

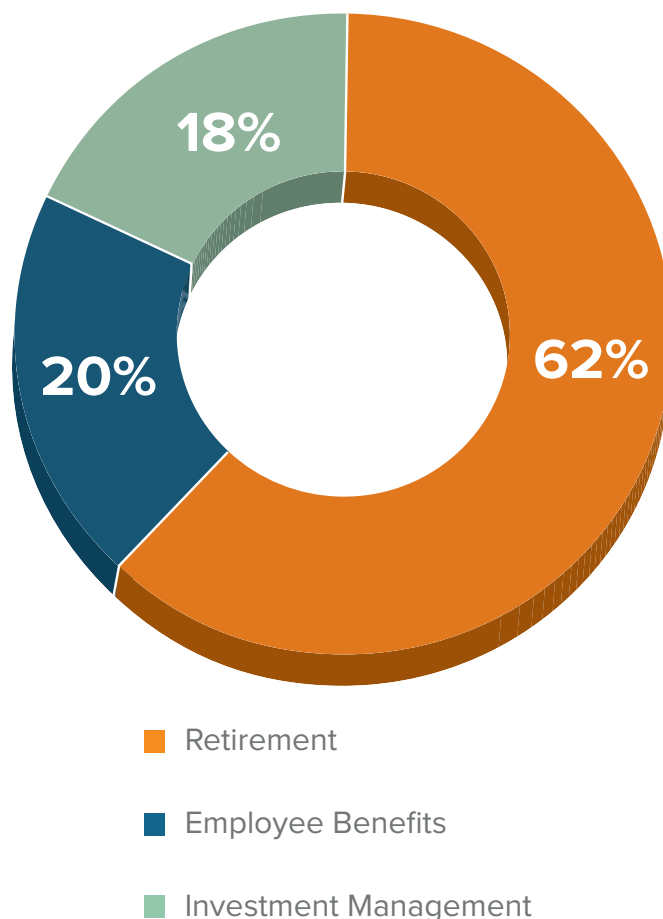


2019 Annual Report

Voya Financial

With a clear focus on its Retirement, Investment Management and Employee Benefits businesses, Voya Financial is well positioned to provide valuable products and services to the workplace and institutional clients. Beyond what we do, is how we do it – with an award-winning culture that demonstrates a strong commitment to diversity, inclusion and leading environmental, social and governance practices.

Percentage of adjusted operating earnings before income taxes by segment – year ended Dec. 31, 2019*



*Excludes Corporate. Excludes deferred acquisition costs and value of business acquired and other intangibles unlocking. Adjusted operating earnings excluding unlocking of DAC/VOBA and other intangibles is a non-GAAP financial measure. Information regarding this non-GAAP financial measure and a reconciliation to the most comparable U.S. GAAP measure is provided on our Quarterly Investor Supplement.

Letter to Shareholders

Dear Fellow Shareholders,

As I write this year's letter, the world is confronting the 2019 novel coronavirus (COVID-19) pandemic. In the midst of unprecedented challenges on a societal level, Voya has quickly pivoted to ensure that we are available to serve our customers and clients when they need us most. While many businesses and facets of society have shut down, Voya has remained open – thanks to our 6,000 employees who have quickly transitioned to safely work from home. I am extremely proud of our people and the dedication and commitment that they have shown for our customers and clients.

Voya is financially strong, due in significant part to the strategic decisions that we have made during the past few years to simplify our company and streamline our businesses, focusing on the workplace and institutional clients. I am confident that, working together with our business partners and our customers, we will get through what will most certainly be a fluid economic environment in 2020.

Positioned for long-term success

As we embark on a new decade, it is a natural time to reflect on Voya's evolution since our initial public offering (IPO) in 2013. Our customers, shareholders and employees have been integral to our Voya story over the past seven years, a story built on purposeful decisions that have defined who we are today – our business mix, our growth strategy, and our distinct brand and corporate character.

During 2019, we continued to transform our company, making investments in our growth, strengthening our competitive position in the marketplace, and announcing the sale of our Individual Life business. This sale – which we expect to be completed in the third quarter of 2020 – represents the completion of the fundamental restructuring of Voya, which began even before our IPO, when we began the process of separating from our former parent. Most important, the sale of our Individual Life business will further create a focused path forward for Voya – as a workplace



“We have what our customers want, whether that be creative and innovative ways to help their employees achieve greater financial wellness and retirement readiness or unique access to our specialty asset classes.”

and institutional-focused company with strong and growing Retirement, Investment Management and Employee Benefits businesses.

Our three businesses hold market-leading positions, have demonstrated their ability to grow, and are retaining and winning new customers and clients. When you combine these strengths with Voya’s talented people, our differentiated culture and brand, and our simpler, lower-risk business profile, our company is well positioned to meet our customers’ evolving needs.

Three key drivers to achieve our financial targets

In 2019, we took strong steps in achieving our three-year plan, which includes growing adjusted operating earnings per share (EPS), on a normalized basis, by at least 10% each year – a target that we exceeded in 2019. With two of the three years remaining in our plan, we remain confident in our ability to achieve our targeted growth objectives through the end of 2021, relying on three key drivers: organic growth, cost savings and capital management. And while we formulated our growth plans at a time when our Individual Life business contributed meaningfully to our operating earnings, we remain committed to EPS targets that include sufficient incremental growth to more than offset the earnings from that business by the fourth quarter of 2021. These objectives certainly become more difficult given the macroeconomic shifts that have occurred as a result of COVID-19, but we have managed through headwinds in the past and are confident in our ability to do so again.

- **Organic Growth:** We are seeing strong demand for our capabilities given the compelling and complementary value proposition that we provide for our workplace and institutional clients. As we often like to say, we have what our customers want, whether that be creative and innovative ways to help their employees achieve greater financial wellness and retirement readiness, or unique access to our specialty asset classes. In 2019, this translated into organic growth in each of our businesses. Compared with 2018, Retirement grew full-service recurring deposits by 10.7%; Investment Management grew net flows by 1.8%; and Employee Benefits grew in-force premiums by 10.3%. While we expect the challenges of COVID-19 to impact our entire industry, we continue to see strong pipelines, giving us continued confidence in our ability to achieve further organic growth in 2020 and 2021.
- **Cost Savings:** We remain on track to deliver run-rate cost savings of at least \$250 million by the end of 2020. We eliminated all of the stranded costs associated with our 2018 annuities transaction by the end of last year, and will apply the same discipline in addressing the stranded costs related to the Individual Life sale, while maintaining the same commitment to investing in our growth plans. Our cost savings initiatives will make us more nimble, innovative and efficient — a reality we are already seeing come to life.
- **Capital Deployment:** We continue to maintain a strong capital position, with approximately \$896 million of excess capital as of Dec. 31, 2019. During 2019, we repurchased \$1.1 billion of our common stock, and we expect to repurchase at least \$1 billion of our shares in 2020. Combined with our previous share repurchases, we are on track to have returned approximately \$7 billion of capital in 7 years by the end of 2020. Furthermore, in 2019, we increased our quarterly common stock dividend yield to more than 1%, to deliver even greater shareholder value as well as attract new investors seeking a higher-yielding stock.

Voya’s Differentiator: The Character of Our Brand

Voya’s businesses have the benefit of a strong and growing brand, which has become well known to our customers since its launch in 2014. We have continued to drive greater brand awareness and consumer preference, including the achievement of some new brand highs. We achieved record

“We are on track to have returned approximately \$7 billion of capital in 7 years.”

awareness in 2019 – surpassing all of our core competitors – and we continue to be the No. 1 brand associated with Retirement.

While we have transformed our business and improved our financial performance, we've also continued to maintain a strong focus on Voya's organizational health and culture. Our people have been the heart of our success over the years, and remain the foundation of our future achievements. We once again rallied together in 2019 to give back to our communities, most notably volunteering over 37,000 hours and raising \$5.6 million in employee donations, including the Voya Foundation match. We are incredibly proud to see our culture and commitment to diversity, inclusion and environmental, social and governance (ESG) practices recognized by external partners across the industry. Our culture truly is a differentiator for us, and we are hearing that directly from our clients. To highlight a few of our recent recognitions:

“Our culture truly is a differentiator for us, and we are hearing that directly from our clients.”

- For the seventh consecutive year, we maintained our spot as one of the World's Most Ethical Companies – and as one of only five honorees in the financial services category.
- We were ranked as one of *Fortune's* 2020 World's Most Admired Companies, and have been included in the Bloomberg Gender Equality Index every year since its inception.
- We were recognized on *Barron's* list of the 2020 100 Most Sustainable Companies, ranking third overall, and, for the second year in a row, we were the highest-ranked financial services firm.
- In addition to maintaining our position on the MSCI ESG Leaders Index for 2019, our ESG Rating increased to an “A,” up from “BBB.” We were also once again named to the Dow Jones Sustainability Index – the gold standard for corporate sustainability and the first global index to track the leading sustainability-driven companies.
- I am also proud that we were named as a “Best Place to Work for Disability Inclusion,” earning a score of 100% on the Disability Equality Index (DEI), a benchmark tool for disability inclusion in the workplace. Since launching Voya Cares in 2017, we have integrated our focus on advancing disability inclusion into everything that we do. Voya Cares is our formal program committed to helping Americans with disabilities and special needs – and their caregivers – plan, invest and protect their financial future, and it continues to grow. In January, we joined leading companies to sign a letter to CEOs of the *Fortune 1,000*, urging them to participate in the DEI.

Our focus going forward

In 2019, we demonstrated our ability to accomplish the targets that we have set while further transforming our company. We have purposefully evolved to become a company with a refined strategy that is centered on our Retirement, Investment Management and Employee Benefits business. Despite the challenges that we have seen so far in 2020, I am confident that our focused and complementary business mix will continue to serve us well as society recovers and we continue to focus on our vision to be America's Retirement Company.

I am grateful for your support and partnership during 2019 – and I remain optimistic about our ability to continue to distinguish our company. I look forward to updating you on our journey.

Sincerely,



Rodney O. Martin, Jr.
Chairman of the Board and Chief Executive Officer
Voya Financial, Inc.

April 6, 2020

ETHISPHERE®
WORLD'S MOST
ETHICAL
COMPANIES®
2014-2020



FORTUNE
WORLD'S MOST
ADMIRED
COMPANIES®
2020



FORTUNE
500
2019



Executive Committee

Nancy Ferrara

Executive Vice President,
Operations and Continuous Improvement

Christine Hurtsellers

Chief Executive Officer, Investment Management

Rodney O. Martin, Jr.

Chairman and Chief Executive Officer

Charles P. Nelson

Chief Executive Officer,
Retirement and Employee Benefits

Maggie Parent

Chief Administrative Officer

Larry Port

Chief Legal Officer

Michael S. Smith

Chief Financial Officer and Interim Chief Risk Officer

Kevin D. Silva

Chief Human Resources Officer

Board of Directors

Lynne Biggar

Chief Marketing and Communications Officer,
Visa, Inc.

Jane P. Chwick

Retired Co-Chief Operating Officer of Technology,
The Goldman Sachs Group, Inc.

Kathleen DeRose

Clinical Associate Professor of Finance,
New York University Leonard N. Stern School of Business

Ruth Ann M. Gillis

Retired Executive Vice President and Chief Administrative Officer,
Exelon Corporation

J. Barry Griswell

Former Chairman and Chief Executive Officer,
Principal Financial Group

Rodney O. Martin, Jr.

Chairman and Chief Executive Officer,
Voya Financial, Inc.

Byron H. Pollitt, Jr.

Retired Executive Vice President and Chief Financial Officer,
Visa, Inc.

Joseph V. Tripodi

Retired Chief Marketing Officer,
The Subway Corporation

David Zwiener

(Lead Director) Operating Executive,
The Carlyle Group



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

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2019

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number: 001-35897

Voya Financial, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

52-1222820

(IRS Employer Identification No.)

230 Park Avenue

New York

(Address of principal executive offices)

New York

(212) 309-8200

(Registrant's telephone number, including area code)

10169

(Zip Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$.01 Par Value	VOYA	The New York Stock Exchange
Depository Shares, each representing a 1/40 th interest in a share of 5.35% Fixed-Rate Reset Non-Cumulative Preferred Stock, Series B, \$.01 par value	VOYAPrB	The New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

As of June 30, 2019, the aggregate market value of the common stock of the registrant held by non-affiliates of the registrant was approximately \$7.7 billion.

APPLICABLE ONLY TO REGISTRANTS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

As of February 14, 2019, there were 132,335,898 shares of the registrant's common stock outstanding.

Documents incorporated by reference: Portions of Voya Financial, Inc.'s Proxy Statement for its 2020 Annual Meeting of Shareholders are incorporated by reference in the Annual Report on Form 10-K in response to Part III, Items 10, 11, 12, 13 and 14.

Voya Financial, Inc.
Form 10-K for the period ended December 31, 2019

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For the purposes of the discussion in this Annual Report on Form 10-K, 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 Annual Report on Form 10-K, including "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Business," 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, (xi) our ability to successfully manage the separation of the fixed and variable annuities businesses that we sold to VA Capital LLC on June 1, 2018, including the transition services on the expected timeline and economic terms, (xii) our ability to successfully complete the Individual Life Transaction (as defined below) on the expected economic terms or at all, and (xiii) other factors described in the section "Item 1A. Risk Factors."

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.

MARKET DATA

In this Annual Report on Form 10-K, we present certain market and industry data and statistics. This information is based on third-party sources which we believe to be reliable, such as LIMRA, an insurance and financial services industry organization (for Retirement and Employee Benefits market leadership positions), Morningstar fund data and eVestment institutional composites (for Investment Management market leadership positions) and industry recognized publications and websites such as Pensions & Investments (for Retirement and Investment Management), InvestmentNews.com (for Retirement and Investment Management) and MyHealthGuide (for Employee Benefits). Market ranking information is generally based on industry surveys and therefore the reported rankings reflect the rankings only of those companies who voluntarily participate in these surveys. Accordingly, our market ranking among all competitors may be lower than the market ranking set forth in such surveys. In some cases, we have supplemented these third-party survey rankings with our own information, such as where we believe we know the market ranking of particular companies who do not participate in the surveys.

In this Annual Report on Form 10-K, the term "customers" refers to retirement plan sponsors, retirement plan participants, institutional investment clients, retail investors, corporations or professional groups offering employee benefits solutions, insurance policyholders, annuity contract holders, individuals with contractual relationships with financial advisors and holders of Individual Retirement Accounts ("IRAs") or other individual retirement, investment or insurance products sold by us.

PART I

Item 1. Business

*For the purposes of this discussion, 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.*

We are a leading retirement, investment and employee benefits company providing complementary solutions to improve the financial outcomes of approximately 13.8 million individual customers, workplace participants and institutions in the United States as of December 31, 2019. Our vision is to be America's Retirement Company™. Our approximately 6,000 employees (as of December 31, 2019) are focused on executing our mission to make a secure financial future possible—one person, one family and one institution at a time. Through our complementary set of businesses, we help our customers save, grow, protect and enjoy their wealth to and through retirement. We offer our products and services through a broad group of financial intermediaries, independent producers, affiliated advisors and dedicated sales specialists throughout the United States.

Our extensive scale and breadth of product offerings are designed to help Americans achieve their retirement savings, investment income and protection goals. Our strategy is centered on preparing customers for financial wellness—being emotionally and economically secure and ready for their retirement. We believe that the aging of the U.S. population, weakening of traditional social safety nets, shifting of responsibility for retirement planning from institutions to individuals and growth in total retirement account assets will drive significant demand for our products and services going forward. We believe that we are well positioned to deliver on this Retirement Readiness need.

We believe that we help our customers achieve three essential financial goals, as they plan for, invest for and protect their retirement years:

Plan	Invest	Protect
Our products enable our customers to save for retirement by establishing investment accounts through their employers or individually. We also provide financial planning tools and services to help customers set financial goals.	We provide advisory programs, individual retirement accounts ("IRAs"), brokerage accounts, mutual funds and income protection products to help our customers achieve their financial objectives. Our income products such as target date funds, guaranteed income funds, IRAs, mutual funds and income protection products enable our customers to meet income needs through retirement and achieve wealth transfer objectives.	Our specialized retirement and insurance products, such as stable value and group life products, allow our customers to protect against unforeseen life events and mitigate market risk.

We provide our products and services principally through three segments: Retirement, Investment Management, and Employee Benefits. In October 2018, we concluded a strategic review of our Individual Life business and announced that we would cease new individual life insurance sales while retaining our in-force block of individual life policies at that time. In the fourth quarter of 2019, we announced the sale of our Individual Life and certain legacy annuities business, which we expect to close by September 30, 2020. Accordingly, substantially all of our former Individual Life segment has now been reclassified as "Business Held for Sale/Discontinued Operations". We will continue to operate this business until the closing of the transaction, which is described further under "—Organizational History and Structure—Individual Life Transaction".

Our pivot away from the individual life insurance market aligns with our strategic focus on higher-growth, higher-return, capital-light businesses, centered on workplace and institutional clients.

Activities not related to our business segments such as our corporate operations, corporate-level assets and financial obligations are included in Corporate.

The following table presents a summary of our key individual and institutional markets, how we define those markets, and the key products we sell in such markets:

<i>Individual Markets</i>				<i>Institutional Markets</i>			
Market	Household Income Range	Investable Asset Range	Typical Customer Products	Market	Employee Size	Asset Range	Typical Customer Products
Mass Market	\$50,000-\$100,000	<\$100,000	<ul style="list-style-type: none"> • Mutual Funds • IRAs 	Small-Mid	<1,000	\$0-\$75 million	<ul style="list-style-type: none"> • Full Service Retirement Plans • Employee Benefits • Investment Management • Stable Value
Middle Market & Mass Affluent	\$100,000-\$250,000	\$100,000-\$2,000,000	<ul style="list-style-type: none"> • Mutual Funds • IRAs • Financial Advisory 	Large	1,000-10,000	\$75 million-\$1 billion	<ul style="list-style-type: none"> • Full Service Retirement Plans • Retirement Plan Recordkeeping • Employee Benefits • Investment Management • Stable Value
Affluent & Wealth Management Market	\$250,000-\$500,000	>\$2,000,000	<ul style="list-style-type: none"> • Mutual Funds • Separately Managed Accounts • Alternative Funds • IRAs • Financial Advisory 	Mega	>10,000	>\$1 billion	<ul style="list-style-type: none"> • Full Service Retirement Plans • Retirement Plan Recordkeeping • Employee Benefits • Investment Management • Stable Value

Our Segments

Voya is committed to being America's Retirement Company, and is focused on high-growth, high-return, capital light businesses that provide complementary solutions to workplaces and institutions.

Retirement	Investment Management	Employee Benefits
A leading provider of retirement solutions to a large customer base across diverse markets, with a strong market share and leadership position in those markets.	A full-service, diversified asset manager delivering specialty and retirement capabilities to a broad range of clients with approximately \$223.5 billion of assets under management ("AUM") and \$49.3 billion of assets under administration ("AUA") as of December 31, 2019.	A focused benefits provider primarily serving the mid-to-large market, Employee Benefits is the seventh largest provider of stop-loss in the US, has a fast growing voluntary benefits offering and is a top provider of group life.

As of December 31, 2019, on a consolidated basis, we had \$602.8 billion in total AUM and AUA and total shareholders' equity, excluding accumulated other comprehensive income/loss ("AOCI") and noncontrolling interests, of \$6.1 billion.

For the year ended December 31, 2019, we generated \$560 million of Income (loss) from continuing operations before income taxes, and \$591 million of Adjusted operating earnings before income taxes. Adjusted operating earnings before income taxes is a non-GAAP financial measure. For a reconciliation of Adjusted operating earnings before income taxes to Income (loss) before income taxes, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations— Company Consolidated."

ORGANIZATIONAL HISTORY AND STRUCTURE

Our History

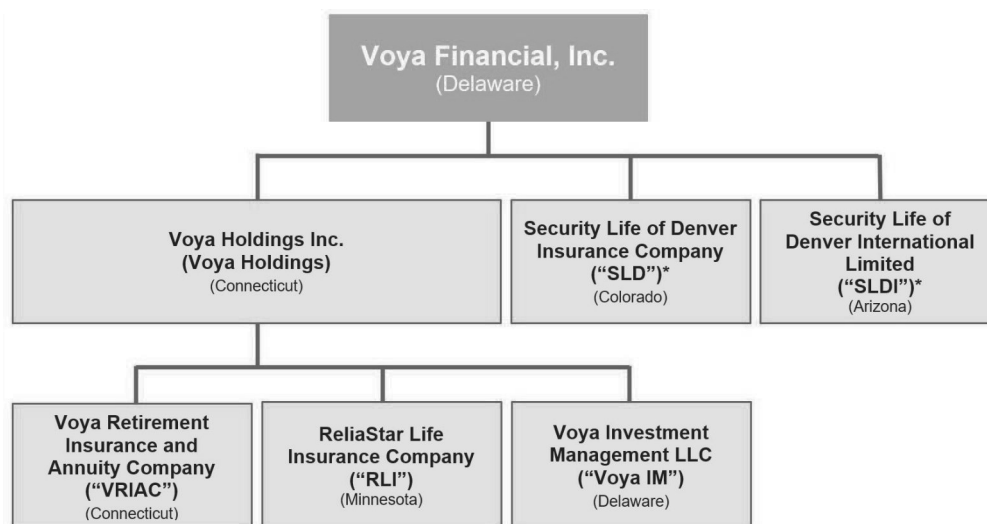
Prior to our initial public offering in May 2013, we were a wholly owned subsidiary of ING Groep N.V. ("ING Group"), a global financial institution based in the Netherlands.

Through ING Group, we entered the United States life insurance market in 1975 with the acquisition of Wisconsin National Life Insurance Company, followed in 1976 with ING Group's acquisition of Midwestern United Life Insurance Company and Security Life of Denver Insurance Company in 1977. ING Group significantly expanded its presence in the United States in the late 1990s

and 2000s with the acquisitions of Equitable Life Insurance Company of Iowa (1997), Furman Selz, an investment advisory company (1997), ReliaStar Life Insurance Company (including Pilgrim Capital Corporation) (2000), Aetna Life Insurance and Annuity Company (including Aeltus Investment Management) (2000) and CitiStreet (2008). ING Group completely divested its ownership of Voya Financial, Inc. common stock between 2013 and 2015, and, as of March 2018, ING Group has also divested its remaining interest in warrants to acquire additional shares of our common stock, which it acquired in connection with our IPO.

Our Organizational Structure

We are a holding company incorporated in Delaware in April 1999. We operate our businesses through a number of direct and indirect subsidiaries. The following organizational chart presents the ownership and jurisdiction of incorporation of our principal subsidiaries as of December 31, 2019:



* SLD and SLDI will be divested upon the closing of the Individual Life Transaction described below under "—Individual Life Transaction"

The chart above includes:

- Voya Financial, Inc.
- Our principal intermediate holding company, Voya Holdings, which is the direct parent of a number of our insurance and non-insurance operating entities.
- Our principal operating entities that are the primary sources of cash distributions to Voya Financial, Inc. Specifically, these entities are our principal insurance operating companies (VRIAC, SLD and RLI) and Voya Investment Management LLC, the holding company for entities that operate our Investment Management segment.
- SLDI, our Arizona captive.

Individual Life Transaction

On December 18, 2019, we entered into a Master Transaction Agreement (the "Resolution MTA") with Resolution Life U.S. Holdings Inc., a Delaware corporation ("Resolution Life US"), pursuant to which Resolution Life US will acquire all of the shares of the capital stock of SLD and SLDI, including the capital stock of several subsidiaries of SLD and SLDI. Concurrently with the sale, SLD will enter into reinsurance treaties with RLI, ReliaStar Life Insurance Company of New York, an insurance company organized under the laws of the State of New York ("RLNY"), and VRIAC, each of which is a direct or indirect wholly owned subsidiary of the Company. Pursuant to these treaties, RLI and VRIAC will reinsure to SLD a 100% quota share, and RLNY will reinsure to SLD a 75% quota share, of their respective in-scope individual life insurance and annuities businesses. RLI, RLNY, and VRIAC will remain subsidiaries of the Company. We currently expect that these reinsurance transactions will be carried out on a coinsurance basis, with SLD's reinsurance obligations collateralized by assets in trust. The transaction will result in our disposition of substantially all of our life insurance and legacy non-retirement annuity businesses and related assets (the transactions collectively are referred to herein as the "Individual Life Transaction").

Resolution Life US is an insurance holding company newly formed by Resolution Life Group Holdings, L.P., a Bermuda-based limited partnership ("RLGH").

The direct purchase price payable by Resolution Life US in the transaction is approximately \$1.25 billion, with an adjustment based on the adjusted capital and surplus of SLD and SLDI at closing. The purchase price includes direct cash consideration of approximately \$902 million, a \$225 million interest in RLGH, and \$123 million principal amount in surplus notes issued by SLD that will be retained by the Company. Of this amount, \$123 million in proceeds are subject to future adjustment based on certain financial contingencies affecting SLD, with the final adjustment to occur as of or before the fifth anniversary of closing. We expect to realize proceeds from the sale in excess of the approximately \$1.25 billion direct purchase price are the result of an anticipated release of excess capital and other amounts associated with the businesses sold.

The assets associated with the businesses sold will be managed, in significant part, by Voya IM pursuant to asset management agreements with the divested companies. These investment management mandates vary according to the asset class involved, but are expected to last for minimum terms of between two and seven years after closing.

Pursuant to the Individual Life Transaction, Voya Financial will divest or dissolve five regulated insurance entities, including its life companies domiciled in Colorado and Indiana, and captive entities domiciled in Arizona and Missouri. Voya Financial will also divest Voya America Equities LLC, a regulated broker-dealer, and transfer or cease usage of a substantial number of administrative systems.

In connection with the transaction, we expect to transfer a significant number of employees to Resolution Life US, and also to provide transition services for a period of up to two years following the closing, subject to extension. We will earn fees for providing these transition services.

The transaction is expected to close by September 30, 2020. The closing is subject to conditions specified in the Resolution MTA, including the receipt of required regulatory approvals.

CBVA and Annuity Transaction

On June 1, 2018, we consummated a series of transactions (collectively, the "2018 Transaction") pursuant to a Master Transaction Agreement dated December 20, 2017 (the "2018 MTA") with VA Capital Company LLC, a newly formed Delaware limited liability company ("VA Capital"), and Athene Holding Ltd., a Bermuda limited company ("Athene"), pursuant to which VA Capital's wholly owned subsidiary Venerable Holdings Inc. ("Venerable") acquired certain of our assets, including all of the shares of the capital stock of Voya Insurance and Annuity Company ("VIAC"), our Iowa-domiciled insurance subsidiary, and all of the membership interests of Directed Services LLC, an indirect broker-dealer subsidiary ("DSL"). This transaction resulted in our disposition of substantially all of our variable annuity and fixed and fixed indexed annuity businesses and related assets.

Following its acquisition of VIAC, Venerable holds substantially all of the variable annuity business that was previously reported as our Closed Block Variable Annuity ("CBVA") segment

Concurrently with the sale of VIAC, VIAC reinsured to Athene its individual fixed and fixed indexed annuities policies, and we also reinsured to Athene the fixed annuities policies of RLI, our Minnesota-domiciled insurance subsidiary, which collectively represented a significant majority of our fixed and fixed indexed annuities business. We ceased manufacturing non-retirement-focused annuities after the 2018 Transaction closed.

OUR BUSINESSES

Retirement

Our Retirement segment is focused on meeting the needs of individuals in preparing for and sustaining a secure retirement through employer-sponsored plans and services, as well as through individual retirement accounts and comprehensive financial product offerings and planning and advisory services. We are well positioned in the marketplace, with our industry-leading Institutional Retirement Plans business and our Retail Wealth Management business having a combined \$440.0 billion of AUM and AUA as of December 31, 2019, (which now includes Retail Assets Under Advisement) of which \$73.0 billion were in proprietary assets.

Our Institutional Retirement Plans business, with AUM and AUA of \$376.0 billion as of December 31, 2019, offers tax-deferred employer-sponsored retirement savings plan and administrative services to corporations of all sizes, public and private school

systems, higher education institutions, hospitals and healthcare facilities, not-for-profit organizations and state and local governments. We also offer stable value products to institutional plan sponsors. This broad-based institutional business is diversified across many sectors of the economy. In the defined contribution market, we provide services to more than 50,000 plan sponsors covering approximately 5.6 million plan participant accounts as of December 31, 2019.

Our Retail Wealth Management business, with AUM and AUA of \$63.1 billion as of December 31, 2019, focuses on the rapidly expanding retiree market as well as on pre-retirees. Retail AUA includes assets under advisement, which comprises brokerage and investment advisory assets. This business offers holistic financial planning and advisory services through protection and investment products to help individuals plan, protect and invest to and through retirement.

Our Retirement segment earns revenue principally from asset and participant-based advisory and recordkeeping fees. Retirement generated Adjusted operating earnings before income taxes of \$588 million for the year ended December 31, 2019. Our Investment Management segment also earns market-based fees from the management of the general account and mutual fund assets supporting Institutional Retirement Plans and certain Retail Wealth Management products and advisory solutions.

We will continue to focus on growing our retirement platform through focused sales and retention efforts in our Institutional Retirement Plans business and by leveraging our financial wellness offerings and Retail Wealth Management business to deepen relationships with our Institutional Retirement Plan participants. We will also continue to place a strong emphasis on capital and cost management while also growing our distribution platform, achieving a diversified retirement product mix and focusing on innovation efforts that make it easy to do business with us and drive positive outcomes for customers.

An important element of our Retirement strategy is to leverage the extensive customer base to which we have access through our Institutional Retirement Plans business in order to grow our Retail Wealth Management and Investment Management businesses. We are therefore focused on building long-term relationships with our plan participants, especially when initiated through service touch points such as plan enrollments and rollovers, which will enable us to offer participants individual retirement and investment management solutions both during and after the term of their plan participation.

Institutional Retirement Plans

Products and Services

We are one of only a few providers that offer tax-deferred institutional retirement savings plans, services and support to the full spectrum of businesses, ranging from small to mega-sized plans and across all markets and code sections. These plans may either be offered as full service options or recordkeeping services products. We also offer stable value investment options to institutional clients.

Full-service retirement products provide recordkeeping and plan administration services, tailored participant communications and education programs, award-winning myOrangeMoney[®] digital capabilities for sponsors and plan participants (plus mobile capabilities for participants), trustee services and institutional and retail investments. Offerings include a wide variety of investment and administrative products for defined contribution plans for tax-advantaged retirement savings, as well as nonqualified executive benefit plans and employer stock option plans. Plan sponsors may select from a variety of investment structures and products, such as general account, separate account, mutual funds, stable value or collective investment trusts and a variety of underlying asset types (including their own employer stock) to best meet the needs of their employees. A broad selection of funds is available for our products in all asset categories from over 200 fund families, including the Voya family of mutual funds managed by our Investment Management segment. Our full-service retirement plan offerings are also supported by financial planning and investment advisory services offered through our Retail Wealth Management business or through third parties (e.g., Morningstar) to help prepare individuals for retirement through customer-focused personalized and objective investment advice.

Recordkeeping service products provide recordkeeping and plan administration support for a sponsor base that includes multi-employer corporate plans, large-mega corporations and state and local governments. Our recordkeeping retirement plan offerings are also supported by participant communications and education programs, award-winning myOrangeMoney[®] digital capabilities for sponsors and plan participants (plus mobile capabilities for participants), as well as financial planning and investment advisory services offered through our Retail Wealth Management business and Voya Retirement Advisors (our registered investment advisor group serving in-plan participants with the in-plan advisory services program).

Stable value investment options may be offered within our full service institutional plans, or as investment-only options within our recordkeeping services plans or within other vendor plans. Our product offering includes both separate account guaranteed investment contracts ("GICs") and synthetic GICs managed by either proprietary or outside investment managers.

We previously offered pension risk transfer group annuity solutions to institutional plan sponsors who sought to transfer to us their defined benefit plan obligations. We discontinued sales of these solutions in late 2016, but have continued to manage existing policies and assets. This business has been sold to Resolution Life US as part of the Individual Life Transaction. See "—Organizational History and Structure—Individual Life Transaction".

The following chart presents our Institutional Retirement Plans product/service models and corresponding AUM and AUA, key markets in which we compete, primary defined contribution plan Internal Revenue Code sections and core products offered for each market segment.

<u>Product/Service Model</u>	<u>AUM/AUA (as of December 31, 2019)</u>	<u>Key Market Segments/Product Lines</u>	<u>Primary Internal Revenue Code section</u>	<u>Core Products*</u>
Full Service Plans	\$143.6 billion	Small-Mid Corporate	401(k)	Voya MAP Select, Voya Framework
		K-12 Education	403(b)	Voya Custom Choice II, Voya Retirement Choice II, Voya Framework
		Higher Education	403(b)	Voya Retirement Choice II, Voya Retirement Plus II, Voya Framework
		Healthcare & Other Non-Profits	403(b)	Voya Retirement Choice II, Voya Retirement Plus II, Voya Framework
		Government (local and state)	457	RetireFlex-SA, RetireFlex-MF, Voya Health Reserve Account, Voya Framework
Recordkeeping Business	\$195.2 billion	Small-Mid Corporate	401(k)	**
		Large-Mega Corporate	401(k)	**
		Government (local and state)	457	**
Stable Value/Other	\$38.2 billion***	Stable Value	****	Separate Account and Synthetic GICs

* Core products actively being sold today.

** Offerings include administration services and investment options such as mutual funds, commingled trusts and separate accounts.

*** Assets include a small block of pension risk transfer business which is no longer an active offering as well as assets in our Lifeline retained asset account designed as a death claim payment option (among other Voya options) to beneficiaries of any Voya insurance policy or contract. The pension risk transfer business as well as a portion of the Lifelines business has been sold to Resolution Life US as part of the Individual Life Transaction.

**** Sold across all market segments and various tax codes with a strong focus on Large Corporate 401(k) plans.

In 2017, we launched an enhanced version of our *Voya Framework* product that can be sold across both full service corporate and tax-exempt markets. It is a mutual fund program offered to fund qualified retirement plans, and it gives plan advisors and third party administrators who work with us a uniform and consistent product experience across multiple plan markets. *Voya Framework* is distinguished by its flexible recordkeeping platform and contains over 300 funds from well-known fund families for smaller plans or can be provided as an open architecture investment platform for larger plans (which offers most funds for which trades are cleared through the National Securities Clearing Corporation). This product also includes our general account and various stable value solutions as investment options.

In addition to *Voya Framework*, we offer products customized to each of the full service corporate market and the full service tax exempt market.

For plans in the full service corporate market, we offer *Voya MAP Select*, a group funding agreement/group annuity contract to fund qualified retirement plans. *Voya MAP Select* contains over 300 funds from well-known fund families for smaller plans or can be provided as an open architecture investment platform for larger plans (which offers most funds for which trades are cleared through the National Securities Clearing Corporation). This product also includes our general account and various stable value solutions as investment options.

For plans in the full service tax-exempt market, we offer a variety of products that include the following:

- *Voya Retirement Choice II and RetireFlex-MF*, mutual fund products which provide flexible funding vehicles and are designed to provide a diversified menu of mutual funds in addition to a guaranteed option (available through a group fixed annuity contract or stable value product).
- *Voya Retirement Plus II and Voya Custom Choice II*, registered group annuity products featuring variable investment options held in a variable annuity separate account and a fixed investment option held in the general account.
- *RetireFlex-SA*, an unregistered group annuity product which features variable investment options held in a variable annuity separate account and a guaranteed option (available through a group fixed annuity contract or stable value product).

Markets and Distribution

Our Institutional Retirement Plans business can be categorized into two primary markets: Corporate and Tax Exempt. Both markets utilize our award-winning myOrangeMoney[®] participant-facing digital capabilities as a centerpiece to help shift the mindset of plan participants from focusing only on accumulation to focusing on both accumulation and adequate income in retirement. Additionally, a broad suite of financial wellness offerings, including retirement and financial planning, guidance and advisory products, tools and services are offered to help our plan participants in all markets reach their financial goals. A brief description of each market, including sub segments and areas of particular focus, are as follows:

Corporate Markets:

- *Small-Mid Corporate Market.* In this market, we offer full service solutions to defined contribution plans of small-mid-sized corporations (i.e., typically less than 1,000 employees). Our product offerings include an open architecture investment platform, comprehensive fiduciary solutions, dedicated and proactive service teams and product and service innovations leveraged from our expertise across multiple market segments (all sizes of plans as well as code sections). Furthermore, we offer a unique enrollment experience through our myOrangeMoney[®] digital capabilities that helps engage and inform plan participants with retirement savings and income goals.
- *Large-Mega Corporate Market.* In this market we offer recordkeeping services to defined contribution plans of large to mega-sized corporations (i.e., typically more than 1,000 employees). Our solutions and capabilities support the most complex retirement plans with a special focus on client relationship management, tailored communication campaigns and education and enrollment support to help employers prepare their employees for retirement. We are dedicated to providing engaging information through innovative award-winning technology-based tools and print materials to help plan participants achieve a secure and dignified retirement.

Tax Exempt Markets:

- *Education Market.* We offer comprehensive full service solutions to both public and private K-12 educational entities as well as public and private higher education institutions. In the United States, we rank fourth in both the K-12 and higher

education markets by assets as of September 30, 2019. Our support to plan sponsors, including solutions to reduce administrative burden, deep technical and regulatory expertise, and strong on-site service teams, plus advisor support and a broad suite of financial wellness products, tools, and services for participants, continue to strengthen our position as one of the top providers in this market.

- *Healthcare/Other Non Profits Market.* In this market we service hospitals, healthcare organizations and not-for-profit entities by offering full service solutions for a variety of plan types. We offer services that reduce sponsors' administrative burdens and provide them with deep technical and fiduciary expertise. Additionally, we offer on-site service teams to assist plan sponsors with their plans and to assist their employees with understanding and taking advantage of their plan benefits. We also provide tailored communications, education and enrollment support plus a broad suite of financial wellness products, tools and services in order to better prepare plan participants for retirement.
- *Government Market.* We provide both full service and recordkeeping services offerings to small and large governmental entities (e.g., state and local government) with a client base that spans nearly 50 states and US territories. For large governmental sponsors, we offer recordkeeping services that meet the most complex of needs, while also offering extensive participant communication and retirement education support, including a broad suite of financial wellness products, tools and services. We also offer a broad range of proprietary, non-proprietary and stable value investment options. Our flexibility and expertise help make us the third ranked provider in the government market in the United States based on AUM and AUA as of September 30, 2019.

