
Assets held in separate accounts	77,949	77,605
Assets held for sale	57,080	59,052
Total assets	$219,824	$ 222,532

The accompanying notes are an integral part of these Condensed

Consolidated
Financial
Statements.

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

	March 31, 2018	December 31, 2017
Liabilities and Shareholders' Equity:		
Future policy benefits	$15,379	$ 15,647
Contract owner account balances	50,353	50,158
Payables under securities loan agreement, including collateral held	1,719	1,866
Short-term debt	—	337
Long-term debt	3,458	3,123
Derivatives	168	149
Pension and other postretirement provisions	540	550
Other liabilities	2,044	2,076
Liabilities related to consolidated investment entities:		
Collateralized loan obligations notes, at fair value using the fair value option	679	1,047
Other liabilities	668	658
Liabilities related to separate accounts	77,949	77,605
Liabilities held for sale	56,458	58,277
Total liabilities	209,415	211,493
Commitments and Contingencies (Note 13)		
Shareholders' equity:		
Common stock ($0.01 par value per share; 900,000,000 shares authorized; 271,775,835 and 270,078,294 shares issued as of 2018 and 2017, respectively; 171,555,213 and 171,982,673 shares outstanding as of 2018 and 2017, respectively)	3	3
Treasury stock (at cost; 100,220,622 and 98,095,621 shares as of 2018 and 2017, respectively)	(3,936)	(3,827)
Additional paid-in capital	23,961	23,821
Accumulated other comprehensive income (loss)	1,511	2,731
Retained earnings (deficit):		
Appropriated-consolidated investment entities	—	—
Unappropriated	(12,161)	(12,719)
Total Voya Financial, Inc. shareholders' equity	9,378	10,009
Noncontrolling interest	1,031	1,030
Total shareholders' equity	10,409	11,039
Total liabilities and shareholders' equity	$219,824	$ 222,532

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

Voya Financial, Inc.
Condensed Consolidated Statements of Operations
For the Three Months Ended March 31, 2018 and 2017 (Unaudited)
(In millions, except per share data)

	Three Months Ended March 31,	
	2018	2017
Revenues:		
Net investment income	$823	$843
Fee income	676	637
Premiums	539	547
Net realized capital gains (losses):		
Total other-than-temporary impairments	(14)	(1)
Less: Portion of other-than-temporary impairments recognized in Other comprehensive income (loss)	—	1
Net other-than-temporary impairments recognized in earnings	(14)	(2)
Other net realized capital gains (losses)	(167)	(84)
Total net realized capital gains (losses)	(181)	(86)
Other revenue	99	89
Income (loss) related to consolidated investment entities:		
Net investment income	11	27
Total revenues	1,967	2,057
Benefits and expenses:		
Policyholder benefits	708	750
Interest credited to contract owner account balances	382	399
Operating expenses	700	668
Net amortization of Deferred policy acquisition costs and Value of business acquired	100	64
Interest expense	49	46
Operating expenses related to consolidated investment entities:		
Interest expense	6	17
Other expense	1	—
Total benefits and expenses	1,946	1,944
Income (loss) from continuing operations before income taxes	21	113
Income tax expense (benefit)	4	93
Income (loss) from continuing operations	17	20
Income (loss) from discontinued operations, net of tax	429	(162)
Net income (loss)	446	(142)
Less: Net income (loss) attributable to noncontrolling interest	—	1
Net income (loss) available to Voya Financial, Inc.'s common shareholders	$446	$(143)
Net income (loss) per common share:		
Basic		
Income (loss) from continuing operations available to Voya Financial, Inc.'s common shareholders	$0.10	$0.10
Income (loss) available to Voya Financial, Inc.'s common shareholders	$2.59	$(0.75)
Diluted		
Income (loss) from continuing operations available to Voya Financial, Inc.'s common shareholders	$0.10	$0.10
Income (loss) available to Voya Financial, Inc.'s common shareholders	$2.50	$(0.74)
Cash dividends declared per share of common stock	$0.01	$0.01

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

Voya Financial, Inc.
Condensed Consolidated Statements of Comprehensive Income
For the Three Months Ended March 31, 2018 and 2017 (Unaudited)
(In millions)

	Three Months Ended March 31,	
	2018	2017
Net income (loss)	$446	$(142)
Other comprehensive income (loss), before tax:		
Unrealized gains (losses) on securities	(1,523)	285
Other-than-temporary impairments	20	11
Pension and other postretirement benefits liability	(3)	(3)
Other comprehensive income (loss), before tax	(1,506)	293
Income tax expense (benefit) related to items of other comprehensive income (loss)	(314)	102
Other comprehensive income (loss), after tax	(1,192)	191
Comprehensive income (loss)	(746)	49
Less: Comprehensive income (loss) attributable to noncontrolling interest	—	1
Comprehensive income (loss) attributable to Voya Financial, Inc.'s common shareholders	$(746)	$48

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 Three Months Ended March 31, 2018 (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, 2018	$ 3	$ (3,827)	$ 23,821	$ 2,731	$ —	$ (12,719)	$ 10,009	$ 1,030	$ 11,039
Cumulative effect of changes in accounting:									
Adjustment for adoption of ASU 2014-09	—	—	—	—	—	84	84	—	84
Adjustment for adoption of ASU 2016-01	—	—	—	(28)	—	28	—	—	—
Balance as of January 1, 2018 - As adjusted	3	(3,827)	23,821	2,703	—	(12,607)	10,093	1,030	11,123
Comprehensive income (loss):									
Net income (loss)	—	—	—	—	—	446	446	—	446
Other comprehensive income (loss), after tax	—	—	—	(1,192)	—	—	(1,192)	—	(1,192)
Total comprehensive income (loss)							(746)	—	(746)
Common stock issuance	—	—	2	—	—	—	2	—	2
Common stock acquired - Share repurchase	—	(100)	100	—	—	—	—	—	—
Dividends on common stock	—	—	(2)	—	—	—	(2)	—	(2)
Share-based compensation	—	(9)	40	—	—	—	31	—	31
Contributions from (Distributions to) noncontrolling interest, net	—	—	—	—	—	—	—	1	1
Balance as of March 31, 2018	$ 3	$ (3,936)	$ 23,961	$ 1,511	$ —	$ (12,161)	$ 9,378	$ 1,031	$ 10,409

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 Three Months Ended March 31, 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 - As previously filed	$ 3	$ (2,796)	$ 23,609	$ 1,921	$ —	$ (9,742)	$ 12,995	$ 973	$ 13,968
Cumulative effect of changes in accounting:									
Adjustment for adoption of ASU 2016-09	—	—	—	—	—	15	15	—	15
Balance as of January 1, 2017 - As adjusted	3	(2,796)	23,609	1,921	—	(9,727)	13,010	973	13,983
Comprehensive income (loss):									
Net income (loss)	—	—	—	—	—	(143)	(143)	1	(142)
Other comprehensive income (loss), after tax	—	—	—	191	—	—	191	—	191
Total comprehensive income (loss)							48	1	49
Common stock issuance	—	—	1	—	—	—	1	—	1
Common stock acquired - Share repurchase	—	(247)	50	—	—	—	(197)	—	(197)
Dividends on common stock	—	—	(2)	—	—	—	(2)	—	(2)
Share-based compensation	—	(7)	39	—	—	—	32	—	32
Contributions from (Distributions to) noncontrolling interest, net	—	—	—	—	—	—	—	13	13
Balance as of March 31, 2017	$ 3	$ (3,050)	$ 23,697	$ 2,112	$ —	$ (9,870)	$ 12,892	$ 987	$ 13,879

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

Voya Financial, Inc.
Condensed Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2018 and 2017 (Unaudited)
(In millions)

	Three Months Ended March 31, 2018	2017
Cash Flows from Operating Activities:		
Net cash provided by (used in) operating activities - continuing operations	$38	$(208)
Net cash provided by operating activities - discontinued operations	363	159
Net cash provided by (used in) operating activities	$401	$(49)
Cash Flows from Investing Activities:		
Proceeds from the sale, maturity, disposal or redemption of:		
Fixed maturities	2,077	2,303
Equity securities	6	11
Mortgage loans on real estate	241	300
Limited partnerships/corporations	30	42
Acquisition of:		
Fixed maturities	(2,254)	(1,933)
Equity securities	(12)	(20)
Mortgage loans on real estate	(391)	(845)
Limited partnerships/corporations	(54)	(88)
Short-term investments, net	278	(40)
Derivatives, net	17	186
Sales from consolidated investment entities	88	613
Purchases within consolidated investment entities	(138)	(384)
Collateral (delivered) received, net	—	(135)
Other, net	(17)	20
Net cash provided by investing activities - discontinued operations	365	161
Net cash provided by investing activities	236	191
Cash Flows from Financing Activities:		
Deposits received for investment contracts	1,415	1,192
Maturities and withdrawals from investment contracts	(1,360)	(1,311)
Proceeds from issuance of debt with maturities of more than three months	350	—
Repayment of debt with maturities of more than three months	(350)	(91)
Debt issuance costs	(6)	—
Borrowings of consolidated investment entities	62	—
Contributions from (distributions to) participants in consolidated investment entities, net	(19)	(130)
Proceeds from issuance of common stock, net	2	1
Share-based compensation	(9)	(7)
Common stock acquired - Share repurchase	—	(190)
Dividends paid	(2)	(2)
Net cash used in financing activities - discontinued operations	(480)	(217)
Net cash used in financing activities	(397)	(755)
Net increase (decrease) in cash and cash equivalents	240	(613)
Cash and cash equivalents, beginning of period	1,716	2,911
Cash and cash equivalents, end of period	1,956	2,298
Less: Cash and cash equivalents of discontinued operations, end of period	545	932
Cash and cash equivalents of continuing operations, end of period	$1,411	$1,366

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

1. Business, Basis of Presentation and Significant Accounting Policies

Business

Voya Financial, Inc. and its subsidiaries (collectively the "Company") is a financial services organization in the United States that offers a broad range of retirement services, annuities, investment management services, mutual funds, life insurance, group insurance and supplemental health products.

On December 20, 2017, the Company entered into a Master Transaction Agreement ("MTA") with VA Capital Company LLC ("VA Capital") and Athene Holding Ltd ("Athene"), pursuant to which Venerable Holdings, Inc. ("Venerable"), a wholly owned subsidiary of VA Capital, will acquire two of the Company's subsidiaries, Voya Insurance and Annuity Company ("VIAC") and Directed Services, LLC ("DSL"). This transaction is expected to close during the second or third quarter of 2018 and will result in the disposition of substantially all of the Company's Closed Block Variable Annuity ("CBVA") and Annuities businesses (collectively, the "Transaction"). The assets and liabilities related to the businesses to be sold have been classified as held for sale in the accompanying Condensed Consolidated Balance Sheets and as discontinued operations in the accompanying Condensed Consolidated Statements of Operations and Condensed Consolidated Statements of Cash Flows and are reported separately for all periods presented. See the Business Held for Sale and Discontinued Operations Note to these Condensed Consolidated Financial Statements.