Products for Institutional Retirement Plans are distributed nationally through multiple unaffiliated channels supported by our employee wholesale field force and dedicated sales teams and via other affiliated distribution through our owned broker-dealer and investment advisor, Voya Financial Advisors ("VFA"). We offer localized support to distribution partners and their clients during and after the sales process as well as a broad selection of investment options with flexibility of choice and comprehensive fiduciary solutions to help their clients meet or exceed plan guidelines and responsibilities.

Unaffiliated Distribution:

- *Independent Sales Agents.* As of December 31, 2019, we work with more than 3,800 sales agents who primarily sell fixed annuity products from multiple vendors in the education market. Activities by these representatives are centered on increasing participant enrollments and deferral amounts in our existing K-12 education segment plans.
- *Brokers and Advisors.* Approximately 12,000 wirehouse and independent regional and local brokers, specialty retirement plan advisors plus registered investment advisors (as of December 31, 2019) are the primary distributors of our small-mid corporate market products, and they also distribute products to the education, healthcare and government markets. These producers typically present their clients (i.e., employers seeking a defined contribution plan for their employees) with plan options from multiple vendors for comparison and may also help with employee enrollment and education.
- *Third Party Administrators ("TPAs").* As of December 31, 2019, we have long-standing relationships with over 1,100 TPAs who work with a variety of retirement plan providers and are selling and/or service partners for our small-mid corporate markets and select tax exempt market plans. While TPAs typically focus on providing plan services only (such as administration and compliance testing), some also initiate and complete the sales process. TPAs also play a vital role as the connecting point between our wholesale team and unaffiliated producers who seek references for determining which providers they should recommend to their clients.

Affiliated Distribution:

- *Voya Financial Advisors ("VFA").* Our owned broker-dealer and investment advisor is one of the top quartile independent broker-dealers in the United States as determined by the total number of licensed and producing representatives and by gross revenue. As of December 31, 2019, VFA provided licensing and operational support to approximately 1,600 field and phone-based representatives. The field based financial planning and advisory representatives support sales of products, financial planning and advisory services for the Retirement segment. A closely affiliated sub-set of the field-based channel focuses primarily on driving enrollment and contribution activity within our education, healthcare and government market institutional plans. They also provide in-plan education and guidance plus retail sold-financial advisory services to help individuals in these markets meet their retirement savings and income goals. The home office phone-based representatives focus on providing education, guidance and rollover support services to our institutional plan participants.

- *Wholesale Field Force.* Locally based employee wholesalers focus on expanding and strengthening relationships with unaffiliated distribution partners and third party administrators who sell and service our institutional plan offerings to employers across the nation.
- *Dedicated Voya Sales Teams.* Our employee sales teams work with more than 90 different pension/specialty consulting firms that represent employers in corporate and tax-exempt markets seeking large-mega institutional plans and/or stable value solutions. Additionally, we have salaried phone-based sales teams that focus on supporting our institutional plan participants across all markets.

Competition

Our Institutional Retirement Plans business competes with other large, well-established insurance companies, asset managers, record keepers and diversified financial institutions. Competition varies in all market segments as few institutions are able to compete across all markets as we do. The following chart presents a summary of the current competitive landscape in the markets where we offer our Institutional Retirement Plans and stable value solutions:

<u>Market/Product Segment</u>	<u>Competitive Landscape</u>	<u>Select Competitors</u>
Small-Mid Corporate	Primary competitors are mutual fund companies and insurance-based providers with third-party administration relationships	Empower Fidelity
K-12 Education	Primary competitors are insurance-based providers that focus on school districts across the nation	AXA AIG
Higher Education	Competitors are 403(b) plan providers, asset managers and some insurance-based providers	TIAA Fidelity
Healthcare & Other Non-Profits	Competition varies across 403(b) plan providers, asset managers and some insurance-based providers	Fidelity TIAA
Government	Competitors are primarily insurance-based providers, but also include asset managers and 457 providers	Empower Nationwide
Recordkeeping	Competitors are primarily asset managers and business consulting services firms, but also include payroll firms and insurance-based providers	Fidelity Empower
Stable Value	Competitors are primarily select insurance companies who are also dedicated to the Stable value market, but also include certain banking institutions	Prudential MetLife

In addition, we also compete more generally in the Institutional Retirement Plans business against companies such as Principal Financial, MassMutual, John Hancock, Lincoln Financial and Transamerica.

Our Institutional Retirement Plans business competes primarily based on pricing for value delivered with a strong focus on an excellent customer experience. Our full-service business also competes on the breadth of our service and investment offerings, technical/regulatory expertise, industry experience, local enrollment and education support, investment flexibility and our ability to offer industry tailored product features to meet the financial wellness and retirement income needs of our clients. We have seen industry concentration in the large plan recordkeeping business, as providers seek to increase scale, improve cost efficiencies and enter new market segments. We emphasize our strong sponsor relationships, flexible value-added services, ability to customize recordkeeping and administration services to match client needs, and technical and regulatory expertise as our competitive strengths. Additionally, we compete with our broad suite of products and financial wellness tools and services, including our award-winning myOrangeMoney[®] retirement income focused digital and mobile capabilities, to help employers support the retirement preparedness and financial needs of their employees. Our long standing experience in the retirement market underscored by strong stable value expertise allows us to effectively compete against existing and new providers.

Underwriting and Pricing

We price our institutional retirement products based on long-term assumptions that include investment returns, mortality, persistency and operating costs. We establish target returns for each product based upon these factors and the expected amount of regulatory and rating agency capital that we must hold to support these contracts over their projected lifetime. We monitor and manage pricing and sales mix to achieve target returns. It may take new business several years to become profitable, depending on the nature and life of the product, and returns are subject to variability as actual results may differ from pricing assumptions. We seek to mitigate investment risk by actively managing market and credit risks associated with investments and through asset/liability matching portfolio management.

Retail Wealth Management

Products and Services

Our Retail Wealth Management business offers a variety of investments and protection products, along with holistic advice and guidance delivered to individuals through field-based financial planning and advisory representatives and home office phone-based representatives. Our current investment solutions include a variety of mutual fund custodial IRA products, managed accounts and advisory programs, and brokerage accounts. The IRA products include certain tax-qualified mutual fund custodial products that were retained from the Annuities business we divested in the 2018 Transaction, which are also sold by our employee wholesale team that works directly with affiliated and unaffiliated brokers and advisers who sell individual retirement accounts to individuals or small businesses.

While the primary focus of our Retirement segment is to serve approximately 5.6 million defined contribution plan participants (as of December 31, 2019), we also seek to capitalize on our access to these individuals by utilizing our Retail Wealth Management business to deepen our relationships with them for the long-term. We believe that our ability to offer an integrated approach to an individual customer's entire financial picture, while saving for or living in retirement, presents a compelling reason for our Institutional Retirement Plans participants to use us as their principal investment and retirement plan provider. Through our broad range of advisory programs, our financial advisers have access to a wide set of solutions for our customers for building investment portfolios, including stocks, bonds and mutual funds, as well as managed accounts. These experienced advisers work with customers to select a program to meet their financial needs that takes into consideration each individual's time horizon, goals and attitudes towards risk.

Markets and Distribution

Retail Wealth Management products, financial planning and advisory services are primarily sold to individuals through our group of approximately 1,600 representatives licensed through VFA, our broker-dealer and investment advisor. The VFA representatives help provide cohesiveness between our Institutional Retirement Plans and Retail Wealth Management businesses and are grouped into two primary categories: field-based and home office phone-based representatives. Field-based representatives are registered sales and investment advisory representatives that drive both fee-based and commissioned sales. They provide face-to-face interaction with individuals seeking retail investment products (e.g., IRA products) as well as financial planning and advisory solutions. Home office phone-based representatives focus on assisting participants in our institutional retirement plans, primarily for our large recordkeeping plans. While these representatives offer more simplified rollover products and advisory services than offered by the field-based representatives, they also provide financial advice that helps customers transition through life stage and job-related changes. A custodial mutual fund IRA product is also sold to individuals by unaffiliated brokers and advisors.

In an effort to develop a path for our VFA representatives to offer holistic retirement planning solutions to participants in our Institutional Retirement Plans, we partner with our institutional clients to engage, educate, advise and motivate their employees to take action that will better prepare them for successful retirement outcomes.

Competition

Our Retail Wealth Management advisory services and product solutions compete for rollover and other asset consolidation opportunities against integrated financial services companies and independent broker-dealers who also offer individual retirement products, all of which currently have more market share than insurance-based providers in this space. Primary competitors to our Retail Wealth Management business are, in the phone-based channel, Fidelity, Schwab, and Vanguard, and in the field-based channel, LPL Financial, Ameriprise, Commonwealth, Cambridge, Cetera, and Bank of America Merrill Lynch.

Our Retail Wealth Management advisory services and product solutions are competitively priced and compete based on our consultative approach, simplicity of design and a fund and investment selection process that includes proprietary and non-proprietary investment options. The advisory services and product solutions are targeted towards existing institutional plan participants, which allow us to benefit from our extensive relationships with large corporate and tax-exempt plan sponsors, our small and mid-corporate market plan sponsors and other qualified plan segments in healthcare, higher education and K-12 education.

Underwriting and Pricing

We price our individual retirement products based on long-term assumptions that include investment returns and operating costs. We establish target returns for each product based upon these factors and the expected amount of regulatory and rating agency capital, to the extent any is required, that we must hold to support these contracts and investment products over their projected lifetime. We monitor and manage pricing and sales mix to achieve target returns. It may take new business several years to become profitable, depending on the nature and life of the product, and returns are subject to variability as actual results may differ from pricing assumptions. Where we bear investment risk, we seek to mitigate such risk by actively managing both market and credit risks associated with investments and through asset/liability matching portfolio management.

Investment Management

We offer domestic and international fixed income, equity, multi-asset and alternatives products and solutions across market sectors, investment styles and capitalization spectrums through our actively managed, full-service investment management business. Multiple investment platforms are backed by a fully integrated business support infrastructure that lowers expense and creates operating efficiencies and business leverage and scalability at low marginal cost. As of December 31, 2019, our Investment Management segment managed \$139.3 billion for third-party institutional and individual investors (including third-party variable annuity-sourced assets), \$27.5 billion in separate account assets for our other businesses and \$56.7 billion in general account assets. We also offer a range of specialty asset solutions across fixed income and alternative investment products with AUM of \$69.8 billion for such specialty products. Upon closing of the 2018 Transaction, our general account AUM declined by approximately \$28 billion, approximately \$10 billion of which we have continued to manage as additional third-party AUM associated with our management of Venerable's general account assets. See "*—Organizational History and Structure—CBVA and Annuity Transaction*". Upon closing of the Individual Life Transaction, we expect our general account AUM to decline by approximately \$24 billion (based on AUM as of September 30, 2019), a substantial portion of which we will continue to manage as third-party AUM through our appointment as investment manager for general account assets of the businesses sold. We expect Voya IM's mandate to cover at least 80% of these assets for a minimum term of two years following the closing of the Individual Life Transaction, grading down to at least approximately 30% over the subsequent five years. See "*—Organizational History and Structure—Individual Life Transaction*".

We are committed to reliable and responsible investing and delivering research-driven, risk-adjusted, specialty and retirement client-oriented investment strategies and solutions and advisory services across asset classes, geographies and investment styles. Through our institutional distribution channel and our Voya-affiliate businesses, we serve a variety of institutional clients, including public, corporate and Taft-Hartley Act defined benefit and defined contribution retirement plans, endowments and foundations, and insurance companies. We also serve individual investors by offering our mutual funds and separately managed accounts through an intermediary-focused distribution platform or through affiliate and third-party retirement platforms.

Investment Management's primary source of revenue is management fees collected on the assets we manage. These fees are typically based upon a percentage of AUM. In certain investment management fee arrangements, we may also receive performance-based incentive fees when the return on AUM exceeds certain benchmark returns or other performance hurdles. In addition, and to a lesser extent, Investment Management collects administrative fees on outside managed assets that are administered by our mutual fund platform, and distributed primarily by our Retirement segment. Investment Management also receives fees as the primary investment manager of our general account, which is managed on a market-based pricing basis. Finally, Investment Management generates revenues from a portfolio of capital investments. Investment Management generated Adjusted operating earnings before income taxes of \$180 million for the year ended December 31, 2019.

The success of our platform begins with providing our clients continued strong investment performance. In addition to investment performance, our focus is on client "solutions" and income and outcome-oriented products which include target date funds. We expect that both our traditional and specialty capabilities, leveraging strong investment performance combined with superior client service, will result in AUM growth.

We are also focused on capitalizing on the Retirement segment's leading market position and have established dedicated retirement resources within our Investment Management intermediary-focused distribution team to work with Retirement and have enhanced

our Multi-Asset Strategies and Solutions ("MASS") investment platform (which we describe below) to increase focus on retirement products such as our target date and target risk portfolios, which we believe will help us to capture an increased proportion of retirement flows.

Other key strategic initiatives for growth include continued focus on higher margin specialty capabilities: improved distribution productivity, sub-advisory mandates for Investment Management capabilities on client platforms; leveraging partnerships with financial intermediaries and consultants; opportunistic launching of capital markets products such as collateralized loan obligations ("CLOs") and prudent expansion of our private equity business.

Products and Services

Investment Management delivers products and services that are manufactured by traditional and specialty investment platforms. The traditional platforms are fixed income, equities and MASS. Our specialty capabilities include investment strategies such as senior bank loans, CLOs, private equity and certain fixed income strategies such as private credit, mortgage derivatives and commercial mortgage loans.

Fixed Income. Investment Management's fixed income platform manages assets for our general account, as well as for domestic and international institutional and retail investors. As of December 31, 2019, there were \$127.7 billion in AUM on the fixed income platform, of which \$56.7 billion were general account assets. Through the fixed income platform clients have access to money market funds, investment-grade corporate debt, government bonds, residential mortgage-backed securities ("RMBS"), commercial mortgage-backed securities ("CMBS"), asset-backed securities ("ABS"), high yield bonds, private and syndicated debt instruments, unconstrained fixed income, commercial mortgages and preferred securities. Each sector within the platform is managed by seasoned investment professionals supported by significant credit, quantitative and macro research and risk management capabilities.

Equities. The equities platform is a multi-cap and multi-style research-driven platform comprising both fundamental and quantitative equity strategies for institutional and retail investors. As of December 31, 2019, there were \$58.8 billion in AUM on the equities platform covering both domestic and international markets including Real Estate. Our fundamental equity capabilities are bottom-up and research driven, and cover growth, value, and core strategies in the large, mid and small cap spaces. Our quantitative equity capabilities are used to create quantitative and enhanced indexed strategies, support other fundamental equity analysis, and create extension products.

MASS. Investment Management's MASS platform offers a variety of investment products and strategies that combine multiple asset classes using asset allocation techniques. The objective of the MASS platform is to develop customized solutions that meet specific, and often unique, goals of investors and that dynamically change over time in response to changing markets and client needs. Utilizing core capabilities in asset allocation, manager selection, asset/liability modeling, risk management and financial engineering, the MASS team has developed a suite of target date and target risk funds that are distributed through our Retirement segment and to institutional and retail investors. These funds can incorporate multi-manager funds. The MASS team also provides pension risk management, strategic and tactical asset allocation, liability-driven investing solutions and investment strategies that hedge out specific market exposures (e.g., portable alpha) for clients.

Senior Bank Loans. Investment Management's senior bank loan group is an experienced manager of below-investment grade floating-rate loans, actively managing diversified portfolios of loans made by major banks around the world to non-investment grade corporate borrowers. Senior in the capital structure, these loans have a first lien on the borrower's assets, typically giving them stronger credit support than unsecured corporate bonds. The platform offers institutional, retail and structured products (e.g., CLOs), including on-shore and off-shore vehicles with assets of \$26.4 billion as of December 31, 2019.

Alternatives. Investment Management's primary alternatives platform is Pomona Capital. Pomona Capital specializes in investing in private equity funds in three ways: by purchasing secondary interests in existing partnerships; by investing in new partnerships; and by co-investing alongside buyout funds in individual companies. As of December 31, 2019, Pomona Capital managed assets totaling \$8.6 billion across a suite of limited partnerships and the Pomona Investment Fund, a registered investment fund launched in May, 2015 that is available to accredited investors. In addition, Investment Management offers select alternative and hedge funds leveraging our core debt and equity investment capabilities.

The following chart presents asset and net flow data as of December 31, 2019, broken out by Investment Management's five investment platforms as well as by major client segment:

	AUM		Net Flows	
	As of		Year Ended	
	12/31/2019		12/31/2019	
	<i>\$ in billions</i>		<i>\$ in millions</i>	
Investment Platform				
Fixed income	\$	127.7	\$	7,593
Equities		58.8		(4,858)
Senior Bank Loans		26.4		397
Alternatives		10.6		(352)
Total	\$	223.5 ⁽¹⁾	\$	2,780
MASS ⁽¹⁾		32.1		(305)
Client Segment				
Retail	\$	72.4	\$	(2,754)
Institutional		94.4		2,729
General Account ⁽³⁾		56.7 ⁽²⁾		N/A
Mutual Funds Manager Re-assignments		N/A		2,806
Total	\$	223.5	\$	2,780
Voya Financial affiliate sourced, excluding variable annuity	\$	38.8	\$	1,458
Variable Annuity ⁽²⁾		28.4		(2,626)

⁽¹⁾ \$24.2 billion of MASS assets are included in the fixed income, equity and senior bank loan AUM figures presented above. The balance of MASS assets, \$7.9 billion, is managed by third parties and we earn only a modest, market-rate fee on the assets.

⁽²⁾ Upon closing of the 2018 Transaction, our general account AUM declined by approximately \$28 billion, which was offset by approximately \$10 billion of additional third-party AUM associated with our management of the general account assets of Venerable. See "—Organizational History and Structure—CBVA and Annuity Transaction".

⁽³⁾ Upon closing of the Individual Life Transaction, our general account AUM will decline by approximately \$24 billion (based on AUM as of September 30, 2019), a substantial portion of which we will continue to manage as third-party AUM through our appointment as investment manager for general account assets of the businesses sold. We expect Voya IM's mandate to cover at least 80% of these assets for a minimum term of two years following the closing of the Individual Life Transaction, grading down to at least approximately 30% over the subsequent five years. See "—Organizational History and Structure—Individual Life Transaction".

Markets and Distribution

We serve our institutional clients through a dedicated sales and service platform and for certain international regions, through selling agreements with a former affiliated party and for sponsored structured products through the arranger. We serve individual investors through an intermediary-focused distribution platform, consisting of business development and wholesale forces that partner with banks, broker-dealers and independent financial advisers, as well as our affiliate and third-party retirement platforms.

With the exception of Pomona Capital and structured products, the different products and strategies associated with our investment platforms are distributed and serviced by these Retail and Institutional client-focused segments as follows:

- *Retail client segment:* Open- and closed-end funds through affiliate and third-party distribution platforms, including wirehouses, brokerage firms, and independent and regional broker-dealers. As of December 31, 2019, total AUM from these channels was \$72.4 billion. Included in our retail client segment is \$18.7 billion of AUM managed on behalf of Venerable as of December 31, 2019.
- *Institutional client segment:* Individual and pooled accounts, targeting defined benefit, defined contribution recordkeeping and retirement plans, Taft Hartley and endowments and foundations. As of December 31, 2019, Investment Management had approximately 321 institutional clients, representing \$94.4 billion of AUM primarily in separately managed accounts and collective investment trusts. As a result of the 2018 Transaction, we now manage \$9.7 billion of AUM for Venerable as an institutional client.

Investment Management manages a variety of variable portfolio, mutual fund and stable value assets, sold through our Retirement and Employee Benefits segments, together with assets that were previously sold through our Individual Life and remaining Annuities businesses. As of December 31, 2019, total AUM from these channels and the divested variable annuity business was 67.2 billion with the majority of the assets gathered through our Retirement segment.

Competition

Investment Management competes with a wide array of asset managers and institutions in the highly fragmented U.S. investment management industry. In our key market segments, Investment Management competes on the basis of, among other things, investment performance, investment philosophy and process, product features and structure and client service. Our principal competitors include insurance-owned asset managers such as Principal Global Investors (Principal Financial Group), Prudential and Ameriprise, bank-owned asset managers such as J.P. Morgan Asset Management, as well as "pure-play" asset managers including Invesco, Legg Mason, T. Rowe Price, and Franklin Templeton.

Employee Benefits

Our Employee Benefits segment provides group insurance products to mid-size and large corporate employers and professional associations. In addition, our Employee Benefits segment serves the voluntary worksite market by providing individual and payroll-deduction products to employees of our clients. Our Employee Benefits segment is among the largest writers of stop loss coverage in the United States, currently ranking seventh on a premium basis with approximately \$1,038 million of in-force premiums. We also have a fast growing voluntary benefits offering and are a top provider of group life. As of December 31, 2019, Employee Benefits total in-force premiums were \$2.1 billion.

The Employee Benefits segment generates revenue from premiums, investment income, mortality and morbidity income and policy and other charges. Profits are driven by the spread between investment income and credited rates to policyholders on voluntary universal life and whole life products, along with the difference between premiums and mortality charges collected and benefits and expenses paid for group life, stop loss and voluntary health benefits. Our Employee Benefits segment generated Adjusted operating earnings before income taxes of \$199 million for the year ended December 31, 2019.

We believe that our Employee Benefits segment offers attractive growth opportunities. For example, we believe there are significant opportunities through expansion in the voluntary benefits market as employers shift benefits costs to their employees. We have a number of new products and initiatives that we believe will help us drive growth in this market. While expanding these lines, we also intend to continue to focus on profitability in our well established group life and stop loss product lines, by adding profitable new business to our in-force block, improving our persistency by retaining more of our best performing groups, and managing our overall loss ratios to below 73%.

Products and Services

Our Employee Benefits segment offers stop loss insurance, voluntary benefits, and group life and disability products. These offerings are designed to meet the financial needs of both employers and employees by helping employers attract and retain employees and control costs, as well as provide ease of administration and valuable protection for employees.

Stop Loss. Our stop loss insurance provides coverage for mid-sized to large employers that self-insure their medical claims. These employers provide a health plan to their employees and generally pay all plan-related claims and administrative expenses. Our stop loss product helps these employers contain their health expenses by reimbursing specified claim amounts above certain deductibles and by reimbursing claims that exceed a specified limit. We offer this product via two types of protection—individual stop loss insurance and aggregate stop loss insurance. The primary difference between these two types is a varying deductible; both coverages are re-priced and renewable annually.

Voluntary Benefits. Our voluntary benefits business involves the sale of universal life insurance, whole life insurance, critical illness, accident and hospital indemnity insurance. This product lineup is mostly employee-paid through payroll deduction.

Group Life. Group life products span basic and supplemental term life insurance as well as accidental death and dismemberment for mid-sized to large employers. These products offer employees guaranteed issue coverage, convenient payroll deduction, affordable rates and conversion options.

Group Disability. Group disability includes group long term disability, short term disability, telephonic short term disability, voluntary long term disability and voluntary short term disability products for mid-sized to large employers. This product offering is typically packaged for sale with group life products, especially in the middle-market.

The following chart presents the key employee benefits products we offer, along with data on annualized in-force premiums for each product:

<i>(\$ in millions)</i>	Annualized In-Force Premiums	
	Year Ended December 31, 2019	
Employee Benefits Products		
Stop Loss	\$	1,038
Voluntary Benefits		552
Group Life		393
Group Disability		155

Markets and Distribution

Our Employee Benefits segment works primarily with national and regional benefits consultants, brokers, TPAs, enrollment firms and technology partners. Our tenured distribution organization provides local sales and account management support to offer customized solutions to mid-sized to large employers backed by a national accounts team. We offer innovative and flexible solutions to meet the varying and changing needs of our customers and distribution partners. We have many years of experience providing unique stop loss solutions and products for our customers. In addition, we are an experienced multi-line employee benefits insurance carrier (group life, disability, stop loss and elective benefits).

We primarily use three distribution channels to market and sell our employee benefits products. Our largest channel works through hundreds of brokers and consultant firms nationwide and markets our entire product portfolio. Our Voluntary sales team focuses on marketing elective benefits to complement an employer’s overall benefit package. In addition, we market stop-loss coverage to employer sponsors of self-funded employee health benefit plans. Our breadth of distribution gives us access to employers and their employees and the products to meet their needs. When combined with distribution channels used by our Individual Life segment, we are able to provide complete access to our products through worksite-based sales.

The following chart presents our Employee Benefits distribution, by channel:

<i>(\$ in millions)</i>	Sales	% of Sales
	Year Ended December 31, 2019	Year Ended December 31, 2019
Channel		
Brokerage (Commissions Paid)	\$ 393	74.5%
Benefits Consulting Firms (Fee Based Consulting)	131	24.7%
Worksite Sales	4	0.8%

Competition

The group insurance market is mature and, due to the large number of participants in this segment, price and service are important competitive drivers. Our principal competitors include Tokio Marine HCC (formerly Houston Casualty), Symetra and Sun Life in Stop Loss; Unum, Allstate and Transamerica in voluntary benefits and MetLife, Prudential and Securian in group life.

For group life insurance products, rate guarantees have become the industry norm, with rate guarantee duration periods trending upward in general. Technology is also a competitive driver, as employers and employees expect technology solutions to streamline their administrative costs.

Underwriting and Pricing

Group insurance and disability pricing reflects the employer group’s claims experience and the risk characteristics of each employer group. The employer’s group claims experience is reviewed at time of policy issuance and periodically thereafter, resulting in ongoing pricing adjustments. The key pricing and underwriting criteria are morbidity and mortality assumptions, the employer group’s demographic composition, the industry, geographic location, regional and national economic trends, plan design and prior claims experience.

Stop loss insurance pricing reflects the risk characteristics and claims experience for each employer group. The product is annually renewable and the underwriting information is reviewed annually as a result. The key pricing and underwriting criteria are medical cost trends, morbidity assumptions, the employer group's demographic composition, the industry, geographic location, plan design and prior claims experience. Pricing in the stop loss insurance market is generally cyclical.

Reinsurance

Our Employee Benefits reinsurance strategy seeks to limit our exposure to any one individual which will help limit and control risk. Group Life, which includes Accidental Death and Dismemberment, cedes the excess over \$750,000 of each coverage to a reinsurer. Group Long Term Disability cedes substantially all of the risk including the claims servicing, to a TPA and reinsurer. As of January 1, 2019, Excess Stop Loss has a reinsurance program in place that limits our exposure on any one specific claim to \$3.5 million, with aggregate stop loss reinsurance that limits our exposure to \$3.5 million over the Policyholder's Aggregate Excess Retention. For policies issued in 2018 and 2017, the limits on any one specific claim are \$3 million and \$2.25 million, respectively. . For 2018 and 2017 circumstances, there is aggregate stop loss reinsurance that limits our exposure to \$3 million and \$2 million, respectively, over the Policyholders Aggregate Excess Retention. See "Item 7A. Quantitative and Qualitative Disclosures About Market Risk—Risk Management". We also use an annually renewable reinsurance transaction which lowers required capital of the Employee Benefits segment.

Individual Life

As described under "—Organizational History and Structure—Individual Life Transaction", in December 2019, we entered into a transaction to dispose of substantially all of our individual life business and related assets. Until this Individual Life Transaction closes, we remain responsible for the ongoing management of this business.

In October 2018, we concluded a strategic review of our Individual Life business and announced that we would cease new individual life insurance sales while retaining our in-force block of individual life policies. Applications for individual life insurance products were accepted through the end of 2018, resulting in some placement of policies in the first quarter of 2019. As of December 31, 2019, Individual Life's in-force book comprised nearly 760 thousand policies and gross premiums and deposits for the year ended December 31, 2019 were approximately \$1.7 billion.

The Individual Life business generates revenue on its products from premiums, investment income, expense load, mortality charges and other policy charges, along with some asset-based fees. Profits are driven by the spread between investment income earned and interest credited to policyholders, plus the difference between premiums and mortality charges collected and benefits and expenses paid. Financial results of the business to be sold and related operations are classified as business held-for-sale / discontinued operations.

Products and Services

Although new sales have ceased, our Individual Life business continues to offer certain permanent products for conversion of existing in-force term policies. We have historically offered products that included indexed universal life, ("IUL"), universal life ("UL"), and variable universal life ("VUL") insurance.

The following chart presents data on our remaining in-force face amount and total gross premiums and deposits received by product:

	In-Force Face	Total gross premiums
	Amount	and deposits
	As of	Year Ended
<u>Individual Life Product</u>	December 31, 2019	December 31, 2019
Term Life	\$ 215,911	\$ 488
Indexed Universal Life	27,329	470
Other Universal Life	54,109	659
Variable Universal Life	18,796	130

(\$ in millions)

Reinsurance

In general, our reinsurance strategy has been designed to limit our mortality risk and effectively manage capital. We have partnered with highly rated, well-regarded reinsurers and set up pools to share our excess mortality risk.

As of January 1, 2013, for term business, we retained the first \$3 million of risk and the excess risk was shared among a pool of reinsurers. For most of our universal life product portfolio, we retained the first \$5 million of risk and reinsured 100% of the excess over \$5 million among a pool of reinsurers. For policies that were sold to foreign nationals, we retained 20% of risk and the remaining 80% of risk was shared among a pool of reinsurers. Our maximum overall retained risk on any one life is \$5 million. Prior to January 1, 2013, our retention limits for most of the universal life product portfolio and the maximum overall retained risk on any one life were higher than the current limits.

Since 2006, reinsurance for new business was on a monthly renewable term basis, which only transfers mortality risk and limits our counterparty risk exposure. See "Item 7A. Quantitative and Qualitative Disclosures About Market Risk—Risk Management".

CBVA and Annuities Businesses

As described under "—Organizational History and Structure—CBVA and Annuity Transaction", on June 1, 2018, we completed a transaction to dispose of substantially all of our CBVA and Fixed and Fixed Indexed Annuities businesses and related assets. Certain investment-only products in our former Annuities segment were retained by us and are managed in our Retirement segment, and we retained a small amount of existing variable and fixed annuities businesses, which is managed in Corporate. A significant portion of the remaining annuities business currently managed in Corporate will be transferred as part of the Individual Life Transaction described further under "—Organizational History and Structure—Individual Life Transaction". See also Overview in the Management's Discussion and Analyses section in Part II, Item 7. of this Annual Report on Form 10-K for further information.

Employees

As of December 31, 2019, we had approximately 6,000 employees, with most working in one of our ten major sites in nine states.

REGULATION

Our operations and businesses are subject to a significant number of Federal and state laws, regulations, and administrative determinations. Following is a description of certain legal and regulatory frameworks to which we or our subsidiaries are or may be subject.

Voya Financial, Inc. is a holding company for all of our business operations, which we conduct through our subsidiaries. Voya Financial, Inc. is not licensed as an insurer, investment advisor or broker-dealer but, because we own regulated insurers, we are subject to regulation as an insurance holding company.

Insurance Regulation

Our insurance subsidiaries are subject to comprehensive regulation and supervision under U.S. state and federal laws. Each U.S. state, the District of Columbia and U.S. territories and possessions have insurance laws that apply to companies licensed to carry on an insurance business in the jurisdiction. The primary regulator of an insurance company, however, is located in its state of domicile. Each of our insurance subsidiaries is licensed and regulated in each state where it conducts insurance business.

State insurance regulators have broad administrative powers with respect to all aspects of the insurance business including: licensing to transact business, licensing agents, admittance of assets to statutory surplus, regulating premium rates for certain insurance products, approving policy forms, regulating unfair trade and claims practices, establishing reserve requirements and solvency standards, establishing credit for reinsurance requirements, fixing maximum interest rates on life insurance policy loans and minimum accumulation or surrender values and other matters. State insurance laws and regulations include numerous provisions governing the marketplace conduct of insurers, including provisions governing the form and content of disclosures to consumers, product illustrations, advertising, product replacement, suitability, sales and underwriting practices, complaint handling and claims handling. State regulators enforce these provisions through periodic market conduct examinations. State insurance laws and regulations regulating affiliate transactions, the payment of dividends and change of control transactions are discussed in greater detail below.

Our three principal insurance subsidiaries, SLD, VRIAC, and RLI (which we refer to collectively as our "Principal Insurance Subsidiaries") are domiciled in Colorado, Connecticut and Minnesota, respectively. Our other U.S. insurance subsidiaries are domiciled in Indiana and New York. Our insurance subsidiaries domiciled in Colorado, Connecticut, Indiana, Minnesota and New York are collectively referred to as "our insurance subsidiaries" in this Annual Report on Form 10-K for purposes of discussions of U.S. insurance regulatory matters. In addition, we have special purpose life reinsurance captive insurance company subsidiaries domiciled in Missouri that provide reinsurance to our insurance subsidiaries in order to facilitate the financing of statutory reserve requirements associated with the National Association of Insurance Commissioners ("NAIC") Model Regulation entitled "Valuation of Life Insurance Policies" (commonly known as "Regulation XXX" or "XXX"), or NAIC Actuarial Guideline 38 (commonly known as "AG38" or "AXXX"). Our special purpose life reinsurance captive insurance company subsidiaries domiciled in Missouri are collectively referred to as our "Missouri captives" in this Annual Report on Form 10-K. We also have captive reinsurance subsidiaries domiciled in Arizona that provide reinsurance to our insurance subsidiaries for specific blocks of business. Our captive reinsurance subsidiaries domiciled in Arizona are referred to as our "Arizona captives" in this Annual Report on Form 10-K. We refer to our Missouri captives and our Arizona captives collectively as our "captive reinsurance subsidiaries. For more information on our use of captive reinsurance structures, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Credit Facilities and Subsidiary Credit Support Arrangements".

State insurance laws and regulations require our insurance subsidiaries to file financial statements with state insurance regulators everywhere they are licensed and the operations of our insurance subsidiaries and accounts are subject to examination by those regulators at any time. Our insurance subsidiaries prepare statutory financial statements in accordance with accounting practices and procedures developed by regulators to monitor and regulate the solvency of insurance companies and their ability to pay current and future policyholder obligations. The NAIC has approved these uniform statutory accounting principles ("SAP") which have in turn been adopted, in some cases with minor modifications, by all state insurance regulators.

Our Missouri captives are required to file financial statements with the Missouri Insurance Department, including statutory financial statements. Our Arizona captives are required to file financial statements with the Arizona Department of Insurance ("ADOI") on either a statutory basis or a U.S. GAAP basis, and our Arizona captives have received permission to prepare their financial statements on a U.S. GAAP basis, modified for certain prescribed practices outlined in the Arizona insurance statutes. In addition, our Arizona captives have obtained approval from the ADOI for certain permitted practices, including, for SLDI, taking reinsurance credit for certain ceded reserves where the trust assets backing the liabilities are held by one of our wholly owned insurance companies. SLDI has recorded a receivable for these assets held in trust by its affiliate.

Our insurance subsidiaries, including our captive reinsurance subsidiaries are subject to periodic financial examinations and other inquiries and investigations by their respective domiciliary state insurance regulators and other state law enforcement agencies and attorneys general.

Captive Reinsurer Regulation

State insurance regulators, the NAIC and other regulatory bodies have been investigating the use of affiliated captive reinsurers and offshore entities to reinsure insurance risks, and the NAIC has made recent advances in captives reform. For example, effective January 1, 2016, the NAIC heightened the standards applicable to captives related to XXX and AXXX business issued and ceded after December 31, 2014. The NAIC left for future action application of the standards to captives that assume variable annuity business.

Insurance Holding Company Regulation

Voya Financial, Inc. and our insurance subsidiaries are subject to the insurance holding companies laws of the states in which such insurance subsidiaries are domiciled. These laws generally require each insurance company directly or indirectly owned by the holding company to register with the insurance regulator in the insurance company's state of domicile and to furnish annually financial and other information about the operations of companies within the holding company system. Generally, all transactions affecting the insurers in the holding company system must be fair and reasonable and, if material, require prior notice and approval or non-disapproval by the state's insurance regulator. Our captive reinsurance subsidiaries are not subject to insurance holding company laws.

Change of Control. State insurance holding company regulations generally provide that no person, corporation or other entity may acquire control of an insurance company, or a controlling interest in any parent company of an insurance company, without the prior approval of such insurance company's domiciliary state insurance regulator. Under the laws of each of the domiciliary states of our insurance subsidiaries, any person acquiring, directly or indirectly, 10% or more of the voting securities of an insurance company is presumed to have acquired "control" of the company. This statutory presumption of control may be rebutted by a

showing that control does not exist in fact. The state insurance regulators, however, may find that "control" exists in circumstances in which a person owns or controls less than 10% of voting securities.

To obtain approval of any change in control, the proposed acquirer must file with the applicable insurance regulator an application disclosing, among other information, its background, financial condition, the financial condition of its affiliates, the source and amount of funds by which it will effect the acquisition, the criteria used in determining the nature and amount of consideration to be paid for the acquisition, proposed changes in the management and operations of the insurance company and other related matters.

Any purchaser of shares of common stock representing 10% or more of the voting power of our capital stock will be presumed to have acquired control of our insurance subsidiaries unless, following application by that purchaser in each insurance subsidiary's state of domicile, the relevant insurance commissioner determines otherwise.

The licensing orders governing our captive reinsurance subsidiaries provide that any change of control requires the approval of such company's domiciliary state insurance regulator. Although our captive reinsurance subsidiaries are not subject to insurance holding company laws, their domiciliary state insurance regulators may use all or a part of the holding company law framework described above in determining whether to approve a proposed change of control.

NAIC Regulations. The current insurance holding company model act and regulations (the "NAIC Regulations"), versions of which have been adopted by our insurance subsidiaries' domicile states, include a requirement that an insurance holding company system's ultimate controlling person submit annually to its lead state insurance regulator an "enterprise risk report" that identifies activities, circumstances or events involving one or more affiliates of an insurer that, if not remedied properly, are likely to have a material adverse effect upon the financial condition or liquidity of the insurer or its insurance holding company system as a whole. The NAIC Regulations also include a provision requiring a controlling person to submit prior notice to its domiciliary insurance regulator of a divestiture of control. Each of the states of domicile for our insurance subsidiaries has adopted its version of the NAIC Regulations.

The NAIC's "Solvency Modernization Initiative" focuses on: (1) capital requirements; (2) corporate governance and risk management; (3) group supervision; (4) statutory accounting and financial reporting; and (5) reinsurance. This initiative resulted in the adoption by the NAIC, and our insurance subsidiaries' domicile states, of the Risk Management and Own Risk and Solvency Assessment Model Act ("ORSA"). ORSA requires that insurers maintain a risk management framework and conduct an internal own risk and solvency assessment of the insurer's material risks in normal and stressed environments. The assessment must be documented in a confidential annual summary report, a copy of which must be made available to regulators as required or upon request. In accordance with statutory requirements, Voya Financial regularly prepares and submits ORSA summary reports. This initiative also resulted in the adoption by the NAIC and several of our insurance subsidiary domiciliary regulators of the Corporate Governance Annual Filing Model Act, which requires insurers, including Voya Financial, to make an annual confidential filing regarding their corporate governance policies.

Dividend Payment Restrictions. As a holding company with no significant business operations of our own, we depend on dividends and other distributions from our subsidiaries as the principal source of cash to meet our obligations, including the payment of interest on, and repayment of principal of, our outstanding debt obligations. The states in which our insurance subsidiaries are domiciled impose certain restrictions on such subsidiaries' ability to pay dividends to us. These restrictions are based in part on the prior year's statutory income and surplus. In general, dividends up to specified levels are considered ordinary and may be paid without prior approval. Dividends in larger amounts, or extraordinary dividends, are subject to approval by the insurance commissioner of the state of domicile of the insurance subsidiary proposing to pay the dividend.

For a summary of ordinary dividends and extraordinary distributions paid by each of our Principal Insurance Subsidiaries to Voya Financial or Voya Holdings in 2018 and 2019, and a discussion of ordinary dividend capacity for 2019, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Restrictions on Dividends and Returns of Capital from Subsidiaries".

Our Missouri captives may not declare or pay dividends in any form to us other than in accordance with their respective insurance securitization transaction agreements and their respective governing license orders. Likewise, our Arizona captives may not declare or pay dividends in any form to us other than in accordance with their annual capital and dividend plans as approved by the ADOI which include minimum capital requirements.

Approval by a captive's domiciliary insurance regulator of an ongoing plan for the payment of dividends or other distribution is conditioned upon the retention, at the time of each payment, of capital or surplus equal to or in excess of amounts specified by, or determined in accordance with formulas approved for the captive by its domiciliary insurance regulator.

Financial Regulation

Policy and Contract Reserve Sufficiency Analysis. Under the laws and regulations of their states of domicile, our insurance subsidiaries are required to conduct annual analyses of the sufficiency of their statutory reserves. Other jurisdictions in which these subsidiaries are licensed may have certain reserve requirements that differ from those of their domiciliary jurisdictions. In each case, a qualified actuary must submit an opinion that states that the aggregate statutory reserves, when considered in light of the assets held with respect to such reserves, are sufficient to meet the insurer's contractual obligations and related expenses. If such an opinion cannot be rendered, the affected insurer must set up additional statutory reserves by moving funds from available statutory surplus. Our insurance subsidiaries submit these opinions annually to applicable insurance regulatory authorities.

Surplus and Capital Requirements. Insurance regulators have the discretionary authority, in connection with the ongoing licensing of our insurance subsidiaries, to limit or prohibit the ability of an insurer to issue new policies if, in the regulators' judgment, the insurer is not maintaining a minimum amount of surplus or is in hazardous financial condition. Insurance regulators may also limit the ability of an insurer to issue new life insurance policies and annuity contracts above an amount based upon the face amount and premiums of policies of a similar type issued in the prior year. We do not currently believe that the current or anticipated levels of statutory surplus of our insurance subsidiaries present a material risk that any such regulator would limit the amount of new policies that our Principal Insurance Subsidiaries may issue.

Risk-Based Capital. The NAIC has adopted RBC requirements for life, health and property and casualty insurance companies. The requirements provide a method for analyzing the minimum amount of adjusted capital (statutory capital and surplus plus other adjustments) appropriate for an insurance company to support its overall business operations, taking into account the risk characteristics of the company's assets, liabilities and certain off-balance sheet items. State insurance regulators use the RBC requirements as an early warning tool to identify possibly inadequately capitalized insurers. An insurance company found to have insufficient statutory capital based on its RBC ratio may be subject to varying levels of additional regulatory oversight depending on the level of capital inadequacy. As of December 31, 2019, the RBC of each of our insurance subsidiaries exceeded statutory minimum RBC levels that would require any regulatory or corrective action.

As a result of the federal tax legislation signed into law on December 22, 2017 ("Tax Reform"), the NAIC updated the factors affecting RBC requirements, including ours, to reflect the lowering of the top corporate tax rate from 35% to 21%. Adjusting these factors in light of Tax Reform resulted in an increase in the amount of capital we are required to maintain to satisfy our RBC requirements.

The NAIC is currently working with the American Academy of Actuaries as they consider possible updates to the asset factors that are used to calculate the RBC requirements for investment portfolio assets. The NAIC review may lead to an expansion in the number of NAIC asset class categories for factor-based RBC requirements and the adoption of new factors, which could increase capital requirements on some securities and decrease capital requirements on others. We cannot predict what, if any, changes may result from this review or their potential impact on the RBC ratios of our insurance subsidiaries that are subject to RBC requirements. We will continue to monitor developments in this area.

IRIS Tests. The NAIC has developed a set of financial relationships or tests known as the Insurance Regulatory Information System ("IRIS") to assist state regulators in monitoring the financial condition of U.S. insurance companies and identifying companies requiring special attention or action. For IRIS ratio purposes, our Principal Insurance Subsidiaries submit data to the NAIC on an annual basis. The NAIC analyzes this data using prescribed financial data ratios. A ratio falling outside the prescribed "usual range" is not considered a failing result. Rather, unusual values are viewed as part of the regulatory early monitoring system. In many cases, it is not unusual for financially sound companies to have one or more ratios that fall outside the usual range.

Regulators typically investigate or monitor an insurance company if its IRIS ratios fall outside the prescribed usual range for four or more of the ratios, but each state has the right to inquire about any ratios falling outside the usual range. The inquiries made by state insurance regulators into an insurance company's IRIS ratios can take various forms.

We do not anticipate regulatory action as a result of our 2019 IRIS ratio results. In all instances in prior years, regulators have been satisfied upon follow-up that no regulatory action was required.

Insurance Guaranty Associations. Each state has insurance guaranty association laws that require insurance companies doing business in the state to participate in various types of guaranty associations or other similar arrangements. The laws are designed to protect policyholders from losses under insurance policies issued by insurance companies that become impaired or insolvent. Typically, these associations levy assessments, up to prescribed limits, on member insurers on the basis of the member insurer's

proportionate share of the business in the relevant jurisdiction in the lines of business in which the impaired or insolvent insurer is engaged. Some jurisdictions permit member insurers to recover assessments that they paid through full or partial premium tax offsets, usually over a period of years.

Cybersecurity Regulatory Activity

The NAIC, numerous state and federal regulatory bodies and self-regulatory organizations like FINRA are focused on cybersecurity standards both for the financial services industry and for all companies that collect personal information, and have proposed and enacted legislation and regulations, and issued guidance regarding cybersecurity standards and protocols. For example, in February 2017, the New York Department of Financial Services ("NYDFS") issued final Cybersecurity Requirements for Financial Services Companies that require banks, insurance companies, and other financial services institutions regulated by the NYDFS, including us, to establish and maintain a comprehensive cybersecurity program "designed to protect consumers and ensure the safety and soundness of New York State's financial services industry". In 2018 and 2019, multiple other states have adopted versions of the NAIC Insurance Data Security Model Law. These laws, with effective dates ranging from January 1, 2019 to January 20, 2021, ensure that licensees of the Departments of Insurance in these states have strong and aggressive cybersecurity programs to protect the personal data of their customers. During 2019, we expect cybersecurity risk management, prioritization and reporting to continue to be an area of significant focus by governments, regulatory bodies and self-regulatory organizations at all levels.

Securities Regulation Affecting Insurance Operations

Certain of our insurance subsidiaries sell group variable annuities and have sold variable life insurance that are registered with and regulated by the SEC as securities under the Securities Act of 1933, as amended (the "Securities Act"). These products are issued through separate accounts that are registered as investment companies under the Investment Company Act, and are regulated by state law. Each separate account is generally divided into sub-accounts, each of which invests in an underlying mutual fund which is itself a registered investment company under the Investment Company Act of 1940, as amended (the "Investment Company Act"). Our mutual funds, and in certain states, our variable life insurance and variable annuity products, are subject to filing and other requirements under state securities laws. Federal and state securities laws and regulations are primarily intended to protect investors and generally grant broad rulemaking and enforcement powers to regulatory agencies.

In June 2019, the SEC approved a new rule, Regulation Best Interest ("Regulation BI") and related forms and interpretations. Among other things, Regulation BI will apply a heightened "best interest" standard to broker-dealers and their associated persons, including our retail broker-dealer, Voya Financial Advisors, when they make securities investment recommendations to retail customers. Compliance with Regulation BI is required beginning June 30, 2020. We do not believe Regulation BI will have a material impact on us. We anticipate that the Department of Labor, and possibly other state and federal regulators, may follow with their own rules applicable to investment recommendations relating to other separate or overlapping investment products and accounts, such as insurance products and retirement accounts. If these additional rules are more onerous than Regulation BI, or are not coordinated with Regulation BI, the impact on us will be more substantial. Until we see the text of any such rule, it will be too early to assess that impact.

Federal Initiatives Affecting Insurance Operations

The U.S. federal government generally does not directly regulate the insurance business. Federal legislation and administrative policies in several areas can significantly affect insurance companies. These areas include federal pension regulation, financial services regulation, federal tax laws relating to life insurance companies and their products and the USA PATRIOT Act of 2001 (the "Patriot Act") requiring, among other things, the establishment of anti-money laundering monitoring programs.

Regulation of Investment and Retirement Products and Services

Our investment, asset management and retirement products and services are subject to federal and state tax, securities, fiduciary (including the Employment Retirement Income Security Act ("ERISA")), insurance and other laws and regulations. The SEC, the Financial Industry Regulatory Authority ("FINRA"), the U.S. Commodities Futures Trading Commission ("CFTC"), state securities commissions, state banking and insurance departments and the Department of Labor ("DOL") and the Treasury Department are the principal regulators that regulate these products and services.

Federal and state securities laws and regulations are primarily intended to protect investors in the securities markets and generally grant regulatory agencies broad enforcement and rulemaking powers, including the power to limit or restrict the conduct of business in the event of non-compliance with such laws and regulations. Federal and state securities regulatory authorities and FINRA from

time to time make inquiries and conduct examinations regarding compliance by us and our subsidiaries with securities and other laws and regulations.

Securities Regulation with Respect to Certain Insurance and Investment Products and Services

Our variable life insurance and mutual fund products, and certain of our group variable annuities, are generally "securities" within the meaning of, and registered under, the federal securities laws, and are subject to regulation by the SEC and FINRA. Our mutual funds, and in certain states our variable life insurance and certain group variable annuity products, are also "securities" within the meaning of state securities laws. As securities, these products are subject to filing and certain other requirements. Sales activities with respect to these products are generally subject to state securities regulation, which may affect investment advice, sales and related activities for these products.

Broker-Dealers and Investment Advisers

Our securities operations, principally conducted by a number of SEC-registered broker-dealers, are subject to federal and state securities, commodities and related laws, and are regulated principally by the SEC, the CFTC, state securities authorities, FINRA, the Municipal Securities Rulemaking Board and similar authorities. Agents and employees registered or associated with any of our broker-dealer subsidiaries are subject to the Securities Exchange Act of 1934, as amended (the "Exchange Act") and to regulation and examination by the SEC, FINRA and state securities commissioners. The SEC and other governmental agencies and self-regulatory organizations, as well as state securities commissions in the United States, have the power to conduct administrative proceedings that can result in censure, fines, cease-and-desist orders or suspension, termination or limitation of the activities of the regulated entity or its employees.

Broker-dealers are subject to regulations that cover many aspects of the securities business, including, among other things, sales methods and trading practices, the suitability of investments for individual customers, the use and safekeeping of customers' funds and securities, capital adequacy, recordkeeping, financial reporting and the conduct of directors, officers and employees. The federal securities laws may also require, upon a change in control, re-approval by shareholders in registered investment companies of the investment advisory contracts governing management of those investment companies, including mutual funds included in annuity products. Investment advisory clients may also need to approve, or consent to, investment advisory agreements upon a change in control. In addition, broker-dealers are required to make certain monthly and annual filings with FINRA, including monthly FOCUS reports (which include, among other things, financial results and net capital calculations) and annual audited financial statements prepared in accordance with U.S. GAAP.

As registered broker-dealers and members of various self-regulatory organizations, our registered broker-dealer subsidiaries are subject to the SEC's Net Capital Rule, which specifies the minimum level of net capital a broker-dealer is required to maintain and requires a minimum part of its assets to be kept in relatively liquid form. These net capital requirements are designed to measure the financial soundness and liquidity of broker-dealers. The net capital rule imposes certain requirements that may have the effect of preventing a broker-dealer from distributing or withdrawing capital and may require that prior notice to the regulators be provided prior to making capital withdrawals. Compliance with net capital requirements could limit operations that require the intensive use of capital, such as trading activities and underwriting, and may limit the ability of our broker-dealer subsidiaries to pay dividends to us.

Some of our subsidiaries are registered as investment advisers under the Investment Advisers Act of 1940, as amended (the "Investment Advisers Act") and provide advice to registered investment companies, including mutual funds used in our annuity products, as well as an array of other institutional and retail clients. The Investment Advisers Act and Investment Company Act may require that fund shareholders be asked to approve new investment advisory contracts with respect to those registered investment companies upon a change in control of a fund's adviser. Likewise, the Investment Advisers Act may require that other clients consent to the continuance of the advisory contract upon a change in control of the adviser.

The commodity futures and commodity options industry in the United States is subject to regulation under the Commodity Exchange Act of 1936, as amended (the "Commodity Exchange Act"). The CFTC is charged with the administration of the Commodity Exchange Act and the regulations adopted under that Act. Some of our subsidiaries are registered with the CFTC as commodity pool operators and commodity trading advisors. Our futures business is also regulated by the National Futures Association.

Employee Retirement Income Security Act Considerations

ERISA is a comprehensive federal statute that applies to U.S. employee benefit plans sponsored by private employers and labor unions. Plans subject to ERISA include pension and profit sharing plans and welfare plans, including health, life and disability

plans. Among other things, ERISA imposes reporting and disclosure obligations, prescribes standards of conduct that apply to plan fiduciaries and prohibits transactions known as "prohibited transactions," such as conflict-of-interest transactions, self-dealing and certain transactions between a benefit plan and a party in interest. ERISA also provides for a scheme of civil and criminal penalties and enforcement. Our insurance, investment management and retirement businesses provide services to employee benefit plans subject to ERISA, including limited services under specific contracts where we may act as an ERISA fiduciary. We are also subject to ERISA's prohibited transaction rules for transactions with ERISA plans, which may affect our ability to, or the terms upon which we may, enter into transactions with those plans, even in businesses unrelated to those giving rise to party in interest status. The applicable provisions of ERISA and the Internal Revenue Code are subject to enforcement by the DOL, the U.S. Internal Revenue Service ("IRS") and the U.S. Pension Benefit Guaranty Corporation ("PBGC").

Trust Activities Regulation

Voya Institutional Trust Company ("VITC"), our wholly owned subsidiary, was formed in 2014 as a trust bank chartered by the Connecticut Department of Banking and is subject to regulation, supervision and examination by the Connecticut Department of Banking. VITC is not permitted to, and does not, accept deposits (other than incidental to its trust and custodial activities). VITC's activities are primarily to serve as trustee or custodian for retirement plans or IRAs.

Voya Investment Trust Co., our wholly owned subsidiary, is a limited purpose trust company chartered with the Connecticut Department of Banking. Voya Investment Trust Co. is not permitted to, and does not, accept deposits (other than incidental to its trust activities). Voya Investment Trust Co.'s activities are primarily to serve as trustee for and manage various collective and common trust funds. Voya Investment Trust Co. is subject to regulation, supervision and examination by the Connecticut Banking Commissioner and is subject to state fiduciary duty laws. In addition, the collective trust funds managed by Voya Investment Trust Co. are generally subject to ERISA.

Other Laws and Regulations

Dodd-Frank Wall Street Reform and Consumer Protection Act

The Dodd-Frank Act creates a framework for regulating derivatives which has transformed derivatives markets and trading in significant ways. Subject to certain exceptions, certain standardized interest rate and credit derivatives must now be cleared through a centralized clearinghouse and executed on a centralized exchange or execution facility, and collateralized with both variation and initial margin. The CFTC and the SEC are expected to designate additional types of over-the-counter ("OTC") derivatives for mandatory clearing and other trade execution requirements in the future. Uncleared OTC derivatives which have been excluded from the clearing mandate and which are used by market participants like us are now subject to additional regulatory reporting and margin requirements. Specifically, both the CFTC and federal banking regulators have established minimum margin requirements for OTC derivatives traded by either (non-bank) swap dealers or banks which qualify as swaps entities which apply to nearly all counterparties we trade with. These margin rules require mandatory exchange of variation margin for most OTC derivatives transacted by us and, if certain trading thresholds are met, will require exchange of initial margin commencing in 2021. As a result of central clearing and the margin requirements for OTC derivatives, we are required to hold more cash and highly liquid securities resulting in lower yields in order to satisfy the increase in required margin. In addition, increased capital charges imposed by regulators on non-cash collateral held by bank counterparties and central clearinghouses is expected to result in higher hedging costs, causing a reduction in income from investments. We are also observing an increasing reluctance from counterparties to accept certain non-cash collateral from us due to higher capital or operational costs associated with such asset classes that we typically hold in abundance. These developments present potentially significant business, liquidity and operational risk for us which could materially and adversely impact both the cost and our ability to effectively hedge various risks, including equity, interest rate, currency and duration risks within many of our insurance and annuity products and investment portfolios. In addition, inconsistencies between U.S. rules and regulations and parallel regimes in other jurisdictions, such as the EU, may further increase costs of hedging or inhibit our ability to access market liquidity in those other jurisdictions.

USA Patriot Act

The Patriot Act contains anti-money laundering and financial transparency laws applicable to broker-dealers and other financial services companies, including insurance companies. The Patriot Act seeks to promote cooperation among financial institutions, regulators and law enforcement entities in identifying parties that may be involved in terrorism or money laundering. Anti-money laundering laws outside of the United States contain provisions that may be different, conflicting or more rigorous. Internal practices, procedures and controls are required to meet the increased obligations of financial institutions to identify their customers, watch for and report suspicious transactions, respond to requests for information by regulatory authorities and law enforcement agencies and share information with other financial institutions.

We are also required to follow certain economic and trade sanctions programs administered by the Office of Foreign Asset Control that prohibit or restrict transactions with suspected countries, their governments and, in certain circumstances, their nationals. We are also subject to regulations governing bribery and other anti-corruption measures.

Privacy Laws and Regulation

U.S. federal and state laws and regulations require all companies generally, and financial institutions, including insurance companies in particular, to protect the security and confidentiality of personal information and to notify consumers about their policies and practices relating to their collection, use, and disclosure of consumer information and the protection of the security and confidentiality of that information. The collection, use, disclosure and security of protected health information is also governed by federal and state laws. Federal and state laws also require notice to affected individuals, law enforcement, regulators and others if there is a breach of the security of certain personal information, including social security numbers, and require holders of certain personal information to protect the security of the data. Federal regulations require financial institutions to implement effective programs to detect, prevent and mitigate identity theft. Federal and state laws and regulations regulate the ability of financial institutions to make telemarketing calls and to send unsolicited text messages, e-mail or fax messages to consumers and customers. Federal laws and regulations also regulate the permissible uses of certain types of personal information, including consumer report information. Federal and state governments and regulatory bodies may consider additional or more detailed regulation regarding these subjects. Numerous state regulatory bodies are focused on privacy requirements for all companies that collect personal information and have proposed and enacted legislation and regulations regarding privacy standards and protocols. For example, on June 28, 2018, California enacted the California Consumer Privacy Act, which took effect on January 1, 2020. The California Attorney General has issued a preliminary draft of the regulations to be implemented pursuant to the California Consumer Privacy Act. We continue to evaluate the draft regulations and their potential impact on our operations, but depending on their implementation, we and other covered businesses may be required to incur significant expense in order to meet their requirements. Consumer privacy legislation similar to the California Consumer Privacy Act has been introduced in several other states. Should such legislation be enacted, we and other covered businesses may be required to incur significant expense in order to meet its requirements.

Environmental Considerations

Our ownership and operation of real property and properties within our commercial mortgage loan portfolio is subject to federal, state and local environmental laws and regulations. Risks of hidden environmental liabilities and the costs of any required clean-up are inherent in owning and operating real property. Under the laws of certain states, contamination of a property may give rise to a lien on the property to secure recovery of the costs of clean-up, which could adversely affect the valuation of, and increase the liabilities associated with, the commercial mortgage loans we hold. In several states, this lien has priority over the lien of an existing mortgage against such property. In addition, we may be liable, in certain circumstances, as an "owner" or "operator," for costs of cleaning-up releases or threatened releases of hazardous substances at a property mortgaged to us under the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 and the laws of certain states. Application of various other federal and state environmental laws could also result in the imposition of liability on us for costs associated with environmental hazards.

We routinely conduct environmental assessments prior to closing any new commercial mortgage loans or to taking title to real estate. Although unexpected environmental liabilities can always arise, we seek to minimize this risk by undertaking these environmental assessments and complying with our internal environmental policies and procedures.

AVAILABLE INFORMATION

We file periodic and current reports, proxy statements and other information with the SEC. Such reports, proxy statements and other information may be obtained through the SEC's website (www.sec.gov) or by visiting the Public Reference Room of the SEC at 100 F Street, N.E., Washington D.C. 20549 or calling the SEC at 1-800-SEC-0330.

You may also access our press releases, financial information and reports filed with the SEC (for example, our Annual Report on Form 10-K, our Proxy Statement, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and any amendments to those Forms) online at investors.voya.com. Copies of any documents on our website are available without charge, and reports filed with or furnished to the SEC will be available as soon as reasonably practicable after they are filed with or furnished to the SEC. The information found on our website is not part of this or any other report filed with or furnished to the SEC.

Item 1A. Risk Factors

We face a variety of risks that are substantial and inherent in our business, including market, liquidity, credit, operational, legal, regulatory and reputational risks. The following are some of the more important factors that could affect our business.

Risks Related to Our Business—General

We may not complete the Individual Life Transaction on the terms or timing currently contemplated, or at all, and the Individual Life Transaction could have negative impacts on us.

As further described under "Item 1-Business-Organizational History and Structure-Individual Life Transaction", On December 18, 2019, we entered into the Individual Life Transaction with Resolution Life US, pursuant to which Resolution Life US will acquire all of the shares of the capital stock of SLD and SLDI, including the capital stock of several subsidiaries of SLD and SLDI. Concurrently with such acquisition, our subsidiaries RLI, RLNY and VRIAC will reinsure their respective individual life and legacy annuities businesses to SLD. These transactions collectively will result in our disposition to Resolution Life US of substantially all of our life insurance and legacy non-retirement annuity businesses and related assets.

While the Individual Life Transaction is expected to close by September 30, 2020, the closing is subject to conditions specified in the Resolution MTA, including the receipt of required regulatory approvals, and conditions that could allow us or Resolution Life US not to close under certain funding or regulatory conditions.

Unanticipated developments could delay, prevent or otherwise adversely affect the current proposed closing, including possible problems or delays in obtaining various state insurance or other regulatory approvals, and disruptions in the capital and financial markets. Therefore, we cannot provide any assurance that the Individual Life Transaction will occur on the terms described herein or at all.

In order to position ourselves for the proposed closing, we are actively pursuing strategic, structural and process realignment and restructuring actions within our Individual Life business. These actions could lead to disruptions of our operations, loss of, or inability to recruit, key personnel needed to operate our businesses and complete the Individual Life Transaction, weakening of our internal standards, controls or procedures, and impairment of our relationship with key customers and counterparties. We have and will continue to incur significant expenses in connection with the Individual Life Transaction, whether or not it closes.

In addition, we may face difficulties attracting or retaining relationships through which we manage or reinsure our Individual Life products. Vendors or reinsurers may elect to suspend, alter, reduce or terminate their relationships with us for various reasons, including uncertainty related to the Individual Life Transaction, changes in our strategy, potential adverse developments in our business, potential adverse rating agency actions or concerns about market-related risks.

We may also not achieve certain of the benefits that we expect in connection with the Individual Life Transaction, including expected revenues from the appointment of Voya IM or its affiliated advisors as the preferred asset management partner for SLD, and the achievement of projected targets at our remaining businesses despite our additional focus on those businesses. In addition, completion of the Individual Life Transaction will require significant amounts of our management's time and effort which may divert management's attention from operating and growing our remaining businesses and could adversely affect our results of operations and financial condition.

Conditions in the global capital markets and the economy generally have affected and may continue to affect our business and results of operations.

Our business and results of operations are materially affected by conditions in the global capital markets and the economy generally. Ongoing changes in monetary policies among the world's large central banks and fiscal policies enacted by various governments could create economic disruption, decrease asset prices, increase market volatility and potentially affect the availability and cost of credit.

Although we carry out business almost exclusively in the United States, we are affected by both domestic and international macroeconomic developments. Volatility and disruptions in financial markets, including global capital markets, can have an adverse effect on our investment portfolio, and our liabilities are sensitive to changing market factors. Factors including interest rates, credit spreads, equity prices, derivative prices and availability, real estate markets, exchange rates, the volatility and strength of the capital markets, and deflation and inflation, all affect our financial condition. Disruptions in one market or asset class can also spread to other markets or asset classes. Upheavals in the financial markets can also affect our financial condition (including our liquidity and capital levels) as a result of impacts, including diverging impacts, on the value of our assets and our liabilities.

In recent years, political events have had significant effects on global financial markets. These events include confrontations over trade between the United States and its traditional allies in North America and Europe, and between the United States and China, and the withdrawal by the United Kingdom from its membership in the European Union, commonly referred to as "Brexit". Adverse consequences from these or other events could include deterioration in global economic conditions, instability in global financial markets, political uncertainty, volatility in credit, equity, foreign exchange and derivatives markets, or other adverse changes.

More generally, the international system has in recent years faced heightened geopolitical risk, most notably in Eastern Europe and the Middle East, but also in Africa and Southeast Asia, and events in any one of these regions could give rise to an increase in market volatility or a decrease in global economic output.

Even in the absence of a market downturn, our retirement, investment and insurance products, as well as our investment returns and our access to and cost of financing, are sensitive to equity, fixed income, real estate and other market fluctuations and general economic and political conditions. These fluctuations and conditions could materially and adversely affect our results of operations, financial condition and liquidity, including in the following respects:

- We provide a number of retirement and investment products, and continue to hold a number of insurance contracts that expose us to risks associated with fluctuations in interest rates, market indices, securities prices, default rates, the value of real estate assets, currency exchange rates and credit spreads. The profitability of many of our retirement and investment products, and insurance contracts depends in part on the value of the general accounts and separate accounts supporting them, which may fluctuate substantially depending on the foregoing conditions.
- Volatility or downturns in the equity markets can cause a reduction in fee income we earn from managing investment portfolios for third parties and fee income on certain annuity, retirement and investment products. Because these products and services generate fees related primarily to the value of AUM, a decline in the equity markets could reduce our revenues because of the reduction in the value of the investments we manage.
- A change in market conditions, including prolonged periods of high or low inflation or interest rates, could cause a change in consumer sentiment and adversely affect sales and could cause the actual persistency of our products (the probability that a product will remain in force from one period to the next) to vary from their anticipated persistency and adversely affect profitability. Changing economic conditions or adverse public perception of financial institutions can influence customer behavior, which can result in, among other things, an increase or decrease in claims, lapses, withdrawals, deposits or surrenders in certain products, any of which could adversely affect profitability.
- An equity market decline, decreases in prevailing interest rates, or a prolonged period of low interest rates could result in the value of guaranteed minimum benefits contained in certain of our life insurance and retirement products being higher than current account values or higher than anticipated in our pricing assumptions, requiring us to materially increase reserves for such products, and may result in a decrease in customer lapses, thereby increasing the cost to us. In addition, such a scenario could lead to increased amortization and/or unfavorable unlocking of DAC and value of business acquired ("VOBA").
- Reductions in employment levels of our existing employer customers may result in a reduction in underlying employee participation levels, contributions, deposits and premium income for certain of our retirement products. Participants within the retirement plans for which we provide certain services may elect to make withdrawals from these plans, or reduce or stop their payroll deferrals to these plans, which would reduce assets under management or administration and our revenues.
- We have significant investment and derivative portfolios that include, among other investments, corporate securities, ABS, equities and commercial mortgages. Economic conditions as well as adverse capital market and credit conditions, interest rate changes, changes in mortgage prepayment behavior or declines in the value of underlying collateral will impact the credit quality, liquidity and value of our investment and derivative portfolios, potentially resulting in higher capital charges and unrealized or realized losses and decreased investment income. The value of our investments and derivative portfolios may also be impacted by reductions in price transparency, changes in the assumptions or methodology we use to estimate fair value and changes in investor confidence or preferences, which could potentially result in higher realized or unrealized losses and have a material adverse effect on our results of operations or financial condition. Market volatility may also make it difficult to value certain of our securities if trading becomes less frequent.

- Market conditions determine the availability and cost of the reinsurance protection we purchase and may result in additional expenses for reinsurance or an inability to obtain sufficient reinsurance on acceptable terms, which could adversely affect the profitability of our business and the availability of capital.
- Hedging instruments we use to manage product and other risks might not perform as intended or expected, which could result in higher realized losses and unanticipated cash needs to collateralize or settle such transactions. Adverse market conditions can limit the availability and increase the costs of hedging instruments, and such costs may not be recovered in the pricing of the underlying products being hedged. In addition, hedging counterparties may fail to perform their obligations resulting in unhedged exposures and losses on positions that are not collateralized.
- Regardless of market conditions, certain investments we hold, including privately placed fixed income investments, investments in private equity funds and commercial mortgages, are relatively illiquid. If we need to sell these investments, we may have difficulty selling them in a timely manner or at a price equal to what we could otherwise realize by holding the investment to maturity.
- We are exposed to interest rate and equity risk as used in determining the discount rate and expected long-term rate of return assumptions associated with our pension and other retirement benefit obligation liability calculations. Sustained declines in long-term interest rates or equity returns could have a negative effect on the funded status of these plans and/or increase our future funding costs. We are also exposed to the actual performance of the investment assets in these plans which could differ from expectations and result in additional funding requirements.
- Fluctuations in our results of operations and realized and unrealized gains and losses on our investment and derivative portfolio may impact our tax profile, our ability to optimally utilize tax attributes and our deferred income tax assets. See "Our ability to use beneficial U.S. tax attributes is subject to limitations."
- A default by any financial institution or by a sovereign could lead to additional defaults by other market participants. The failure of a sufficiently large and influential institution could disrupt securities markets or clearance and settlement systems and lead to a chain of defaults, because the commercial and financial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships. Even the perceived lack of creditworthiness of a counterparty may lead to market-wide liquidity problems and losses or defaults by us or by other institutions. This risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with which we interact on a daily basis. Systemic risk could have a material adverse effect on our ability to raise new funding and on our business, results of operations, financial condition, liquidity and/or business prospects. In addition, such a failure could impact future product sales as a potential result of reduced confidence in the financial services industry. Regulatory changes implemented to address systemic risk could also cause market participants to curtail their participation in certain market activities, which could decrease market liquidity and increase trading and other costs.
- Widening credit spreads, if not offset by equal or greater declines in the risk-free interest rate, would also cause the total interest rate payable on newly issued securities to increase, and thus would have the same effect as an increase in underlying interest rates with respect to the valuation of our current portfolio.

To the extent that any of the foregoing risks were to emerge in a manner that adversely affected general economic conditions, financial markets, or the markets for our products and services, our financial condition, liquidity, and results of operations could be materially adversely affected.

Adverse capital and credit market conditions may impact our ability to access liquidity and capital, as well as the cost of credit and capital.

Adverse capital market conditions may affect the availability and cost of borrowed funds, thereby impacting our ability to support or grow our businesses. We need liquidity to pay our operating expenses, interest on our debt and dividends on our capital stock, to carry out any share repurchases that we may undertake, to maintain our securities lending activities, to collateralize certain obligations with respect to our indebtedness, and to replace certain maturing liabilities. Without sufficient liquidity, we will be forced to curtail our operations and our business will suffer. As a holding company with no direct operations, our principal assets are the capital stock of our subsidiaries.

Payments of dividends and advances or repayment of funds to us by our insurance subsidiaries are restricted by the applicable laws and regulations of their respective jurisdictions, including laws establishing minimum solvency and liquidity thresholds.

Our principal sources of liquidity are fees, annuity deposits and cash flow from investments and assets, intercompany loans, and collateralized borrowing from the Federal Home Loan Bank of Boston, Federal Home Loan Bank of Des Moines and Federal Home Loan Bank of Topeka (each an "FHLB"). At the holding company level, sources of liquidity in normal markets also include a variety of short-term liquid investments and short-and long-term instruments, including credit facilities, equity securities and medium-and long-term debt. For our subsidiaries, the principal sources of liquidity are fees and insurance premiums, and cash flow from investments and assets.

In the event current resources do not satisfy our needs, we may have to seek additional financing. The availability of additional financing will depend on a variety of factors such as market conditions, the general availability of credit, the volume of trading activities, the overall availability of credit to the financial services industry and our credit ratings and credit capacity, as well as the possibility that customers or lenders could develop a negative perception of our long- or short-term financial prospects. Similarly, our access to funds may be limited if regulatory authorities or rating agencies take negative actions against us. If our internal sources of liquidity prove to be insufficient, there is a risk that we may not be able to successfully obtain additional financing on favorable terms, or at all. Any actions we might take to access financing may cause rating agencies to reevaluate our ratings. Any impairment of our ability to access credit markets or other forms of liquidity could have a material adverse effect on our results of operations and financial condition.

The level of interest rates may adversely affect our profitability, particularly in the event of a continuation of the low interest rate environment or a period of rapidly increasing interest rates.

The Federal Reserve has actively sought to normalize interest rates over the past few years. However, interest rates remain below historic averages. Supportive monetary policy continues in developed markets globally, but the extent of accommodation has receded. The unwind of extraordinary monetary accommodation by global central banks may lead to increased interest rate volatility.

During a period of decreasing interest rates or a prolonged period of low interest rates, our investment earnings may decrease because the interest earnings on our recently purchased fixed income investments will likely have declined in tandem with market interest rates. In addition, a prolonged low interest rate period may result in higher costs for certain derivative instruments that may be used to hedge certain of our product risks. RMBS and callable fixed income securities in our investment portfolios will be more likely to be prepaid or redeemed as borrowers seek to borrow at lower interest rates. Consequently, we may be required to reinvest the proceeds in securities bearing lower interest rates. Accordingly, during periods of declining interest rates, our profitability may suffer as the result of a decrease in the spread between interest rates credited to policyholders and contract owners and returns on our investment portfolios. An extended period of declining or prolonged low interest rates or a prolonged period of low interest rates may also coincide with a change to our long-term view of the interest rates. Such a change in our view would cause us to change the long-term interest rate assumptions in our calculation of insurance assets and liabilities under U.S. GAAP. Any future revision would result in increased reserves, accelerated amortization of DAC and other unfavorable consequences, which would be incremental to those consequences recorded in connection with the most recent revision. In addition, certain statutory capital and reserve requirements are based on formulas or models that consider interest rates, and an extended period of low interest rates may increase the statutory capital we are required to hold and the amount of assets we must maintain to support statutory reserves. We believe a continuation of the low interest rate environment would negatively affect our financial performance.

Conversely, in periods of rapidly increasing interest rates, policy loans, withdrawals from, and/or surrenders of, life insurance and annuity contracts may increase as policyholders choose to seek higher investment returns. Obtaining cash to satisfy these obligations may require us to liquidate fixed income investments at a time when market prices for those assets are lower because of increases in interest rates. This may result in realized investment losses. Regardless of whether we realize an investment loss, such cash payments would result in a decrease in total invested assets and may decrease our net income and capitalization levels. Premature withdrawals may also cause us to accelerate amortization of DAC, which would also reduce our net income. An increase in market interest rates could also have a material adverse effect on the value of our investment portfolio by, for example, decreasing the estimated fair values of the fixed income securities within our investment portfolio. An increase in market interest rates could also create increased collateral posting requirements associated with our interest rate hedge programs and Federal Home Loan Bank funding agreements, which could materially and adversely affect liquidity. In addition, an increase in market interest rates could require us to pay higher interest rates on debt securities we may issue in the financial markets from time to time to finance our operations, which would increase our interest expense and reduce our results of operations.

Lastly, certain statutory reserve requirements are based on formulas or models that consider forward interest rates and an increase in forward interest rates may increase the statutory reserves we are required to hold thereby reducing statutory capital. Changes in prevailing interest rates may negatively affect our business including the level of net interest margin we earn. In a period of changing interest rates, interest expense may increase and interest credited to policyholders may change at different rates than the interest earned on assets. Accordingly, changes in interest rates could decrease net interest margin. Changes in interest rates may negatively affect the value of our assets and our ability to realize gains or avoid losses from the sale of those assets, all of which

also ultimately affect earnings. In addition, our insurance and annuity products and certain of our retirement and investment products are sensitive to inflation rate fluctuations. A sustained increase in the inflation rate in our principal markets may also negatively affect our business, financial condition and results of operation. For example, a sustained increase in the inflation rate may result in an increase in nominal market interest rates. A failure to accurately anticipate higher inflation and factor it into our product pricing assumptions may result in mispricing of our products, which could materially and adversely impact our results of operations.

The expected replacement of the London Interbank Offered Rate ("LIBOR") and replacement or reform of other interest rates could adversely affect our results of operations and financial condition.