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

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

Prior to May 2013, the Company was an indirect, wholly-owned subsidiary of ING Groep N.V. ("ING Group" or "ING"), a global financial services holding company based in The Netherlands. In May 2013, Voya Financial Inc. completed its initial public offering of common stock, including the issuance and sale of common stock by Voya Financial, Inc. and the sale of shares of common stock owned indirectly by ING Group. Between October 2013 and March 2015, ING Group completed the sale of its remaining shares of common stock of Voya Financial, Inc. in a series of registered public offerings.

Basis of Presentation

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

The Condensed Consolidated Financial Statements include the accounts of Voya Financial, Inc. and its subsidiaries, as well as partnerships (voting interest entities ("VOEs")) in which the Company has control and variable interest entities ("VIEs") for which 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 March 31, 2018, and its results of operations, comprehensive income, changes in shareholders' equity and statements of cash flows for the three months ended March 31, 2018 and 2017, in conformity with U.S. GAAP. Interim results are not necessarily indicative of full year performance. The December 31, 2017

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

Consolidated Balance Sheet is from the audited Consolidated Financial Statements included in the Company's Annual Report on Form 10-K, filed with the SEC. Therefore, these unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and related notes included in the Company's Annual Report on Form 10-K.

Significant Accounting Policies

Investments

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

Recognition of Revenue

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

Financial services revenue is disaggregated by type of service in the following table. Such revenue represents approximately 29.2% of total Retirement revenue, all of Investment Management revenue, and all of Corporate revenue. Such revenue is immaterial for Employee Benefits and Individual Life. For the three months ended March 31, 2018, a portion of the revenue recognized in the current period from distribution services is related to performance obligations satisfied in previous periods.

	Three Months Ended March 31, 2018		
	Reportable Segments		
	Retirement	Investment Management	Corporate
Service Line			
Advisory	$55	$ 141	$ —
Asset management	—	41	—
Recordkeeping & administration	62	43	2
Distribution & shareholder servicing	74	44	30
Total financial services revenue	$191	$ 269	$ 32

Receivables of $211 are included in Other assets on the Condensed Consolidated Balance Sheets as of March 31, 2018.

Financial Services Revenue

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

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

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

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

Contract Costs

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

The Company defers (1) incremental commissions and variable compensation paid to the Company's direct sales force, consultant channel, and intermediary partners, as a result of obtaining certain financial services contracts and (2) account set-up expenses on certain recordkeeping contracts. The Company expenses as incurred deferrable contract costs for which the amortization period would be one year or less (based on the U.S. GAAP practical expedient) and other contract-related costs. The Company periodically reviews contract cost assets for impairment. Capitalized contract costs are included in Other assets on the Condensed Consolidated Balance Sheets, and costs expensed as incurred are included in Operating expenses in the Condensed Consolidated Statements of Operations.

As of March 31, 2018, contract cost assets were $106. Capitalized contract costs are amortized on a straight-line basis over the estimated lives of the contracts, which typically range from 5 to 15 years. This method is consistent with the transfer of services to which the assets relate. For the three months ended March 31, 2018, amortization expense of $6 was recorded in Operating expenses in the Condensed Consolidated Statements of Operations. There was no impairment loss in relation to the contract costs capitalized.

Adoption of New Pronouncements

Retirement Benefits

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

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

Derecognition of Nonfinancial Assets

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

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

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

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

The provisions of ASU 2016-15 were adopted retrospectively on January 1, 2018 and resulted in the reclassification of the Company's cash payments for debt extinguishment costs from Cash Flows from Operating Activities to Cash Flows from Financing Activities in the Condensed Consolidated Statements of Cash Flows of $3 and $1 for the three months ended March 31, 2018 and 2017, respectively. The adoption of the remaining provisions of ASU 2016-05 had no effect on the Company's financial condition, results of operations, or cash flows.

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

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

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

- On a prospective basis, all excess tax benefits and tax deficiencies related to share-based compensation will be reported in Net income (loss), rather than Additional paid-in capital. Prior year excess tax benefits will remain in Additional paid-in capital.
- The provision that removed the requirement to delay recognition of excess tax benefits until they reduce taxes payable was required to be adopted on a modified retrospective basis. Upon adoption, this provision resulted in a $15 increase in Deferred income tax assets with a corresponding increase to Retained earnings on the Condensed Consolidated Balance Sheet as of January 1, 2017, to record previously unrecognized excess tax benefits.
- The Company elected to retrospectively adopt the requirement to present cash inflows related to excess tax benefits as operating activities. For the three months ended March 31, 2017, the Company had no excess tax benefits.
- The Company also elected to continue its existing accounting policy of including estimated forfeitures in the calculation of share-based compensation expense.

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

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

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

(Dollar amounts in millions, unless otherwise stated)

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

Revenue from Contracts with Customers

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

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

Comparative information has not been adjusted and continues to be reported under previous revenue recognition guidance. The following tables summarize the impacts of adopting the provisions of ASU 2014-09 for the three months ended March 31, 2018. For the three months ended March 31, 2018, adopting the provisions of ASU 2014-09 had no impact on Net cash provided by operating activities.

Condensed Consolidated Balance Sheet
March 31, 2018

	As reported	Adjustments	Balance without adoption of ASU 2014-09
Assets:			
Deferred income taxes	$1,022	$ 22	$1,044
Other assets	1,360	(106)	1,254
Total assets	$219,824	$ (84)	$219,740
Liabilities and Shareholders' Equity:			

Retained earnings (deficit):			
Unappropriated	$(12,161)	$ (84)	$(12,245)
Total shareholders' equity	$10,409	$ (84)	$10,325
Total liabilities and shareholders' equity	$219,824	$ (84)	$219,740

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

Condensed Consolidated Statement of Operations
For the Three Months Ended March 31, 2018

	As reported	Adjustments*	Balance without adoption of ASU 2014-09
Benefits and expenses:			
Operating expenses	$ 700	$ —	$ 700
Total benefits and expenses	1,946	—	1,946
Income (loss) from continuing operations before income taxes	21	—	21
Income tax expense (benefit)	4	—	4
Income (loss) from continuing operations	17	—	17
Net income (loss)	446	—	446
Net income (loss) available to Voya Financial, Inc.'s common shareholders	$ 446	$ —	$ 446

*The impact to the Condensed Consolidated Statement of Operations for the three months ended March 31, 2018 was less than $1.

Future Adoption of Accounting Pronouncements

Reclassification of Certain Tax Effects

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

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

Derivatives & Hedging

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

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

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

Debt Securities

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

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

Financial Instruments - Credit Losses

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

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

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

Leases

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

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

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.

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

2. Business Held for Sale and Discontinued Operations

As noted in the Business, Basis of Presentation and Significant Accounting Policies Note, on December 20, 2017, the Company entered into the MTA with VA Capital and Athene (the "Buyers") pursuant to which Venerable will acquire two of the Company's subsidiaries, VIAC and DSL. The Transaction is expected to close during the second or third quarter of 2018, subject to conditions specified in the MTA, including the receipt of required regulatory approvals, and other conditions. The Transaction will result in the disposition of substantially all of the Company's CBVA and Annuities businesses.

The purchase price in the transaction will be equal to the difference between the Required Adjusted Book Value (as defined in the MTA) and the Statutory capital in VIAC at closing, after giving effect to certain restructuring and other pre-sale transactions, including the reinsurance of the fixed and fixed indexed annuity business of VIAC. The purchase price for DSL is expected to approximate its carrying value. After the closing, the Company, through its other insurance subsidiaries, will continue to own surplus notes issued by VIAC in an aggregate principal amount of $350 and will acquire a 9.99% equity interest in VA Capital. The receivable for the surplus notes and VIAC's corresponding liability are included in Other assets and Liabilities held for sale, respectively, on the Company's Condensed Consolidated Balance Sheets. In the summary of major categories of assets and liabilities held for sale below, VIAC's corresponding liability for the surplus notes is included in Notes payable.

Under the terms of the Transaction, VIAC will, prior to the closing of the transaction, undertake certain restructuring transactions with several current affiliates in order to transfer businesses and assets into and out of VIAC.

In connection with the closing, Voya Investment Management Co., LLC ("Voya IM") or its affiliated advisors, will enter into one or more agreements to perform asset management services for Venerable as part of the transaction. As part of the agreements, Voya IM will serve as the preferred asset management partner for Venerable. Under the agreements, subject to certain criteria, Voya IM will manage certain assets, including, for at least five years following the closing of the transaction, certain general account assets. The Company has also agreed to provide certain transitional services to Venerable for up to 24 months after the closing of the Transaction.

The MTA provides for a $105 reverse termination fee that would be payable by VA Capital to the Company if the MTA is terminated in certain circumstances.

The MTA contains limits on the amount of additional capital the Company could be required to contribute to meet any increases in the Required Adjusted Book Value and on the amount of capital in excess of such amount that VA Capital could be required to compensate the Company for if such excess capital were to become trapped in VIAC prior to Transaction closing, in each case subject to certain termination rights.

The Company has determined that the CBVA and Annuities businesses to be disposed of meet the criteria to be classified as held for sale and that the sale represents a strategic shift that will have a major effect on the Company's operations. Accordingly, the results of operations of the businesses to be sold have been presented as discontinued operations in the accompanying Condensed Consolidated Statements of Operations and Condensed Consolidated Statements of Cash Flows, and the assets and liabilities of the businesses have been classified as held for sale and segregated for all periods presented in the Condensed Consolidated Balance Sheets. A business classified as held for sale is recorded at the lower of its carrying value or estimated fair value less cost to sell. If the carrying value exceeds its estimated fair value less cost to sell, a loss is recognized. Transactions between the businesses held for sale and businesses in continuing operations that are expected to continue to exist after the disposal are not eliminated to appropriately reflect the continuing operations and the assets, liabilities and results of the businesses held for sale.

The results of discontinued operations are reported in "Income (loss) from discontinued operations, net of tax" in the accompanying Condensed Consolidated Statements of Operations for all periods presented. As of December 31, 2017, the Company recorded an estimated loss on sale, net of tax of $2,423 which included estimated transactions costs of $31 as well as the loss of $692 of deferred tax assets to write down the assets of businesses held for sale to fair value less cost to sell as of December 31, 2017. In addition, the Company is required to remeasure the estimated fair value and loss on sale at the end of each quarter until closing of the Transaction. As such, Income (loss) from discontinued operations, net of tax, for the three months ended March 31, 2018 includes a favorable adjustment to the estimated loss on sale of $449, net of tax . The favorable adjustment to the estimated loss on sale for the three months ended March 31, 2018 includes additional estimated transaction costs of $6 as well as a benefit of $58 of deferred tax assets. The estimated transaction costs of $6 recorded in the three months ended March 31, 2018 and those recorded as of December 31, 2017 of $31 represent what the Company expects to incur through and upon closing of the Transaction. The estimated loss on sale, net of tax as of March 31, 2018 of $1,974, which includes the loss of $634 of deferred tax assets represents the excess of the estimated carrying value of the businesses held for sale over the estimated purchase price, which approximates fair value, less cost to sell.