Central banks throughout the world, including the Federal Reserve, have commissioned working groups of market participants and official sector representatives with the goal of finding suitable replacements for LIBOR and replacements or reforms of other interest rate benchmarks, such as EURIBOR and EONIA (the "IBORs"). It is expected that a transition away from the widespread use of such rates to alternative rates based on observable market transactions and other potential interest rate benchmark reforms will occur over the next several years. For example, the Financial Conduct Authority ("FCA"), which regulates LIBOR, has announced that it has commitments from panel banks to continue to contribute to LIBOR through the end of 2021, but that it will not use its powers to compel contributions beyond such date. Accordingly, there is considerable uncertainty regarding the publication of LIBOR beyond 2021.

On April 3, 2018, the Federal Reserve Bank of New York commenced publication of three reference rates based on overnight U.S. Treasury repurchase agreement transactions, including the Secured Overnight Financing Rate, which has been recommended as an alternative to U.S. dollar LIBOR by the Alternative Reference Rates Committee. Further, the Bank of England is publishing a reformed Sterling Overnight Index Average, consisting of a broader set of overnight Sterling money market transactions, which has been selected by the Working Group on Sterling Risk-Free Reference Rates as the alternative rate to Sterling LIBOR. Central bank-sponsored committees in other jurisdictions, including Europe, Japan and Switzerland, have, or are expected to, select alternative reference rates denominated in other currencies.

The market transition away from IBORs to alternative reference rates is complex and could have a range of adverse impacts including potentially systemic disruptions to the financial markets generally, as well as adverse impacts to our results of operations and financial condition. In particular, any such transition or reform could:

- Adversely impact the pricing, liquidity, value of, return on, and trading for a broad array of financial products, including any IBOR-linked securities, loans and derivatives that are included in our financial assets and liabilities;
- Require extensive changes to documentation that governs or references IBOR or IBOR-based products, including, for example, pursuant to time-consuming renegotiations of existing documentation to modify the terms of outstanding securities and related hedging transactions;
- Result in inquiries or other actions from regulators in respect of our preparation and readiness for the replacement of IBOR with one or more alternative reference rates;
- Result in disputes, litigation or other actions with counterparties regarding the interpretation and enforceability of provisions in IBOR-based products such as fallback language or other related provisions, including in the case of fallbacks to the alternative reference rates, any economic, legal, operational or other impact resulting from the fundamental differences between the IBORs and the various alternative reference rates;
- Require the transition and/or development of appropriate systems and analytics to effectively transition our risk management processes from IBOR-based products to those based on one or more alternative reference rates in a timely manner, including by quantifying a value and risk for various alternative reference rates, which may prove challenging given the limited history of the proposed alternative reference rates; and
- Cause us to incur additional costs in relation to any of the above factors.

Further, to the extent that any of our contracts contain pre-cessation fallback triggers tied to such an event, any or all of the risks noted above could be accelerated in the event that an IBOR-regulating authority such as the UK FCA announces that LIBOR (or any other IBOR) is no longer "representative" prior to the planned cessation in 2021.

Depending on several factors including those set forth above, our results of operation and financial condition could be adversely affected by the market transition or reform of certain benchmarks. Other factors include the pace of the transition to replacement of reformed rates, the specific terms and parameters for and market acceptance of any alternative reference rate, prices of and the

liquidity of trading markets for products based on alternative reference rates, and our ability to transition and develop appropriate systems and analytics for one or more alternative reference rates.

A downgrade or a potential downgrade in our financial strength or credit ratings could result in a loss of business and adversely affect our results of operations and financial condition.

Ratings are important to our business. Credit ratings represent the opinions of rating agencies regarding an entity's ability to repay its indebtedness. Our credit ratings are important to our ability to raise capital through the issuance of debt and to the cost of such financing. Financial strength ratings, which are sometimes referred to as "claims-paying" ratings, represent the opinions of rating agencies regarding the financial ability of an insurance company to meet its obligations under an insurance policy. Financial strength ratings are important factors affecting public confidence in insurers, including our insurance company subsidiaries. The financial strength ratings of our insurance subsidiaries are important to our ability to sell our products and services to our customers. Ratings are not recommendations to buy our securities. Each of the rating agencies reviews its ratings periodically, and our current ratings may not be maintained in the future.

Our ratings could be downgraded at any time and without notice by any rating agency. In addition, we could take actions that could cause one or more rating agencies to cease rating our securities or providing financial strength ratings for our insurance subsidiaries. For a description of material rating actions that have occurred from the end of 2017 through the date of this Annual Report on Form 10-K, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Ratings."

A downgrade or discontinuation of the financial strength rating of one of our Principal Insurance Subsidiaries could affect our competitive position by making it more difficult for us to market our products as potential customers may select companies with higher financial strength ratings and by leading to increased withdrawals by current customers seeking companies with higher financial strength ratings. This could lead to a decrease in AUM and result in lower fee income. Furthermore, sales of assets to meet customer withdrawal demands could also result in losses, depending on market conditions. In addition, a downgrade or discontinuation in either our financial strength or credit ratings could potentially, among other things, increase our borrowing costs and make it more difficult to access financing; adversely affect the availability of LOCs and other financial guarantees; result in additional collateral requirements, or other required payments or termination rights under derivative contracts or other agreements; and/or impair, or cause the termination of, our relationships with creditors, broker-dealers, distributors, reinsurers or trading counterparties, which could potentially negatively affect our profitability, liquidity and/or capital. In addition, we use assumptions of market participants in estimating the fair value of our liabilities, including insurance liabilities that are classified as embedded derivatives under U.S. GAAP. These assumptions include our nonperformance risk (i.e., the risk that the obligations will not be fulfilled). Therefore, changes in our credit or financial strength ratings may affect the fair value of our liabilities.

As rating agencies continue to evaluate the financial services industry, it is possible that rating agencies will heighten the level of scrutiny that they apply to financial institutions, increase the frequency and scope of their credit reviews, request additional information from the companies that they rate and potentially adjust upward the capital and other requirements employed in the rating agency models for maintenance of certain ratings levels. It is possible that the outcome of any such review of us would have additional adverse ratings consequences, which could have a material adverse effect on our results of operations, financial condition and liquidity. We may need to take actions in response to changing standards or capital requirements set by any of the rating agencies which could cause our business and operations to suffer. We cannot predict what additional actions rating agencies may take, or what actions we may take in response to the actions of rating agencies.

Certain of our securities continue to be guaranteed by ING Group. A downgrade of the credit ratings of ING Group could result in downgrades of these securities, as occurred during the second quarter of 2015, when Moody's downgraded these guaranteed securities from A3 to Baa1.

Because we operate in highly competitive markets, we may not be able to increase or maintain our market share, which may have an adverse effect on our results of operations.

In each of our businesses we face intense competition, including from domestic and foreign insurance companies, broker-dealers, financial advisors, asset managers and diversified financial institutions, banks, technology companies and start-up financial services providers, both for the ultimate customers for our products and for distribution through independent distribution channels. We compete based on a number of factors including brand recognition, reputation, quality of service, quality of investment advice, investment performance of our products, product features, scope of distribution, price, perceived financial strength and credit ratings, scale and level of customer service. A decline in our competitive position as to one or more of these factors could adversely affect our profitability. Many of our competitors are large and well-established and some have greater market share or breadth of distribution, offer a broader range of products, services or features, assume a greater level of risk, have greater financial resources,

or have higher claims-paying or credit ratings than we do. Furthermore, the preferences of the end consumers for our products and services may shift, including as a result of technological innovations affecting the marketplaces in which we operate. To the extent our competitors are more successful than we are at adopting new technology and adapting to the changing preferences of the marketplace, our competitiveness may decline.

In recent years, there has been substantial consolidation among companies in the financial services industry resulting in increased competition from large, well-capitalized financial services firms. Many of our competitors also have been able to increase their distribution systems through mergers, acquisitions, partnerships or other contractual arrangements. Furthermore, larger competitors may have lower operating costs and have an ability to absorb greater risk, while maintaining financial strength ratings, allowing them to price products more competitively. These competitive pressures could result in increased pressure on the pricing of certain of our products and services, and could harm our ability to maintain or increase profitability. In addition, if our financial strength and credit ratings are lower than our competitors, we may experience increased surrenders and/or a significant decline in sales. Due to the competitive nature of the financial services industry, there can be no assurance that we will continue to effectively compete within the industry or that competition will not have a material adverse impact on our business, results of operations and financial condition.

Our risk management policies and procedures, including hedging programs, may prove inadequate for the risks we face, which could negatively affect our business and financial condition or result in losses.

We have developed risk management policies and procedures, including hedging programs, that utilize derivative financial instruments, and expect to continue to do so in the future. Nonetheless, our policies and procedures to identify, monitor and manage risks may not be fully effective, particularly during turbulent economic conditions. Many of our methods of managing risk and exposures are based upon observed historical market behavior or statistics based on historical models. As a result, these methods may not predict future exposures, which could be significantly greater than historical measures indicate. Other risk management methods depend on the evaluation of information regarding markets, customers, catastrophe occurrence or other matters that is publicly available or otherwise accessible to us. This information may not always be accurate, complete, up-to-date or properly evaluated. Management of operational, legal and regulatory risks requires, among other things, policies and procedures to record and verify large numbers of transactions and events. These policies and procedures may not be fully effective.

We employ various strategies, including hedging and reinsurance, with the objective of mitigating risks inherent in our business and operations. These risks include current or future changes in the fair value of our assets and liabilities, current or future changes in cash flows, the effect of interest rates, equity markets and credit spread changes, the occurrence of credit defaults, currency fluctuations and changes in mortality and longevity. We seek to control these risks by, among other things, entering into reinsurance contracts and derivative instruments, such as swaps, options, futures and forward contracts. See "—Reinsurance subjects us to the credit risk of reinsurers and may not be available, affordable or adequate to protect us against losses" for a description of risks associated with our use of reinsurance. Developing an effective strategy for dealing with these risks is complex, and no strategy can completely insulate us from such risks. Our hedging strategies also rely on assumptions and projections regarding our assets, liabilities, general market factors, and the creditworthiness of our counterparties that may prove to be incorrect or prove to be inadequate. Our hedging strategies and the derivatives that we use, or may use in the future, may not adequately mitigate or offset the hedged risk and our hedging transactions may result in losses.

Past or future misconduct by our employees, agents, intermediaries, representatives of our broker-dealer subsidiaries or employees of our vendors could result in violations of law by us or our subsidiaries, regulatory sanctions and/or serious reputational or financial harm, and the precautions we take to prevent and detect this activity may not be effective in all cases. Although we employ controls and procedures designed to monitor associates' business decisions and to prevent us from taking excessive or inappropriate risks, associates may take such risks regardless of such controls and procedures. Our compensation policies and practices are reviewed by us as part of our overall risk management program, but it is possible that such compensation policies and practices could inadvertently incentivize excessive or inappropriate risk taking. If our associates take excessive or inappropriate risks, those risks could harm our reputation and have a material adverse effect on our results of operations and financial condition.

The inability of counterparties to meet their financial obligations could have an adverse effect on our results of operations.

Third parties that owe us money, securities or other assets may not pay or perform under their obligations. These parties include the issuers or guarantors of securities we hold, customers, reinsurers, trading counterparties, securities lending and repurchase counterparties, counterparties under swaps, credit default and other derivative contracts, clearing agents, exchanges, clearing houses and other financial intermediaries. Defaults by one or more of these parties on their obligations to us due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure or other factors, or even rumors about potential defaults by one or more of these parties, could have a material adverse effect on our results of operations, financial condition and liquidity.

We routinely execute a high volume of transactions such as unsecured debt instruments, derivative transactions and equity investments with counterparties and customers in the financial services industry, including broker-dealers, commercial and investment banks, mutual and hedge funds, institutional clients, futures clearing merchants, swap dealers, insurance companies and other institutions, resulting in large periodic settlement amounts which may result in our having significant credit exposure to one or more of such counterparties or customers. Many of these transactions comprise derivative instruments with a number of counterparties in order to hedge various risks, including equity and interest rate market risk features within many of our insurance and annuity products. Our obligations under our products are not changed by our hedging activities and we are liable for our obligations even if our derivative counterparties do not pay us. As a result, we face concentration risk with respect to liabilities or amounts we expect to collect from specific counterparties and customers. A default by, or even concerns about the creditworthiness of, one or more of these counterparties or customers could have an adverse effect on our results of operations or liquidity. There is no assurance that losses on, or impairments to the carrying value of, these assets due to counterparty credit risk would not materially and adversely affect our business, results of operations or financial condition.

We are also subject to the risk that our rights against third parties may not be enforceable in all circumstances. The deterioration or perceived deterioration in the credit quality of third parties whose securities or obligations we hold could result in losses and/or adversely affect our ability to rehypothecate or otherwise use those securities or obligations for liquidity purposes. While in many cases we are permitted to require additional collateral from counterparties that experience financial difficulty, disputes may arise as to the amount of collateral we are entitled to receive and the value of pledged assets. Our credit risk may also be exacerbated when the collateral we hold cannot be realized or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure that is due to us, which is most likely to occur during periods of illiquidity and depressed asset valuations, such as those experienced during the financial crisis of 2008-09. The termination of contracts and the foreclosure on collateral may subject us to claims for the improper exercise of rights under the contracts. Bankruptcies, downgrades and disputes with counterparties as to the valuation of collateral tend to increase in times of market stress and illiquidity.

Requirements to post collateral or make payments related to changes in market value of specified assets may adversely affect liquidity.

The amount of collateral we may be required to post under short-term financing agreements and derivative transactions may increase under certain circumstances. Pursuant to the terms of some transactions, we could be required to make payment to our counterparties related to any change in the market value of the specified collateral assets. Such requirements could have an adverse effect on liquidity. Furthermore, with respect to any such payments, we may have unsecured risk to the counterparty as these amounts may not be required to be segregated from the counterparty's other funds, may not be held in a third-party custodial account and may not be required to be paid to us by the counterparty until the termination of the transaction.

Our investment portfolio is subject to several risks that may diminish the value of our invested assets and the investment returns credited to customers, which could reduce our sales, revenues, AUM and results of operations.

Fixed income securities represent a significant portion of our investment portfolio. We are subject to the risk that the issuers, or guarantors, of fixed income securities we own may default on principal and interest payments they owe us. We are also subject to the risk that the underlying collateral within asset-backed securities, including mortgage-backed securities, may default on principal and interest payments causing an adverse change in cash flows. The occurrence of a major economic downturn, acts of corporate malfeasance, widening mortgage or credit spreads, or other events that adversely affect the issuers, guarantors or underlying collateral of these securities could cause the estimated fair value of our fixed income securities portfolio and our earnings to decline and the default rate of the fixed income securities in our investment portfolio to increase. A ratings downgrade affecting issuers or guarantors of securities in our investment portfolio, or similar trends that could worsen the credit quality of such issuers, or guarantors could also have a similar effect. Similarly, a ratings downgrade affecting a security we hold could indicate the credit quality of that security has deteriorated and could increase the capital we must hold to support that security to maintain our RBC ratio. See "A decrease in the RBC ratio (as a result of a reduction in statutory surplus and/or increase in RBC requirements) of our insurance subsidiaries could result in increased scrutiny by insurance regulators and rating agencies and have a material adverse effect on our business, results of operations and financial condition." We are also subject to the risk that cash flows resulting from the payments on pools of mortgages or other obligations that serve as collateral underlying the mortgage- or asset-backed securities we own may differ from our expectations in timing or size. Cash flow variability arising from an unexpected acceleration in mortgage prepayment behavior can be significant, and could cause a decline in the estimated fair value of certain "interest-only" securities within our mortgage-backed securities portfolio. Any event reducing the estimated fair value of these securities, other than on a temporary basis, could have a material adverse effect on our business, results of operations and financial condition.

We derive operating revenues from providing investment management and related services. Our revenues depend largely on the value and mix of AUM. Our investment management related revenues are derived primarily from fees based on a percentage of the value of AUM. Any decrease in the value or amount of our AUM because of market volatility or other factors negatively

impacts our revenues and income. Global economic conditions, changes in the equity markets, currency exchange rates, interest rates, inflation rates, the shape of the yield curve, defaults by derivative counterparties and other factors that are difficult to predict affect the mix, market values and levels of our AUM. The funds we manage may be subject to an unanticipated large number of redemptions as a result of such events, causing the funds to sell securities they hold, possibly at a loss, or draw on any available lines of credit to obtain cash, or use securities held in the applicable fund, to settle these redemptions. We may, in our discretion, also provide financial support to a fund to enable it to maintain sufficient liquidity in such an event. Additionally, changing market conditions may cause a shift in our asset mix towards fixed-income products and a related decline in our revenue and income, as we generally derive higher fee revenues and income from equity products than from fixed-income products we manage. Any decrease in the level of our AUM resulting from price declines, interest rate volatility or uncertainty, increased redemptions or other factors could negatively impact our revenues and income.

From time to time we invest our capital to seed a particular investment strategy or investment portfolio. We may also co-invest in funds or take an equity ownership interest in certain structured finance/investment vehicles that we manage for our customers. In some cases, these interests may be leveraged with third-party debt financing. Any decrease in the value of such investments could negatively affect our revenues and income or subject us to losses.

Our investment performance is critical to the success of our investment management and related services business, as well as to the profitability of our retirement and insurance products. Poor investment performance as compared to third-party benchmarks or competitor products could lead to a decrease in sales of investment products we manage and lead to redemptions of existing assets, generally lowering the overall level of AUM and reducing the management fees we earn. We cannot assure you that past or present investment performance in the investment products we manage will be indicative of future performance. Any poor investment performance may negatively impact our revenues and income.

Some of our investments are relatively illiquid and in some cases are in asset classes that have been experiencing significant market valuation fluctuations.

We hold certain assets that may lack liquidity, such as privately placed fixed income securities, commercial mortgage loans, policy loans and limited partnership interests. These asset classes represented 34.8% of the carrying value of our total Cash and cash equivalents and Total investments as of December 31, 2019. If we require significant amounts of cash on short notice in excess of normal cash requirements or are required to post or return collateral in connection with our investment portfolio, derivatives transactions or securities lending activities, we may have difficulty selling these investments in a timely manner, be forced to sell them for less than we otherwise would have been able to realize, or both.

The reported values of our relatively illiquid types of investments do not necessarily reflect the current market price for the asset. If we were forced to sell certain of our assets in the current market, there can be no assurance that we would be able to sell them for the prices at which we have recorded them and we might be forced to sell them at significantly lower prices.

We invest a portion of our invested assets in investment funds, many of which make private equity investments. The amount and timing of income from such investment funds tends to be uneven as a result of the performance of the underlying investments, including private equity investments. The timing of distributions from the funds, which depends on particular events relating to the underlying investments, as well as the funds' schedules for making distributions and their needs for cash, can be difficult to predict. As a result, the amount of income that we record from these investments can vary substantially from quarter to quarter. Recent equity and credit market volatility may reduce investment income for these types of investments.

Our CMO-B portfolio exposes us to market and behavior risks.

We manage a portfolio of various collateralized mortgage obligation ("CMO") tranches in combination with financial derivatives as part of a proprietary strategy we refer to as "CMO-B," as described under "Investments—CMO-B Portfolio." As of December 31, 2019, our CMO-B portfolio had \$3.4 billion in total assets, consisting of notional or principal securities backed by mortgages secured by single-family residential real estate, and including interest-only securities, principal-only securities, inverse-floating rate (principal) securities, inverse interest-only securities and Agency Credit Risk Transfer securities. The CMO-B portfolio is subject to a number of market and behavior risks, including interest rate risk, prepayment risk, and delinquency and default risk associated with Agency mortgage borrowers. Interest rate risk represents the potential for adverse changes in portfolio value resulting from changes in the general level of interest rates. Prepayment risk represents the potential for adverse changes in portfolio value resulting from changes in residential mortgage prepayment speed, which in turn depends on a number of factors, including conditions in both credit markets and housing markets. As of December 31, 2019, December 31, 2018 and December 31, 2017, approximately 43.0%, 46.0%, and 43.0%, respectively, of the Company's total CMO holdings were invested in those types of CMOs, such as interest-only or principal-only strips, which are subject to more prepayment and extension risk than traditional CMOs. In addition, government policy changes affecting residential housing and residential housing finance, such as government

agency reform and government sponsored refinancing programs, and Federal Reserve Bank purchases of agency mortgage securities could alter prepayment behavior and result in adverse changes to portfolio values. While we actively monitor our exposure to these and other risks inherent in this strategy, we cannot assure you that our hedging and risk management strategies will be effective; any failure to manage these risks effectively could materially and adversely affect our results of operations and financial condition. In addition, although our CMO-B portfolio performed well for a number of years, and particularly well since the financial crisis of 2008-09, primarily due to persistently low levels of short-term interest rates and mortgage prepayments in an atmosphere of tightened housing-related credit availability, this portfolio may not continue to perform as well in the future. A rise in home prices, the concern over further introduction of or changes to government policies aimed at altering prepayment behavior, and an increased availability of housing-related credit could combine to increase expected or actual prepayment speeds, which would likely lower interest only ("IO") and inverse IO valuations. Under these circumstances, the results of our CMO-B portfolio would likely underperform those of recent periods.

Our operations are complex and a failure to properly perform services could have an adverse effect on our revenues and income.

Our operations include, among other things, retirement plan administration, policy administration, portfolio management, investment advice, retail and wholesale brokerage, fund administration, shareholder services, benefits processing and servicing, contract and sales and servicing, transfer agency, underwriting, distribution, custodial, trustee and other fiduciary services. In order to be competitive, we must properly perform our administrative and related responsibilities, including recordkeeping and accounting, regulatory compliance, security pricing, corporate actions, compliance with investment restrictions, daily net asset value computations, account reconciliations and required distributions to fund shareholders. Further, certain of our investment management subsidiaries may act as general partner for various investment partnerships, which may subject them to liability for the partnerships' liabilities. If we fail to properly perform and monitor our operations, our business could suffer and our revenues and income could be adversely affected.

Our products and services are complex and are frequently sold through intermediaries, and a failure to properly perform services or the misrepresentation of our products or services could have an adverse effect on our revenues and income.

Many of our products and services are complex and are frequently sold through intermediaries. In particular, our insurance businesses are reliant on intermediaries to describe and explain their products to potential customers. The intentional or unintentional misrepresentation of our products and services in advertising materials or other external communications, or inappropriate activities by our personnel or an intermediary, could adversely affect our reputation and business prospects, as well as lead to potential regulatory actions or litigation.

Revenues, earnings and income from our Investment Management business operations could be adversely affected if the terms of our asset management agreements are significantly altered or the agreements are terminated, or if certain performance hurdles are not realized.

Our revenues from our investment management business operations are dependent on fees earned under asset management and related services agreements that we have with the clients and funds we advise. Adjusted operating revenues for this segment were \$675 million for the year ended December 31, 2019, \$683 million for the year ended December 31, 2018, and \$731 million for the year ended December 31, 2017 and could be adversely affected if these agreements are altered significantly or terminated in the future. The decline in revenue that might result from alteration or termination of our asset management services agreements could have a material adverse impact on our results of operations or financial condition. Adjusted operating earnings before income taxes for this segment were \$180 million for the year ended December 31, 2019, \$205 million for the year ended December 31, 2018, and \$248 million for the year ended December 31, 2017. In addition, under certain laws, most notably the Investment Company Act and the Investment Advisers Act, advisory contracts may require approval or consent from clients or fund shareholders in the event of an assignment of the contract or a change in control of the investment adviser. Were a transaction to result in an assignment or change in control, the inability to obtain consent or approval from clients or shareholders of mutual funds or other investment funds could result in a significant reduction in advisory fees.

As investment manager for certain private equity funds that we sponsor, we earn both a fixed management fee and performance-based capital allocations, or "carried interest." Our receipt of carried interest is dependent on the fund exceeding a specified investment return hurdle over the life of the fund. The profitability of our investment management activities with respect to these funds depends to a significant extent on our ability to exceed the hurdle rates and receive carried interest. To the extent that we exceed the investment hurdle during the life of the fund, we may receive or accrue carried interest, which is reported as Net investment income and net realized gains (losses) within our Investment Management segment during the period such fees are first earned. If the investment return of a fund were to subsequently decline so that the cumulative return of a fund falls below its specified investment return hurdle, we may have to reverse previously reported carried interest, which would result in a reduction to Net investment income and net realized gains (losses) during the period in which such reversal becomes due. Consequently, a

decline in fund performance could require us to reverse previously reported carried interest, which could create volatility in the results we report in our Investment Management segment, and the adverse effects of any such reversals could be material to our results for the period in which they occur. We experienced such losses in the first and second quarters of 2016, for example. As of December 31, 2019, approximately \$79 million of previously accrued carried interest would be subject to full or partial reversal in future periods if cumulative fund performance hurdles are not maintained throughout the remaining life of the affected funds.

The valuation of many of our financial instruments includes methodologies, estimations and assumptions that are subject to differing interpretations and could result in changes to investment valuations that may materially and adversely affect our results of operations and financial condition.

The following financial instruments are carried at fair value in our financial statements: fixed income securities, equity securities, derivatives, embedded derivatives, assets and liabilities related to consolidated investment entities, and separate account assets. We have categorized these instruments into a three-level hierarchy, based on the priority of the inputs to the respective valuation technique. 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), while quoted prices in markets that are not active or valuation techniques requiring inputs that are observable for substantially the full term of the asset or liability are Level 2.

Factors considered in estimating fair values of securities, and derivatives and embedded derivatives related to our securities include coupon rate, maturity, principal paydown including prepayments, estimated duration, call provisions, sinking fund requirements, credit rating, industry sector of the issuer and quoted market prices of comparable securities. Factors considered in estimating the fair values of embedded derivatives and derivatives related to product guarantees and index-crediting features (collectively, "guaranteed benefit derivatives") include risk-free interest rates, long-term equity implied volatility, interest rate implied volatility, correlations among mutual funds associated with variable annuity contracts, correlations between interest rates and equity funds and actuarial assumptions such as mortality rates, lapse rates and benefit utilization, as well as the amount and timing of policyholder deposits and partial withdrawals. The impact of our risk of nonperformance is also reflected in the estimated fair value of guaranteed benefit derivatives. Changes in the estimated fair value of embedded derivatives guarantees due to nonperformance risk have had a material effect on our results of operations in past periods. In many situations, inputs used to measure the fair value of an asset or liability may fall into different levels of the fair value hierarchy. In these situations, we will determine the level in which the fair value falls based upon the lowest level input that is significant to the determination of the fair value.

The determinations of fair values are made at a specific point in time, based on available market information and judgments about financial instruments, including estimates of the timing and amounts of expected future cash flows and the credit standing of the issuer or counterparty. The use of different methodologies and assumptions may have a material effect on the estimated fair value amounts.

During periods of market disruption, including periods of rapidly changing credit spreads or illiquidity, it has been in the past and likely would be in the future difficult to value certain of our securities, such as certain mortgage-backed securities, if trading becomes less frequent and/or market data becomes less observable. There may be certain asset classes that, although currently in active markets with significant observable data, could become illiquid in a difficult financial environment. In such cases, more securities may fall to Level 3 and thus require more subjectivity and management judgment in determining fair value. As such, valuations may include inputs and assumptions that are less observable or require greater estimation, thereby resulting in values that may differ materially from the value at which the investments may be ultimately sold. Further, rapidly changing and unprecedented credit and equity market conditions could materially impact the valuation of securities as reported within the financial statements, and the period-to-period changes in value could vary significantly. Decreases in value could have a material adverse effect on our results of operations and financial condition. As of December 31, 2019, 3%, 93% and 5% of our available-for-sale securities were considered to be Level 1, 2 and 3, respectively.

The determination of the amount of allowances and impairments taken on our investments is subjective and could materially and adversely impact our results of operations or financial condition. Gross unrealized losses may be realized or result in future impairments, resulting in a reduction in net income.

We evaluate investment securities held by us for impairment on a quarterly basis. This review is subjective and requires a high degree of judgment. For fixed income securities held, an impairment loss is recognized if the fair value of the debt security is less than the carrying value and we no longer have the intent to hold the debt security; if it is more likely than not that we will be required to sell the debt security before recovery of the amortized cost basis; or if a credit loss has occurred.

When we do not intend to sell a security in an unrealized loss position, potential credit related other-than-temporary impairments ("OTTI") are considered using a variety of factors, including the length of time and extent to which the fair value has been less than cost, adverse conditions specifically related to the industry, geographic area in which the issuer conducts business, financial

condition of the issuer or underlying collateral of a security, payment structure of the security, changes in credit rating of the security by the rating agencies, volatility of the fair value changes and other events that adversely affect the issuer. In addition, we take into account relevant broad market and economic data in making impairment decisions.

As part of the impairment review process, we utilize a variety of assumptions and estimates to make a judgment on how fixed income securities will perform in the future. It is possible that securities in our fixed income portfolio will perform worse than our expectations. There is an ongoing risk that further declines in fair value may occur and additional OTTI may be recorded in future periods, which could materially and adversely affect our results of operations and financial condition. Furthermore, historical trends may not be indicative of future impairments or allowances.

Fixed maturity securities classified as available-for-sale are reported at their estimated fair value. Unrealized gains or losses on available-for-sale securities are recognized as a component of other comprehensive income (loss) and are therefore excluded from net income (loss). The accumulated change in estimated fair value of these available-for-sale securities is recognized in net income (loss) when the gain or loss is realized upon the sale of the security or in the event that the decline in estimated fair value is determined to be other-than-temporary and an impairment charge to earnings is taken. Such realized losses or impairments may have a material adverse effect on our net income (loss) in a particular interim or annual period. For example, we recorded OTTI of \$60 million, \$28 million, and \$20 million in net realized capital losses for the years ended December 31, 2019, 2018 and 2017, respectively.

Our participation in a securities lending program and a repurchase program subjects us to potential liquidity and other risks.

We engage in a securities lending program whereby certain securities from our portfolio are loaned to other institutions for short periods of time. Initial collateral, primarily cash, is required at a rate of 102% of the market value of the loaned securities. For certain transactions, a lending agent may be used and the agent may retain some or all of the collateral deposited by the borrower and transfer the remaining collateral to us. Collateral retained by the agent is invested in liquid assets on our behalf. 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.

We also participate in a repurchase agreement program whereby we sell fixed income securities to a third party, primarily major brokerage firms or commercial banks, with a concurrent agreement to repurchase those same securities at a determined future date. During the term of the repurchase agreements, cash or other types of permitted collateral provided to us is sufficient to allow us to fund substantially all of the cost of purchasing replacement assets in the event of counterparty default (i.e., the sold securities are not returned to us on the scheduled repurchase date). Cash proceeds received by us under the repurchase program are typically invested in fixed income securities but may in certain circumstances be available to us for liquidity or other purposes prior to the scheduled repurchase date. The repurchase of securities or our inability to enter into new repurchase agreements would reduce the amount of such cash collateral available to us. Market conditions on or after the repurchase date may limit our ability to enter into new agreements at a time when we need access to additional cash collateral for investment or liquidity purposes.

For both securities lending and repurchase transactions, in some cases, the maturity of the securities held as invested collateral (i.e., securities that we have purchased with cash collateral received) may exceed the term of the related securities on loan and the estimated fair value may fall below the amount of cash received as collateral and invested. If we are required to return significant amounts of cash collateral on short notice and we are forced to sell securities to meet the return obligation, we may have difficulty selling such collateral that is invested in securities in a timely manner, be forced to sell securities in a volatile or illiquid market for less than we otherwise would have been able to realize under normal market conditions, or both. In addition, under adverse capital market and economic conditions, liquidity may broadly deteriorate, which would further restrict our ability to sell securities. If we decrease the amount of our securities lending and repurchase activities over time, the amount of net investment income generated by these activities will also likely decline. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Securities Lending."

Differences between actual claims experience and reserving assumptions may adversely affect our results of operations or financial condition.

We establish and hold reserves to pay future policy benefits and claims. Our reserves do not represent an exact calculation of liability, but rather are actuarial or statistical estimates based on data and models that include many assumptions and projections, which are inherently uncertain and involve the exercise of significant judgment, including assumptions as to the levels and/or timing of receipt or payment of premiums, benefits, claims, expenses, interest credits, investment results (including equity market returns), retirement, mortality, morbidity and persistency. We periodically review the adequacy of reserves and the underlying assumptions. We cannot, however, determine with precision the amounts that we will pay for, or the timing of payment of, actual benefits, claims and expenses or whether the assets supporting our policy liabilities, together with future premiums, will grow to

the level assumed prior to payment of benefits or claims. If actual experience differs significantly from assumptions or estimates, reserves may not be adequate. If we conclude that our reserves, together with future premiums, are insufficient to cover future policy benefits and claims, we would be required to increase our reserves and incur income statement charges for the period in which we make the determination, which could materially and adversely affect our results of operations and financial condition.

We may face significant losses if mortality rates, morbidity rates, persistency rates or other underwriting assumptions differ significantly from our pricing expectations.

We set prices for many of our employee benefits and insurance products based upon expected claims and payment patterns, using assumptions for mortality rates, or likelihood of death, and morbidity rates, or likelihood of sickness, of our policyholders. In addition to the potential effect of natural or man-made disasters, significant changes in mortality or morbidity could emerge gradually over time due to changes in the natural environment, the health habits of the insured population, technologies and treatments for disease or disability, the economic environment, or other factors. The long-term profitability of such products depends upon how our actual mortality rates, and to a lesser extent actual morbidity rates, compare to our pricing assumptions. In addition, prolonged or severe adverse mortality or morbidity experience could result in increased reinsurance costs, and ultimately, reinsurers might not offer coverage at all. If we are unable to maintain our current level of reinsurance or purchase new reinsurance protection in amounts that we consider sufficient, we would have to accept an increase in our net risk exposures, revise our pricing to reflect higher reinsurance premiums, or otherwise modify our product offering.

Pricing of our employee benefits and insurance products is also based in part upon expected persistency of these products, which is the probability that a policy will remain in force from one period to the next. Actual persistency that is lower than our persistency assumptions could have an adverse effect on profitability, especially in the early years of a policy, primarily because we would be required to accelerate the amortization of expenses we defer in connection with the acquisition of the policy. Actual persistency that is higher than our persistency assumptions could have an adverse effect on profitability in the later years of a block of business because the anticipated claims experience is higher in these later years. If actual persistency is significantly different from that assumed in our current reserving assumptions, our reserves for future policy benefits may prove to be inadequate. Although some of our products permit us to increase premiums or adjust other charges and credits during the life of the policy, the adjustments permitted under the terms of the policies may not be sufficient to maintain profitability. Many of our products, however, do not permit us to increase premiums or adjust charges and credits during the life of the policy or during the initial guarantee term of the policy. Even if permitted under the policy, we may not be able or willing to raise premiums or adjust other charges for regulatory or competitive reasons.

Pricing of our products is also based on long-term assumptions regarding interest rates, investment returns and operating costs. Management establishes target returns for each product based upon these factors, the other underwriting assumptions noted above and the average amount of regulatory and rating agency capital that we must hold to support in-force contracts. We monitor and manage pricing and sales to achieve target returns. Profitability from new business emerges over a period of years, depending on the nature and life of the product, and is subject to variability as actual results may differ from pricing assumptions. Our profitability depends on multiple factors, including the comparison of actual mortality, morbidity and persistency rates and policyholder behavior to our assumptions; the adequacy of investment margins; our management of market and credit risks associated with investments; our ability to maintain premiums and contract charges at a level adequate to cover mortality, benefits and contract administration expenses; the adequacy of contract charges and availability of revenue from providers of investment options offered in variable contracts to cover the cost of product features and other expenses; and management of operating costs and expenses.

Unfavorable developments in interest rates, credit spreads and policyholder behavior can result in adverse financial consequences related to our stable value products, and our hedge program and risk mitigation features may not successfully offset these consequences.

We offer stable value products primarily as a fixed rate, liquid asset allocation option for employees of our plan sponsor customers within the defined contribution funding plans offered by our Retirement business. Although a majority of these products do not provide for a guaranteed minimum credited rate, a portion of this book of business provides a guaranteed annual credited rate (currently up to three percent) on the invested assets in addition to enabling participants the right to withdraw and transfer funds at book value.

The sensitivity of our statutory reserves and surplus established for the stable value products to changes in interest rates, credit spreads and policyholder behavior will vary depending on the magnitude of these changes, as well as on the book value of assets, the market value of assets, credit losses, the guaranteed credited rates available to customers and other product features. Realization or re-measurement of these risks may result in an increase in the reserves for stable value products, and could materially and adversely affect our financial position or results of operations. In particular, in extended low interest rate environments, we bear exposure to the risk that reserves must be added to fund book value withdrawals and transfers when guaranteed annual credited

rates exceed the earned rate on invested assets. In a rising interest rate environment, we are exposed to the risk of financial disintermediation through a potential increase in the level of book value withdrawals.

Although we maintain a hedge program and other risk mitigating features to offset these risks, such program and features may not operate as intended or may not be fully effective, and we may remain exposed to such risks.

We may be required to accelerate the amortization of DAC, deferred sales inducements ("DSI") and/or VOBA, any of which could adversely affect our results of operations or financial condition.

DAC represents policy acquisition costs that have been capitalized. DSI represents benefits paid to contract owners for a specified period that are incremental to the amounts we credit on similar contracts without sales inducements and are higher than the contract's expected ongoing crediting rates for periods after the inducement. VOBA represents outstanding value of in-force business acquired. Capitalized costs associated with DAC, DSI and VOBA are amortized in proportion to actual and estimated gross profits, gross premiums or gross revenues depending on the type of contract. On an ongoing basis, we test the DAC, DSI and VOBA recorded on our balance sheets to determine if these amounts are recoverable under current assumptions. In addition, we regularly review the estimates and assumptions underlying DAC, DSI and VOBA. The projection of estimated gross profits, gross premiums or gross revenues requires the use of certain assumptions, principally related to separate account fund returns in excess of amounts credited to policyholders, policyholder behavior such as surrender, lapse and annuitization rates, interest margin, expense margin, mortality, future impairments and hedging costs. Estimating future gross profits, gross premiums or gross revenues is a complex process requiring considerable judgment and the forecasting of events well into the future. If these assumptions prove to be inaccurate, if an estimation technique used to estimate future gross profits, gross premiums or gross revenues is changed, or if significant or sustained equity market declines occur and/or persist, we could be required to accelerate the amortization of DAC, DSI and VOBA, which would result in a charge to earnings. Such adjustments could have a material adverse effect on our results of operations and financial condition.

Our financial results are affected by actuarial assumptions that may not be accurate and that may change in the future.