The estimated purchase price and estimated carrying value of VIAC as of the future date of closing, and therefore the estimated loss on sale related to the Transaction are subject to adjustment in future quarters until closing, and may be influenced by, but not limited to the following factors:

- Market fluctuations related to equity securities, interest rates, volatility, credit spreads and foreign exchange rates;
- The performance of the businesses held for sale and the impact of interest and equity market changes on the Variable Annuity Hedge Program and any other hedging activity the Company may engage in within VIAC;
- Changes in the terms of the Transaction, including as the result of subsequent negotiations or as necessary to obtain regulatory approval;
- Other changes in the terms of the Transaction due to unanticipated developments; and
- Changes in key customers and policyholder behavior as a result of the Transaction or other factors.

The Company is required to remeasure the estimated fair value and loss on sale at the end of each quarter until closing of the Transaction. Changes in the estimated loss on sale that occur prior to closing of the Transaction will be reported as an adjustment to Income (loss) from discontinued operations, net of tax, in future quarters prior to closing.

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

The following table summarizes the major categories of assets and liabilities classified as held for sale in the accompanying Condensed Consolidated Balance Sheets as of March 31, 2018 and December 31, 2017:

	March 31, 2018	December 31, 2017
Assets:		
Investments:		
Fixed maturities, available-for-sale, at fair value	$20,750	$21,904
Fixed maturities, at fair value using the fair value option	554	615
Short-term investments	287	352
Mortgage loans on real estate, net of valuation allowance	4,178	4,212
Derivatives	1,207	1,514
Other investments(1)	357	351
Securities pledged	831	861
Total investments	28,164	29,809
Cash and cash equivalents	545	498
Short-term investments under securities loan agreements, including collateral delivered	613	473
Deferred policy acquisition costs and Value of business acquired	917	805
Sales inducements	223	196
Deferred income taxes	442	404
Other assets(2)	455	396
Assets held in separate accounts	27,695	28,894
Write-down of businesses held for sale to fair value less cost to sell	(1,974)	(2,423)
Total assets held for sale	$57,080	$59,052
Liabilities:		
Future policy benefits and contract owner account balances	$26,645	$27,065
Payables under securities loan agreement, including collateral held	1,040	1,152
Derivatives	707	782
Notes payable	350	350
Other liabilities	21	34
Liabilities related to separate accounts	27,695	28,894
Total liabilities held for sale	$56,458	$58,277

(1) Includes Other investments, Equity securities, Limited Partnerships/corporations and Policy loans.
(2) Includes Other assets, Accrued investment income, Premium receivable and reinsurance recoverable.

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

The following table summarizes the components of Income (loss) from discontinued operations, net of tax in the accompanying Condensed Consolidated Statements of Operations for the three months ended March 31, 2018 and 2017:

	Three Months Ended March 31,	
	2018	2017
Revenues:		
Net investment income	$305	$318
Fee income	179	213
Premiums	44	44
Total net realized capital gains (losses)	(176)	(420)
Other revenue	6	6
Total revenues	358	161
Benefits and expenses:		
Interest credited and other benefits to contract owners/policyholders	320	329
Operating expenses	54	71
Net amortization of Deferred policy acquisition costs and Value of business acquired	10	29
Interest expense	5	5
Total benefits and expenses	389	434
Income (loss) from discontinued operations before income taxes	(31)	(273)
Income tax expense (benefit)	(11)	(111)
Adjustment to loss on sale, net of tax	449	—
Income (loss) from discontinued operations, net of tax	$429	$(162)

For additional information on certain assets, liabilities and other financial information related to businesses held for sale, see the Derivatives Note and the Fair Value Measurements (excluding Consolidated Investments Entities) Note to these Condensed Consolidated Financial Statements.

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

3. Investments (excluding Consolidated Investment Entities)

Fixed Maturities and Equity Securities

Available-for-sale and fair value option ("FVO") fixed maturities were as follows as of March 31, 2018:

	Amortized Cost	Gross Unrealized Capital Gains	Gross Unrealized Capital Losses	Embedded Derivatives[2]	Fair Value	OTTI[3][4]
Fixed maturities:						
U.S. Treasuries	$ 1,875	$ 392	$ 3	$ —	$ 2,264	$ —
U.S. Government agencies and authorities	214	44	—	—	258	—
State, municipalities and political subdivisions	1,791	43	19	—	1,815	—
U.S. corporate public securities	20,494	1,741	152	—	22,083	—
U.S. corporate private securities	5,633	144	112	—	5,665	—
Foreign corporate public securities and foreign governments[1]	5,357	339	60	—	5,636	—
Foreign corporate private securities[1]	5,114	163	73	—	5,204	—
Residential mortgage-backed securities:						
Agency	2,992	150	53	17	3,106	—
Non-Agency	1,437	103	7	13	1,546	15
Total Residential mortgage-backed securities	4,429	253	60	30	4,652	15
Commercial mortgage-backed securities	2,874	35	38	—	2,871	—
Other asset-backed securities	1,564	39	5	—	1,598	3
Total fixed maturities, including securities pledged	49,345	3,193	522	30	52,046	18
Less: Securities pledged	1,724	177	32	—	1,869	—
Total fixed maturities	$ 47,621	$ 3,016	$ 490	$ 30	$ 50,177	$ 18

[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 $374 of net unrealized gains on impaired available-for-sale securities.

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

Available-for-sale and FVO fixed maturities and equity securities were as follows as of December 31, 2017:

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

[1] Primarily U.S. dollar denominated.
[2] Embedded derivatives within fixed maturity securities are reported with the host investment. The changes in fair value of embedded derivatives are reported in Other net realized capital gains (losses) in the Condensed Consolidated Statements of Operations.
[3] Represents OTTI reported as a component of Other comprehensive income (loss).
[4] Amount excludes $441 of net unrealized gains on impaired available-for-sale securities.

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

The amortized cost and fair value of fixed maturities, including securities pledged, as of March 31, 2018, are shown below by contractual maturity. Actual maturities may differ from contractual maturities as securities may be restructured, called or prepaid. Mortgage-backed securities ("MBS") and Other asset-backed securities ("ABS") are shown separately because they are not due at a single maturity date.

	Amortized Cost	Fair Value
Due to mature:		
One year or less	$ 1,050	$ 1,061
After one year through five years	8,051	8,245
After five years through ten years	10,150	10,279
After ten years	21,227	23,340
Mortgage-backed securities	7,303	7,523
Other asset-backed securities	1,564	1,598
Fixed maturities, including securities pledged	$ 49,345	$ 52,046

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

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

	Amortized Cost	Gross Unrealized Capital Gains	Gross Unrealized Capital Losses	Fair Value
March 31, 2018				
Communications	$ 2,626	$ 260	$ 12	$ 2,874
Financial	5,166	345	39	5,472
Industrial and other companies	16,233	915	185	16,963
Energy	4,209	344	63	4,490
Utilities	6,289	416	72	6,633
Transportation	1,306	82	16	1,372
Total	$ 35,829	$ 2,362	$ 387	$ 37,804
December 31, 2017				
Communications	$ 2,587	$ 341	$ 4	$ 2,924
Financial	5,094	487	5	5,576
Industrial and other companies	16,478	1,391	98	17,771
Energy	4,268	459	45	4,682
Utilities	6,243	607	22	6,828
Transportation	1,295	121	4	1,412

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

Fixed Maturities and Equity Securities

The Company's fixed maturities are currently designated as available-for-sale, except those accounted for using the FVO. Prior to the adoption of ASU 2016-01 as of January 1, 2018, equity securities were also designated as available-for-sale. Available-for-sale securities are reported at fair value and unrealized capital gains (losses) on these securities are recorded directly in AOCI and presented net of related changes in Deferred policy acquisition costs ("DAC"), Value of business acquired ("VOBA") and Deferred income taxes. In addition, certain fixed maturities have embedded derivatives, which are reported with the host contract on the Condensed Consolidated Balance Sheets.

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

The Company invests in various categories of CMOs, including CMOs that are not agency-backed, that are subject to different degrees of risk from changes in interest rates and defaults. The principal risks inherent in holding CMOs are prepayment and extension risks related to significant decreases and increases in interest rates resulting in the prepayment of principal from the underlying mortgages, either earlier or later than originally anticipated. As of March 31, 2018 and December 31, 2017, approximately 41.1% and 43.2%, respectively, of the Company's CMO holdings, were invested in the above mentioned types of CMOs such as interest-only or principal-only strips, that are subject to more prepayment and extension risk than traditional CMOs.

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

Repurchase Agreements

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

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 March 31, 2018 and December 31, 2017, the fair value of loaned securities was $1,592 and $1,854, respectively, and is included in Securities pledged on the Condensed Consolidated Balance Sheets.

If cash is received as collateral, the lending agent retains the cash collateral and invests it in short-term liquid assets on behalf of the Company. As of March 31, 2018 and December 31, 2017, cash collateral retained by the lending agent and invested in short-term liquid assets on the Company's behalf was $1,446 and $1,589, respectively, and is recorded in Short-term investments under securities loan agreements, including collateral delivered on the Condensed Consolidated Balance Sheets. As of March 31, 2018 and December 31, 2017, liabilities to return collateral of $1,446 and $1,589, respectively, are included in Payables under securities loan agreements, including collateral held on the Condensed Consolidated Balance Sheets.

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The Company accepts non-cash collateral in the form of securities. The securities retained as collateral by the lending agent may not be sold or re-pledged, except in the event of default, and are not reflected on the Company's Condensed Consolidated Balance Sheets. This collateral generally consists of U.S. Treasury, U.S. Government agency securities and MBS pools. As of March 31, 2018 and December 31, 2017, the fair value of securities retained as collateral by the lending agent on the Company's behalf was $194 and $308, respectively.

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

	March 31, 2018 (1)(2)	December 31, 2017 (1)(2)
U.S. Treasuries	$316	$ 587
U.S. Government agencies and authorities	13	5
U.S. corporate public securities	942	967
Foreign corporate public securities and foreign governments	369	338
Payables under securities loan agreements	$1,640	$ 1,897

(1)As of March 31, 2018 and December 31, 2017, borrowings under securities lending transactions include cash collateral of $1,446 and $1,589, respectively.
(2)As of March 31, 2018 and December 31, 2017, borrowings under securities lending transactions include non-cash collateral of $194 and $308, respectively.

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

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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 March 31, 2018:

	Six Months or Less Below Amortized Cost		More Than Six Months and Twelve Months or Less Below Amortized Cost		More Than Twelve Months Below Amortized Cost		Total	
	Fair Value	Unrealized Capital Losses	Fair Value	Unrealized Capital Losses	Fair Value	Unrealized Capital Losses	Fair Value	Unrealized Capital Losses
U.S. Treasuries	$96	$ 2	$7	$ —	$47	$ 1	$150	$ 3
State, municipalities and political subdivisions	406	5	83	2	218	12	707	19
U.S. corporate public securities	3,905	80	310	25	519	47	4,734	152
U.S. corporate private securities	1,457	28	219	12	684	72	2,360	112
Foreign corporate public securities and foreign governments	1,477	36	85	7	142	17	1,704	60
Foreign corporate private securities	986	18	89	26	319	29	1,394	73
Residential mortgage-backed	659	13	186	11	569	36	1,414	60
Commercial mortgage-backed	1,036	20	346	13	77	5	1,459	38
Other asset-backed	270	1	68	2	40	2	378	5
Total	$10,292	$ 203	$1,393	$ 98	$2,615	$ 221	$14,300	$ 522

Voya Financial, Inc.
Notes to the Condensed Consolidated Financial Statements (Unaudited)
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Unrealized capital losses (including noncredit impairments), along with the fair value of fixed maturity securities, including securities pledged, by market sector and duration were as follows as of December 31, 2017:

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

* Less than $1.

Of the unrealized capital losses aged more than twelve months, the average market value of the related fixed maturities was 92.2% and 97.3% of the average book value as of March 31, 2018 and December 31, 2017, respectively.

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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%
March 31, 2018						
Six months or less below amortized cost	$11,817	$118	$255	$ 36	1,710	19
More than six months and twelve months or less below amortized cost	747	1	51	—	130	3
More than twelve months below amortized cost	2,034	105	146	34	313	20
Total	$14,598	$224	$452	$ 70	2,153	42
December 31, 2017						
Six months or less below amortized cost	$6,126	$196	$148	$ 82	1,098	38
More than six months and twelve months or less below amortized cost	48	—	1	—	14	—
More than twelve months below amortized cost	448	—	12	—	87	—
Total	$6,622	$196	$161	$ 82	1,199	38

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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%
March 31, 2018						
U.S. Treasuries	$153	$—	$3	$ —	26	—
State, municipalities and political subdivisions	726	—	19	—	176	—
U.S. corporate public securities	4,838	48	140	12	695	5
U.S. corporate private securities	2,399	73	89	23	178	2
Foreign corporate public securities and foreign governments	1,747	17	56	4	241	3
Foreign corporate private securities	1,397	70	48	25	100	5
Residential mortgage-backed	1,462	12	56	4	382	25
Commercial mortgage-backed	1,497	—	38	—	249	—
Other asset-backed	379	4	3	2	106	2
Total	$14,598	$224	$452	$ 70	2,153	42
December 31, 2017						
U.S. Treasuries	$183	$—	$2	$ —	29	—
State, municipalities and political subdivisions	408	—	11	—	103	—
U.S. corporate public securities	1,553	18	45	5	232	2
U.S. corporate private securities	1,129	73	28	22	73	2
Foreign corporate public securities and foreign governments	506	7	16	2	84	1
Foreign corporate private securities	490	84	16	48	35	6
Residential mortgage-backed	1,075	13	29	5	334	25
Commercial mortgage-backed	871	—	11	—	164	—
Other asset-backed	407	1	3	—	145	2
Total	$6,622	$196	$161	$ 82	1,199	38

Voya Financial, Inc.
Notes to the Condensed Consolidated Financial Statements (Unaudited)
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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	
March 31, 2018	< 20%	> 20%	< 20%	> 20%
RMBS and Other ABS[1]				
Non-agency RMBS > 100%	$—	$ —	$ —	$ —
Non-agency RMBS > 90% - 100%	—	—	—	—
Non-agency RMBS 80% - 90%	7	—	—	—
Non-agency RMBS < 80%	443	—	7	—
Agency RMBS	1,034	12	49	4
Other ABS (Non-RMBS)	357	4	3	2
Total RMBS and Other ABS	$1,841	$ 16	$ 59	$ 6

	Credit Enhancement Percentage			
	Amortized Cost		Unrealized Capital Losses	
March 31, 2018	< 20%	> 20%	< 20%	> 20%
RMBS and Other ABS[1]				
Non-agency RMBS 10% +	$257	$ —	$ 4	$ —
Non-agency RMBS > 5% - 10%	14	—	—	—
Non-agency RMBS > 0% - 5%	174	—	2	—
Non-agency RMBS 0%	5	—	1	—
Agency RMBS	1,034	12	49	4
Other ABS (Non-RMBS)	357	4	3	2
Total RMBS and Other ABS	$1,841	$ 16	$ 59	$ 6

	Fixed Rate/Floating Rate			
	Amortized Cost		Unrealized Capital Losses	
March 31, 2018	< 20%	> 20%	< 20%	> 20%
Fixed Rate	$1,169	$ 6	$ 36	$ 2
Floating Rate	672	10	23	4
Total	$1,841	$ 16	$ 59	$ 6

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

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Notes to the Condensed Consolidated Financial Statements (Unaudited)
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	Loan-to-Value Ratio			
	Amortized Cost		Unrealized Capital Losses	
December 31, 2017	< 20%	> 20%	< 20%	> 20%
RMBS and Other ABS[1]				
Non-agency RMBS > 100%	$—	$ —	$ —	$ —
Non-agency RMBS > 90% - 100%	—	—	—	—
Non-agency RMBS 80% - 90%	13	—	—	—
Non-agency RMBS < 80%	211	1	4	—
Agency RMBS	878	12	26	4
Other ABS (Non-RMBS)	380	1	2	1
Total RMBS and Other ABS	$1,482	$ 14	$ 32	$ 5

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

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

[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.

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Troubled Debt Restructuring

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

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

Mortgage Loans on Real Estate

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

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

	March 31, 2018			December 31, 2017		
	Impaired	Non Impaired	Total	Impaired	Non Impaired	Total
Commercial mortgage loans	$4	$ 8,835	$8,839	$4	$ 8,685	$8,689
Collective valuation allowance for losses	N/A	(2)	(2)	N/A	(3)	(3)
Total net commercial mortgage loans	$4	$ 8,833	$8,837	$4	$ 8,682	$8,686

N/A - Not Applicable

There were no impairments taken on the mortgage loan portfolio for the three months ended March 31, 2018 and 2017.

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

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

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

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

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

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

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

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

The following table presents 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 March 31,	
	2018	2017
Impaired loans, average investment during the period (amortized cost) [(1)]	$ 4	$ 5
Interest income recognized on impaired loans, on an accrual basis [(1)]	—	—
Interest income recognized on impaired loans, on a cash basis [(1)]	—	—
Interest income recognized on troubled debt restructured loans, on an accrual basis	—	—

[(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:

	March 31, 2018[1]	December 31, 2017[1]
Loan-to-Value Ratio:		
0% - 50%	$ 860	$ 849
> 50% - 60%	2,192	2,125
> 60% - 70%	5,194	5,144
> 70% - 80%	571	551
> 80% and above	22	20
Total Commercial mortgage loans	$ 8,839	$ 8,689

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

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

	March 31, 2018 [(1)]	December 31, 2017 [(1)]
Debt Service Coverage Ratio:		
Greater than 1.5x	$7,015	$ 7,013
> 1.25x - 1.5x	680	655
> 1.0x - 1.25x	976	893
Less than 1.0x	142	105
Commercial mortgage loans secured by land or construction loans	26	23
Total Commercial mortgage loans	$8,839	$ 8,689

(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:

	March 31, 2018 [(1)]		December 31, 2017 [(1)]	
	Gross Carrying Value	% of Total	Gross Carrying Value	% of Total
Commercial Mortgage Loans by U.S. Region:				
Pacific	$2,100	23.8 %	$2,024	23.4 %
South Atlantic	1,792	20.3 %	1,716	19.7 %
Middle Atlantic	1,606	18.2 %	1,612	18.5 %
West South Central	947	10.7 %	959	11.0 %
Mountain	926	10.5 %	859	9.9 %
East North Central	860	9.7 %	884	10.2 %
New England	159	1.8 %	161	1.8 %
West North Central	375	4.2 %	391	4.5 %
East South Central	74	0.8 %	83	1.0 %
Total Commercial mortgage loans	$8,839	100.0 %	$8,689	100.0 %

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

	March 31, 2018 [(1)]		December 31, 2017 [(1)]	
	Gross Carrying Value	% of Total	Gross Carrying Value	% of Total
Commercial Mortgage Loans by Property Type:				
Retail	$2,609	29.5 %	$2,587	29.7 %
Industrial	2,045	23.1 %	2,108	24.3 %
Apartments	1,958	22.2 %	1,849	21.3 %
Office	1,405	15.9 %	1,384	15.9 %

Hotel/Motel	311	3.5 %	309	3.6 %
Other	425	4.8 %	364	4.2 %
Mixed Use	86	1.0 %	88	1.0 %
Total Commercial mortgage loans	$8,839	100.0%	$8,689	100.0%

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

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

	March 31, 2018 [(1)]	December 31, 2017 [(1)]
Year of Origination:		
2018	$372	$ —
2017	1,504	1,525
2016	1,417	1,428
2015	1,244	1,250
2014	1,276	1,303
2013	1,275	1,287
2012 and prior	1,751	1,896
Total Commercial mortgage loans	$8,839	$ 8,689

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

Evaluating Securities for Other-Than-Temporary Impairments

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

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 March 31,			
	2018		2017	
	Impairment	No. of Securities	Impairment	No. of Securities
Foreign corporate private securities[(1)]	$14	1	$ —	—
Residential mortgage-backed	— *	12	1	28
Commercial mortgage-backed	—	—	1	2
Other asset-backed	—	—	— *	1
Total	$14	13	$ 2	31

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

The above tables include $14 and $1 of write-downs related to credit impairments for the three months ended March 31, 2018, and 2017, respectively, in Other-than-temporary impairments, which are recognized in the Condensed Consolidated Statements of Operations. The remaining $1 in write-downs for the three months ended March 31, 2017 are related to intent impairments. There were immaterial write-downs for the three months ended March 31, 2018 related to intent impairments.

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

	Three Months Ended March 31,			
	2018		2017	
	Impairment	No. of Securities	Impairment	No. of Securities
Residential mortgage-backed	$ *	3	$ —*	5
Commercial mortgage-backed	—	—	1	2
Total	$ —	3	$ 1	7

* Less than $1

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

The following table presents 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 March 31,	
	2018	2017
Balance at January 1	$40	$ 55
Additional credit impairments:		
On securities previously impaired	—	1
Reductions:		
Increase in cash flows	—	—
Securities sold, matured, prepaid or paid down	16	11
Balance at March 31	$24	$ 44

Net Investment Income

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

	Three Months Ended March 31,	
	2018	2017
Fixed maturities	$663	$674
Equity securities	3	2
Mortgage loans on real estate	97	97
Policy loans	25	25
Short-term investments and cash equivalents	4	2
Other	49	58
Gross investment income	841	858
Less: investment expenses	18	15
Net investment income	$823	$843

As of March 31, 2018 and December 31, 2017, the Company had $2 and $5, respectively, of investments in fixed maturities that did not produce net investment income. Fixed maturities are moved to a non-accrual status when the investment defaults.

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

Net Realized Capital Gains (Losses)

Net realized capital gains (losses) comprise the difference between the amortized cost of investments and proceeds from sale and redemption, as well as losses incurred due to the credit-related and intent-related other-than-temporary impairment of investments. Realized investment gains and losses are also primarily generated from changes in fair value of embedded derivatives within products and fixed maturities, changes in fair value of fixed maturities recorded at FVO and changes in fair value including accruals on derivative instruments, except for effective cash flow hedges. Upon the adoption of ASU 2016-01 as of January 1, 2018, realized

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capital gains (losses) also include changes in fair value of equity securities. The cost of the investments on disposal is generally determined based on first-in-first-out ("FIFO") methodology.