Our financial results are subject to risks around actuarial assumptions, including those related to mortality and the future behavior of policyholders, such as lapse rates and future claims payment patterns. These assumptions, which we use to determine our liabilities for future policy benefits, may not reflect future experience. Changes to these actuarial assumptions in the future could require increases to our reserves or result in decreases in the carrying value of DAC/VOBA and other intangibles, in each case in amounts that could be material. Any adverse changes to reserves or DAC/VOBA and other intangibles balances could require us to make material additional capital contributions to one or more of our insurance company subsidiaries or could otherwise be material and adverse to the results of operations or financial condition of the Company. We generally update these actuarial assumptions in the third quarter of each year. For further information, see *Results of Operations* and *Critical Accounting Judgments and Estimates* of Part II, Item 7, of this Annual Report on Form 10-K.

Reinsurance subjects us to the credit risk of reinsurers and may not be available, affordable or adequate to protect us against losses.

We cede life insurance policies and annuity contracts or certain risks related to life insurance policies and annuity contracts to other insurance companies using various forms of reinsurance, including coinsurance, modified coinsurance, funds withheld, monthly renewable term and yearly renewable term. However, we remain liable to the underlying policyholders, even if the reinsurer defaults on its obligations with respect to the ceded business. If a reinsurer fails to meet its obligations under the reinsurance contract, we will be forced to bear the entire unresolved liability for claims on the reinsured policies. In addition, a reinsurer insolvency or loss of accredited reinsurer status may cause us to lose our reserve credits on the ceded business, in which case we would be required to establish additional statutory reserves.

In addition, if a reinsurer does not have accredited reinsurer status, or if a currently accredited reinsurer loses that status, in any state where we are licensed to do business, we are not entitled to take credit for reinsurance in that state if the reinsurer does not post sufficient qualifying collateral (either qualifying assets in a qualifying trust or qualifying LOCs). In this event, we would be required to establish additional statutory reserves. Similarly, the credit for reinsurance taken by our insurance subsidiaries under reinsurance agreements with affiliated and unaffiliated non-accredited reinsurers is, under certain conditions, dependent upon the non-accredited reinsurer's ability to obtain and provide sufficient qualifying assets in a qualifying trust or qualifying LOCs issued by qualifying lending banks. In order to control expenses associated with LOCs, some of our affiliated reinsurers have established and will continue to pursue alternative sources for qualifying reinsurance collateral. If these steps are unsuccessful, or if unaffiliated non-accredited reinsurers that have reinsured business from our insurance subsidiaries are unsuccessful in obtaining sources of qualifying reinsurance collateral, our insurance subsidiaries might not be able to obtain full statutory reserve credit. Loss of reserve credit by an insurance subsidiary would require it to establish additional statutory reserves and would result in a decrease in the level of its capital, which could have a material adverse effect on our profitability, results of operations and financial condition.

The Individual Life Transaction involves a significant reinsurance component pursuant to which several of our insurance subsidiaries will have material reinsurance exposures to SLD, our Colorado-domiciled insurance subsidiary that is being acquired by Resolution Life US. Although we currently expect that these reinsurance arrangements will be coinsurance arrangements collateralized by assets in trust, there are circumstances where these arrangements may take other forms, such as coinsurance with funds withheld. The form of reinsurance could have significant effects, including on our ability to access collateral or on our consolidated accounting results under US GAAP. Although we expect that the availability of collateral assets in trust would provide us with significant security against default, there can be no assurance that such collateral would be sufficient to meet statutory reserve requirements or other financial needs in the event of any default or recapture event.

Our reinsurance recoverable balances are periodically assessed for uncollectability. There were no significant allowances for uncollectible reinsurance as of December 31, 2019 and December 31, 2018. The collectability of reinsurance recoverables is subject to uncertainty arising from a number of factors, including whether the insured losses meet the qualifying conditions of the reinsurance contract, whether reinsurers or their affiliates have the financial capacity and willingness to make payments under the terms of the reinsurance contract, and the degree to which our reinsurance balances are secured by sufficient qualifying assets in qualifying trusts or qualifying LOCs issued by qualifying lender banks. Although a substantial portion of our reinsurance exposure is secured by assets held in trusts or LOCs, the inability to collect a material recovery from a reinsurer could have a material adverse effect on our profitability, results of operations and financial condition. For additional information regarding our unsecured reinsurance recoverable balances, see "Item 7A. Quantitative and Qualitative Disclosures about Market Risk—Market Risk Related to Credit Risk" in Part II of this Annual Report on Form 10-K.

The premium rates and other fees that we charge are based, in part, on the assumption that reinsurance will be available at a certain cost. Some of our reinsurance contracts contain provisions that limit the reinsurer's ability to increase rates on in-force business; however, some do not. If a reinsurer raises the rates that it charges on a block of in-force business, in some instances, we will not be able to pass the increased costs onto our customers and our profitability will be negatively impacted. Additionally, such a rate increase could result in our recapturing of the business, which may result in a need to maintain additional reserves, reduce reinsurance receivables and expose us to greater risks. In recent years, we have faced a number of rate increase actions on in-force business, which have in some instances adversely affected our financial results, and there can be no assurance that the outcome of future rate increase actions would not have a material effect on our results of operations or financial condition. In addition, if reinsurers raise the rates that they charge on new business, we may be forced to raise our premiums, which could have a negative impact on our competitive position.

A decrease in the RBC ratio (as a result of a reduction in statutory surplus and/or increase in RBC requirements) of our insurance subsidiaries could result in increased scrutiny by insurance regulators and rating agencies and have a material adverse effect on our business, results of operations and financial condition.

The NAIC has established regulations that provide minimum capitalization requirements based on RBC formulas for insurance companies. The RBC formula for life insurance companies establishes capital requirements relating to asset, insurance, interest rate and business risks, including equity, interest rate and expense recovery risks associated with variable annuities and group annuities that contain guaranteed minimum death and living benefits. Each of our insurance subsidiaries is subject to RBC standards and/or other minimum statutory capital and surplus requirements imposed under the laws of its respective jurisdiction of domicile. For additional discussion of how the NAIC calculates RBC ratios, see "Item 1. Business—Regulation—Regulation Affecting Voya Financial, Inc.—Financial Regulation—Risk-Based Capital."

In any particular year, statutory surplus amounts and RBC ratios may increase or decrease depending on a variety of factors, including the amount of statutory income or losses generated by the insurance subsidiary (which itself is sensitive to equity market and credit market conditions), the amount of additional capital such insurer must hold to support business growth, changes in

equity market levels, the value and credit ratings of certain fixed-income and equity securities in its investment portfolio, the value of certain derivative instruments that do not receive hedge accounting and changes in interest rates, as well as changes to the RBC formulas and the interpretation of the NAIC's instructions with respect to RBC calculation methodologies. As a result of Tax Reform, the NAIC updated the factors affecting RBC requirements, including ours, to reflect the lowering of the top corporate tax rate from 35% to 21%. Adjusting these factors in light of Tax Reform has resulted in an increase in the amount of capital we are required to maintain to satisfy our RBC requirements. Many of these factors are outside of our control. Our financial strength and credit ratings are significantly influenced by statutory surplus amounts and RBC ratios. In addition, rating agencies may implement changes to their own internal models, which differ from the RBC capital model, that have the effect of increasing or decreasing the amount of statutory capital we or our insurance subsidiaries should hold relative to the rating agencies' expectations. To the extent that an insurance subsidiary's RBC ratios are deemed to be insufficient, we may seek to take actions either to increase the capitalization of the insurer or to reduce the capitalization requirements. If we were unable to accomplish such actions, the rating agencies may view this as a reason for a ratings downgrade.

The failure of any of our insurance subsidiaries to meet its applicable RBC requirements or minimum capital and surplus requirements could subject it to further examination or corrective action imposed by insurance regulators, including limitations on its ability to write additional business, supervision by regulators or seizure or liquidation. Any corrective action imposed could have a material adverse effect on our business, results of operations and financial condition. A decline in RBC ratios, whether or not it results in a failure to meet applicable RBC requirements, may still limit the ability of an insurance subsidiary to make dividends or distributions to us, could result in a loss of customers or new business, and could be a factor in causing ratings agencies to downgrade the insurer's financial strength ratings, each of which could have a material adverse effect on our business, results of operations and financial condition.

Our statutory reserve financings may be subject to cost increases and new financings may be subject to limited market capacity.

We have financing facilities in place for our previously written business and have remaining capacity in existing facilities to support writings through the end of 2019 or later. However certain of these facilities mature prior to the run off of the reserve liability so that we are subject to cost increases or unavailability of capacity upon the refinancing. Although a substantial amount of our reserve financing requirement will be eliminated following the closing of the Individual Life Transaction, those requirements will exist until closing, and if we are unable to close we would retain this risk. The Individual Life Transaction will also require us to unwind or restructure many of our existing reserve financing arrangements before closing, which could result in incremental expense or execution risk.

If we are unable to refinance such facilities, or if the cost of such facilities were to significantly increase, we could be required to obtain other forms of equity or debt financing in order to prevent a reduction in our statutory capitalization. We could incur higher operating or tax costs if the cost of these facilities were to significantly increase or if the cost of replacement financing were significantly higher. Any difficulties we face in unwinding or restructuring our existing facilities in connection with the Individual Life Transaction could increase our expenses and diminish the economic benefits we expect to achieve from the transaction, or could affect our ability to close in a timely manner. For more details, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Credit Facilities and Subsidiary Credit Support Arrangements" and "Item 1-Business-Organizational History and Structure-Individual Life Transaction".

A significant portion of our institutional funding originates from two Federal Home Loan Banks, which subjects us to liquidity risks associated with sourcing a large concentration of our funding from two counterparties.

A significant portion of our institutional funding agreements originates from the FHLB of Boston and the FHLB of Topeka. As of December 31, 2019 and 2018, for our continuing operations, we had \$877 million and \$657 million of non-putable funding agreements in force, respectively, in exchange for eligible collateral in the form of cash, mortgage backed securities, commercial real estate and U.S. Treasury securities. For our business held for sale, we had \$927 million as of December 31, 2019 and \$551 million as of December 31, 2018 related to non-putable funding agreements in-force. In addition, as of December 31, 2019, there were no borrowings from the FHLB of Des Moines.

Should the FHLBs choose to change their definition of eligible collateral, change the lendable value against such collateral or if the market value of the pledged collateral decreases in value due to changes in interest rates or credit ratings, we may be required to post additional amounts of collateral in the form of cash or other eligible collateral. Additionally, we may be required to find other sources to replace this funding if we lose access to FHLB funding. This could occur if our creditworthiness falls below either of the FHLB's requirements or if legislative or other political actions cause changes to the FHLBs' mandate or to the eligibility of life insurance companies to be members of the FHLB system.

Any failure to protect the privacy and confidentiality of customer information could adversely affect our reputation and have a material adverse effect on our business, financial condition and results of operation.

Our businesses and relationships with customers are dependent upon our ability to maintain the privacy, security and confidentiality of our and our customers' personal information, trade secrets and other confidential information (including customer transactional data and personal information about our customers, the employees and customers of our customers, and our own employees and agents). We are also subject to numerous federal and state laws regarding the privacy and security of personal information, which laws vary significantly from jurisdiction to jurisdiction. Many of our employees and contractors and the representatives of our broker-dealer subsidiaries have access to and routinely process personal information in computerized, paper and other forms. We rely on various internal policies, procedures and controls to protect the privacy, security and confidentiality of personal and confidential information that is accessible to, or in the possession of, us or our employees, contractors and representatives. It is possible that an employee, contractor or representative could, intentionally or unintentionally, disclose or misappropriate personal information or other confidential information. In 2018, we entered into a consent decree with the SEC in which the SEC alleged that VFA, our broker-dealer subsidiary, failed to maintain adequate policies and procedures to protect certain customer information that was the subject of an April 2016 intrusion into VFA's systems. Although we did not admit or deny wrongdoing, we agreed to pay the SEC a \$1 million fine and consented to an independent review of VFA's compliance with SEC rules concerning protection of customer information and identity theft. If we fail in the future to maintain adequate internal controls, including any failure to implement newly-required additional controls, or if our employees, contractors or representatives fail to comply with our policies and procedures, misappropriation or intentional or unintentional inappropriate disclosure or misuse of personal information or confidential customer information could occur. Such internal control inadequacies or non-compliance could materially damage our reputation, result in regulatory action or lead to civil or criminal penalties, which, in turn, could have a material adverse effect on our business, reputation, results of operations and financial condition. For additional risks related to our potential failure to protect confidential information, see "—Interruption or other operational failures in telecommunication, information technology, and other operational systems, including as a result of human error, could harm our business," and "—A failure to maintain the security, integrity, confidentiality or privacy of our telecommunication, information technology or other operational systems, or the sensitive data residing on such systems, could harm our business."

Interruption or other operational failures in telecommunication, information technology and other operational systems, including as a result of human error, could harm our business.

We are highly dependent on automated and information technology systems to record and process both our internal transactions and transactions involving our customers, as well as to calculate reserves, value invested assets and complete certain other components of our U.S. GAAP and statutory financial statements. Despite the implementation of security and back-up measures, our information technology systems may remain vulnerable to disruptions. We may also be subject to disruptions of any of these systems arising from events that are wholly or partially beyond our control (for example, natural disasters, acts of terrorism, epidemics, computer viruses and electrical/telecommunications outages). All of these risks are also applicable where we rely on outside vendors to provide services to us and our customers and third party service providers, including those to whom we outsource certain of our functions. The failure of any one of these systems for any reason, or errors made by our employees or agents, could in each case cause significant interruptions to our operations, which could harm our reputation, adversely affect our internal control over financial reporting, or have a material adverse effect on our business, results of operations and financial condition.

A failure to maintain the security, integrity, confidentiality or privacy of our telecommunication, information technology and other operational systems, or the sensitive data residing on such systems, could harm our business.

We are highly dependent on automated telecommunications, information technology and other operational systems to record and process our internal transactions and transactions involving our customers. Despite the implementation of security and back-up measures, our information technology systems may be vulnerable to physical or electronic intrusions, viruses or other attacks, programming errors, and similar disruptions. Businesses in the United States and in other countries have increasingly become the targets of "cyberattacks," "hacking" or similar illegal or unauthorized intrusions into computer systems and networks. Such events are often highly publicized, can result in significant disruptions to information technology systems and the theft of significant amounts of information as well as funds from online financial accounts, and can cause extensive damage to the reputation of the targeted business, in addition to leading to significant expenses associated with investigation, remediation and customer protection measures. Like others in our industry, we are subject to cybersecurity incidents in the ordinary course of our business. Although we seek to limit our vulnerability to such events through technological and other means, it is not possible to anticipate or prevent all potential forms of cyberattack or to guarantee our ability to fully defend against all such attacks. In addition, due to the sensitive nature of much of the financial and other personal information we maintain, we may be at particular risk for targeting. In 2018, we entered into a consent decree with the SEC in which the SEC alleged that VFA, our broker-dealer subsidiary, failed to maintain adequate policies and procedures to protect certain customer information that was the subject of an April 2016 intrusion into VFA's

systems. Although we did not admit or deny wrongdoing, we agreed to pay the SEC a \$1 million fine and consented to an independent review of VFA's compliance with SEC rules concerning protection of customer information and identity theft.

We retain personal and confidential information and financial accounts in our information technology systems, and we rely on industry standard commercial technologies to maintain the security of those systems. Anyone who is able to circumvent our security measures and penetrate our information technology systems could disrupt system operations, access, view, misappropriate, alter, or delete information in the systems, including personal information and proprietary business information, and misappropriate funds from online financial accounts. Information security risks also exist with respect to the use of portable electronic devices, such as laptops, which are particularly vulnerable to loss and theft. The laws of every state require that individuals be notified if a security breach compromises the security or confidentiality of their personal information. Any attack or other breach of the security of our information technology systems that compromises personal information or that otherwise results in unauthorized disclosure or use of personal information, could damage our reputation in the marketplace, deter purchases of our products, subject us to heightened regulatory scrutiny, sanctions, significant civil and criminal liability or other adverse legal consequences and require us to incur significant technical, legal and other expenses. Numerous state regulatory bodies are focused on privacy requirements for all companies that collect personal information and have proposed and enacted legislation and regulations regarding privacy standards and protocols. For example, California enacted the California Consumer Privacy Act, which took effect on January 1, 2020. The California Attorney General has issued a preliminary draft of the regulations to be implemented pursuant to the California Consumer Privacy Act. We continue to evaluate the draft regulations and their potential impact on our operations, but depending on their implementation, we and other covered businesses may be required to incur significant expense in order to meet their requirements. Consumer privacy legislation similar to the California Consumer Privacy Act has been introduced in several other states. Should such legislation be enacted, we and other covered businesses may be required to incur significant expense in order to meet its requirements.

Our third party service providers, including third parties to whom we outsource certain of our functions are also subject to the risks outlined above, any one of which could result in our incurring substantial costs and other negative consequences, including a material adverse effect on our business, results of operations and financial condition.

The NAIC, numerous state and federal regulatory bodies and self-regulatory organizations like FINRA are focused on cybersecurity standards both for the financial services industry and for all companies that collect personal information, and have proposed and enacted legislation and regulations, and issued guidance regarding cybersecurity standards and protocols. For example, in February 2017, the NYDFS issued final Cybersecurity Requirements for Financial Services Companies that require banks, insurance companies, and other financial services institutions regulated by the NYDFS, including us, to establish and maintain a comprehensive cybersecurity program "designed to protect consumers and ensure the safety and soundness of New York State's financial services industry." In 2018 and 2019, multiple other states have adopted versions of the NAIC Insurance Data Security Model Law. These laws, with effective dates ranging from January 1, 2019 to January 20, 2021, ensure that licensees of the Departments of Insurance in these states have strong and aggressive cybersecurity programs to protect the personal data of their customers. During 2020, we expect cybersecurity risk management, prioritization and reporting to continue to be an area of significant focus by governments, regulatory bodies and self-regulatory organizations at all levels.

Changes in accounting standards could adversely impact our reported results of operations and our reported financial condition.

Our financial statements are subject to the application of U.S. GAAP, which is periodically revised or expanded. Accordingly, from time to time we are required to adopt new or revised accounting standards issued by recognized authoritative bodies, including the Financial Accounting Standards Board ("FASB"). It is possible that future accounting standards we are required to adopt could change the current accounting treatment that we apply to our consolidated financial statements and that such changes could have a material adverse effect on our results of operations and financial condition.

For example, during 2018 FASB issued ASU 2018-12, which will require significant changes to the manner in which we account for our insurance contracts once adopted. This, and other changes to U.S. GAAP could not only affect the way we account for and report significant areas of our business, but could impose special demands on us in the areas of governance, employee training, internal controls and disclosure and may affect how we manage our business.

We may be required to reduce the carrying value of our deferred income tax asset or establish an additional valuation allowance against the deferred income tax asset if: (i) there are significant changes to federal tax policy, (ii) our business does not generate sufficient taxable income; (iii) there is a significant decline in the fair market value of our investment portfolio; or (iv) our tax planning strategies are not feasible. Reductions in the carrying value of our deferred income tax asset or increases in the deferred tax valuation allowance could have a material adverse effect on our results of operations and financial condition.

Deferred income tax represents the tax effect of the differences between the book and tax basis of assets and liabilities. Deferred tax assets represent the tax benefit of future deductible temporary differences, operating loss carryforwards and tax credits carryforward. We periodically evaluate and test our ability to realize our deferred tax assets. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence, it is more likely than not that some portion, or all, of the deferred tax assets will not be realized. In assessing the more likely than not criteria, we consider future taxable income as well as prudent tax planning strategies.

Future changes in facts, circumstances, tax law, including a reduction in federal corporate tax rates may result in a reduction in the carrying value of our deferred income tax asset and the RBC ratios of our insurance subsidiaries, or an increase in the valuation allowance. A reduction in the carrying value of our deferred income tax asset or the RBC ratios of our insurance subsidiaries, or an increase in the valuation allowance could have a material adverse effect on our results of operations and financial condition.

As of December 31, 2019, we have an estimated net deferred tax asset balance of \$1.5 billion. Recognition of this asset has been based on projections of future taxable income and on tax planning related to unrealized gains on investment assets. To the extent that our estimates of future taxable income decrease or if actual future taxable income is less than the projected amounts, the recognition of the deferred tax asset may be reduced. Also, to the extent unrealized gains decrease, the tax benefit may be reduced. Any reduction, including a reduction associated with a decrease in tax rate, in the deferred tax asset may be recorded as a tax expense.

Our ability to use certain beneficial U.S. tax attributes is subject to limitations.

Section 382 and Section 383 of the U.S. Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), operate as anti-abuse rules, the general purpose of which is to prevent trafficking in tax losses and credits, but which can apply without regard to whether a "loss trafficking" transaction occurs or is intended. These rules are triggered by the occurrence of an ownership change—generally defined as when the ownership of a company, or its parent, changes by more than 50% (measured by value) on a cumulative basis in any three year period ("Section 382 event"). If triggered, the amount of the taxable income for any post-change year which may be offset by a pre-change loss is subject to an annual limitation. Generally speaking, this limitation is derived by multiplying the fair market value of the Company immediately before the date of the Section 382 event by the applicable federal long-term tax-exempt rate. If the company were to experience a Section 382 event, this could impact our ability to obtain tax benefits from existing tax attributes as well as future losses and deductions.

Our business may be negatively affected by adverse publicity or increased governmental and regulatory actions with respect to us, other well-known companies or the financial services industry in general.

Governmental scrutiny with respect to matters relating to compensation, compliance with regulatory and tax requirements and other business practices in the financial services industry has increased dramatically in the past several years and has resulted in more aggressive and intense regulatory supervision and the application and enforcement of more stringent standards. Press coverage and other public statements that assert some form of wrongdoing, regardless of the factual basis for the assertions being made, could result in some type of inquiry or investigation by regulators, legislators and/or law enforcement officials or in lawsuits. Responding to these inquiries, investigations and lawsuits, regardless of the ultimate outcome of the proceeding, is time-consuming and expensive and can divert the time and effort of our senior management from its business. Future legislation or regulation or governmental views on compensation may result in us altering compensation practices in ways that could adversely affect our ability to attract and retain talented employees. Adverse publicity, governmental scrutiny, pending or future investigations by regulators or law enforcement agencies and/or legal proceedings involving us or our affiliates, could also have a negative impact on our reputation and on the morale and performance of employees, and on business retention and new sales, which could adversely affect our businesses and results of operations.

Litigation may adversely affect our profitability and financial condition.

We are, and may be in the future, subject to legal actions in the ordinary course of insurance, investment management and other business operations. Some of these legal proceedings may be brought on behalf of a class. Plaintiffs may seek large or indeterminate amounts of damage, including compensatory, liquidated, treble and/or punitive damages. Our reserves for litigation may prove to be inadequate and insurance coverage may not be available or may be declined for certain matters. It is possible that our results

of operations or cash flows in a particular interim or annual period could be materially affected by an ultimate unfavorable resolution of pending litigation depending, in part, upon the results of operations or cash flows for such period. Given the large or indeterminate amounts sometimes sought, and the inherent unpredictability of litigation, it is also possible that in certain cases an ultimate unfavorable resolution of one or more pending litigation matters could have a material adverse effect on our financial condition.

A loss of, or significant change in, key product distribution relationships could materially affect sales.

We distribute certain products under agreements with affiliated distributors and other members of the financial services industry that are not affiliated with us. We compete with other financial institutions to attract and retain commercial relationships in each of these channels, and our success in competing for sales through these distribution intermediaries depends upon factors such as the amount of sales commissions and fees we pay, the breadth of our product offerings, the strength of our brand, our perceived stability and financial strength ratings, and the marketing and services we provide to, and the strength of the relationships we maintain with, individual distributors. An interruption or significant change in certain key relationships could materially affect our ability to market our products and could have a material adverse effect on our business, results of operations and financial condition. Distributors may elect to alter, reduce or terminate their distribution relationships with us, including for such reasons as changes in our distribution strategy, adverse developments in our business, adverse rating agency actions or concerns about market-related risks. Alternatively, we may terminate one or more distribution agreements due to, for example, a loss of confidence in, or a change in control of, one of the distributors, which could reduce sales.

We are also at risk that key distribution partners may merge or change their business models in ways that affect how our products are sold, either in response to changing business priorities or as a result of shifts in regulatory supervision or potential changes in state and federal laws and regulations regarding standards of conduct applicable to distributors when providing investment advice to retail and other customers.

The occurrence of natural or man-made disasters may adversely affect our results of operations and financial condition.

We are exposed to various risks arising from natural disasters, including hurricanes, climate change, floods, earthquakes, tornadoes and pandemic disease, as well as man-made disasters and core infrastructure failures, including acts of terrorism, military actions, power grid and telephone/internet infrastructure failures, which may adversely affect AUM, results of operations and financial condition by causing, among other things:

- losses in our investment portfolio due to significant volatility in global financial markets or the failure of counterparties to perform;
- changes in the rate of mortality, claims, withdrawals, lapses and surrenders of existing policies and contracts, as well as sales of new policies and contracts; and
- disruption of our normal business operations due to catastrophic property damage, loss of life, or disruption of public and private infrastructure, including communications and financial services.

There can be no assurance that our business continuation and crisis management plan or insurance coverages would be effective in mitigating any negative effects on operations or profitability in the event of a disaster, nor can we provide assurance that the business continuation and crisis management plans of the independent distributors and outside vendors on whom we rely for certain services and products would be effective in mitigating any negative effects on the provision of such services and products in the event of a disaster.

Claims resulting from a catastrophic event could also materially harm the financial condition of our reinsurers, which would increase the probability of default on reinsurance recoveries. Our ability to write new business could also be adversely affected.

In addition, the jurisdictions in which our insurance subsidiaries are admitted to transact business require life insurers doing business within the jurisdiction to participate in guaranty associations, which raise funds to pay contractual benefits owed pursuant to insurance policies issued by impaired, insolvent or failed insurers. It is possible that a catastrophic event could require extraordinary assessments on our insurance companies, which may have a material adverse effect on our business, results of operations and financial condition.

If we experience difficulties arising from outsourcing relationships, our ability to conduct business may be compromised, which may have an adverse effect on our business and results of operations.

As we continue to focus on reducing the expense necessary to support our operations, we have increasingly used outsourcing strategies for a significant portion of our information technology and business functions. If third-party providers experience disruptions or do not perform as anticipated, or we experience problems with a transition, we may experience system failures, disruptions, or other operational difficulties, an inability to meet obligations, including, but not limited to, obligations to policyholders, customers, business partners and distribution partners, increased costs and a loss of business, and such events may have a material adverse effect on our business and results of operations. For other risks associated with our outsourcing of certain functions, see "—Interruption or other operational failures in telecommunication, information technology, and other operational systems, including as a result of human error, could harm our business," and "—A failure to maintain the security, integrity, confidentiality or privacy of our telecommunication, information technology or other operational systems, or the sensitive data residing on such systems, could harm our business."

We may incur further liabilities in respect of our defined benefit retirement plans for our employees if the value of plan assets is not sufficient to cover potential obligations, including as a result of differences between results underlying actuarial assumptions and models.

We operate various defined benefit retirement plans covering a significant number of our employees. The liability recognized in our consolidated balance sheet in respect of our defined benefit plans is the present value of the defined benefit obligations at the balance sheet date, less the fair value of each plan's assets. We determine our defined benefit plan obligations based on external actuarial models and calculations using the projected unit credit method. Inherent in these actuarial models are assumptions including discount rates, rates of increase in future salary and benefit levels, mortality rates, consumer price index and the expected return on plan assets. These assumptions are updated annually based on available market data and the expected performance of plan assets. Nevertheless, the actuarial assumptions may differ significantly from actual results due to changes in market conditions, economic and mortality trends and other assumptions. Any changes in these assumptions could have a significant impact on our present and future liabilities to and costs associated with our defined benefit retirement plans and may result in increased expenses and reduce our profitability.

When contributing to our qualified retirement plans, we will take into consideration the minimum and maximum amounts required by ERISA, the attained funding target percentage of the plan, the variable-rate premiums that may be required by the PBGC, and any funding relief that might be enacted by Congress. These factors could lead to increased PBGC variable-rate premiums and/or increases in plan funding in future years.

Risks Related to Regulation

Our businesses and those of our affiliates are heavily regulated and changes in regulation or the application of regulation may reduce our profitability.

We are subject to detailed insurance, asset management and other financial services laws and government regulation. In addition to the insurance, asset management and other regulations and laws specific to the industries in which we operate, regulatory agencies have broad administrative power over many aspects of our business, which may include ethical issues, money laundering, privacy, recordkeeping and marketing and sales practices. Also, bank regulators and other supervisory authorities in the United States and elsewhere continue to scrutinize payment processing and other transactions under regulations governing such matters as money-laundering, prohibited transactions with countries subject to sanctions, and bribery or other anti-corruption measures.

Compliance with applicable laws and regulations is time consuming and personnel-intensive, and changes in laws and regulations may materially increase the cost of compliance and other expenses of doing business. There are a number of risks that may arise where applicable regulations may be unclear, subject to multiple interpretations or under development or where regulations may conflict with one another, where regulators revise their previous guidance or courts overturn previous rulings, which could result in our failure to meet applicable standards. Regulators and other authorities have the power to bring administrative or judicial proceedings against us, which could result, among other things, in suspension or revocation of our licenses, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action which could materially harm our results of operations and financial condition. If we fail to address, or appear to fail to address, appropriately any of these matters, our reputation could be harmed and we could be subject to additional legal risk, which could increase the size and number of claims and damages asserted against us or subject us to enforcement actions, fines and penalties. See "Item 1. Business—Regulation" for further discussion of the impact of regulations on our businesses.

Our insurance businesses are heavily regulated, and changes in regulation in the United States, enforcement actions and regulatory investigations may reduce profitability.

Our insurance operations are subject to comprehensive regulation and supervision throughout the United States. State insurance laws regulate most aspects of our insurance businesses, and our insurance subsidiaries are regulated by the insurance departments of the states in which they are domiciled and the states in which they are licensed. The primary purpose of state regulation is to protect policyholders, and not necessarily to protect creditors or investors. See "Item 1. Business—Regulation—Insurance Regulation."

State insurance regulators, the NAIC and other regulatory bodies regularly reexamine existing laws and regulations applicable to insurance companies and their products. Changes in these laws and regulations, or in interpretations thereof, are often made for the benefit of the consumer at the expense of the insurer and could materially and adversely affect our business, results of operations or financial condition. We currently use captive reinsurance subsidiaries primarily to reinsure term life insurance, universal life insurance with secondary guarantees, and stable value annuity business. Our continued use of captive reinsurance subsidiaries is subject to potential regulatory changes. For example, effective January 1, 2016, the NAIC heightened the standards applicable to captives related to XXX and AXXX business issued and ceded after December 31, 2014.

Any regulatory action that limits our ability to achieve desired benefits from the use of or materially increases our cost of using captive reinsurance companies, either retroactively or prospectively could have a material adverse effect on our financial condition or results of operations. For more detail see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Statutory Capital and Risk-Based Capital of Principal Insurance Subsidiaries—Captive Reinsurance Subsidiaries."

Insurance regulators have implemented, or begun to implement significant changes in the way in which insurers must determine statutory reserves and capital, particularly for products with contractual guarantees such as universal life policies, and are considering further potentially significant changes in these requirements.

In addition to the foregoing risks, the financial services industry is the focus of increased regulatory scrutiny as various state and federal governmental agencies and self-regulatory organizations conduct inquiries and investigations into the products and practices of the financial services industries. For a description of certain regulatory inquiries affecting the Company, see the Litigation and Regulatory Matters section of the Commitments and Contingencies Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K. It is possible that future regulatory inquiries or investigations involving the insurance industry generally, or the Company specifically, could materially and adversely affect our business, results of operations or financial condition.

In some cases, this regulatory scrutiny has led to legislation and regulation, or proposed legislation and regulation that could significantly affect the financial services industry, or has resulted in regulatory penalties, settlements and litigation. New laws, regulations and other regulatory actions aimed at the business practices under scrutiny could materially and adversely affect our business, results of operations or financial condition. The adoption of new laws and regulations, enforcement actions, or litigation, whether or not involving us, could influence the manner in which we distribute our products, result in negative coverage of the industry by the media, cause significant harm to our reputation and materially and adversely affect our business, results of operations or financial condition.

Our products are subject to extensive regulation and failure to meet any of the complex product requirements may reduce profitability.

Our retirement and investment, and remaining insurance and annuity products are subject to a complex and extensive array of state and federal tax, securities, insurance and employee benefit plan laws and regulations, which are administered and enforced by a number of different governmental and self-regulatory authorities, including state insurance regulators, state securities administrators, state banking authorities, the SEC, FINRA, the DOL and the IRS.

For example, U.S. federal income tax law imposes requirements relating to insurance and annuity product design, administration and investments that are conditions for beneficial tax treatment of such products under the Internal Revenue Code. Additionally, state and federal securities and insurance laws impose requirements relating to insurance and annuity product design, offering and distribution and administration. Failure to administer product features in accordance with contract provisions or applicable law, or to meet any of these complex tax, securities, or insurance requirements could subject us to administrative penalties imposed by a particular governmental or self-regulatory authority, unanticipated costs associated with remedying such failure or other claims, harm to our reputation, interruption of our operations or adversely impact profitability.

The Dodd-Frank Act over-the-counter derivatives regulations could have adverse consequences for us, and/or materially affect our results of operations, financial condition or liquidity.

The Dodd-Frank Act creates a framework for regulating over-the-counter ("OTC") derivatives which has transformed derivatives markets and trading in significant ways. Under the new regulatory regime and subject to certain exceptions, certain standardized OTC interest rate and credit derivatives must now be cleared through a centralized clearinghouse and executed on a centralized exchange or execution facility, and the CFTC and the SEC may designate additional types of OTC derivatives for mandatory clearing and trade execution requirements in the future. In addition to mandatory central clearing of certain derivatives products, non-centrally cleared OTC derivatives which have been excluded from the clearing mandate and which are used by market participants like us are now subject to additional regulatory reporting and margin requirements. Specifically, both the CFTC and federal banking regulators issued final rules in 2015, which became effective in 2017, establishing minimum margin requirements for OTC derivatives traded by either (non-bank) swap dealers or banks which qualify as swaps entities. Nearly all of the counterparties we trade with are either swap dealers or swap entities subject to these rules. Both the CFTC and prudential regulator margin rules require mandatory exchange of variation margin for most OTC derivatives transacted by us and will require exchange of initial margin commencing in 2020. As a result of the transition to central clearing and the new margin requirements for OTC derivatives, we will be required to hold more cash and highly liquid securities resulting in lower yields in order to satisfy the projected increase in margin required. In addition, increased capital charges imposed by regulators on non-cash collateral held by bank counterparties and central clearinghouses is expected to result in higher hedging costs, causing a reduction in income from investments. We are also observing an increasing reluctance from counterparties to accept certain non-cash collateral from us due to higher capital or operational costs associated with such asset classes that we typically hold in abundance. These developments present potentially significant business, liquidity and operational risk for us which could materially and adversely impact both the cost and our ability to effectively hedge various risks, including equity, interest rate, currency and duration risks within many of our insurance and annuity products and investment portfolios. In addition, inconsistencies between U.S. rules and regulations and parallel regimes in other jurisdictions, such as the EU, may further increase costs of hedging or inhibit our ability to access market liquidity in those other jurisdictions.

Changes to federal regulations could adversely affect our distribution model by restricting our ability to provide customers with advice.

In June 2019, the SEC approved a new rule, Regulation Best Interest ("Regulation BI") and related forms and interpretations. Among other things, Regulation BI will apply a heightened "best interest" standard to broker-dealers and their associated persons, including our retail broker-dealer, Voya Financial Advisors, when they make securities investment recommendations to retail customers. Compliance with Regulation BI is required beginning June 30, 2020. We do not believe Regulation BI will have a material impact on us. We anticipate that the Department of Labor, and possibly other state and federal regulators, may follow with their own rules applicable to investment recommendations relating to other separate or overlapping investment products and accounts, such as insurance products and retirement accounts. If these additional rules are more onerous than Regulation BI, or are not coordinated with Regulation BI, the impact on us will be more substantial. Until we see the text of any such rule, it will be too early to assess that impact.

We may not be able to mitigate the reserve strain associated with Regulation XXX and AG38, potentially resulting in a negative impact on our capital position.

Regulation XXX requires insurers to establish additional statutory reserves for certain term life insurance policies with long-term premium guarantees and for certain universal life policies with secondary guarantees. In addition, AG38 clarifies the application of Regulation XXX with respect to certain universal life insurance policies with secondary guarantees. While we no longer issue these products, certain of our existing term insurance products and a number of our universal life insurance products are affected by Regulation XXX and AG38, respectively. Although we will transfer a substantial amount of our affected book of business in connection with the Individual Life Transaction, such transfer will not be effected until closing, and if we are unable to close we would retain this risk. In addition, even after the closing we will retain this risk in respect of policies that we do not transfer, and indirectly with respect to affected policies that we have sold through reinsurance.

The application of both Regulation XXX and AG38 involves numerous interpretations. At times, there may be differences of opinion between management and state insurance departments regarding the application of these and other actuarial standards. Such differences of opinion may lead to a state insurance regulator requiring greater reserves to support insurance liabilities than management estimated.

Although we anticipate that our need to mitigate Regulation XXX and AG38 will diminish substantially after the Individual Life Transaction closes, we have currently implemented reinsurance and capital management actions to mitigate the capital impact of Regulation XXX and AG38, including the use of LOCs and the implementation of other transactions that provide acceptable

collateral to support the reinsurance of the liabilities to wholly owned reinsurance captives or to third-party reinsurers. These arrangements are subject to review and approval by state insurance regulators and review by rating agencies. State insurance regulators, the NAIC and other regulatory bodies are also investigating the use of wholly owned reinsurance captives to reinsure these liabilities and the NAIC has made recent advances in captives reform. During 2014, 2015, and 2016, the NAIC adopted captives proposals applicable to captives that assume Regulation XXX and AG38 reserves. See "Our insurance businesses are heavily regulated, and changes in regulation in the United States, enforcement actions and regulatory investigations may reduce profitability" above and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Statutory Capital and Risk-Based Capital of Principal Insurance Subsidiaries—Captive Reinsurance Subsidiaries." Rating agencies may include a portion of these LOCs or other collateral in their leverage calculations, which could increase their assessment of our leverage ratios and potentially impact our ratings. We cannot provide assurance that our ability to use captive reinsurance companies to achieve the desired benefit from financing statutory reserves will not be limited or that there will not be regulatory or rating agency challenges to the reinsurance and capital management actions we have taken to date or that acceptable collateral obtained through such transactions will continue to be available or available on a cost-effective basis.