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

	Three Months Ended March 31,	
	2018	2017
Fixed maturities, available-for-sale, including securities pledged	$(40)	$(33)
Fixed maturities, at fair value option	(190)	(83)
Equity securities	(3)	—
Derivatives	17	40
Embedded derivatives - fixed maturities	(7)	(6)
Guaranteed benefit derivatives	28	(6)
Other investments	14	2
Net realized capital gains (losses)	$(181)	$(86)
After-tax net realized capital gains (losses)	$(143)	$(56)

For the three months ended March 31, 2018, the change in the fair value of equity securities still held as of March 31, 2018 was $(3).

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 March 31,	
	2018	2017
Proceeds on sales	$1,580	$1,398
Gross gains	11	9
Gross losses	26	21

4. Derivative Financial Instruments

The Company enters into the following types of derivatives:

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

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

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

Credit default swaps: Credit default swaps are used to reduce credit loss exposure with respect to certain assets that the Company owns or to assume credit exposure on certain assets that the Company does not own. Payments are made to, or received from, the counterparty at specified intervals. In the event of a default on the underlying credit exposure, the Company will either receive a payment (purchased credit protection) or will be required to make a payment (sold credit protection) equal to the par minus recovery value of the swap contract. Credit default swaps are also used to hedge credit exposure associated with certain variable annuity guarantees. 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 used 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 correlate to a decrease in variable annuity account values which would increase the possibility of the Company incurring an expense for guaranteed benefits in excess of account values. The Company also uses interest rate futures contracts to hedge its exposure to market risks due to changes in interest rates. The Company enters into exchange traded futures with regulated futures commissions that are members of the exchange. The Company also posts initial and variation margins, with the exchange, on a daily basis. The Company utilizes exchange-traded futures in non-qualifying hedging relationships. The Company may also use futures contracts as a hedge against an increase in certain equity indices. Such increases may result in increased payments to the holders of fixed index annuity ("FIA") contracts.

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

Options: The Company uses 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.

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

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

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

	March 31, 2018			December 31, 2017		
	Notional Amount	Asset Fair Value	Liability Fair Value	Notional Amount	Asset Fair Value	Liability Fair Value
Derivatives: Qualifying for hedge accounting[1]						
Cash flow hedges:						
Interest rate contracts	$56	$ —	$ —	$56	$ —	$ —
Foreign exchange contracts	678	1	90	625	—	60
Derivatives: Non-qualifying for hedge accounting[1]						
Interest rate contracts	26,518	188	58	27,481	273	58
Foreign exchange contracts	81	—	—	85	—	2
Equity contracts	1,596	180	13	1,526	198	19
Credit contracts	1,805	21	7	1,983	26	10
Embedded derivatives and Managed custody guarantees:						
Within fixed maturity investments	N/A	30	—	N/A	37	—
Within products	N/A	—	272	N/A	—	306

Within reinsurance agreements	N/A	—	71	N/A	—	129
Total		$ 420	$ 511		$ 434	$ 584

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

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The notional amounts and fair values of derivatives for businesses held for sale were as follows as of the dates indicated:

	March 31, 2018			December 31, 2017		
	Notional Amount	Asset Fair Value	Liability Fair Value	Notional Amount	Asset Fair Value	Liability Fair Value
Derivatives: Qualifying for hedge accounting[1]						
Cash flow hedges:						
Interest rate contracts	$18	$—	$—	$18	$—	$—
Foreign exchange contracts	236	—	34	227	—	24
Derivatives: Non-qualifying for hedge accounting[1]						
Interest rate contracts	31,316	415	255	28,412	470	88
Foreign exchange contracts	15	—	—	17	—	—
Equity contracts	36,432	791	413	34,637	1,043	664
Credit contracts	316	1	5	431	1	6
Embedded derivatives and Managed custody guarantees:						
Within fixed maturity investments	N/A	8	—	N/A	11	—
Within products	N/A	—	3,304	N/A	—	3,400
Total		$1,215	$4,011		$1,525	$4,182

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

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

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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:

	March 31, 2018		
Continuing operations:			
	Notional Amount	Asset Fair Value	Liability Fair Value
Credit contracts	$1,805	$ 21	$ 7
Equity contracts	1,449	180	13
Foreign exchange contracts	759	1	90
Interest rate contracts	21,940	188	58
		390	168
Counterparty netting[1]		(89)	(89)
Cash collateral netting[1]		(256)	(1)
Securities collateral netting[1]		(33)	(76)
Net receivables/payables		$ 12	$ 2

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

	March 31, 2018		
Businesses held for sale:			
	Notional Amount	Asset Fair Value	Liability Fair Value
Credit contracts	$316	$ 1	$ 5
Equity contracts	29,939	791	413
Foreign exchange contracts	251	—	34
Interest rate contracts	29,457	415	255
		1,207	707
Counterparty netting[1]		(661)	(661)
Cash collateral netting[1]		(470)	(46)
Securities collateral netting[1]		(54)	—
Net receivables/payables		$ 22	$ —

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

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	December 31, 2017		
Continuing operations:			
	Notional Amount	Asset Fair Value	Liability Fair Value
Credit contracts	$ 1,983	$ 26	$ 10
Equity contracts	1,382	197	19
Foreign exchange contracts	710	—	62
Interest rate contracts	24,490	173	57
		396	148
Counterparty netting[1]		(100)	(100)
Cash collateral netting[1]		(251)	—
Securities collateral netting[1]		(37)	(40)
Net receivables/payables		$ 8	$ 8

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

	December 31, 2017		
Businesses held for sale:			
	Notional Amount	Asset Fair Value	Liability Fair Value
Credit contracts	$ 431	$ 1	$ 6
Equity contracts	28,131	1,023	662
Foreign exchange contracts	244	—	24
Interest rate contracts	27,025	471	88
		1,495	780
Counterparty netting[1]		(776)	(776)
Cash collateral netting[1]		(676)	(4)
Securities collateral netting[1]		(31)	—
Net receivables/payables		$ 12	$ —

[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.

Continuing operations: As of March 31, 2018, the Company held $146 and $101 of net cash collateral related to OTC derivative contracts and cleared derivative contracts, respectively. As of December 31, 2017, the Company held $174 and $73 of net cash collateral related to OTC derivative contracts and cleared derivative contracts, respectively. In addition, as of March 31, 2018, the Company delivered $277 of securities and held $37 of securities as collateral. As of December 31, 2017, the Company delivered $233 of securities and held $38 of securities as collateral.

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Businesses held for sale: As of March 31, 2018, the Company held $466 and $29 of net cash collateral related to OTC derivative contracts and cleared derivative contracts, respectively. As of December 31, 2017, the Company held $666 and $22 of net cash collateral related to OTC derivative contracts and cleared derivative contracts, respectively. In addition, as of March 31, 2018, the Company delivered $448 of securities and held $66 of securities as collateral. As of December 31, 2017, the Company delivered $477 of securities and held $34 of securities as collateral.

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

	Three Months Ended March 31,	
	2018	2017
Derivatives: Qualifying for hedge accounting[1]		
Cash flow hedges:		
Foreign exchange contracts	$2	$20
Derivatives: Non-qualifying for hedge accounting[2]		
Interest rate contracts	21	(2)
Foreign exchange contracts	(2)	(3)
Equity contracts	(4)	20
Credit contracts	—	4
Embedded derivatives and Managed custody guarantees:		
Within fixed maturity investments[2]	(7)	(5)
Within products[2]	28	(6)
Within reinsurance agreements[3]	55	(4)
Total	$93	$24

[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 months ended March 31, 2018 and 2017, 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.

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

	Three Months Ended March 31,	
	2018	2017
Derivatives: Qualifying for hedge accounting		
Cash flow hedges:		
Foreign exchange contracts	$1	$7
Derivatives: Non-qualifying for hedge accounting		
Interest rate contracts	(228)	(21)
Foreign exchange contracts	—	(19)

Equity contracts	3	(430)
Embedded derivatives and Managed custody guarantees:		
Within fixed maturity investments	(2)	(2)
Within products	114	97
Total	$(112)	$(368)

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 March 31, 2018, the fair values of credit default swaps of $21 and $7 were included in Derivatives assets and Derivatives liabilities, respectively, on the Condensed Consolidated Balance Sheets. As of December 31, 2017, the fair values of credit default swaps of $26 and $10 were included in Derivatives assets and Derivatives liabilities, respectively, on the Condensed Consolidated Balance Sheets. As of March 31, 2018, the maximum potential future net exposure to the Company was $1.4 billion on credit default swap protection sold. As of December 31, 2017, the maximum potential future net exposure to the Company was $1.5 billion on credit default swap protection sold. These instruments are typically written for a maturity period of 5 years and contain no recourse provisions. If the Company's current debt and claims paying ratings were downgraded in the future, the terms in the Company's derivative agreements may be triggered, which could negatively impact overall liquidity.

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5. Fair Value Measurements (excluding Consolidated Investment Entities)

Fair Value Measurement

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

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

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The following table presents the Company's hierarchy for its assets and liabilities from continuing operations measured at fair value on a recurring basis as of March 31, 2018:

	Level 1	Level 2	Level 3	Total
Assets:				
Fixed maturities, including securities pledged:				
U.S. Treasuries	$1,683	$581	$—	$2,264
U.S. Government agencies and authorities	—	258	—	258
State, municipalities and political subdivisions	—	1,815	—	1,815
U.S. corporate public securities	—	22,047	36	22,083
U.S. corporate private securities	—	4,517	1,148	5,665
Foreign corporate public securities and foreign governments[1]	—	5,624	12	5,636
Foreign corporate private securities[1]	—	5,025	179	5,204
Residential mortgage-backed securities	—	4,554	98	4,652
Commercial mortgage-backed securities	—	2,863	8	2,871
Other asset-backed securities	—	1,399	199	1,598
Total fixed maturities, including securities pledged	1,683	48,683	1,680	52,046
Equity securities	171	—	99	270
Derivatives:				
Interest rate contracts	—	188	—	188
Foreign exchange contracts	—	1	—	1
Equity contracts	—	33	147	180
Credit contracts	—	17	4	21
Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements	3,064	19	—	3,083
Assets held in separate accounts	72,847	5,091	11	77,949
Total assets	$77,765	$54,032	$1,941	$133,738
Percentage of Level to total	58 %	40 %	2 %	100 %
Liabilities:				
Derivatives:				
Guaranteed benefit derivatives:				
FIA	$—	$—	$37	$37
IUL	—	—	150	150
GMWBL/GMWB/GMAB[2]	—	—	8	8
Stabilizer and MCGs	—	—	77	77
Other derivatives:				
Interest rate contracts	—	58	—	58
Foreign exchange contracts	—	90	—	90
Equity contracts	—	13	—	13
Credit contracts	—	7	—	7
Embedded derivative on reinsurance	—	71	—	71
Total liabilities	$—	$239	$272	$511

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

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The following table presents the Company's hierarchy for its assets and liabilities related to businesses held for sale measured at fair value on a recurring basis as of March 31, 2018:

	Level 1	Level 2	Level 3	Total
Assets:				
Fixed maturities, including securities pledged:				
U.S. Treasuries	$1,008	$9	$—	$1,017
U.S. Government agencies and authorities	—	28	—	28
State, municipalities and political subdivisions	—	572	—	572
U.S. corporate public securities	—	9,214	16	9,230
U.S. corporate private securities	—	2,397	515	2,912
Foreign corporate public securities and foreign governments[(1)]	—	2,614	—	2,614
Foreign corporate private securities[(1)]	—	2,460	85	2,545
Residential mortgage-backed securities	—	1,781	30	1,811
Commercial mortgage-backed securities	—	966	—	966
Other asset-backed securities	—	414	26	440
Total fixed maturities, including securities pledged	1,008	20,455	672	22,135
Equity securities	12	—	11	23
Derivatives:				
Interest rate contracts	—	415	—	415
Equity contracts	—	749	42	791
Credit contracts	—	1	—	1
Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements	1,358	87	—	1,445
Assets held in separate accounts	27,695	—	—	27,695
Total assets	$30,073	$21,707	$725	$52,505
Percentage of Level to total	57 %	42 %	1 %	100 %
Liabilities:				
Derivatives:				
Guaranteed benefit derivatives:				
FIA	$—	$—	$2,229	$2,229
GMWBL/GMWB/GMAB	—	—	1,075	1,075
Other derivatives:				
Interest rate contracts	—	255	—	255
Foreign exchange contracts	—	34	—	34
Equity contracts	—	407	6	413
Credit contracts	—	5	—	5
Total liabilities	$—	$701	$3,310	$4,011

[(1)]Primarily U.S. dollar denominated.

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

	Level 1	Level 2	Level 3	Total
Assets:				
Fixed maturities, including securities pledged:				
U.S. Treasuries	$1,921	$601	$—	$2,522
U.S. Government agencies and authorities	—	275	—	275
State, municipalities and political subdivisions	—	1,913	—	1,913
U.S. corporate public securities	—	23,201	57	23,258
U.S. corporate private securities	—	4,706	1,127	5,833
Foreign corporate public securities and foreign governments[1]	—	5,705	11	5,716
Foreign corporate private securities[1]	—	4,992	169	5,161
Residential mortgage-backed securities	—	4,482	42	4,524
Commercial mortgage-backed securities	—	2,687	17	2,704
Other asset-backed securities	—	1,436	92	1,528
Total fixed maturities, including securities pledged	1,921	49,998	1,515	53,434
Equity securities, available-for-sale	278	—	102	380
Derivatives:				
Interest rate contracts	—	173	—	173
Equity contracts	—	44	154	198
Credit contracts	—	21	5	26
Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements	3,277	38	—	3,315
Assets held in separate accounts	72,535	5,059	11	77,605
Total assets	$78,011	$55,333	$1,787	$135,131
Percentage of Level to total	58 %	41 %	1 %	100 %
Liabilities:				
Derivatives:				
Guaranteed benefit derivatives:				
FIA	$—	$—	$40	$40
IUL	—	—	159	159
GMWBL/GMWB/GMAB	—	—	10	10
Stabilizer and MCGs	—	—	97	97
Other derivatives:				
Interest rate contracts	—	58	—	58
Foreign exchange contracts	—	62	—	62
Equity contracts	—	19	—	19
Credit contracts	—	10	—	10
Embedded derivative on reinsurance	—	129	—	129
Total liabilities	$—	$278	$306	$584

[1]Primarily U.S. dollar denominated.

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

	Level 1	Level 2	Level 3	Total
Assets:				
Fixed maturities, including securities pledged:				
U.S. Treasuries	$993	$8	$—	$1,001
U.S. Government agencies and authorities	—	32	—	32
State, municipalities and political subdivisions	—	587	—	587
U.S. corporate public securities	—	9,760	22	9,782
U.S. corporate private securities	—	2,524	503	3,027
Foreign corporate public securities and foreign governments(1)	—	2,825	—	2,825
Foreign corporate private securities(1)	—	2,500	83	2,583
Residential mortgage-backed securities	—	1,889	32	1,921
Commercial mortgage-backed securities	—	1,067	10	1,077
Other asset-backed securities	—	498	47	545
Total fixed maturities, including securities pledged	993	21,690	697	23,380
Equity securities, available-for-sale	12	—	11	23
Derivatives:				
Interest rate contracts	—	470	—	470
Equity contracts	19	918	106	1,043
Credit contracts	—	1	—	1
Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements	1,111	212	—	1,323
Assets held in separate accounts	28,894	—	—	28,894
Total assets	$31,029	$23,291	$814	$55,134
Percentage of Level to total	56 %	42 %	2 %	100 %
Liabilities:				
Derivatives:				
Guaranteed benefit derivatives:				
FIA	$—	$—	$2,242	$2,242
GMWBL/GMWB/GMAB	—	—	1,158	1,158
Other derivatives:				
Interest rate contracts	—	88	—	88
Foreign exchange contracts	—	24	—	24
Equity contracts	2	651	11	664
Credit contracts	—	6	—	6
Total liabilities	$2	$769	$3,411	$4,182

(1)Primarily U.S. dollar denominated.

Valuation of Financial Assets and Liabilities at Fair Value

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

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

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

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

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

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

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

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

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

Generally, the Company does not obtain more than one vendor price from pricing services per instrument. The Company uses a hierarchy process in which prices are obtained from a primary vendor and, if that vendor is unable to provide the price, the next vendor in the hierarchy is contacted until a price is obtained or it is determined that a price cannot be obtained from a commercial pricing service. When a price cannot be obtained from a commercial pricing service, independent broker quotes are solicited. Securities priced using independent broker quotes are classified as Level 3.

Broker quotes and prices obtained from pricing services are reviewed and validated through an internal valuation committee price variance review, comparisons to internal pricing models, back testing to recent trades or monitoring of trading volumes. After review, for those instruments where the price is determined to be appropriate, the unadjusted price provided is used for financial statement valuation. If it is determined that the price is questionable, another price may be requested from a different vendor. The internal valuation committee then reviews all prices for the instrument again, along with information from the review, to determine which price best represents exit price for the instrument.

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

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

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

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

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

Guaranteed benefit derivatives: The Company records reserves for annuity contracts containing GMWBL, GMWB and GMAB riders. The guarantee is an embedded derivative and is required to be accounted for separately from the host variable annuity contract. The fair value of the obligation is calculated based on actuarial and capital market assumptions related to the projected cash flows, including benefits and related contract charges, over the anticipated life of the related contracts. The cash flow estimates are produced by using stochastic techniques under a variety of market return scenarios and other market implied assumptions. These derivatives are classified as Level 3 liabilities in the fair value hierarchy.

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

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

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

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

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

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

Transfers in and out of Level 1 and 2

There were no securities transferred between Level 1 and Level 2 for the three months ended March 31, 2018 and 2017. The Company's policy is to recognize transfers in and transfers out as of the beginning of the reporting period.

Level 3 Financial Instruments

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

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

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

	Three Months Ended March 31, 2018										
	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 March 31	Change In Unrealized Gains (Losses) Included in Earnings[4]
Fixed maturities, including securities pledged:											
U.S. corporate public securities	$57	$ —	$ —	$ —	$ —	$(21)	$ —	$ —	$ —	$ 36	$ —
U.S. corporate private securities	1,127	—	(26)	31	—	—	(22)	38	—	1,148	—
Foreign corporate public securities and foreign governments[1]	11	—	1	—	—	—	—	—	—	12	—
Foreign corporate private securities[1]	169	(14)	24	—	—	—	—	—	—	179	(14)
Residential mortgage-backed securities	42	(3)	—	64	—	—	—	—	(5)	98	(3)
Commercial mortgage-backed securities	17	—	—	8	—	—	—	—	(17)	8	—
Other asset-backed securities	92	—	(1)	143	—	—	(1)	3	(37)	199	—
Total fixed maturities, including securities pledged	1,515	(17)	(2)	246	—	(21)	(23)	41	(59)	1,680	(17)

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Voya Financial, Inc.
Notes to the Condensed Consolidated Financial Statements (Unaudited)
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	Three Months Ended March 31, 2018 (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 March 31	Change In Unrealized Gains (Losses) Included in Earnings[4]
Equity securities	$ 102	$ (3)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 99	$ (3)
Derivatives:											
Guaranteed benefit derivatives:											
FIA[2]	(40)	—	—	—	—	—	3	—	—	(37)	—
IUL[2]	(159)	4	—	—	(12)	—	17	—	—	(150)	—
GMWBL/GMWB/GMAB[2]	(10)	2	—	—	—	—	—	—	—	(8)	—
Stabilizer and MCGs [2]	(97)	22	—	—	(2)	—	—	—	—	(77)	—
Other derivatives, net	159	(2)	—	10	—	—	(16)	—	—	151	(8)
Assets held in separate accounts [5]	11	—	—	—	—	—	—	—	—	11	—

[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 March 31, 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 related to businesses held for sale and transfers in and out of Level 3 for the periods indicated:

	Three Months Ended March 31, 2018										
	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 March 31	Change In Unrealized Gains (Losses) Included in Earnings[4]
		Net Income	OCI								
Fixed maturities, including securities pledged:											
U.S. corporate public securities	$ 22	$ —	$ —	$ —	$ —	$ (6)	$ —	$ —	$ —	$ 16	$ —
U.S. corporate private securities	503	—	(12)	15	—	—	(9)	18	—	515	—
Foreign corporate private securities[1]	83	(10)	12	—	—	—	—	—	—	85	(10)
Residential mortgage-backed securities	32	(2)	—	—	—	—	—	—	—	30	(2)
Commercial mortgage-backed securities	10	—	—	—	—	—	—	—	(10)	—	—
Other asset-backed securities	47	—	—	—	—	—	—	—	(21)	26	—
Total fixed maturities, including securities pledged	697	(12)	—	15	—	(6)	(9)	18	(31)	672	(12)

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

	Three Months Ended March 31, 2018 (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 March 31	Change In Unrealized Gains (Losses) Included in Earnings[4]
Equity securities	$ 11	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 11	$ —
Derivatives:											
Guaranteed benefit derivatives:											
FIA[2]	(2,242)	(5)	—	—	(37)	—	55	—	—	(2,229)	—
GMWBL/GMWB/GMAB[2]	(1,158)	119	—	—	(36)	—	—	—	—	(1,075)	—
Other derivatives, net	95	(38)	—	10	—	—	(31)	—	—	36	(59)

(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.
(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 March 31, amounts are included in Income (loss) from discontinued operations, net of tax 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 from continuing operations and transfers in and out of Level 3 for the periods indicated:

	Three Months Ended March 31, 2017										
	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 March 31	Change In Unrealized Gains (Losses) Included in Earnings[4]
Fixed maturities, including securities pledged:											
U.S. corporate public securities	$ 12	$ —	$ (1)	$ 13	$ —	$ —	$ (1)	$ 38	$ —	$ 61	$ —
U.S. corporate private securities	913	—	—	70	—	(2)	(4)	10	—	987	—
Foreign corporate public securities and foreign governments [1]	12	—	—	—	—	—	—	—	—	12	—
Foreign corporate private securities [1]	305	—	(1)	18	—	—	(28)	—	—	294	—
Residential mortgage-backed securities	57	(2)	(1)	10	—	—	(1)	1	—	64	—
Commercial mortgage-backed securities	16	—	—	17	—	—	(2)	—	(4)	27	—
Other asset-backed securities	53	—	—	19	—	—	(2)	8	(31)	47	—
Total fixed maturities, including securities pledged	1,368	(2)	(3)	147	—	(2)	(38)	57	(35)	1,492	—