The result of these potential challenges, as well as the inability to obtain acceptable collateral, could require us to increase statutory reserves or incur higher operating and/or tax costs.

Certain of the reserve financing facilities we have put in place will mature prior to the run off of the liabilities they support. As a result, while we plan to divest or dissolve certain of our captive reinsurance subsidiaries and Arizona captives in connection with the Individual Life Transaction, we cannot provide assurance that we will be able to continue to maintain collateral support related to our captive reinsurance subsidiaries or our Arizona captives until such time. If we are unable to continue to maintain collateral support related to our captive reinsurance subsidiaries or our Arizona captives, we may be required to increase statutory reserves or incur higher operating and/or tax costs than we currently anticipate. For more details on the Individual Life Transaction, see "*—Reinsurance subjects us to the credit risk of reinsurers and may not be available, affordable or adequate to protect us against losses*"; and "Item 1-Business-Organizational History and Structure-Individual Life Transaction".

Changes in tax laws and interpretations of existing tax law could increase our tax costs, impact the ability of our insurance company subsidiaries to make distributions to Voya Financial, Inc. or make our products less attractive to customers.

In addition to its effect on our balance sheet, Tax Reform has had, and will continue to have other financial and economic impacts on the Company. While the change in the federal corporate tax rate from 35% to 21% is expected to have a beneficial economic impact on the Company, there are a number of changes enacted in Tax Reform that could increase the Company's tax costs, including:

- Changes to the dividends received deduction ("DRD");
- Changes to the capitalization period and rates of DAC for tax purposes;
- Changes to the calculation of life insurance reserves for tax purposes; and
- Changes to the rules on deductibility of executive compensation.

It is possible that, as a result of, among other things, future clarifications or guidance from the IRS, other agencies, or the courts, Tax Reform could have adverse impacts, including materially adverse impacts that we cannot anticipate or predict at this time. Moreover, U.S. states that stand to lose tax revenue as a consequence of Tax Reform may enact measures that increase our tax costs. In addition, there could be other changes in tax law, as well as changes in interpretation and enforcement of existing tax laws that could increase tax costs.

Tax Reform also resulted in a reduction in the combined statutory deferred tax assets of our insurance subsidiaries, reducing their combined RBC ratio. Future changes or clarifications in tax law could cause further reductions to the statutory deferred tax assets and RBC ratios of our insurance subsidiaries. A reduction in the statutory deferred tax assets or RBC ratios may impact the ability of the affected insurance subsidiaries to make distributions to us and consequently could negatively impact our ability to pay dividends to our stockholders and to service our debt.

Current U.S. federal income tax law permits tax-deferred accumulation of income earned under life insurance and annuity products, and permits exclusion from taxation of death benefits paid under life insurance contracts. Changes in tax laws that restrict these tax benefits could make some of our products less attractive to customers. Reductions in individual income tax rates or estate tax rates could also make some of our products less advantageous to customers. Changes in federal tax laws that reduce the amount

an individual can contribute on a pre-tax basis to an employer-provided, tax-deferred product (either directly by reducing current limits or indirectly by changing the tax treatment of such contributions from exclusions to deductions) or changes that would limit an individual's aggregate amount of tax-deferred savings could make our retirement products less attractive to customers. In addition, any measures that may be enacted in U.S. states in response to Tax Reform, or otherwise, could make our products less attractive to our customers. Furthermore, as a result of Tax Reform's recent adoption and significant scope, its impact on our products, including their attractiveness relative to competitors, cannot yet be known and may be adverse, perhaps materially.

Risks Related to Our Holding Company Structure

As holding companies, Voya Financial, Inc. and Voya Holdings depend on the ability of their subsidiaries to transfer funds to them to meet their obligations.

Voya Financial, Inc. is the holding company for all our operations, and dividends, returns of capital and interest income on intercompany indebtedness from Voya Financial, Inc.'s subsidiaries are the principal sources of funds available to Voya Financial, Inc. to pay principal and interest on its outstanding indebtedness, to pay corporate operating expenses, to pay any stockholder dividends, to repurchase any stock, and to meet its other obligations. The subsidiaries of Voya Financial, Inc. are legally distinct from Voya Financial, Inc. and, except in the case of Voya Holdings Inc., which is the guarantor of certain of our outstanding indebtedness, have no obligation to pay amounts due on the debt of Voya Financial, Inc. or to make funds available to Voya Financial, Inc. for such payments. The ability of our subsidiaries to pay dividends or other distributions to Voya Financial, Inc. in the future will depend on their earnings, tax considerations, covenants contained in any financing or other agreements and applicable regulatory restrictions. In addition, such payments may be limited as a result of claims against our subsidiaries by their creditors, including suppliers, vendors, lessors and employees. The ability of our insurance subsidiaries to pay dividends and make other distributions to Voya Financial, Inc. will further depend on their ability to meet applicable regulatory standards and receive regulatory approvals, as discussed below under "—The ability of our insurance subsidiaries to pay dividends and other distributions to Voya Financial, Inc. and Voya Holdings is further limited by state insurance laws, and our insurance subsidiaries may not generate sufficient statutory earnings or have sufficient statutory surplus to enable them to pay ordinary dividends."

Voya Holdings is wholly owned by Voya Financial, Inc. and is also a holding company, and accordingly its ability to make payments under its guarantees of our indebtedness or on the debt for which it is the primary obligor is subject to restrictions and limitations similar to those applicable to Voya Financial, Inc. Neither Voya Financial, Inc., nor Voya Holdings, has significant sources of cash flows other than from our subsidiaries that do not guarantee such indebtedness.

If the ability of our insurance or non-insurance subsidiaries to pay dividends or make other distributions or payments to Voya Financial, Inc. and Voya Holdings is materially restricted by regulatory requirements, other cash needs, bankruptcy or insolvency, or our need to maintain the financial strength ratings of our insurance subsidiaries, or is limited due to results of operations or other factors, we may be required to raise cash through the incurrence of debt, the issuance of equity or the sale of assets. However, there is no assurance that we would be able to raise cash by these means. This could materially and adversely affect the ability of Voya Financial, Inc. and Voya Holdings to pay their obligations.

The ability of our insurance subsidiaries to pay dividends and other distributions to Voya Financial, Inc. and Voya Holdings Inc. is limited by state insurance laws, and our insurance subsidiaries may not generate sufficient statutory earnings or have sufficient statutory surplus to enable them to pay ordinary dividends.

The payment of dividends and other distributions to Voya Financial, Inc. and Voya Holdings Inc. by our insurance subsidiaries is regulated by state insurance laws and regulations.

The jurisdictions in which our insurance subsidiaries are domiciled impose certain restrictions on the ability to pay dividends to their respective parents. These restrictions are based, in part, on the prior year's statutory income and surplus. In general, dividends up to specified levels are considered ordinary and may be paid without prior regulatory approval. Dividends in larger amounts, or extraordinary dividends, are subject to approval by the insurance commissioner of the relevant state of domicile. In addition, under the insurance laws applicable to our insurance subsidiaries domiciled in Connecticut and Minnesota, no dividend or other distribution exceeding an amount equal to an insurance company's earned surplus may be paid without the domiciliary insurance regulator's prior approval (the "positive earned surplus requirement"). Under applicable domiciliary insurance regulations, our Principal Insurance Subsidiaries must deduct any distributions or dividends paid in the preceding twelve months in calculating dividend capacity. From time to time, the NAIC and various state insurance regulators have considered, and may in the future consider, proposals to further limit dividend payments that an insurance company may make without regulatory approval. More stringent restrictions on dividend payments may be adopted from time to time by jurisdictions in which our insurance subsidiaries are domiciled, and such restrictions could have the effect, under certain circumstances, of significantly reducing dividends or other amounts payable to Voya Financial, Inc. or Voya Holdings by our insurance subsidiaries without prior approval by regulatory

authorities. We may also choose to change the domicile of one or more of our insurance subsidiaries or captive insurance subsidiaries, in which case we would be subject to the restrictions imposed under the laws of that new domicile, which could be more restrictive than those to which we are currently subject. In addition, in the future, we may become subject to debt instruments or other agreements that limit the ability of our insurance subsidiaries to pay dividends or make other distributions. The ability of our insurance subsidiaries to pay dividends or make other distributions is also limited by our need to maintain the financial strength ratings assigned to such subsidiaries by the rating agencies. These ratings depend to a large extent on the capitalization levels of our insurance subsidiaries.

For a summary of ordinary dividends and extraordinary distributions paid by each of our Principal Insurance Subsidiaries to Voya Financial or Voya Holdings in 2018 and 2019, and a discussion of ordinary dividend capacity for 2020, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources-Restrictions on Dividends and Returns of Capital from Subsidiaries." Our Principal Insurance Subsidiary domiciled in Connecticut has ordinary dividend capacity for 2020. However, as a result of the extraordinary dividends it paid in 2015, 2016, and 2017 together with statutory losses incurred in connection with the recapture and cession to one of our Arizona captives of certain term life business in the fourth quarter of 2016, our Principal Insurance Subsidiary domiciled in Minnesota currently has negative earned surplus. In addition, primarily as a result of statutory losses incurred in connection with the retrocession of our Principal Insurance Subsidiary domiciled in Minnesota of certain life insurance business in the fourth quarter of 2018, our Principal Insurance Subsidiary domiciled in Colorado has a net loss from operations for the twelve-month period ending the preceding December 31. Therefore neither our Minnesota or Colorado Principal Insurance Subsidiaries have the capacity at this time to make ordinary dividend payments to Voya Holdings and cannot make an extraordinary dividend payment to Voya Holdings Inc. without domiciliary regulatory approval, which can be granted or withheld in the discretion of the regulator.

If any of our Principal Insurance Subsidiaries subject to the positive earned surplus requirement do not succeed in building up sufficient positive earned surplus to have ordinary dividend capacity in future years, such subsidiary would be unable to pay dividends or distributions to our holding companies absent prior approval of its domiciliary insurance regulator, which can be granted or withheld in the discretion of the regulator. In addition, if our Principal Insurance Subsidiaries generate capital in excess of our target combined estimated RBC ratio of 400% and our individual insurance company ordinary dividend limits in future years, then we may also seek extraordinary dividends or distributions. There can be no assurance that our Principal Insurance Subsidiaries will receive approval for extraordinary distribution payments in the future.

The payment of dividends by our captive reinsurance subsidiaries is regulated by their respective governing licensing orders and restrictions in their respective insurance securitization agreements. Generally, our captive reinsurance subsidiaries may not declare or pay dividends in any form to their parent companies other than in accordance with their respective insurance securitization transaction agreements and their respective governing licensing orders, and in no event may the dividends decrease the capital of the captive below the minimum capital requirement applicable to it, and, after giving effect to the dividends, the assets of the captive paying the dividend must be sufficient to satisfy its domiciliary insurance regulator that it can meet its obligations. Likewise, our Arizona captives may not declare or pay dividends in any form to us other than in accordance with their annual capital and dividend plans as approved by the ADOI, which include minimum capital requirements.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of December 31, 2019, we owned or leased 75 locations totaling approximately 2.0 million square feet, of which approximately 0.8 million square feet was owned properties and approximately 1.2 million square feet was leased properties throughout the United States.

Item 3. Legal Proceedings

See the Litigation and Regulatory Matters section of the *Commitments and Contingencies* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K for a description of our material legal proceedings.

Item 4. Mine Safety Disclosures

Not Applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Issuer Common Equity

Voya Financial, Inc.'s common stock, par value \$0.01 per share, began trading on the NYSE under the symbol "VOYA" on May 2, 2013.

The declaration and payment of dividends is subject to the discretion of our Board of Directors and depends on Voya Financial, Inc.'s financial condition, results of operations, cash requirements, future prospects, regulatory restrictions on the payment of dividends by Voya Financial, Inc.'s other insurance subsidiaries and other factors deemed relevant by the Board. The payment of dividends is also subject to restrictions under the terms of our junior subordinated debentures in the event we should choose to defer interest payments on those debentures. Additionally, our ability to declare or pay dividends on shares of our common stock will be substantially restricted in the event that we do not declare and pay (or set aside) dividends on the Series A and Series B Preferred Stock for the last preceding dividend period. See *Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources* in Part II, Item 7. of this Annual Report on Form 10-K for further information regarding common stock dividends.

At February 14, 2020, there were 21 stockholders of record of common stock, which are different from the number of beneficial owners of the Company's common stock.

Purchases of Equity Securities by the Issuer

The following table summarizes Voya Financial, Inc.'s repurchases of its common stock for the three months ended December 31, 2019:

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs ⁽²⁾
				<i>(in millions)</i>
October 1, 2019 - October 31, 2019	4,565	\$ 50.78	—	\$ 850
November 1, 2019 - November 30, 2019	109,468	57.52	—	850
December 1, 2019 - December 31, 2019	2,680,136	61.69 ⁽³⁾	2,591,093	690
Total	2,794,169	\$ 61.51	2,591,093	N/A

⁽¹⁾ In connection with exercise of vesting of equity-based compensation awards, employees may remit to Voya Financial, Inc., or Voya Financial, Inc. may withhold into treasury stock, shares of common stock in respect to tax withholding obligations and option exercise cost associated with such exercise or vesting. For the three months ended December 31, 2019, there were 203,076 Treasury share increases in connection with such withholding activities.

⁽²⁾ On October 31, 2019, 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 \$800. The current share repurchase authorization expires on December 31, 2020 (unless extended), and does not obligate the Company to purchase any shares. The authorization for share repurchase program may be terminated, increased or decreased by the Board of Directors at any time.

⁽³⁾ On December 19, 2019, the Company entered into a share repurchase agreement with a third-party financial institution to repurchase \$200 million of the Company's common stock. Pursuant to the agreement, the Company received initial delivery of 2,591,093 shares based on the closing market price of the Company's common stock on December 18, 2019 of \$61.75. This arrangement is scheduled to terminate no later than the end of first quarter of 2020, at which time the Company will settle any outstanding positive or negative share balances based on the daily volume-weighted average price of the Company's common stock.

Refer to the *Share-based Incentive Compensation Plans* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K and to Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters for equity compensation information.

Item 6. Selected Financial Data

The following selected financial data has been derived from the Company's Consolidated Financial Statements. The Statement of Operations data for the years ended December 31, 2019, 2018 and 2017 and the Balance Sheet data as of December 31, 2019 and 2018 have been derived from the Company's Consolidated Financial Statements included elsewhere herein. The Statement of Operations data for the years ended December 31, 2016 and 2015 and the Balance Sheet data as of December 31, 2017, 2016 and 2015 have been derived from the Company's audited Consolidated Financial Statements not included herein. Certain prior year amounts have been reclassified to reflect the presentation of discontinued operations and assets and liabilities of businesses held for sale. The selected financial data set forth below should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7. of this Annual Report on Form 10-K and the *Financial Statements and Supplementary Data* in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K.

Year Ended December 31,

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
	(\$ in millions, except per share amounts)				
Statement of Operations Data:					
Revenues					
Net investment income	\$ 2,792	\$ 2,669	\$ 2,641	\$ 2,699	\$ 2,678
Fee income	1,969	1,982	1,889	1,793	1,826
Premiums	2,273	2,132	2,097	2,769	2,534
Net realized capital gains (losses)	(166)	(355)	(209)	(280)	(484)
Total revenues	7,476	7,163	7,229	7,517	7,450
Benefits and expenses:					
Interest credited and other benefits to contract owners/policyholders	3,750	3,526	3,658	4,352	3,813
Operating expenses	2,746	2,606	2,562	2,559	2,563
Net amortization of Deferred policy acquisition costs and Value of business acquired	199	233	353	315	304
Interest expense	176	221	184	288	197
Total benefits and expenses	6,916	6,635	6,844	7,620	7,161
Income (loss) from continuing operations before income taxes					
	560	528	385	(103)	289
Income tax expense (benefit)	(205)	37	687	(66)	22
Income (loss) from continuing operations	765	491	(302)	(37)	267
Income (loss) from discontinued operations, net of tax					
	(1,066)	529	(2,473)	(261)	271
Net income (loss)	(301)	1,020	(2,775)	(298)	538
Less: Net income (loss) attributable to noncontrolling interest	50	145	217	29	130
Net income (loss) available to Voya Financial, Inc.	(351)	875	(2,992)	(327)	408
Less: Preferred stock dividends	28	—	—	—	—
Net income (loss) available to Voya Financial, Inc.'s common shareholders	(379)	875	(2,992)	(327)	408
Earnings Per Share					
Basic					
Income (loss) from continuing operations available to Voya Financial, Inc.'s common shareholders	<u>\$ 4.88</u>	<u>\$ 2.12</u>	<u>\$ (2.82)</u>	<u>\$ (0.33)</u>	<u>\$ 0.61</u>
Income (loss) from discontinued operations, net of taxes available to Voya Financial, Inc.'s common shareholders	<u>\$ (7.57)</u>	<u>\$ 3.24</u>	<u>\$ (13.43)</u>	<u>\$ (1.30)</u>	<u>\$ 1.20</u>
Income (loss) available to Voya Financial, Inc.'s common shareholders	<u>\$ (2.69)</u>	<u>\$ 5.36</u>	<u>\$ (16.25)</u>	<u>\$ (1.63)</u>	<u>\$ 1.81</u>
Diluted					
Income (loss) from continuing operations available to Voya Financial, Inc.'s common shareholders	<u>\$ 4.68</u>	<u>\$ 2.05</u>	<u>\$ (2.82)</u>	<u>\$ (0.33)</u>	<u>\$ 0.60</u>
Income (loss) from discontinued operations, net of taxes available to Voya Financial, Inc.'s common shareholders	<u>\$ (7.26)</u>	<u>\$ 3.14</u>	<u>\$ (13.43)</u>	<u>\$ (1.30)</u>	<u>\$ 1.19</u>
Income (loss) available to Voya Financial, Inc.'s common shareholders	<u>\$ (2.58)</u>	<u>\$ 5.20</u>	<u>\$ (16.25)</u>	<u>\$ (1.63)</u>	<u>\$ 1.80</u>
Cash dividends declared per common share	<u>\$ 0.32</u>	<u>\$ 0.04</u>	<u>\$ 0.04</u>	<u>\$ 0.04</u>	<u>\$ 0.04</u>

As of December 31,

	2019	2018	2017	2016	2015
	(\$ in millions)				
Balance Sheet Data:					
Total investments	\$ 53,687	\$ 50,615	\$ 52,128	\$ 51,427	\$ 48,824
Assets held in separate accounts	81,670	69,931	76,108	64,827	61,825
Assets held for sale	20,069	20,045	80,389	81,978	82,859
Total assets	169,051	155,430	223,217	215,338	219,210
Future policy benefits and contract owner account balances	50,868	50,770	50,505	51,019	49,106
Short-term debt	1	1	337	—	—
Long-term debt	3,042	3,136	3,123	3,550	3,460
Liabilities related to separate accounts	81,670	69,931	76,108	64,827	61,825
Liabilities held for sale	18,498	17,903	77,060	76,386	76,770
Total Voya Financial, Inc. shareholders' equity, excluding AOCI ⁽¹⁾	6,077	7,606	7,278	11,074	12,012
Total Voya Financial, Inc. shareholders' equity .	9,408	8,213	10,009	12,995	13,437

⁽¹⁾ Shareholders' equity, excluding AOCI, is derived by subtracting AOCI from Voya Financial, Inc. shareholders' equity—both components of which are presented in the respective Consolidated Balance Sheets. For a description of AOCI, see the *Accumulated Other Comprehensive Income (Loss)* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K. We provide shareholders' equity, excluding AOCI, because it is a common measure used by insurance analysts and investment professionals in their evaluations.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

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

The following discussion and analysis presents a review of our results of operations for the years ended December 31, 2019, 2018 and 2017 and financial condition as of December 31, 2019 and 2018. This item should be read in its entirety and in conjunction with the Consolidated Financial Statements and related notes contained in Part II, Item 8. of this Annual Report on Form 10-K.

In addition to historical data, this discussion contains forward-looking statements about our business, operations and financial performance based on current expectations that involve risks, uncertainties and assumptions. Actual results may differ materially from those discussed in the forward-looking statements as a result of various factors. See the "Note Concerning Forward-Looking Statements."

Overview

We provide our principal products and services through three segments: Retirement, Investment Management and Employee Benefits. Corporate includes activities not directly related to our segments and certain run-off activities that are not meaningful to our business strategy.

In general, our primary sources of revenue include fee income from managing investment portfolios for clients as well as asset management and administrative fees from certain insurance and investment products; investment income on our general account and other funds; and from insurance premiums. Our fee income derives from asset- and participant-based advisory and recordkeeping fees on our retirement products, from management and administrative fees we earn from managing client assets, from the distribution, servicing and management of mutual funds, as well as from other fees such as surrender charges from policy withdrawals. We generate investment income on the assets in our general account, primarily fixed income assets, that back our liabilities and surplus. We earn premiums on insurance policies, including stop-loss, group life, voluntary and disability products as well as individual life insurance and retirement contracts. Our expenses principally consist of general business expenses, commissions and other costs of selling and servicing our products, interest credited on general account liabilities as well as insurance claims and benefits including changes in the reserves we are required to hold for anticipated future insurance benefits.

Because our fee income is generally tied to account values, our profitability is determined in part by the amount of assets we have under management, administration or advisement, which in turn depends on sales volumes to new and existing clients, net deposits from retirement plan participants, and changes in the market value of account assets. Our profitability also depends on the difference between the investment income we earn on our general account assets, or our portfolio yield, and crediting rates on client accounts. Underwriting income, principally dependent on our ability to price our insurance products at a level that enables us to earn a margin over the costs associated with providing benefits and administering those products, and to effectively manage actuarial and policyholder behavior factors, is another component of our profitability.

Profitability also depends on our ability to effectively deploy capital and utilize our tax assets. Furthermore, profitability depends on our ability to manage expenses to acquire new business, such as commissions and distribution expenses, as well as other operating costs.

The following represents segment percentage contributions to total Adjusted operating revenues and Adjusted operating earnings before income taxes for the year ended December 31, 2019:

	<u>Year Ended December 31, 2019</u>	
	<u>Adjusted Operating Revenues</u>	<u>Adjusted Operating Earnings before Income Taxes</u>
<i>percent of total</i>		
Retirement	49.2%	99.5 %
Investment Management	12.3%	30.5 %
Employee Benefits	36.8%	33.7 %
Corporate	1.8%	(63.7)%

Business Held for Sale and Discontinued Operations

The Individual Life Transaction

On December 18, 2019, we entered into a Master Transaction Agreement (the "Resolution MTA") with Resolution Life U.S. Holdings Inc., a Delaware corporation ("Resolution Life US"), pursuant to which Resolution Life US will acquire Security Life of Denver Company ("SLD"), Security Life of Denver International Limited ("SLDI") and Roaring River II, Inc. ("RRII") including several subsidiaries of SLD. The transaction is expected to close by September 30, 2020 and is subject to conditions specified in the Resolution MTA, including the receipt of required regulatory approvals.

We have determined that the legal entities to be sold and the Individual Life and Annuities businesses within these entities 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 our operations. Accordingly, the results of operations of the businesses to be sold have been presented as discontinued operations, and the assets and liabilities of the related businesses have been classified as held for sale and segregated for all periods presented in this Annual Report on Form 10-K.

During the fourth quarter of 2019, we recorded an estimated loss on sale, net of tax, of \$1,108 million to write down the carrying value of the businesses held for sale to estimated fair value, which is based on the estimated sales price of the transaction, less cost to sell and other adjustments in accordance with the Resolution MTA. Additionally, the estimated loss on sale is based on assumptions that are subject to change due to fluctuations in market conditions and other variables that may occur prior to the closing date. For additional information on the Transaction and the related estimated loss on sale, see *Trends and Uncertainties* in Part II, Item 7 of this Annual Report on Form 10-K.

Concurrently with the sale, SLD will enter into reinsurance agreements with Reliastar Life Insurance Company ("RLI"), ReliaStar Life Insurance Company of New York ("RLNY"), and Voya Retirement Insurance and Annuity Company ("VRIAC"), each of which is a direct or indirect wholly owned subsidiary of the Company. Pursuant to these agreements, RLI and VRIAC will reinsure to SLD a 100% quota share, and RLNY will reinsure to SLD a 75% quota share, of their respective individual life insurance and annuities businesses. RLI, RLNY, and VRIAC will remain subsidiaries of the Company. We currently expect that these reinsurance transactions will be carried out on a coinsurance basis, with SLD's reinsurance obligations collateralized by assets in trust. Based on values as of December 31, 2019, U.S. GAAP reserves to be ceded under the Individual Life Transaction (defined below) are expected to be approximately \$11.0 billion and are subject to change until closing. The reinsurance agreements along with the sale of the legal entities noted above (referred to as the "Individual Life Transaction") will result in the disposition of substantially all of the Company's life insurance and legacy non-retirement annuity businesses and related assets. The revenues and net results of the Individual Life and Annuities businesses that will be disposed of via reinsurance are reported in businesses exited or to be exited through reinsurance or divestment which is an adjustment to our U.S. GAAP revenues and earnings measures to calculate Adjusted operating revenues and Adjusted operating earnings before income taxes, respectively.

At close, we will recognize a further adjustment to Total shareholders' equity, excluding Accumulated other comprehensive income, associated with the portion of the transaction that involves a sale through reinsurance. We currently estimate that we would realize a partially offsetting book value gain, net of DAC and tax, on the assets expected to be transferred upon execution of the arrangements, such that the total reduction in Total shareholders' equity, excluding Accumulated other comprehensive income, due to the Individual Life Transaction would be in the range of \$250 million to \$750 million. These impacts are subject to changes due to many factors including interest rate movements, asset selections and changes to the structure of the reinsurance transactions.

The following table presents the major components of income and expenses of discontinued operations, net of tax related to the Individual Life Transaction for the periods indicated:

	Year Ended December 31,		
	2019	2018	2017
Revenues:			
Net investment income	\$ 665	\$ 649	\$ 672
Fee income	750	743	754
Premiums	27	27	24
Total net realized capital gains (losses)	45	(44)	(18)
Other revenue	(21)	4	(8)
Total revenues	<u>1,466</u>	<u>1,379</u>	<u>1,424</u>
Benefits and expenses:			
Interest credited and other benefits to contract owners/policyholders	1,065	1,050	978
Operating expenses	83	96	102
Net amortization of Deferred policy acquisition costs and Value of business acquired	153	135	176
Interest expense	10	9	8
Total benefits and expenses	<u>1,311</u>	<u>1,290</u>	<u>1,264</u>
Income (loss) from discontinued operations before income taxes	155	89	160
Income tax expense (benefit)	31	17	53
Loss on sale, net of tax	(1,108)	—	—
Income (loss) from discontinued operations, net of tax	<u>\$ (984)</u>	<u>\$ 72</u>	<u>\$ 107</u>

The 2018 Transaction

On June 1, 2018, we consummated a series of transactions (collectively, the "2018 Transaction") pursuant to a Master Transaction Agreement dated December 20, 2017 ("2018 MTA") with VA Capital Company LLC ("VA Capital") and Athene Holding Ltd ("Athene"). As part of the 2018 Transaction, Venerable Holdings, Inc. ("Venerable"), a wholly owned subsidiary of VA Capital, acquired two of our subsidiaries, Voya Insurance and Annuity Company ("VIAC") and Directed Services, LLC ("DSL"), and VIAC and other Voya subsidiaries reinsured to Athene substantially all of their fixed and fixed indexed annuities business. The 2018 Transaction resulted in the disposition of substantially all of our Closed Block Variable Annuity ("CBVA") and Annuities businesses.

During 2019, we settled the outstanding purchase price true-up amounts with VA Capital. We do not anticipate further material charges in connection with the 2018 Transaction. Income (loss) from discontinued operations, net of tax for the year ended December 31, 2019 includes a charge of \$82 million related to the purchase price true-up settlement in connection with the 2018 Transaction.

Upon execution of the Individual Life Transaction including the reinsurance arrangements disclosed above, we will continue to hold an insignificant number of Individual Life, Annuities and CBVA policies. These policies are referred to in this Annual Report on Form 10-K as "Residual Runoff Business".

The following table summarizes the components of Income (loss) from discontinued operations, net of tax related to the 2018 Transaction for the years ended December 31, 2019, 2018 and 2017:

	Year Ended December 31,		
	2019	2018 ⁽¹⁾	2017
Revenues:			
Net investment income	\$ —	\$ 510	\$ 1,266
Fee income	—	295	801
Premiums	—	(50)	190
Total net realized capital gains (losses)	—	(345)	(1,234)
Other revenue	—	10	19
Total revenues	<u>—</u>	<u>420</u>	<u>1,042</u>
Benefits and expenses:			
Interest credited and other benefits to contract owners/policyholders	—	442	978
Operating expenses	—	(14)	250
Net amortization of Deferred policy acquisition costs and Value of business acquired	—	49	127
Interest expense	—	10	22
Total benefits and expenses	<u>—</u>	<u>487</u>	<u>1,377</u>
Income (loss) from discontinued operations before income taxes	—	(67)	(335)
Income tax expense (benefit)	—	(19)	(178)
Loss on sale, net of tax	(82)	505	(2,423)
Income (loss) from discontinued operations, net of tax	<u>\$ (82)</u>	<u>\$ 457</u>	<u>\$ (2,580)</u>

⁽¹⁾ Reflects Income (loss) from discontinued operations, net of tax for the five months ended May 31, 2018 (the 2018 Transaction closed on June 1, 2018).

Trends and Uncertainties

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

Market Conditions

While extraordinary monetary accommodation has suppressed volatility in rate, credit and domestic equity markets for an extended period, global capital markets are now past peak accommodation as the U.S. Federal Reserve continues its gradual pace of policy normalization. As global monetary policy becomes less accommodative, an increase in market volatility could affect our business, including through effects on the rate and spread component of yields we earn on invested assets, changes in required reserves and capital, and fluctuations in the value of our assets under management ("AUM"), administration or advisement ("AUA"). These effects could be exacerbated by uncertainty about future fiscal policy, changes in tax policy, the scope of potential deregulation, levels of global trade, and geopolitical risk. In the short- to medium-term, the potential for increased volatility, coupled with prevailing interest rates below historical averages, can pressure sales and reduce demand as consumers hesitate to make financial decisions. In addition, this environment could make it difficult to manufacture products that are consistently both attractive to customers and profitable. Financial performance can be adversely affected by market volatility as fees driven by AUM fluctuate, hedging costs increase and revenue declines due to reduced sales and increased outflows. As a company with strong retirement, investment management and insurance capabilities, however, we believe the market conditions noted above may, over the long term, enhance the attractiveness of our broad portfolio of products and services. We will need to continue to monitor the behavior of our customers and other factors, including mortality rates, morbidity rates, and lapse rates, which adjust in response to changes in market conditions in order to ensure that our products and services remain attractive as well as profitable. For additional information on our sensitivity to interest rates and equity market prices, see *Quantitative and Qualitative Disclosures About Market Risk* in Part II, Item 7A. of this Annual Report on Form 10-K.

Interest Rate Environment

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

- Our continuing business general account investment portfolio, which was approximately \$53 billion as of December 31, 2019, consists predominantly of fixed income investments and had an annualized earned yield of approximately 5.3% in the fourth quarter of 2019. In the near term and absent further material change in yields available on fixed income investments, we expect the yield we earn on new investments will be lower than the yields we earn on maturing investments, which were generally purchased in environments where interest rates were higher than current levels. We currently anticipate that proceeds that are reinvested in fixed income investments during 2020 will earn an average yield below the prevailing portfolio yield. If interest rates were to rise, we expect the yield on our new money investments would also rise and gradually converge toward the yield of those maturing assets. In addition, while less material to financial results than new money investment rates, movements in prevailing interest rates also influence the prices of fixed income investments that we sell on the secondary market rather than holding until maturity or repayment, with rising interest rates generally leading to lower prices in the secondary market, and falling interest rates generally leading to higher prices.
- Certain of our products pay guaranteed minimum rates. For example, fixed accounts and a portion of the stable value accounts included within defined contribution retirement plans and universal life ("UL") policies. We are required to pay these guaranteed minimum rates even if earnings on our investment portfolio decline, with the resulting investment margin compression negatively impacting earnings. In addition, we expect more policyholders to hold policies (lower lapses) with comparatively high guaranteed rates longer in a low interest rate environment. Conversely, a rise in average yield on our investment portfolio would positively impact earnings if the average interest rate we pay on our products does not rise correspondingly. Similarly, we expect policyholders would be less likely to hold policies (higher lapses) with existing guarantees as interest rates rise.

For additional information on the impact of the continued low interest rate environment, see *Risk Factors - The level of interest rates may adversely affect our profitability, particularly in the event of a continuation of the current low interest rate environment or a period of rapidly increasing interest rates* in Part I, Item 1A. of this Annual Report on Form 10-K. Also, for additional information on our sensitivity to interest rates, see *Quantitative and Qualitative Disclosures About Market Risk* in Part II, Item 7A. of this Annual Report on Form 10-K.

Discontinued Operations

Income (loss) from discontinued operations, net of tax, for the year ended December 18, 2019 includes the estimated loss on sale for the Individual Life Transaction of \$1,108 million. The estimated loss on sale 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 purchase price in the transaction is approximately \$1.25 billion, with an adjustment based on the adjusted capital and surplus of SLD, SLDI and RRII at closing including the assumption of surplus notes.

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

- The performance of the businesses held for sale, including the impact of mortality, reinsurance rates and financing costs;
- Changes in the terms of the Transaction, including as the result of subsequent negotiations or as necessary to obtain regulatory approval; and
- Other changes in the terms of the Transaction due to unanticipated developments.

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

Seasonality and Other Matters

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

Retirement

- The first quarters tend to have the highest level of recurring deposits in Corporate Markets, due to the increase in participant contributions from the receipt of annual bonus award payments or annual lump sum matches and profit sharing contributions made by many employers. Corporate Market withdrawals also tend to increase in the first quarters as departing sponsors change providers at the start of a new year.
- In the third quarters, education tax-exempt markets typically have the lowest recurring deposits, due to the timing of vacation schedules in the academic calendar.
- The fourth quarters tend to have the highest level of single/transfer deposits due to new Corporate Market plan sales as sponsors transfer from other providers when contracts expire at the fiscal or calendar year-end. Recurring deposits in the Corporate Market may be lower in the fourth quarters as higher paid participants scale back or halt their contributions upon reaching the annual maximums allowed for the year. Finally, Corporate Market withdrawals tend to increase in the fourth quarters, as in the first quarters, due to departing sponsors.

Investment Management

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

Employee Benefits

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

In addition to these seasonal factors, our results are impacted by the annual review of assumptions related to future policy benefits and deferred policy acquisition costs ("DAC"), value of business acquired ("VOBA") (collectively, "DAC/VOBA") and other intangibles, which we generally complete in the third quarter of each year, and annual remeasurement related to our employee benefit plans, which we generally complete in the fourth quarter of each year. See *Critical Accounting Judgments and Estimates* in Part II, Item 7. of this Annual Report on Form 10-K for further information.

Stranded Costs

As a result of the 2018 Transaction and the Individual Life Transaction, the historical revenues and certain expenses of the sold businesses have been classified as discontinued operations. Historical revenues and certain expenses of the businesses that will be divested via reinsurance at closing of the Individual Life Transaction (including an insignificant amount of Individual Life and closed block non retirement annuities that are not part of the transaction) are reported within continuing operations, but are excluded from adjusted operating earnings as businesses exited or to be exited through reinsurance or divestment. Expenses classified within discontinued operations and businesses exited or to be exited through reinsurance include only direct operating expenses incurred by these businesses and then only to the extent that the nature of such expenses was such that we would cease to incur such expenses upon the close of the 2018 Transaction and the Individual Life Transaction. Certain other direct costs of these businesses, including those which relate to activities for which we have or will provide transitional services and for which we have or will be reimbursed under transition services agreements ("TSAs") are reported within continuing operations along with the associated revenues from the TSAs. Additionally, indirect costs, such as those related to corporate and shared service functions that were previously allocated to the businesses sold or divested via reinsurance, are reported within continuing operations. These costs ("Stranded Costs") and the associated revenues from the TSAs are reported within continuing operations in Corporate, since we do not believe they are representative of the future run-rate of revenues and expenses of our continuing operations. The Stranded Costs related to the 2018

Transaction were removed in the fourth quarter of 2019 and we plan to address the Stranded Costs related to the Individual Life Transaction through a cost reduction strategy. Refer to *Restructuring* in Part II, Item 7 of this Annual Report on Form 10-K for more information on this program.

Carried Interest

Net investment income and net realized gains (losses), within our Investment Management segment, includes, for the current and previous periods, performance-based capital allocations related to sponsored private equity funds ("carried interest") that are subject to later reversal based on subsequent fund performance, to the extent that cumulative rates of investment return fall below specified investment hurdle rates. Any such reversal could be fully or partially recovered in subsequent periods if cumulative fund performance later exceeds applicable hurdles. For the year ended December 31, 2019, our carried interest total net results were immaterial. For the year ended December 31, 2018, our carried interest total net results were a gain of \$13 million. For the year ended December 31, 2017, our carried interest total net results were a gain of \$35 million, including the recovery of \$25 million in previously reversed accrued carried interest related to a private equity fund which experienced an increase in fund performance during 2017. For additional information on carried interest, see *Risk Factors - Revenues, earnings and income from our Investment Management business operations could be adversely affected if the terms of our asset management agreements are significantly altered or the agreements are terminated, or if certain performance hurdles are not realized* in Part I, Item 1A. of this Annual Report on Form 10-K.

Restructuring

Organizational Restructuring

As a result of the closing of the 2018 Transaction, we have undertaken restructuring efforts to execute the transition and reduce stranded expenses associated with our CBVA and fixed and fixed indexed annuities businesses, as well as our corporate and shared services functions ("Organizational Restructuring").

In August 2018, we announced that we were targeting a cost savings of \$110 million to \$130 million by the middle of 2019 to address the stranded costs of the 2018 Transaction. Additionally, in October 2018, we announced our decision to cease new sales following the strategic review of our Individual Life business, which was expected to result in cost savings of \$20 million. The initiatives associated with these restructuring efforts concluded during 2019.