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

	Three Months Ended March 31, 2017 (continued)										
	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 March 31	Change In Unrealized Gains (Losses) Included in Earnings[4]
		Net Income	OCI								
Equity securities, available-for-sale	$ 94	$ —	$ 1	$ 8	$ —	$ (2)	$ —	$ —	$ —	$ 101	$ —
Derivatives:											
Guaranteed benefit derivatives:											
FIA[2]	(42)	(1)	—	—	—	—	1	—		(42)	—
IUL[2]	(81)	(29)	—	—	(8)	—	8	—	—	(110)	—
GMWBL/GMWB/GMAB[2]	(18)	3	—	—	(1)	—	—	—	—	(16)	—
Stabilizer and MCGs[2]	(150)	21	—	—	(1)	—	—	—		(131)	—
Other derivatives, net	72	27	—	6	—	—	(3)	—	—	102	30
Assets held in separate accounts[5]	5	—	—	5	—	—	—	2	—	12	—

[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 March 31, 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 related to businesses held for sale and transfers in and out of Level 3 for the periods indicated:

	Three Months Ended March 31, 2017										
	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 March 31	Change In Unrealized Gains (Losses) Included in Earnings[4]
Fixed maturities, including securities pledged:											
U.S. corporate public securities	$10	$ —	$ —	$ 6	$ —	$ —	$ —	$ 16	$ —	$ 32	$ —
U.S. corporate private securities	406	—	1	45	—	—	(1)	2	—	453	—
Foreign corporate public securities and foreign governments [1]	—	—	—	—	—	—	—	—	—	—	—
Foreign corporate private securities [1]	136	—	(1)	—	—	—	(12)	—	—	123	—
Residential mortgage-backed securities	15	(1)	—	—	—	—	—	—	—	14	—
Commercial mortgage-backed securities	8	—	—	7	—	—	(1)	—	—	14	—
Other asset-backed securities	31	—	—	10	—	—	(1)	2	(14)	28	—
Total fixed maturities, including securities pledged	606	(1)	—	68	—	—	(15)	20	(14)	664	—

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

	Three Months Ended March 31, 2017 (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 March 31	Change In Unrealized Gains (Losses) Included in Earnings[4]
Equity securities, available-for-sale	$ 5	$ —	$ —	$ 6	$ —	$ —	$ —	$ —	$ —	$ 11	$ —
Derivatives:											
Guaranteed benefit derivatives:											
FIA[2]	(1,987)	(59)	—	—	(54)	—	41	—	—	(2,059)	—
GMWBL/GMWB/GMAB[2]	(1,512)	156	—	—	(37)	—	—	—	—	(1,393)	—
Other derivatives, net	34	36	—	7	—	—	(20)	4	—	61	23
Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements	5	—	—	—	—	(5)	—	—	—	—	—

(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.
(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 March 31, amounts are included in Income (loss) from discontinued operations, net of tax 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 months ended March 31, 2018 and 2017, the transfers in and out of Level 3 for fixed maturities, other derivatives and separate accounts were due to the variation in inputs relied upon for valuation each quarter. Securities that are primarily valued using independent broker quotes when prices are not available from one of the commercial pricing services are reflected as transfers into Level 3. When securities are valued using more widely available information, the securities are transferred out of Level 3 and into Level 1 or 2, as appropriate.

Significant Unobservable Inputs

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

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

Significant unobservable inputs used in the fair value measurements of GMWBLs, GMWBs and GMABs 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 GMWBL, GMWB and GMAB 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 GMWBL, GMWB and GMAB 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)
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The following table presents the unobservable inputs for Level 3 fair value measurements for continuing operations and businesses held for sale as of March 31, 2018:

	Range[1]							
Unobservable Input	GMWBL/GMWB/GMAB				IUL		Stabilizer/MCGs	
Long-term equity implied volatility	15% to 25%		—		—		—	
Interest rate implied volatility	0.1% to 16%		—		—		0.1% to 6.5%	
Correlations between:								
Equity Funds	-13% to 99%		—		—		—	
Equity and Fixed Income Funds	-38% to 62%		—		—		—	
Interest Rates and Equity Funds	-32% to 26%		—		—		—	
Nonperformance risk	0.07% to 1.1%		0.07% to 1.1%		0.07% to 0.39%		0.07% to 1.1%	
Actuarial Assumptions:								
Benefit Utilization	70% to 100%	(2)	—		—		—	
Partial Withdrawals	0% to 3.4%	(2)	0% to 7%		—		—	
Lapses	0.1% to 15.3%	(3)(4)	0% to 56%	(3)	2% to 10%		0% to 50%	(5)
Policyholder Deposits[6]	—		—		—		0% to 50%	(5)
Mortality	—	(7)	—	(7)	—	(8)	—	

[1] Represents the range of reasonable assumptions that management has used in its fair value calculations.
[2] Those GMWBL policyholders who have elected systematic withdrawals are assumed to continue taking withdrawals. As a percent of policies, approximately 50% are taking systematic withdrawals. The Company assumes that at least 70% of all policies will begin systematic withdrawals either immediately or after a delay period, with 100% utilizing by age 95. The utilization function varies by policyholder age, policy duration and tax status. Interactions with lapse and mortality also affect utilization. The utilization rate for GMWBL and GMWB tends to be lower for younger contract owners and contracts that have not reached their maximum accumulated GMWBL and GMWB 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 GMWBL or GMWB 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 March 31, 2018 . Due to the benefit utilization assumption for GMWBL/GMWB, the partial withdrawal assumption only applies to GMAB.

	Account Values ($ in billions)			
Attained Age Group	In the Money	Out of the Money	Total	Average Expected Delay (Years)**
< 60	$1.5	$ —	$1.5	9.1
60-69	5.1	0.1	5.2	3.6
70+	6.4	0.2	6.6	2.2
	$13.0	$ 0.3	$13.3	4.3

** For population expected to withdraw in future. Excludes policies taking systematic withdrawals and policies the Company assumes will never withdraw until age 95.

(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 March 31, 2018. Lapse ranges are based on weighted average ranges of underlying account value exposure.

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	Moneyness	GMWBL/GMWB/GMAB Account Value ($ in billions)	Lapse Range
During Surrender Charge Period			
	In the Money**	$ —	0.1% to 4.8%
	Out of the Money	—	0.6% to 5.2%
Shock Lapse Period			
	In the Money**	$ 1.1	1.7% to 13.9%
	Out of the Money	—	13.9% to 15.3%
After Surrender Charge Period			
	In the Money**	$ 11.9	0.9% to 6.4%
	Out of the Money	0.8	6.4% to 7.1%

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

(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.

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Notes to the Condensed Consolidated Financial Statements (Unaudited)
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The following table presents the unobservable inputs for Level 3 fair value measurements for continuing operations and businesses held for sale as of December 31, 2017:

	Range[1]			
Unobservable Input	GMWBL/GMWB/GMAB	FIA	IUL	Stabilizer/MCGs
Long-term equity implied volatility	15% to 25%	—	—	—
Interest rate implied volatility	0.1% to 16%	—	—	0.1% to 6.3%
Correlations between:				
Equity Funds	-13% to 99%	—	—	—
Equity and Fixed Income Funds	-38% to 62%	—	—	—
Interest Rates and Equity Funds	-32% to 26%	—	—	—
Nonperformance risk	0.02% to 1.1%	0.02% to 1.1%	0.02% to 0.54%	0.02% to 1.1%
Actuarial Assumptions:				
Benefit Utilization	70% to 100% (2)	—	—	—
Partial Withdrawals	0% to 3.4% (2)	0.5% to 7%	—	—
Lapses	0.1% to 15.3% (3)(4)	0% to 56% (3)	2% to 10%	0% to 50% (5)
Policyholder Deposits[6]	—	—	—	0% to 50% (5)
Mortality	— (7)	— (7)	— (8)	—

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

(2) Those GMWBL policyholders who have elected systematic withdrawals are assumed to continue taking withdrawals. As a percent of policies, approximately 45% are taking systematic withdrawals. The Company assumes that at least 70% of all policies will begin systematic withdrawals either immediately or after a delay period, with 100% utilizing by age 95. The utilization function varies by policyholder age, policy duration and tax status. Interactions with lapse and mortality also affect utilization. The utilization rate for GMWBL and GMWB tends to be lower for younger contract owners and contracts that have not reached their maximum accumulated GMWBL and GMWB 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 GMWBL or GMWB 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, 2017. Due to the benefit utilization assumption for GMWBL/GMWB, the partial withdrawal assumption only applies to GMAB.

	Account Values ($ in billions)			
Attained Age Group	In the Money	Out of the Money	Total	Average Expected Delay (Years)**
< 60	$1.5	$ 0.2	$1.7	9.0
60-69	5.0	0.6	5.6	3.7
70+	6.0	0.7	6.7	2.4
	$12.5	$ 1.5	$14.0	4.4

** For population expected to withdraw in future. Excludes policies taking systematic withdrawals and 15% of policies the Company assumes will never withdraw until age 95.

(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, 2017. Lapse ranges are based on weighted average ranges of underlying account value exposure.

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	Moneyness	GMWBL/GMWB/GMAB Account Value ($ in billions)	Lapse Range
During Surrender Charge Period			
	In the Money**	$ 0.2	0.1% to 4.8%
	Out of the Money	0.1	0.6% to 5.2%
Shock Lapse Period			
	In the Money**	$ 1.5	1.7% to 13.9%
	Out of the Money	0.2	13.9% to 15.3%
After Surrender Charge Period			
	In the Money**	$ 10.7	0.9% to 6.4%
	Out of the Money	1.7	6.4% to 7.1%

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

(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.

Generally, the following will cause an increase (decrease) in the GMWBL, GMWB and GMAB 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

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

Other Financial Instruments

The following disclosures are made in accordance with the requirements of ASC Topic 825 which requires disclosure of fair value information about financial instruments, whether or not recognized at fair value on the Condensed Consolidated Balance Sheets.

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

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

	March 31, 2018		December 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Fixed maturities, including securities pledged	$52,046	$52,046	$53,434	$53,434
Equity securities	270	270	380	380
Mortgage loans on real estate	8,837	8,854	8,686	8,748
Policy loans	1,863	1,863	1,888	1,888
Cash, cash equivalents, short-term investments and short-term investments under securities loan agreements	3,083	3,083	3,315	3,315
Derivatives	390	390	397	397
Notes Receivable [(1)]	350	430	350	445
Other investments	77	85	47	55
Assets held in separate accounts	77,949	77,949	77,605	77,605
Liabilities:				
Investment contract liabilities:				
Funding agreements without fixed maturities and deferred annuities[(1)]	33,703	37,307	33,986	38,553
Funding agreements with fixed maturities	776	782	501	501
Supplementary contracts, immediate annuities and other	1,233	1,228	1,275	1,285
Derivatives:				
Guaranteed benefit derivatives:				
FIA	37	37	40	40
IUL	150	150	159	159
GMWBL/GMWB/GMAB	8	8	10	10
Stabilizer and MCGs	77	77	97	97
Other derivatives	168	168	149	149
Short-term debt	—	—	337	337
Long-term debt	3,458	3,642	3,123	3,478
Embedded derivative on reinsurance	71	71	129	129

[(1)] Included in Other assets on the Condensed Consolidated Balance Sheets
[(2)] 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.

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

The following table presents the carrying values and estimated fair values of the Company's financial instruments related to businesses held for sale as of the dates indicated:

	March 31, 2018		December 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Fixed maturities, including securities pledged	$22,135	$22,135	$23,380	$23,380
Equity securities	23	23	23	23
Mortgage loans on real estate	4,178	4,166	4,212	4,215
Policy loans	16	16	17	17
Cash, cash equivalents, short-term investments and short-term investments under securities loan agreements	1,445	1,445	1,323	1,323
Derivatives	1,207	1,207	1,514	1,514
Other investments	27	27	34	34
Assets held in separate accounts	27,695	27,695	28,894	28,894
Liabilities:				
Investment contract liabilities:				
Funding agreements without fixed maturities and deferred annuities(1)	19,130	18,509	19,272	18,901
Funding agreements with fixed maturities	421	421	601	601
Supplementary contracts, immediate annuities and other	2,657	2,840	2,651	2,908
Derivatives:				
Guaranteed benefit derivatives:				
FIA	2,229	2,229	2,242	2,242
GMWBL/GMWB/GMAB	1,075	1,075	1,158	1,158
Other derivatives	707	707	782	782
Notes Payable	350	430	350	445

(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.

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Notes to the Condensed Consolidated Financial Statements (Unaudited)
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The following table presents the classifications of financial instruments which are not carried at fair value on the Condensed Consolidated Balance Sheets:

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

6. Deferred Policy Acquisition Costs and Value of Business Acquired

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

	2018		
	DAC	VOBA	Total
Balance as of January 1, 2018	$2,818	$556	$3,374
Deferrals of commissions and expenses	49	2	51
Amortization:			
Amortization, excluding unlocking	(62)	(20)	(82)
Unlocking[1]	(54)	(26)	(80)
Interest accrued	46	16 [2]	62
Net amortization included in Condensed Consolidated Statements of Operations	(70)	(30)	(100)
Change due to unrealized capital gains/losses on available-for-sale securities	287	157	444
Balance as of March 31, 2018	$3,084	$685	$3,769

	2017		
	DAC	VOBA	Total
Balance as of January 1, 2017	$3,186	$811	$3,997
Deferrals of commissions and expenses	64	3	67
Amortization:			
Amortization, excluding unlocking	(106)	(35)	(141)
Unlocking[1]	1	10	11
Interest accrued	48	18 [2]	66
Net amortization included in Condensed Consolidated Statements of Operations	(57)	(7)	(64)
Change due to unrealized capital gains/losses on available-for-sale securities	(48)	(23)	(71)
Balance as of March 31, 2017	$3,145	$784	$3,929

[1] Includes the impacts of annual review of assumptions which typically occurs in the third quarter; and retrospective and prospective unlocking. Additionally, the 2018 amounts include unfavorable unlocking for DAC and VOBA of $43, associated with an update to assumptions related to customer consents of changes to guaranteed minimum interest rate provisions.
[2] Interest accrued at the following rates for VOBA: 3.8% to 7.4% during 2018 and 4.1% to 7.4% during 2017.

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Notes to the Condensed Consolidated Financial Statements (Unaudited)
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7. Share-based Incentive Compensation Plans

The Company has provided equity-based compensation awards to its employees under the ING U.S., Inc. 2013 Omnibus Employee Incentive Plan (the "2013 Omnibus Plan") and the Voya Financial, Inc. 2014 Omnibus Employee Incentive Plan (the "2014 Omnibus Plan"). As of March 31, 2018, common stock reserved and available for issuance under the 2013 Omnibus Plan and the 2014 Omnibus Plan was 344,885 and 6,022,252 shares, respectively.

The Company offers equity-based awards to Voya Financial, Inc. non-employee directors under the Voya Financial, Inc. 2013 Omnibus Non-Employee Director Incentive Plan ("Director Plan").

Compensation Cost

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

	Three Months Ended March 31,	
	2018	2017
Restricted Stock Unit (RSU) awards	$19	$ 21
Performance Stock Unit (PSU) awards	18	14
Stock options	3	4
Total share-based compensation expense	40	39
Income tax benefit	6	13
After-tax share-based compensation expense	$34	$ 26

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Notes to the Condensed Consolidated Financial Statements (Unaudited)
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Awards Outstanding

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

(awards in millions)	RSU Awards Number of Awards	RSU Awards Weighted Average Grant Date Fair Value	PSU Awards Number of Awards	PSU Awards Weighted Average Grant Date Fair Value
Outstanding as of January 1, 2018	3.0	$ 38.42	2.2	$ 35.53
Adjustment for PSU performance factor	N/A	N/A	— *	42.70
Granted	1.0	50.52	0.8	53.21
Vested	(1.4)	38.44	(0.3)	42.32
Forfeited	— *	38.42	— *	36.79
Outstanding as of March 31, 2018	2.6	$ 43.06	2.7	$ 40.11

* Less than 0.1.

(awards in millions)	Stock Options Number of Awards	Stock Options Weighted Average Exercise Price
Outstanding as of January 1, 2018	3.0	$ 37.60
Granted	—	—
Exercised	—	—
Forfeited	— *	—
Outstanding as of March 31, 2018	3.0	$ 37.60
Vested, not exercisable, as of March 31, 2018	2.2	$ 37.60
Vested, exercisable, as of March 31, 2018	0.8	37.60

* Less than 0.1.

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8. Shareholders' Equity

Common Shares

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

	Common Shares		
(shares in millions)	Issued	Held in Treasury	Outstanding
Balance, January 1, 2017	268.0	73.4	194.6
Common shares issued	— *	—	— *
Common shares acquired - share repurchase	—	24.4	(24.4)
Share-based compensation	2.0	0.2	1.8
Balance, December 31, 2017	270.0	98.0	172.0
Common shares issued	— *	—	— *
Common shares acquired - share repurchase	—	1.9	(1.9)
Share-based compensation	1.7	0.2	1.5
Balance, March 31, 2018	271.7	100.1	171.6

* 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, or automatic repurchase transactions, or tender offers. Share repurchase authorizations typically expire if unused by a prescribed date.
On February 1, 2018, 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 $500. The current share repurchase authorization expires on December 31, 2018 (unless extended), and does not obligate the Company to purchase any shares. The authorization for the share repurchase program may be terminated, increased or decreased by the Board of Directors at any time.

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

Subsequent to March 31, 2018, the Company repurchased 3,187,539 shares through automatic repurchase transactions for an aggregate purchase price of $164.

Warrants

On May 7, 2013, the Company issued to ING Group warrants to purchase up to 26,050,846 shares of the Company's common stock equal in the aggregate to 9.99% of the issued and outstanding shares of common stock at that date. The current exercise price of the warrants is $48.75 per share of common stock, subject to adjustments, including for stock dividends, cash dividends in excess of $0.01 per share a quarter, subdivisions, combinations, reclassifications and non-cash distributions. The warrants also provide for, upon the occurrence of certain change of control events affecting the Company, an increase in the number of shares to which a warrant holder will be entitled upon payment of the aggregate exercise price of the warrant. The warrants became exercisable to ING Group and its affiliates on January 1, 2017 and to all other holders starting on the first anniversary of the completion of the IPO (May 7, 2014). The warrants expire on the tenth anniversary of the completion of the IPO (May 7, 2023). The warrants are net share settled, which means that no cash will be payable by a warrant holder in respect of the exercise price

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Notes to the Condensed Consolidated Financial Statements (Unaudited)
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of a warrant upon exercise, and are classified as permanent equity. They have been recorded at their fair value determined on the issuance date of May 7, 2013 in the amount of $94 as an addition and reduction to Additional-paid-in-capital. Warrant holders are not entitled to receive dividends. On March 12, 2018, ING Group sold its remaining interests in the warrants and no longer owns any warrants. As of March 31, 2018, no warrants have been exercised.

9. Earnings per Common Share

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

	Three Months Ended March 31,		
(in millions, except for per share data)	2018	2017	
Earnings			
Net income (loss) available to common shareholders:			
Income (loss) from continuing operations	$17	$20	
Less: Net income (loss) attributable to noncontrolling interest	—	1	
Income (loss) from continuing operations available to common shareholders	17	19	
Income (loss) from discontinued operations, net of tax	429	(162)	
Net income (loss) available to common shareholders	$446	$(143)	
Weighted average common shares outstanding			
Basic	172.3	191.7	
Dilutive Effects:			
Warrants	1.5	—	(1)
RSU awards	2.0	2.2	
PSU awards	1.8	0.6	
Stock Options	0.8	—	(2)
Diluted	178.4	194.5	
Basic			
Income (loss) from continuing operations available to Voya Financial, Inc.'s common shareholders	$0.10	$0.10	
Income (loss) from discontinued operations, net of taxes available to Voya Financial, Inc.'s common shareholders	$2.49	$(0.85)	
Income (loss) available to Voya Financial, Inc.'s common shareholders	$2.59	$(0.75)	
Diluted			
Income (loss) from continuing operations available to Voya Financial, Inc.'s common shareholders	$0.10	$0.10	
Income (loss) from discontinued operations, net of taxes available to Voya Financial, Inc.'s common shareholders	$2.40	$(0.84)	
Income (loss) available to Voya Financial, Inc.'s common shareholders	$2.50	$(0.74)	

(1) For the three months ended March 31, 2017, weighted average shares used for calculating basic and diluted earnings per share excludes the dilutive impact of warrants, as the inclusion of this equity instrument would be antidilutive to the earnings per share calculation due to "out of the moneyness" in the periods presented. For more information on warrants, see the Shareholders' Equity Note to these Condensed Consolidated Financial Statements.

(2) For the three months ended March 31, 2017, weighted average shares used for calculating basic and diluted earnings per share excludes the dilutive impact of stock options, as the inclusion of this equity instrument would be antidilutive to the earnings per share calculation due to the weighted average unrecognized compensation costs' effect on assumed proceeds for the period presented. For more information on stock options, see the Share-based Incentive Compensation Plans Note to these Condensed Consolidated Financial Statements.

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Notes to the Condensed Consolidated Financial Statements (Unaudited)
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10. Accumulated Other Comprehensive Income (Loss)

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

	March 31,	
	2018	2017
Fixed maturities, net of OTTI	$3,199	$3,797
Equity securities	—	35
Derivatives	81	217
DAC/VOBA adjustment on available-for-sale securities	(918)	(1,176)
Premium deficiency reserve	(149)	—
Sales inducements and other intangibles adjustment on available-for-sale securities	(163)	(179)
Other		