In November 2018, we announced that we are targeting an additional \$100 million of cost savings by the end of 2020 in addition to the cost savings referenced above. These savings initiatives will improve operational efficiency, strengthen technology capabilities and centralize certain sales, operations and investment management activities. The restructuring charges in connection with these initiatives are not reflected in our run-rate cost savings estimates.

The Organizational Restructuring initiatives described above have resulted in recognition of severance and organizational transition costs and are reflected in Operating expenses in the Consolidated Statements of Operations, but excluded from Adjusted operating earnings before income taxes. For the years ended December 31, 2019 and 2018, we incurred Organizational Restructuring expenses of \$201 million and \$49 million associated with continuing operations.

In addition to the restructuring costs incurred above, the anticipated reduction in employees from the execution of the initiatives described above triggered an immaterial curtailment loss and related re-measurement gain of our qualified defined benefit pension plan as of January 31, 2019, which was recorded during the first quarter of 2019.

Including the expense of \$201 million for the year ended December 31, 2019, the aggregate amount of additional Organizational Restructuring expenses expected is in the range of \$250 million to \$300 million. We anticipate that these costs, which will include severance, organizational transition costs incurred to reorganize operations and other costs such as contract terminations and asset write-offs, will occur at least through the end of 2020.

Restructuring expenses that were directly related to the preparation for and execution of the 2018 Transaction are included in Income (loss) from discontinued operations, net of tax, in the Consolidated Statements of Operations. For the year ended December 31, 2019, we did not incur any Organizational Restructuring expenses associated with discontinued operations as a result of the 2018 Transaction. For the year ended December 31, 2018, we incurred Organizational Restructuring expenses as a result of the 2018 Transaction of \$6 million of severance and organizational transition costs, which are reflected in discontinued operations.

Pursuant to the Individual Life Transaction, we will divest or dissolve five regulated insurance entities, including its life companies domiciled in Colorado and Indiana, and captive entities domiciled in Arizona and Missouri. We will also divest Voya America Equities LLC, a regulated broker-dealer, and transfer or cease usage of a substantial number of administrative systems. As such, we will undertake further restructuring efforts to reduce stranded expenses associated with our Individual Life business as well as our corporate and shared services functions. Through the closing of the Individual Life Transaction, we anticipate incurring additional restructuring expenses directly related to the disposition. These collective costs, which include severance, transition and other costs, cannot currently be estimated but could be material.

2016 Restructuring

In 2016, we began implementing a series of initiatives designed to make us a simpler, more agile company able to deliver an enhanced customer experience ("2016 Restructuring"). These initiatives include an increasing emphasis on less capital-intensive products and the achievement of operational synergies. Substantially all of the initiatives associated with the 2016 Restructuring program concluded at the end of 2018.

For the years ended December 31, 2019, 2018 and 2017, the total of all initiatives in the 2016 Restructuring program resulted in restructuring expenses of \$8 million, \$30 million and \$82 million, respectively, which are reflected in Operating expenses in the Consolidated Statements of Operations, but are excluded from Adjusted operating earnings before income taxes. These expenses are classified as a component of Other adjustments to Income (loss) from continuing operations before income taxes and consequently are not included in the adjusted operating results of our segments.

Results of Operations

Operating Measures

In this MD&A, we discuss Adjusted operating earnings before income taxes and Adjusted operating revenues, each of which is a measure used by management to evaluate segment performance. We provide more information on each measure below.

Adjusted Operating Earnings before Income Taxes

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

- Net investment gains (losses), net of related amortization of DAC, VOBA, sales inducements and unearned revenue, which are significantly influenced by economic and market conditions, including interest rates and credit spreads, and are not indicative of normal operations. Net investment gains (losses) include gains (losses) on the sale of securities, impairments, changes in the fair value of investments using the fair value option ("FVO") unrelated to the implied loan-backed security income recognition for certain mortgage-backed obligations and changes in the fair value of derivative instruments, excluding realized gains (losses) associated with swap settlements and accrued interest;
- Net guaranteed benefit hedging gains (losses), which are significantly influenced by economic and market conditions and are not indicative of normal operations, include changes in the fair value of derivatives related to guaranteed benefits, net of related reserve increases (decreases) and net of related amortization of DAC, VOBA and sales inducements, less the estimated cost of these benefits. The estimated cost, which is reflected in adjusted operating earnings, reflects the expected cost of these benefits if markets perform in line with our long-term expectations and includes the cost of hedging. Other derivative and reserve changes related to guaranteed benefits are excluded from adjusted operating earnings, including the impacts related to changes in our nonperformance spread;
- Income (loss) related to businesses exited or to be exited through reinsurance or divestment, which includes gains and (losses) associated with transactions to exit blocks of business within continuing operations (including net investment

gains (losses) on securities sold and expenses directly related to these transactions) and residual run-off activity (including an insignificant number of Individual Life, Annuities and CBVA policies that were not part of the Individual Life and 2018 Transactions). Excluding this activity, which also includes amortization of intangible assets related to businesses exited or to be exited, better reveals trends in our core business and more closely aligns Adjusted operating earnings before income taxes with how we manage our segments;

- Income (loss) attributable to noncontrolling interest represents the interest of shareholders, other than those of Voya Financial, Inc., in consolidated entities. Income (loss) attributable to noncontrolling interest represents such shareholders' interests in the gains and losses of those entities, or the attribution of results from consolidated variable interest entities ("VIEs") or voting interest entities ("VOEs") to which we are not economically entitled;
- Dividend payments made to preferred shareholders are included as reductions to reflect the Adjusted operating earnings that is available to common shareholders;
- Income (loss) related to early extinguishment of debt; which includes losses incurred as a part of transactions where we repurchase outstanding principal amounts of debt; these losses are excluded from Adjusted operating earnings before income taxes since the outcome of decisions to restructure debt are infrequent and not indicative of normal operations;
- Impairment of goodwill, value of management contract rights and value of customer relationships acquired, which includes losses as a result of impairment analysis; these represent losses related to infrequent events and do not reflect normal, cash-settled expenses;
- Immediate recognition of net actuarial gains (losses) related to our pension and other postretirement benefit obligations and gains (losses) from plan amendments and curtailments, which includes actuarial gains and losses as a result of differences between actual and expected experience on pension plan assets or projected benefit obligation during a given period. We immediately recognize actuarial gains and losses related to pension and other postretirement benefit obligations gains and losses from plan adjustments and curtailments. These amounts do not reflect normal, cash-settled expenses and are not indicative of current Operating expense fundamentals; and
- Other items not indicative of normal operations or performance of our segments or related to events such as capital or organizational restructurings undertaken to achieve long-term economic benefits, including certain costs related to debt and equity offerings, acquisition / merger integration expenses, severance and other third-party expenses associated with such activities. These items vary widely in timing, scope and frequency between periods as well as between companies to which we are compared. Accordingly, we adjust for these items as our management believes that these items distort the ability to make a meaningful evaluation of the current and future performance of our segments.

The most directly comparable U.S. GAAP measure to Adjusted operating earnings before income taxes is Income (loss) from continuing operations before income taxes. For a reconciliation of Income (loss) from continuing operations before income taxes to Adjusted operating earnings before income taxes, see *Results of Operations—Company Consolidated* below.

Adjusted Operating Revenues

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

- Net investment gains (losses) and related charges and adjustments, which are significantly influenced by economic and market conditions, including interest rates and credit spreads, and are not indicative of normal operations. Net investment gains (losses) include gains (losses) on the sale of securities, impairments, changes in the fair value of investments using the FVO unrelated to the implied loan-backed security income recognition for certain mortgage-backed obligations and changes in the fair value of derivative instruments, excluding realized gains (losses) associated with swap settlements and accrued interest. These are net of related amortization of unearned revenue;
- Gain (loss) on change in fair value of derivatives related to guaranteed benefits, which is significantly influenced by economic and market conditions and not indicative of normal operations, includes changes in the fair value of derivatives related to guaranteed benefits, less the estimated cost of these benefits. The estimated cost, which is reflected in adjusted operating revenues, reflects the expected cost of these benefits if markets perform in line with our long-term expectations and includes the cost of hedging. Other derivative and reserve changes related to guaranteed benefits are excluded from Adjusted operating revenues, including the impacts related to changes in our nonperformance spread;

- Revenues related to businesses exited or to be exited through reinsurance or divestment, which includes revenues associated with transactions to exit blocks of business within continuing operation (including net investment gains (losses) on securities sold related to these transactions) and residual run-off activity (including an insignificant number of Individual Life, Annuities and CBVA policies that were not part of the Individual Life and 2018 Transactions). Excluding this activity better reveals trends in our core business and more closely aligns Adjusted operating revenues with how we manage our segments;
- Revenues attributable to noncontrolling interest represents the interest of shareholders, other than of Voya Financial, Inc., in the revenues of consolidated entities. Revenues attributable to noncontrolling interest represents such shareholders' interests in the revenues of those entities, or the attribution of results from consolidated VIEs or VEOs to which we are not economically entitled; and
- Other adjustments to Total revenues primarily reflect fee income earned by our broker-dealers for sales of non-proprietary products, which are reflected net of commission expense in our segments' operating revenues, other items where the income is passed on to third parties and the elimination of intercompany investment expenses included in Adjusted operating revenues.

The most directly comparable U.S. GAAP measure to Adjusted operating revenues is Total revenues. For a reconciliation of Total revenues to Adjusted operating revenues, see *Results of Operations—Company Consolidated* below.

AUM and AUA

A substantial portion of our fees, other charges and margins are based on AUM. AUM represents on-balance sheet assets supporting customer account values/liabilities and surplus as well as off-balance sheet institutional/mutual funds. Customer account values reflect the amount of policyholder equity that has accumulated within retirement, annuity and universal-life type products. AUM includes general account assets managed by our Investment Management segment in which we bear the investment risk, separate account assets in which the contract owner bears the investment risk and institutional/mutual funds, which are excluded from our balance sheets. AUM-based revenues increase or decrease with a rise or fall in the amount of AUM, whether caused by changes in capital markets or by net flows.

AUM is principally affected by net deposits (i.e., new deposits, less surrenders and other outflows) and investment performance (i.e., interest credited to contract owner accounts for assets that earn a fixed return or market performance for assets that earn a variable return). Separate account AUM and institutional/mutual fund AUM include assets managed by our Investment Management segment, as well as assets managed by third-party investment managers. Our Investment Management segment reflects the revenues earned for managing affiliated assets for our other segments as well as assets managed for third parties.

AUA represents accumulated assets on contracts pursuant to which we either provide administrative or advisement services or product guarantees for assets managed by third parties. These contracts are not insurance contracts and the assets are excluded from the Consolidated Financial Statements. Fees earned on AUA are generally based on the number of participants, asset levels and/or the level of services or product guarantees that are provided.

Our consolidated AUM/AUA includes eliminations of AUM/AUA managed by our Investment Management segment that is also reflected in other segments' AUM/AUA and adjustments for AUM not reflected in any segments.

Sales Statistics

In our discussion of our segment results under *Results of Operations—Segment by Segment*, we sometimes refer to sales activity for various products. The term "sales" is used differently for different products, as described more fully below. These sales statistics do not correspond to revenues under U.S. GAAP and are used by us as operating statistics underlying our financial performance.

Net flows are deposits less redemptions (including benefits and other product charges).

Sales for Employee Benefits products are based on a calculation of annual premiums, which represent regular premiums on new policies, plus a portion of new single premiums.

Total gross premiums and deposits are defined as premium revenue and deposits for policies written and assumed. This measure provides information as to growth and persistency trends related to premium and deposits.

Other Measures

Total annualized in-force premiums are defined as a full year of premium at the rate in effect at the end of the period. This measure provides information as to the growth and persistency trends in premium revenue.

Interest adjusted loss ratios are defined as the ratio of benefits expense to premium revenue exclusive of the discount component in the change in benefit reserve. This measure reports the loss ratio related to mortality on life products and morbidity on health products.

Results of Operations - Company Consolidated

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

	Year Ended December 31,		
	2019	2018	2017
<i>(\$ in millions)</i>			
Revenues:			
Net investment income	\$ 2,792	\$ 2,669	\$ 2,641
Fee income	1,969	1,982	1,889
Premiums	2,273	2,132	2,097
Net realized capital gains (losses).	(166)	(355)	(209)
Other revenue	465	443	379
Income (loss) related to consolidated investment entities	143	292	432
Total revenues	7,476	7,163	7,229
Benefits and expenses:			
Interest credited and other benefits to contract owners/ policyholders	3,750	3,526	3,658
Operating expenses	2,746	2,606	2,562
Net amortization of Deferred policy acquisition costs and Value of business acquired ⁽¹⁾	199	233	353
Interest expense	176	221	184
Operating expenses related to consolidated investment entities.	45	49	87
Total benefits and expenses.	6,916	6,635	6,844
Income (loss) from continuing operations before income taxes	560	528	385
Income tax expense (benefit)	(205)	37	687
Income (loss) from continuing operations	765	491	(302)
Income (loss) from discontinued operations, net of tax	(1,066)	529	(2,473)
Net Income (loss)	(301)	1,020	(2,775)
Less: Net income (loss) attributable to noncontrolling interest	50	145	217
Less: Preferred stock dividends	28	—	—
Net income (loss) available to our common shareholders	\$ (379)	\$ 875	\$ (2,992)

⁽¹⁾ Refer to *DAC/VOBA and Other Intangibles Unlocking* in Part II, Item 7. of this Annual Report on Form 10-K for further detail.

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

	Year Ended December 31,		
	2019	2018	2017
<i>(\$ in millions)</i>			
Operating expenses:			
Commissions	\$ 673	\$ 643	\$ 656
General and administrative expenses:			
Net actuarial (gains)/losses related to pension and other postretirement benefit obligations	(3)	47	16
Restructuring expenses	209	79	82
Strategic Investment Program ⁽¹⁾	—	—	80
Other general and administrative expenses	1,977	1,943	1,862
Total general and administrative expenses	2,183	2,069	2,040
Total operating expenses, before DAC/VOBA deferrals	2,856	2,712	2,696
DAC/VOBA deferrals	(110)	(106)	(134)
Total operating expenses	\$ 2,746	\$ 2,606	\$ 2,562

⁽¹⁾ Beginning in 2018, remaining costs of our Strategic Investment Program related to IT simplification, digital and analytics are insignificant and have been allocated to our reportable segments within Other general and administrative expenses.

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

	As of December 31,		
	2019	2018	2017
<i>(\$ in millions)</i>			
AUM and AUA:			
Retirement ⁽²⁾	\$ 440,043	\$ 361,575	\$ 432,341
Investment Management	272,730	250,468	274,304
Employee Benefits	1,797	1,788	1,829
Eliminations/Other	(111,783)	(102,527)	(105,492)
Total AUM and AUA ^{(1) (2)}	\$ 602,787	\$ 511,304	\$ 602,982
AUM	\$ 322,538	\$ 281,380	\$ 307,980
AUA ⁽²⁾	280,249	229,924	295,002
Total AUM and AUA ^{(1) (2)}	\$ 602,787	\$ 511,304	\$ 602,982

⁽¹⁾ Includes AUM and AUA related to the Individual Life and 2018 Transactions, for which a substantial portion of the assets continue to be managed by our Investment Management segment.

⁽²⁾ Retirement includes Assets Under Advisement, which are presented in AUA. For further detail, refer to the Retirement segment results section below. Prior period information have been revised to conform to current period presentation.

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

	Year Ended December 31,		
	2019	2018	2017
<i>(\$ in millions)</i>			
Income (loss) from continuing operations before income taxes	\$ 560	\$ 528	\$ 385
Less Adjustments:			
Net investment gains (losses) and related charges and adjustments	25	(124)	(112)
Net guaranteed benefit hedging gains (losses) and related charges and adjustments	(14)	62	46
Income (loss) related to businesses exited or to be exited through reinsurance or divestment	98	(40)	59
Income (loss) attributable to noncontrolling interests	50	145	217
Income (loss) related to early extinguishment of debt	(12)	(40)	(4)
Immediate recognition of net actuarial gains (losses) related to pension and other postretirement benefit obligations and gains (losses) from plan amendments and curtailments	3	(47)	(16)
Dividend payments made to preferred shareholders	28	—	—
Other adjustments	(209)	(79)	(97)
Total adjustments to income (loss) from continuing operations before income taxes	\$ (31)	\$ (123)	\$ 93
Adjusted operating earnings before income taxes by segment:			
Retirement	\$ 588	\$ 701	\$ 456
Investment Management	180	205	248
Employee Benefits	199	160	127
Corporate	(376)	(415)	(539)
Total adjusted operating earnings before income taxes	\$ 591	\$ 651	\$ 292

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

	Year Ended December 31,		
	2019	2018	2017
<i>(\$ in millions)</i>			
Total revenues	\$ 7,476	\$ 7,163	\$ 7,229
Adjustments:			
Net realized investment gains (losses) and related charges and adjustments	18	(148)	(132)
Gain (loss) on change in fair value of derivatives related to guaranteed benefits	(13)	63	46
Revenues related to businesses exited or to be exited through reinsurance or divestment	1,531	1,446	1,618
Revenues attributable to noncontrolling interests	109	214	321
Other adjustments	321	238	193
Total adjustments to revenues	<u>\$ 1,966</u>	<u>\$ 1,813</u>	<u>\$ 2,046</u>
Adjusted operating revenues by segment:			
Retirement	\$ 2,712	\$ 2,727	\$ 2,538
Investment Management	675	683	731
Employee Benefits	2,026	1,849	1,767
Corporate	97	91	147
Total adjusted operating revenues	<u>\$ 5,510</u>	<u>\$ 5,350</u>	<u>\$ 5,183</u>

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

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

	Year Ended December 31,		
	2019	2018	2017
<i>(\$ in millions)</i>			
Other-than-temporary impairments	\$ (60)	\$ (32)	\$ (20)
CMO-B fair value adjustments ⁽¹⁾	62	(107)	(69)
Gains (losses) on the sale of securities	36	(14)	—
Other, including changes in the fair value of derivatives	(34)	11	(10)
Total investment gains (losses) including businesses to be exited through reinsurance or divestment	4	(142)	(99)
Net amortization of DAC/VOBA and other intangibles on above	10	31	16
Net investment gains (losses) including businesses to be exited through reinsurance or divestment	<u>\$ 14</u>	<u>\$ (111)</u>	<u>\$ (83)</u>
Less: Net investment gains (losses) related to the businesses to be exited through reinsurance or divestment, net of DAC/VOBA and other intangibles	11	(13)	(29)
Net investment gains (losses) excluding businesses to be exited through reinsurance or divestment	<u>\$ 25</u>	<u>\$ (124)</u>	<u>\$ (112)</u>

⁽¹⁾ For a description of our CMO-B portfolio, refer to *Investments - CMO-B Portfolio* in Part II, Item 7. of this Annual Report on Form 10-K.

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

	Year Ended December 31,		
	2019	2018	2017
<i>(\$ in millions)</i>			
Gain (loss), excluding nonperformance risk	\$ (15)	\$ 75	\$ 63
Gain (loss) due to nonperformance risk ⁽¹⁾	1	(13)	(17)
Net gain (loss) prior to related amortization of DAC/VOBA and sales inducements	(14)	62	46
Net amortization of DAC/VOBA and sales inducements	—	—	—
Net guaranteed benefit hedging gains (losses) and related charges and adjustments	\$ (14)	\$ 62	\$ 46

⁽¹⁾ Refer to *Critical Accounting Judgments and Estimates* in Part II, Item 7. of this Annual Report on Form 10-K for further detail.

The following tables present businesses exited or to be exited through reinsurance or divestment adjustments to Income (loss) from continuing operations and Total revenues for the periods indicated:

	Year Ended December 31,		
	2019	2018	2017
<i>(\$ in millions)</i>			
Income (loss) related to businesses exited through reinsurance or divestment	\$ 25	\$ (71)	\$ 18
Income (loss) related to businesses to be exited through reinsurance or divestment	73	31	41
Total income (loss) related to business exited or to be exited through reinsurance or divestment	\$ 98	\$ (40)	\$ 59

	Year Ended December 31,		
	2019	2018	2017
<i>(\$ in millions)</i>			
Revenues related to businesses exited through reinsurance or divestment	\$ 124	\$ (43)	\$ 92
Revenues related to businesses to be exited through reinsurance or divestment	1,407	1,489	1,526
Total revenues related to business exited or to be exited through reinsurance or divestment	\$ 1,531	\$ 1,446	\$ 1,618

The following table presents summary information related to the Income (loss) from discontinued operations, net of tax for the periods indicated:

	Year Ended December 31,		
	2019	2018	2017
Income (loss) from discontinued operations, net of tax⁽¹⁾			
Individual Life Transaction	\$ (984)	\$ 72	\$ 107
2018 Transaction	(82)	457	(2,580)
Total	\$ (1,066)	\$ 529	\$ (2,473)

⁽¹⁾ Refer to *Overview* in Part II, Item 7. of this Annual Report on Form 10-K for further detail.

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

	Year Ended December 31,		
	2019	2018	2017
<i>(\$ in millions)</i>			
Loss on sale, net of tax excluding costs to sell	\$ (1,072)	\$ —	\$ —
Transaction costs	(36)	—	—
Net results of discontinued operations ⁽¹⁾	93	55	54
Income tax benefit (expense)	31	17	53
Income (loss) from discontinued operations, net of tax ⁽²⁾	\$ (984)	\$ 72	\$ 107

⁽¹⁾ Includes \$31 million, \$102 million and \$59 million of DAC, VOBA and other intangibles unlocking for the years ended December 31, 2019, 2018 and 2017, respectively.

⁽²⁾ Refer to *Overview* in Part II, Item 7. of this Annual Report on Form 10-K for further detail.

The following table presents significant items included in Income (loss) from discontinued operations, net of tax related to the 2018 Transaction for the periods indicated:

	Year Ended December 31,		
	2019	2018	2017
<i>(\$ in millions)</i>			
Loss on sale, net of tax excluding costs to sell	\$ (82)	\$ 507	\$ (2,392)
Transaction costs	—	(2)	(31)
Net results of discontinued operations, excluding notable items	—	339	1,072
Income tax benefit (expense)	—	19	178
Notable items in CBVA results:			
Net gains (losses) related to incurred guaranteed benefits and CBVA hedge program, excluding nonperformance risk	—	(409)	(1,136)
Gain (loss) due to nonperformance risk	—	4	(284)
DAC/VOBA and other intangibles unlocking	—	(1)	13
Income (loss) from discontinued operations, net of tax ⁽¹⁾	\$ (82)	\$ 457	\$ (2,580)

⁽¹⁾ Refer to *Overview* in Part II, Item 7. of this Annual Report on Form 10-K for further detail.

Terminology Definitions

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

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

Consolidated - Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Net Income (Loss)

Net investment income increased \$123 million from \$2,669 million to \$2,792 million primarily due to:

- the impact of the current interest rate environment on fair value adjustments;
- higher prepayment fee income; and
- growth in general account assets in our Retirement segment.

The increase was partially offset by:

- lower alternative investment income primarily driven by lower yields in the current period compared to the prior period.

Fee income decreased \$13 million from \$1,982 million to \$1,969 million primarily due to:

- lower management and administrative fees earned in our Investment Management segment due to lower average general account AUM driven by the impact of the 2018 Transaction; and
- margin rate compression and change in business mix in our Retirement segment.

The decrease was partially offset by:

- an increase in full service fees in our Retirement segment driven by equity market improvements and business growth.

Premiums increased \$141 million from \$2,132 million to \$2,273 million primarily due to:

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

The increase was partially offset by:

- a decline in premiums associated with our business to be reinsured due to discontinued sales and lower considerations of life contingent contracts which corresponds to a decrease in Interest credited and other benefits to contract owners/policyholder.

Net realized capital losses decreased \$189 million from \$355 million to \$166 million primarily due to:

- higher Net investment gains and related charges and adjustments primarily due to interest rate and equity market movements, discussed below; and
- gains from market value changes associated with business reinsured, which are fully offset by a corresponding amount in Interest credited and other benefits to contract owners/policyholders.

The gains were partially offset by:

- unfavorable change in the fair value of guaranteed benefit derivatives excluding nonperformance risk as a result of interest rate movements partially offset by gain due to nonperformance risk; and
- gain on sale of real estate and other non-recurring items in the prior period.

Other revenue increased \$22 million from \$443 million to \$465 million primarily due to:

- higher performance fees in our Investment Management segment; and
- higher revenue resulting from transition services agreements.

The increase was partially offset by:

- lower broker-dealer revenues in our Retirement segment.

Interest credited and other benefits to contract owners/policyholders increased \$224 million from \$3,526 million to \$3,750 million primarily due to:

- market value impacts and changes in the reinsurance deposit asset associated with business reinsured, which are fully offset by a corresponding amount in Net realized capital gains (losses); and
- growth on stop loss, voluntary blocks and group life business partially offset by lower loss ratios in our Employee Benefits segment.

The increase was partially offset by:

- a decline in interest credited and other benefits to contract owners/policyholders associated with our business to be reinsured due to lower considerations of life contingent contracts which corresponds to a decrease in Premiums; and
- Reserve release associated with our business to be reinsured.

Operating expenses increased \$140 million from \$2,606 million to \$2,746 million primarily due to:

- an increase in growth-based expenses in our Retirement, Investment Management and Employee Benefit segments;
- higher restructuring charges in the current period; and
- higher litigation reserves in our Retirement segment.

The increase was partially offset by:

- litigation recovery related to a divested business in the current period;
- lower Stranded Costs; and
- net actuarial gain related to our pension and other postretirement benefit obligations, discussed below.

Net amortization of DAC/VOBA decreased \$34 million from \$233 million to \$199 million primarily due to:

- favorable amortization on our business to be reinsured driven by favorable unlocking in the current period;
- unfavorable unlocking and amortization in the prior period driven by an update to the assumptions related to the GMIR initiatives in our Retirement segment. See *DAC/VOBA and Other Intangibles Unlocking* in Part II, Item 7. of this Annual Report on Form 10-K for further information; and
- net favorable amortization on our business reinsured.

The decrease was partially offset by:

- a higher net unfavorable impact of annual assumption updates. See *Results of Operations - Segment by Segment* in Part II, Item 7. of this Annual Report on Form 10-K; and
- favorable amortization in the prior period due to net investment losses.

Interest expense decreased \$45 million from \$221 million to \$176 million primarily due to:

- debt extinguishment in connection with repurchased debt in the prior period that did not reoccur at the same level in the current period and preferred stock issuances in the fourth quarter of 2018 and second quarter of 2019. See *Liquidity and Capital Resources* in Part II, Item 7. of this Annual Report on Form 10-K for further information.

Income (loss) from continuing operations before income taxes increased \$32 million from \$528 million to \$560 million primarily due to:

- higher Net investment gains and related charges and adjustments, discussed below;
- Income on business exited or to be exited through reinsurance or divestment, discussed below;
- Immediate recognition of net actuarial gain related to pension plan adjustments and curtailments, discussed below; and
- lower losses related to early extinguishment of debt, discussed below.

The decrease was partially offset by:

- unfavorable changes in Other adjustments due to higher restructuring charges in the current period;
- lower Income attributable to noncontrolling interest;
- unfavorable changes in Net guaranteed benefit hedging gains (loss) and related charges and adjustments primarily due to changes in interest rates, discussed below; and
- lower Adjusted operating earnings before income taxes, discussed below.

Income tax expense changed \$242 million from an expense of \$37 million to a benefit of \$205 million primarily due to:

- a release of a portion of the valuation allowance; and
- a change in tax credits.

The change was partially offset by:

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

Income (loss) from discontinued operations, net of tax changed \$1,595 million from income of \$529 million to loss of \$1,066 million primarily due to:

- Individual Life Transaction loss on sale, net of tax excluding costs to sell made in the current period;
- a favorable Adjustment to the 2018 Transaction loss on sale, net of tax excluding costs to sell in the prior period;
- a decrease in Net results from discontinued operations primarily due to favorable results in the prior period related to the 2018 Transaction partially offset by a favorable change in the Individual Life Transaction Net results from discontinued operations in the current period; and
- Transaction costs related to the Individual Life Transaction.

The change was partially offset by:

- Net losses related to incurred guaranteed benefits and CBVA hedge program, excluding nonperformance risk in businesses held for sale related to the 2018 Transaction in the prior period.

Adjusted Operating Earnings before Income Taxes

Adjusted operating earnings before income taxes decreased \$60 million from \$651 million to \$591 million primarily due to:

- higher expenses primarily resulting from business growth and non-recurring items in our Retirement, Investment Management and Employee Benefits segments;
- higher benefits incurred in stop loss, voluntary blocks and group life business partially offset by lower loss ratios in our Employee Benefits segment;
- lower average general account AUM driven by the impact of the 2018 Transaction;
- unfavorable DAC/VOBA unlocking due to annual assumption updates in our Retirement segment;
- lower alternative investment income; and
- lower Net investment income in our Corporate segment due to run-off business and other non-recurring activity in the prior period.

The decrease was partially offset by:

- higher premiums driven by growth of the stop loss, voluntary blocks and group life business in our Employee Benefits segment;
- lower Stranded costs; and
- higher performance fees in our Investment Management segment.

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

Net investment gains (losses) and related charges and adjustments increased \$149 million from a loss of \$124 million to a gain of \$25 million primarily due to:

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

The increase was partially offset by:

- unfavorable changes in the fair value of derivatives;
- higher impairments in the current period;
- favorable change in Net investment gains associated with our business to be reinsured; and
- lower favorable amortization of DAC/VOBA and sales inducements.

Net guaranteed benefit hedging gains (losses) and related charges and adjustments decreased \$76 million from a gain of \$62 million to a loss of \$14 million primarily due to:

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

The decrease was partially offset by:

- favorable changes due to nonperformance risk in the current period.

Loss related to businesses exited through reinsurance or divestment increased \$138 million from a loss of \$40 million to a gain of \$98 million primarily due to:

- a litigation recovery related to a divested business in the current period;
- net favorable amortization associated with business reinsured and to be reinsured in the current period; and
- reserve release associated with the social security master death file.

The increase was partially offset by:

- a decline in premiums due to lower considerations on life contingent contracts and discontinued sales.

Loss related to early extinguishment of debt decreased \$28 million from \$40 million to \$12 million primarily due to:

- higher losses in connection with repurchased and restructured debt in the prior period. See *Liquidity and Capital Resources* in Part II, Item 7. of this Annual Report on Form 10-K for further information.

Immediate recognition of net actuarial gains (losses) related to pension and other postretirement benefit obligations and gains (losses) from plan adjustments and curtailments changed \$50 million. See *Critical Accounting Judgments and Estimates - Employee Benefits Plans* in Part II, Item 7. of this Annual Report on Form 10-K for further information.

Other adjustments increased \$130 million from a loss of \$79 million to a loss of \$209 million primarily due to:

- higher costs recorded in the current period related to restructuring. See *Overview - Restructuring* in Part II, Item 7. of this Annual Report on Form 10-K for further information.

Consolidated - Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Net Income (Loss)

Net investment income increased \$28 million from \$2,641 million to \$2,669 million primarily due to:

- higher alternative investment income.

The increase was partially offset by:

- a recovery of previously reversed carried interest in the prior period in our Investment Management segment; and
- lower investment income in our runoff blocks of business.

Fee income increased \$93 million from \$1,889 million to \$1,982 million primarily due to:

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

The increase was partially offset by:

- a shift in the business mix in our Retirement segment.

Premiums increased \$35 million from \$2,097 million to \$2,132 million primarily due to:

- higher premiums driven by growth of the voluntary and group life business partially offset by a decline in stop loss premiums in our Employee Benefits segment.

The increase was partially offset by:

- a decline in premiums associated with our business to be reinsured due to lower considerations on life contingent contracts and discontinued sales.

Net realized capital losses increased \$146 million from \$209 million to \$355 million primarily due to:

- unfavorable market value changes associated with business reinsured; and
- higher Net realized investment losses as a result of greater losses in CMO-B fair value adjustments, losses on the sale of securities, and higher impairments partially offset by gains due to changes in the fair value of derivatives.

The losses were partially offset by:

- higher gains in the fair value of net guaranteed benefit derivatives, excluding nonperformance risk due to changes in interest rates.

Other revenue increased \$64 million from \$379 million to \$443 million primarily due to:

- higher broker-dealer revenues in our Retirement segment;
- revenue resulting from a transition services agreement;
- favorable market value adjustments on separate accounts in our Retirement segment; and

The increase was partially offset by:

- lower performance fees in our Investment Management segment.

Interest credited and other benefits to contract owners/policyholders decreased \$132 million from \$3,658 million to \$3,526 million as a result of the following:

- market value impacts and changes in the reinsurance deposit asset associated with business reinsured; and
- improvement as a result of a certain block of funding agreements in run-off during 2017.

The decrease was partially offset by:

- higher loss ratio on group life and voluntary benefits partially offset by lower benefits incurred on stop loss in our Employee Benefits segment.

Operating expenses increased \$44 million from \$2,562 million to \$2,606 million primarily due to:

- higher litigation reserves related to a divested business;
- higher net actuarial losses related to our pension and other postretirement benefit obligations;
- higher recordkeeping expenses in our Retirement segment; and
- higher broker-dealer expenses.

The increase was partially offset by:

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

Net amortization of DAC/VOBA decreased \$120 million from \$353 million to \$233 million primarily due to:

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

The decrease was partially offset by:

- net unfavorable amortization on our business reinsured.

Interest expense increased \$37 million from \$184 million to \$221 million primarily due to:

- debt extinguishment in connection with repurchased debt.

Income (loss) from continuing operations before income taxes increased \$143 million from \$385 million to \$528 million primarily due to:

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

The increase was partially offset by:

- higher Loss related to business exited through reinsurance or divestment, discussed below;
- lower Income attributable to noncontrolling interest;
- higher expenses related to early extinguishment of debt;
- higher Immediate recognition of net actuarial losses related to pension and other postretirement benefit obligations and losses from plan adjustments and curtailments, discussed below; and
- higher Net investment losses and related charges and adjustments, discussed below.

Income tax expense decreased \$650 million from \$687 million to \$37 million primarily due to:

- a decrease in the federal income tax rate from 35% to 21%;
- a large Tax Reform-related expense associated with revaluing deferred tax assets in 2017 that did not recur in 2018; and
- a change in the DRD.

The decrease was partially offset by:

- a change in noncontrolling interest;
- an increase in income before income taxes; and
- a change in non-deductible expenses.

Income (loss) from discontinued operations, net of tax changed \$3,002 million from loss of \$2,473 million to income of \$529 million primarily due to:

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

The increase was partially offset by:

- a decrease in Net results of discontinued operations, excluding notable items, primarily due to the unfavorable impact of equity market movements compared to the prior period.

Adjusted Operating Earnings before Income Taxes

Adjusted operating earnings before income taxes increased \$359 million from \$292 million to \$651 million primarily due to:

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

The increase was partially offset by:

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

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

Net investment gains (losses) and related charges and adjustments increased \$12 million from a loss of \$112 million to a loss of \$124 million primarily due to:

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

The change was partially offset by:

- gains due to changes in the fair value of derivatives in the current period;
- unfavorable change in Net investment gains associated with our business to be reinsured; and
- favorable changes in DAC/VOBA and other intangibles unlocking related to net investment gains and losses.

Net guaranteed benefit hedging gains (losses) and related charges and adjustments increased \$16 million from a gain of \$46 million to a gain of \$62 million primarily due to:

- higher gains in the fair value of net guaranteed benefit derivatives, excluding nonperformance risk due to changes in interest rates.

Income (Loss) related to businesses exited or to be exited through reinsurance or divestment changed by \$99 million from a gain of \$59 million to a loss of \$40 million primarily due to:

- higher litigation reserves related to a divested business;
- net unfavorable amortization; and
- a decline in premiums due to lower considerations on life contingent contracts and discontinued sales.

Loss related to early extinguishment of debt of increased \$36 million from \$4 million to \$40 million primarily due to:

- Losses in connection with repurchased debt.

Immediate recognition of net actuarial gains (losses) related to pension and other postretirement benefit obligations and gains (losses) from plan adjustments and curtailments changed \$31 million from a loss of \$16 million to a loss of \$47 million. See *Critical*

Accounting Judgments and Estimates - Employee Benefits Plans in Part II, Item 7. of this Annual Report on Form 10-K for further information.

Other adjustments decreased \$18 million from a loss of \$97 million to a loss of \$79 million primarily due to:

- lower costs recorded in the current period related to restructuring. See *Overview - Restructuring* in Part II, Item 7. of this Annual Report on Form 10-K for further information; and
- rebranding costs incurred in the prior period.

Results of Operations - Segment by Segment

Retirement

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

	Year Ended December 31,		
	2019	2018	2017
<i>(\$ in millions)</i>			
Adjusted operating revenues:			
Net investment income and net realized gains (losses)	\$ 1,750	\$ 1,758	\$ 1,703
Fee income ⁽¹⁾	852	844	744
Premiums	5	7	6
Other revenue	105	118	85
Total adjusted operating revenues	2,712	2,727	2,538
Operating benefits and expenses:			
Interest credited and other benefits to contract owners/ policyholders	946	956	958
Operating expenses	1,046	959	850
Net amortization of DAC/VOBA	132	111	274
Total operating benefits and expenses	2,124	2,026	2,082
Adjusted operating earnings before income taxes ⁽²⁾	\$ 588	\$ 701	\$ 456

⁽¹⁾ Year ended December 31, 2017 excludes investment-only products, which were transferred from Corporate during the year ended December 31, 2018.

⁽²⁾ Refer to *DAC/VOBA and Other Intangibles Unlocking* in Part II, Item 7. of this Annual Report on Form 10-K for further description.

The following table presents DAC/VOBA and other intangibles unlocking, including unlocking related to the GMIR initiative, and annual review of the assumptions, included in Adjusted operating earnings before income taxes for the periods indicated:

	Year Ended December 31,		
	2019	2018	2017
<i>(\$ in millions)</i>			
DAC/VOBA and other intangibles unlocking	\$ (30)	\$ (1)	\$ (137)

The net impact of annual review of the assumptions, completed in the third quarter 2019, 2018 and 2017, resulted in unlocking of \$(25) million, \$48 million and \$(47) million, respectively. The net unfavorable unlocking in 2019 reflects impacts related to our reduction in the long-term interest rate of 50 basis points and lower net margins. The net favorable unlocking in 2018 reflects changes in equity market assumptions partially offset by \$51 million unfavorable adjustment related to the GMIR initiatives. The net unfavorable unlocking in 2017 reflects \$220 million related to the GMIR initiative. Excluding the GMIR-related unlocking, the favorable DAC/VOBA unlocking from the annual review of assumptions was primarily driven by favorable liability and expense assumption changes.

Starting first quarter of 2019, Assets Under Advisement are presented in AUA, which includes recordkeeping, stable value investment-only wrap, brokerage and investment advisory assets. Prior period information have been revised to conform to current period presentation.

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

	As of December 31,		
	2019	2018	2017
<i>(\$ in millions)</i>			
Corporate markets	\$ 73,497	\$ 58,705	\$ 60,495
Tax exempt markets.	70,109	60,514	62,070
Total full service plans	143,606	119,219	122,565
Stable value ⁽¹⁾ and pension risk transfer	10,298	10,815	11,982
Retail wealth management	10,843	9,099	3,644
Total AUM	164,747	139,133	138,191
AUA.	275,296	222,442	294,150
Total AUM and AUA.	\$ 440,043	\$ 361,575	\$ 432,341

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

	As of December 31,		
	2019	2018	2017
<i>(\$ in millions)</i>			
General Account	\$ 32,932	\$ 33,006	\$ 32,571
Separate Account.	77,748	65,417	71,233
Mutual Fund/Institutional Funds.	54,067	40,710	34,387
AUA	275,296	222,442	294,150
Total AUM and AUA	\$ 440,043	\$ 361,575	\$ 432,341

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

	Year Ended December 31,		
	2019	2018	2017
<i>(\$ in millions)</i>			
Balance as of beginning of period	\$ 139,133	\$ 138,191	\$ 121,408
Transfers / Adjustments ⁽¹⁾	—	6,212	—
Deposits	20,563	19,474	18,014
Surrenders, benefits and product charges.	(19,666)	(19,439)	(16,509)
Net flows	897	35	1,505
Interest credited and investment performance	24,717	(5,305)	15,278
Balance as of end of period	\$ 164,747	\$ 139,133	\$ 138,191

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

Retirement - Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Adjusted operating earnings before income taxes decreased \$113 million from \$701 million to \$588 million primarily due to:

- higher expenses primarily resulting from business growth and non-recurring items, including the write-off previously deferred expenses related to policy acquisition cost;
- unfavorable DAC/VOBA unlocking due to annual assumption updates; and
- lower investment spread income.

The decrease was partially offset by:

- higher fee revenue resulting from business growth and equity market improvements.

Retirement - Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Adjusted operating earnings before income taxes increased \$245 million from \$456 million to \$701 million primarily due to:

- favorable changes in DAC/VOBA unlocking primarily due to annual assumption updates;
- an increase in separate account and institutional/mutual fund AUM driven by equity market improvements and the cumulative impact of positive net flows resulting in higher full service fees;
- growth in general account assets resulting from the cumulative impact of participants' transfers from variable investment options into fixed investment options;
- an increase in alternative investment income primarily driven by market performance; and
- the impact of expense management efforts partially offset by higher expenses due to the growth in business.

The increase was partially offset by:

- unfavorable DAC/VOBA unlocking due to the GMIR initiative which reduces our interest rate exposure on new deposits, transfers and in certain plans existing fixed account assets;
- lower investment yields, including the impact of the continued low interest rate environment;
- lower prepayment fee income; and
- the shift in the business mix from participants' transfers from variable investment options into fixed investment options.

Investment Management

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

	Year Ended December 31,		
	2019	2018	2017
<i>(\$ in millions)</i>			
Adjusted operating revenues:			
Net investment income and net realized gains (losses)	\$ 13	\$ 29	\$ 57
Fee income	611	635	632
Other revenue	51	19	42
Total adjusted operating revenues	<u>675</u>	<u>683</u>	<u>731</u>
Operating benefits and expenses:			
Operating expenses	495	478	483
Total operating benefits and expenses	<u>495</u>	<u>478</u>	<u>483</u>
Adjusted operating earnings before income taxes	<u><u>\$ 180</u></u>	<u><u>\$ 205</u></u>	<u><u>\$ 248</u></u>

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

	Year Ended December 31,		
	2019	2018	2017
<i>(\$ in millions)</i>			
Investment Management intersegment revenues	\$ 104	\$ 101	\$ 103

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

	As of December 31,		
	2019	2018	2017
<i>(\$ in millions)</i>			
Assets under Management			
External clients:			
Investment Management sourced	\$ 99,589	\$ 85,573	\$ 85,804
Affiliate sourced ⁽¹⁾	38,785	34,372	56,476
Variable annuities ⁽²⁾	28,448	27,231	—
Total external clients	<u>166,822</u>	<u>147,176</u>	<u>142,280</u>
General account	56,651	56,288	82,006
Total AUM	<u>223,473</u>	<u>203,464</u>	<u>224,286</u>
Assets under Administration ⁽³⁾	49,257	47,004	50,018
Total AUM and AUA	<u><u>\$ 272,730</u></u>	<u><u>\$ 250,468</u></u>	<u><u>\$ 274,304</u></u>

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

⁽²⁾ Reflects AUM associated with the businesses divested as part of the 2018 Transaction.

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

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

	Year Ended December 31,		
	2019	2018	2017
<i>(\$ in millions)</i>			
Net Flows:			
Investment Management sourced	\$ 3,948	\$ 2,991	\$ 5,017
Affiliate sourced	(1,348)	(2,124)	(978)
Variable annuities ⁽¹⁾	(2,626)	(2,519)	(4,505)
Sub-advisor replacements ⁽²⁾	2,806	76	857
Total	<u><u>\$ 2,780</u></u>	<u><u>\$ (1,576)</u></u>	<u><u>\$ 391</u></u>

⁽¹⁾ Reflects net flows associated with the businesses divested as part of the 2018 Transaction.

⁽²⁾ Reflects net flows mainly associated with outside managed funds.

Investment Management - Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Adjusted operating earnings before income taxes decreased \$25 million from \$205 million to \$180 million primarily due to:

- lower average general account AUM driven by the impact of the 2018 Transaction;
- lower investment capital returns; and
- higher operating expenses due primarily to higher volume expenses associated with business growth.

The decrease was partially offset by:

- higher Other revenue primarily due to higher performance and production fees earned in the current period.

Investment Management - Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Adjusted operating earnings before income taxes decreased \$43 million from \$248 million to \$205 million primarily due to:

- higher alternative investment income primarily driven by the recovery of accrued carried interest previously reversed in the prior period related to a sponsored private equity fund that experienced market value improvements in the current period; and
- an increase in average AUM driven by market improvements and the cumulative impact of positive net flows resulting in higher management and administrative fees earned.

The decrease was partially offset by:

- higher operating expenses including higher compensation related expenses primarily associated with higher operating earnings; and
- lower Other revenue related to performance fees earned in the current period.

Employee Benefits

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

	Year Ended December 31,		
	2019	2018	2017
<i>(\$ in millions)</i>			
Adjusted operating revenues:			
Net investment income and net realized gains (losses)	\$ 114	\$ 114	\$ 109
Fee income	64	69	63
Premiums	1,856	1,672	1,600
Other revenue	(8)	(6)	(5)
Total adjusted operating revenues.	<u>2,026</u>	<u>1,849</u>	<u>1,767</u>
Operating benefits and expenses:			
Interest credited and other benefits to contract owners/ policyholders.	1,406	1,317	(1,293)
Operating expenses	405	355	(336)
Net amortization of DAC/VOBA	16	17	(11)
Total operating benefits and expenses.	<u>1,827</u>	<u>1,689</u>	<u>(1,640)</u>
Adjusted operating earnings before income taxes ⁽¹⁾	<u>\$ 199</u>	<u>\$ 160</u>	<u>\$ 127</u>

⁽¹⁾ Refer to *DAC/VOBA and Other Intangibles Unlocking* in Part II, Item 7. of this Annual Report on Form 10-K for further description.

In the third quarter 2019 and 2017, the net impact of the annual review of the assumptions were not material. In the third quarter 2018, the net favorable impact of the annual review of the assumptions was \$1 million, of which \$7 million favorable impact in Fee income was offset by \$6 million unfavorable impact in Net amortization of DAC/VOBA.

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

	Year Ended December 31,		
	2019	2018	2017
<i>(\$ in millions)</i>			
Sales by Product Line:			
Group life and Disability	\$ 133	\$ 99	\$ 85
Stop loss	282	255	286
Total group products	415	354	371
Voluntary products	114	94	70
Total sales by product line	\$ 529	\$ 448	\$ 441
Total gross premiums and deposits	\$ 2,079	\$ 1,872	\$ 1,806
Group life and Disability	710	659	623
Stop loss	1,038	969	969
Voluntary	390	311	257
Total annualized in-force premiums	\$ 2,138	\$ 1,939	\$ 1,849
Loss Ratios:			
Group life (interest adjusted)	75.6%	79.5%	76.0%
Stop loss	78.4%	79.1%	82.7%
Total Loss Ratio	70.2%	72.5%	74.0%

Employee Benefits - Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Adjusted operating earnings before income taxes increased \$39 million from \$160 million to \$199 million primarily due to:

- higher premiums driven by growth of the stop loss, voluntary and group life blocks.

The increase was partially offset by:

- higher benefits incurred due to growth in business partially offset by lower loss ratios; and
- higher distribution expenses and commissions to support business growth.

Employee Benefits - Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Adjusted operating earnings before income taxes increased \$33 million from \$127 million to \$160 million primarily due to:

- higher premiums driven by growth of the stop loss and voluntary business;
- favorable group life and voluntary experience;
- a favorable reserve refinement related to expired claims on the stop loss block; excluding the effect of this refinement, the loss ratio for stop loss is 83.7% for the current period; and
- the current and prior periods both benefited from favorable voluntary reserve refinements.

The increase was partially offset by:

- higher benefits incurred due to a higher loss ratio on stop loss and growth of the business; and
- higher volume related expenses associated with growth of the stop loss and voluntary business.

Corporate

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

(\$ in millions)	Year Ended December 31,		
	2019	2018	2017
Adjusted operating revenues:			
Net investment income and net realized gains (losses)	\$ 54	\$ 56	\$ 68
Fee income ⁽¹⁾	—	—	67
Premiums	3	3	3
Other revenue	40	32	9
Total adjusted operating revenues	97	91	147
Operating benefits and expenses:			
Interest credited and other benefits to contract owners/ policyholders	42	32	16
Operating expenses ⁽²⁾	225	290	484
Net amortization of DAC/VOBA	—	—	—
Interest Expense ⁽³⁾	206	184	186
Total operating benefits and expenses	473	506	686
Adjusted operating earnings before income taxes	\$ (376)	\$ (415)	\$ (539)

⁽¹⁾ Year ended December 31, 2017 includes investment-only products, which were transferred to our Retirement segment during the year ended December 31, 2018.

⁽²⁾ Includes expenses from corporate activities, and expenses not allocated to our segments. Years ended December 31, 2019 and 2018 primarily include stranded costs related to the 2018 and Individual Life Transactions and amortization of intangibles. Year ended December 31, 2017 also includes expenses related to our Strategic Investment Program and investment-only products.

⁽³⁾ Includes dividend payments made to preferred shareholders.

Corporate - Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Adjusted operating earnings before income taxes increased \$39 million from a loss of \$415 million to a loss of \$376 million primarily due to:

- lower Stranded costs; and
- lower net compensation adjustments.

This increase was partially offset by:

- Preferred stock dividends in the current year partially offset by lower interest expense as we converted debt to equity instruments during the fourth quarter of 2018 and second quarter of 2019; and
- income due to run-off business and other non-recurring activity in the prior period.

Corporate - Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Adjusted operating earnings before income taxes increased \$124 million from a loss of \$539 million to a loss of \$415 million primarily related to:

- decline in expenses associated with our Strategic Investment Program as the expense is allocated to our segments beginning in the first quarter of 2018;
- lower net compensation adjustments;
- a decrease in compliance-related expenses in the current period; and
- lower Stranded costs.

Alternative Investment Income

Investment income on certain alternative investments can be volatile due to changes in market conditions. The following table presents the amount of investment income (loss) on certain alternative investments that is included in segment Adjusted operating

earnings before income taxes and the average level of assets in each segment, prior to intercompany eliminations, which excludes alternative investments and income that are a component of Assets held for sale, Income (loss) related to businesses exited or to be exited through reinsurance or divestment and Income (loss) from discontinued operations, net of tax, respectively, and alternative investments and income in Corporate. These alternative investments are carried at fair value, which is estimated based on the net asset value ("NAV") of these funds.

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

The following table presents the investment income for the years ended December 31, 2019, 2018 and 2017, respectively, and the average assets of alternative investments as of the dates indicated:

(\$ in millions)	Year Ended December 31,		
	2019	2018	2017
Retirement:			
Alternative investment income	\$ 84	\$ 99	\$ 62
Average alternative investments	758	595	517
Investment Management:			
Alternative investment income ⁽¹⁾	13	28	57
Average alternative investments	223	232	229
Employee Benefits:			
Alternative investment income	10	10	6
Average alternative investments	86	57	49

⁽¹⁾ No amounts for carried interest were reversed or recovered in 2019. Includes the recoveries of \$1 million and \$25 million in 2018 and 2017, respectively, of previously reversed accrued carried interest related to a private equity fund which experienced an increase in fund performance.

DAC/VOBA and Other Intangibles Unlocking

Changes in Adjusted operating earnings before income taxes and Net income (loss) are influenced by increases and decreases in amortization of DAC, VOBA, deferred sales inducements ("DSI"), and unearned revenue ("URR"), collectively, "DAC/VOBA and other intangibles". Unlocking, described below, related to DAC, VOBA, DSI and URR, are referred to as "DAC/VOBA and other intangibles unlocking."

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

We also review the estimated gross profits for each of our blocks of business to determine recoverability of DAC, VOBA and DSI balances each period. If these assets are deemed to be unrecoverable, a write-down is recorded that is referred to as loss recognition. Refer to *Critical Accounting Judgments and Estimates* in Part II, Item 7. of this Annual Report on Form 10-K for more information.

The following table presents DAC/VOBA and other intangibles unlocking, including unlocking related to the guaranteed minimum interest rate ("GMIR initiative") and annual review of the assumptions, included in Adjusted operating earnings before income taxes for the periods indicated:

	Year Ended December 31,		
	2019	2018	2017
<i>(\$ in millions)</i>			
Retirement ⁽¹⁾	\$ (30)	\$ (1)	\$ (137)
Employee Benefits	—	(1)	(2)
Total DAC/VOBA and other intangibles unlocking	\$ (30)	\$ (2)	\$ (139)

⁽¹⁾ Includes unfavorable unlocking of \$51 million and \$220 million for the years ended December 31, 2018 and 2017, respectively, associated with the GMIR initiative discussed below.

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

	Year Ended December 31,		
	2019	2018	2017
<i>(\$ in millions)</i>			
Retirement	\$ (25)	\$ 48	\$ (47)
Employee Benefits	—	1	—
Total	\$ (25)	\$ 49	\$ (47)

During the third quarter of 2019, 2018, and 2017, we completed our annual review of the assumptions, including projection model inputs, in each of our segments (except for the Investment Management segment for which assumption reviews are not relevant). As a result of this review, we made a number of changes to our assumptions resulting in a net unfavorable impact of \$25 million to Adjusted operating earnings before income taxes in the current period, compared to an favorable impact of \$49 million in the third quarter of 2018 and an unfavorable impact of \$47 million in the third quarter of 2017. The unlocking in third quarter 2019 was driven principally by a reduction in the long-term interest rate of 50 basis points. The unlocking in the third quarter 2018 was driven principally by the unfavorable adjustment of the GMIR initiative partially offset by favorable changes in equity market assumptions in our Retirement business. The unlocking in the third quarter 2017 was driven principally by GMIR initiative and favorable liability and expense assumption changes. For information about the impacts of the annual review of assumptions on DAC/VOBA and other intangibles and Adjusted operating earnings before income taxes related to our segments, see *Results of Operations - Segment by Segment* in Part II, Item 7. of this Annual Report on Form 10-K.

In 2017, we began soliciting customer consents to execute a change to reduce the GMIR initiative applicable to future deposits and transfers into fixed investment options for certain retirement plan contracts with above-market GMIRs. This change reduces our interest rate exposure on new deposits, transfers and in certain plans existing fixed account assets and resulted in unfavorable unlocking during 2017 and 2018. The unfavorable unlocking for 2018 and 2017 was \$51 million and \$220 million, respectively and was recorded in Net amortization of DAC/VOBA. Of these amounts, \$8 million and \$92 million were reflected in the annual assumption updates described above for 2018 and 2017, respectively.

Liquidity and Capital Resources

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

Consolidated Sources and Uses of Liquidity and Capital

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

Parent Company Sources and Uses of Liquidity

Voya Financial, Inc. is largely dependent on cash flows from its operating subsidiaries to meet its obligations. The principal sources of funds available to Voya Financial, Inc. include dividends and returns of capital from its operating subsidiaries, as well as cash and short-term investments, and proceeds from debt issuances, borrowing facilities and equity securities issuances. These sources of funds include the \$750 million revolving credit sublimit of our Second Amended and Restated Credit Agreement and reciprocal borrowing facilities maintained with Voya Financial, Inc.'s subsidiaries as well as alternate sources of liquidity described below.

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

	Year Ended December 31,		
	2019	2018	2017
<i>(\$ in millions)</i>			
Beginning cash and cash equivalents balance	\$ 209	\$ 244	\$ 257
Sources:			
Proceeds from loans from subsidiaries, net of repayments	65	—	408
Dividends and returns of capital from subsidiaries	1,064	1,207	1,093
Repayment of loans to subsidiaries, net of new issuances	—	111	87
Proceeds from 2024 Notes offering	—	—	399
Proceeds from 2048 Notes offering	—	350	—
Proceeds from issuance of preferred stock, net	293	319	—
Amounts received from subsidiaries under tax sharing agreements, net	—	63	—
Refund of income taxes, net	128	—	154
Proceeds from sale of equity securities, net	121	—	—
Sale of short-term investments	—	212	—
Other, net	15	1	—
Total sources	<u>1,686</u>	<u>2,263</u>	<u>2,141</u>
Uses:			
Repurchase of Senior Notes	97	266	490
Premium paid and other fees related to debt extinguishment	9	20	4
Payment of interest expense	136	152	138
Capital provided to subsidiaries	3	55	467
Repayments of loans from subsidiaries, net of new issuances	—	414	—
New issuances of loans to subsidiaries, net of repayments	85	—	—
Amounts paid to subsidiaries under tax sharing arrangements, net	123	—	104
Payment of income taxes, net	—	1	—
Debt issuance costs	—	6	3
Common stock acquired - Share repurchase	1,136	1,025	923
Share-based compensation	22	14	8
Dividends paid on preferred stock	28	—	—
Dividends paid on common stock	44	6	8
Maturity of 2018 Notes	—	337	—
Acquisition of equity securities, net	—	2	9
Total uses	<u>1,683</u>	<u>2,298</u>	<u>2,154</u>
Net increase (decrease) in cash and cash equivalents	<u>3</u>	<u>(35)</u>	<u>(13)</u>
Ending cash and cash equivalents balance	<u>\$ 212</u>	<u>\$ 209</u>	<u>\$ 244</u>

Share Repurchase Program and Dividends to Shareholders

On March 13, 2014, our Board of Directors authorized a share repurchase program, pursuant to which we may, from time to time, purchase shares of our common shares through various means, including, without limitation, open market transactions, privately negotiated transactions, forward, derivative, or accelerated repurchase, or automatic repurchase transactions, including 10b5-1 plans, or tender offers.

Since 2014, our Board of Directors has periodically renewed our authority to repurchase our shares. On May 2, 2019, the Board of Directors provided share repurchase authorization, increasing the aggregate of our common stock authorized for repurchase by \$500 million. On October 31, 2019, the Board of Directors provided its most recent share repurchase authorization, increasing the aggregate of our common stock authorized for repurchase by \$800 million. The additional share repurchase authorization expires on December 31, 2020 (unless extended) and does not obligate us to purchase any shares. The authorization for the share repurchase program may be terminated, increased or decreased by the Board of Directors at any time. As of December 31, 2019, we were authorized to repurchase shares up to an aggregate purchase price of \$690 million.

The following table presents repurchases of our common stock through share repurchase agreements with third-party financial institutions for the year ended December 31, 2019 and December 31, 2017. We did not enter into any share repurchase agreements in 2018.

2019					
Execution Date	Payment	Initial Shares Delivered	Closing Date	Additional Shares Delivered	Total Shares Repurchased
January 3, 2019	\$ 250	5,059,449	April 4, 2019	290,765	5,350,214
April 9, 2019	\$ 236	3,593,453	June 4, 2019	879,199	4,472,652
June 19, 2019	\$ 200	2,963,512	August 6, 2019	695,566	3,659,078
December 19, 2019	\$ 200	2,591,093	(1)	(1)	(1)

(1) This arrangement is scheduled to terminate no later than the end of first quarter of 2020, at which time we will settle any outstanding positive or negative share balances based on the daily volume-weighted average price of our common stock.

2017					
Execution Date	Payment	Initial Shares Delivered	Closing Date	Additional Shares Delivered	Total Shares Repurchased
March 9, 2017	\$ 150	—	April 12, 2017	3,986,647	3,986,647
December 26, 2017	\$ 500	7,821,666	March 26, 2018	1,947,413	9,769,079

The following table presents repurchases of our common stock through open market repurchases for the year ended December 31, 2019, 2018 and 2017.

	Year Ended December 31,		
	2019	2018	2017
Shares of common stock	4,926,775	20,843,047	7,437,994
Payment	\$ 250	\$ 1,025	\$ 273

The following table summarizes our payment of common dividends and repurchases of common shares:

	Year Ended December 31,		
	2019	2018	2017
Dividends paid on common shares	\$ 44	\$ 6	\$ 8
Repurchases of common shares (at cost)	1,096	1,125	1,023
Total	\$ 1,140	\$ 1,131	\$ 1,031

Liquidity

We manage liquidity through access to substantial investment portfolios as well as a variety of other sources of liquidity including committed credit facilities, securities lending and repurchase agreements. Our asset-liability management ("ALM") process takes

into account the expected maturity of investments and expected benefit payments as well as the specific nature and risk profile of the liabilities. As part of our liquidity management process, we model different scenarios to determine whether existing assets are adequate to meet projected cash flows.

Capitalization

The primary components of our capital structure consist of debt and equity securities. Our capital position is supported by cash flows within our operating subsidiaries, the availability of borrowed funds under liquidity facilities, and any additional capital we raise to invest in the growth of the business and for general corporate purposes. We manage our capital position based on a variety of factors including, but not limited to, our financial strength, the credit rating of Voya Financial, Inc. and of its insurance company subsidiaries and general macroeconomic conditions.

As of December 31, 2019, we had \$1 million of short-term debt borrowings outstanding consisting entirely of the current portion of long-term debt. The following table summarizes our borrowing activities for the year ended December 31, 2019:

<i>(\$ in millions)</i>	Beginning Balance	Issuance	Maturities and Repayment	Other Changes	Ending Balance
Long-Term Debt:					
Debt securities	\$ 3,132	\$ —	\$ (96)	\$ 3	\$ 3,039
Windsor property loan	5	—	—	(1)	4
Subtotal	<u>3,137</u>	<u>—</u>	<u>(96)</u>	<u>2</u>	<u>3,043</u>
Less: Current portion of long-term debt	1	—	—	—	1
Total long-term debt	<u>\$ 3,136</u>	<u>\$ —</u>	<u>\$ (96)</u>	<u>\$ 2</u>	<u>\$ 3,042</u>

As of December 31, 2018, we had \$1 million of short-term debt borrowings outstanding consisting entirely of the current portion of long-term debt. The following table summarizes our borrowing activities for the year ended December 31, 2018:

<i>(\$ in millions)</i>	Beginning Balance	Issuance	Maturities and Repayment	Other Changes	Ending Balance
Long-Term Debt:					
Debt securities	\$ 3,455	\$ 350	\$ (672)	\$ (1)	\$ 3,132
Windsor property loan	5	—	—	—	5
Subtotal	<u>3,460</u>	<u>350</u>	<u>(672)</u>	<u>(1)</u>	<u>3,137</u>
Less: Current portion of long-term debt	337	—	(337)	1	1
Total long-term debt	<u>\$ 3,123</u>	<u>\$ 350</u>	<u>\$ (335)</u>	<u>\$ (2)</u>	<u>\$ 3,136</u>

As of December 31, 2019, we were in compliance with our debt covenants.

Preferred Stock

On June 11, 2019, we issued 300,000 shares of 5.35% Fixed-Rate Reset Non-Cumulative Preferred Stock, Series B ("the Series B preferred stock"), with a \$0.01 par value per share and a liquidation preference of \$1,000 per share, represented by 12,000,000 Depository Shares each representing a 1/40th interest in a share of the Series B preferred stock, for aggregate net proceeds of \$293 million.

On September 12, 2018, we issued 325,000 shares of 6.125% Fixed-Rate Reset Non-Cumulative Preferred Stock, Series A ("the Series A preferred stock"), with a \$0.01 par value per share and a liquidation preference of \$1,000 per share, for aggregate net proceeds of \$319 million.

Our ability to declare or pay dividends on, or purchase, redeem or otherwise acquire, shares of our common stock will be substantially restricted in the event that we do not declare and pay (or set aside) dividends on the Series A and Series B preferred stock for the last preceding dividend period.

During the year ended December 31, 2019, we declared and paid dividends of \$20 million and \$8 million on the Series A and Series B preferred stock, respectively. During the year ended December 31, 2018, there were no declarations or payments of dividends on preferred stock. As of December 31, 2019, there were no preferred stock dividends in arrears. See the Shareholders' Equity Note in Part II, Item 8. of this Annual Report on Form 10-K for further information.

Senior Notes

As of December 31, 2019 and 2018, Voya Financial, Inc. had four and five series of senior notes (collectively, the "Senior Notes"), respectively, with aggregate outstanding principal amount of \$1.6 billion and \$1.7 billion, respectively. The Senior Notes are guaranteed by Voya Holdings. We are permitted to redeem all or any portion of the Senior Notes at any time at a redemption price equal to the principal amount redeemed, or, if greater, a "make-whole redemption price," plus, in each case accrued and unpaid interest.

On July 12, 2019, we completed the redemption of our remaining \$97 million aggregate principal amount of 5.5% Senior Notes due 2022 (the "2022 Notes"). In connection with this transaction, we incurred a loss on debt extinguishment of \$9 million for the year ended December 31, 2019, which was recorded in Interest Expense in the Consolidated Statements of Operations.

Junior Subordinated Notes

As of December 31, 2019 and 2018, Voya Financial, Inc. had two series of junior subordinated notes (collectively, the "Junior Subordinated Notes") with aggregate outstanding principal amount of \$1.1 billion, respectively. The Junior Subordinated Notes are guaranteed on an unsecured, junior subordinated basis by Voya Holdings.

Aetna Notes

As of December 31, 2019 and 2018, Voya Holdings was the obligor under three series of debentures (collectively, the "Aetna Notes") with aggregate outstanding principal amount of \$358 million, respectively, which were issued by a predecessor of Voya Holdings and assumed in connection with our acquisition of Aetna's life insurance and related businesses. In addition, Equitable of Iowa Capital Trust II, a limited purpose trust subsidiary, has outstanding \$13 million principal amount of 8.42% Series B Capital Securities due April 1, 2027 (the "Equitable Notes"). ING Group, our previous corporate parent, guarantees the Aetna Notes. The Equitable Notes are also guaranteed by Voya Financial, Inc.

Concurrent with the completion of our Initial Public Offering ("IPO"), we entered into a shareholder agreement with ING Group that governs certain aspects of our continuing relationship. Pursuant to that agreement, we are obligated to reduce the aggregate outstanding principal amount of Aetna Notes to no more than zero as of December 31, 2019, or otherwise to make provision for ING Group's guarantee of any outstanding Aetna Notes in excess of such amounts.

Our obligation to ING Group with respect to the Aetna Notes can be met, at our option, through redemptions, repurchases or by posting collateral with a third-party collateral agent, for the benefit of ING Group.

If we fail to meet these obligations to ING Group, we have agreed to pay a prescribed quarterly fee (1.25% per quarter for 2020) to ING Group based on the outstanding principal amount of Aetna Notes for which provision has not been made, in excess of the limits set forth above.

As of December 31, 2019 and 2018, the amounts of collateral required to avoid the payment of a fee to ING Group were \$358 million and \$258 million, respectively.

Put Option Agreement for Senior Debt Issuance

On March 17, 2015, we entered into an off-balance sheet ten-year put option agreement with a Delaware trust that we formed, in connection with the completion of the sale by the trust of \$500 million aggregate amount of pre-capitalized trust securities redeemable February 15, 2025 ("P-Caps") in a Rule 144A private placement. The trust invested the proceeds from the sale of the P-Caps in a portfolio of principal and interest strips of U.S. Treasury securities. The put option agreement provides Voya Financial, Inc. the right to sell to the trust at any time up to \$500 million principal amount of its 3.976% Senior Notes due 2025 ("3.976% Senior Notes") and receive in exchange a corresponding principal amount of the U.S. Treasury securities held by the trust. The 3.976% Senior Notes will not be issued unless and until the put option is exercised. In return, we pay a semi-annual put premium to the trust at a rate of 1.875% per annum applied to the unexercised portion of the put option, and reimburse the trust for its expenses. The put premium and expense reimbursements are recorded in Operating expenses in the Consolidated Statements of Operations. If and when issued, the 3.976% Senior Notes will be guaranteed by Voya Holdings. Our obligations under the put option agreement and the expense reimbursement agreement with the trust are also guaranteed by Voya Holdings.

The put option described above will be exercised automatically in full if we fail to make certain payments to the trust, including any failure to pay the put option premium or expense reimbursements when due, if such failure is not cured within 30 days, and upon certain bankruptcy event involving us or Voya Holdings. We are also required to exercise the put option in full: (i) if we reasonably believe that our consolidated shareholders' equity, calculated in accordance with U.S. GAAP but excluding Accumulated other comprehensive income (loss) and Noncontrolling interest, has fallen below \$3.0 billion, subject to adjustment in certain cases; (ii) upon the occurrence of an event of default under the 3.976% Senior Notes; and (iii) upon certain events relating to the trust's status as an "investment company" under the Investment Company Act of 1940.

We have a one-time right to unwind a prior voluntary exercise of the put option by exchanging all of the 3.976% Senior Notes then held by the trust for U.S. Treasury securities. If the put option has been fully exercised, the 3.976% Senior Notes issued may be redeemed by us prior to their maturity at par or, if greater, at a make-whole redemption price, in each case plus accrued and unpaid interest to the date of redemption. The P-Caps are to be redeemed by the trust on February 15, 2025 or upon any early redemption of the 3.976% Senior Notes.

Senior Unsecured Credit Facility

Prior to November 1, 2019, we had a \$1.0 billion senior unsecured credit facility which was set to expire on May 6, 2021. The facility provided \$1.0 billion of committed capacity for issuing letters of credit and also included a revolving credit borrowing sublimit of \$750 million. As of September 30, 2019, there were no amounts outstanding as revolving credit borrowings and no amounts of LOCs outstanding under the senior unsecured credit facility. Under the terms of the facility, Voya Financial, Inc. was required to maintain a minimum net worth of \$6.6 billion, which may increase upon any future equity issuances by us.

Effective November 1, 2019, we revised the terms of our senior unsecured credit facility by entering into a Third Amended and Restated Revolving Credit Agreement ("Third Amended and Restated Credit Agreement") with a syndicate of banks, all of which previously participated in the facility. The Third Amended and Restated Credit Agreement modifies the senior unsecured credit facility by extending the term of the agreement to November 1, 2024 and reducing the total amount of LOCs that may be issued from \$1.0 billion to \$500 million. The revolving credit sublimit was removed and the full \$500 million may be utilized for direct borrowings. The terms require us to maintain a minimum net worth of \$6.15 billion. The minimum net worth amount may increase upon any future equity issuances by us.

Other Credit Facilities

We use credit facilities to provide collateral required primarily under our affiliated reinsurance transactions with captive insurance subsidiaries. We also issue guarantees and enter into financing arrangements in connection with these credit facilities. These arrangements are designed to facilitate the financing of statutory reserve requirements.

The following table summarizes our credit facilities as of December 31, 2019:

(\$ in millions)

Obligor / Applicant	Business Supported	Secured/ Unsecured	Committed/ Uncommitted	Expiration	Capacity	Utilization	Unused Commitment
Voya Financial, Inc. . . .	Other	Unsecured	Committed	11/01/2024	\$ 500	\$ —	\$ 500
Voya Financial, Inc. . . .	Other	Secured	Uncommitted	Various	10	1	—
Voya Financial, Inc. / SLDI	Other ⁽⁴⁾	Unsecured	Uncommitted	12/31/2020	300	58	—
Voya Financial, Inc. / SLDI	Retirement ⁽¹⁾	Unsecured	Committed	03/20/2022	250	242	8
Voya Financial, Inc. / SLDI	Individual Life ⁽³⁾	Unsecured	Committed	12/31/2025	475	475	—
Voya Financial, Inc. / SLDI	Individual Life ⁽³⁾	Unsecured	Committed	07/01/2037	1,725	1,606	119
Voya Financial, Inc. / Roaring River LLC	Individual Life ⁽³⁾	Unsecured	Committed	10/01/2025	425	392	33
Voya Financial, Inc. / Roaring River IV, LLC . .	Individual Life ⁽³⁾	Unsecured	Committed	12/31/2028	565	357	208
Voya Financial, Inc. . . .	Individual Life ⁽⁴⁾	Unsecured	Committed	12/09/2024	300	250	50
Voya Financial, Inc. . . .	Individual Life/ Retirement/Other ⁽⁴⁾	Unsecured	Committed	02/11/2022	300	300	—
SLDI	Hannover Re ⁽²⁾	Unsecured	Committed	10/29/2023	61	51	10
Voya Financial, Inc. . . .	Hannover Re ⁽²⁾⁽⁴⁾	Unsecured	Uncommitted	04/27/2021	125	125	—
Total					<u>\$ 5,036</u>	<u>\$ 3,857</u>	<u>\$ 928</u>

N/A- Not Applicable

⁽¹⁾ On January 10, 2020, the facility was cancelled.

⁽²⁾ Individual Life Reinsurance business acquired by Hannover Re in 2009 via indemnity reinsurance, see "Reinsurance" below for further information.

⁽³⁾ These facilities will be terminated as a result of the sale of SLD and SLDI to Resolution. Fees associated with these facilities for the years ended December 31, 2019, 2018 and 2017 were \$22 million, \$23 million and \$24 million, respectively.

⁽⁴⁾ In December 2019 and January 2020, these facilities were amended to include terms which require us to maintain a minimum net worth of \$6.15 billion. The minimum net worth may increase upon any future equity issuances by us.

Total fees associated with credit facilities for the years ended December 31, 2019, 2018 and 2017 were \$34 million, \$34 million and \$50 million, respectively.

Voya Financial, Inc. Credit Support of Subsidiaries

In addition to our Senior Unsecured Credit Facility, Voya Financial, Inc. maintains credit facilities with third-party banks to support the reinsurance obligations of our captive reinsurance subsidiaries in which Voya Financial is either a primary obligor or provides a financial guarantee. As of December 31, 2019, such facilities provided for up to \$4.4 billion of capacity, of which \$3.6 billion was utilized.

We also provide credit support to our Roaring River IV, LLC ("Roaring River IV") captive reinsurance subsidiary through a surplus maintenance agreement with a third-party bank in connection with a financing arrangement involving \$565 million of statutory reserves which matures December 31, 2028. The reimbursement agreement requires Voya Financial, Inc. to cause capital to be maintained in Roaring River IV Holding LLC, the intermediate holding company of Roaring River IV, and in Roaring River IV. These amounts will vary over time based on a percentage of Roaring River IV in force life insurance. Upon closing the transaction, we expect to unwind this financing arrangement, and this guarantee will therefore terminate .

In addition, we provide guarantees to certain of our subsidiaries to support various business requirements:

- Under the Buyer Facility Agreement put into place by Hannover Re, Voya Financial, Inc. and SLDI have contingent reimbursement obligations and Voya Financial, Inc. has guarantee obligations, up to the full \$2.9 billion principal amount of the note and one \$600 million letter of credit issued pursuant to the agreement, if SLD or SLDI were to direct the sale or liquidation of the note other than as permitted by the Buyer Facility Agreement, or fail to return reinsurance collateral (including the note) upon termination of the Buyer Facility Agreement or as otherwise required by the Buyer Facility Agreement. In addition, Voya Financial, Inc. has agreed to indemnify Hannover Re for any losses it incurs in the event

that SLD or SLDI were to exercise offset rights unrelated to the Hannover Re block. We expect to restructure this guarantee arrangement in connection with the Individual Life Transaction.

- Voya Financial, Inc. has also entered into a corporate guarantee agreement with a third-party ceding insurer where it guarantees the reinsurance obligations of our subsidiary, SLD, assumed under a reinsurance agreement with the third-party cedent for the amount of the statutory reserves assumed by SLD. The current amount of reserves outstanding as of December 31, 2019 is \$13 million. We expect to restructure this guarantee arrangement in connection with the Individual Life Transaction.
- Voya Financial, Inc. guarantees the obligations of Voya Holdings under the \$13 million principal amount Equitable Notes maturing in 2027, and provides a back-to-back guarantee to ING Group in respect of its guarantee of \$358 million combined principal amount of Aetna Notes. For more information see "Capitalization- Aetna Notes" above.
- Voya Financial, Inc. and Voya Holdings provide a guarantee to certain Voya insurance subsidiaries of VIAC's payment obligations to those subsidiaries under certain VIAC surplus notes held by those subsidiaries. The agreement provides for Voya and Voya Holdings to reimburse the applicable subsidiary to the extent that any interest on, principal of, or any redemption payment with respect to such surplus note is unpaid by VIAC on its scheduled date.

We did not recognize any asset or liability as of December 31, 2019 and 2018 in relation to intercompany indemnifications, guarantees or support agreements. As of December 31, 2019 and 2018, no circumstances existed in which we were required to currently perform under these arrangements.

Securities Lending

We engage in securities lending whereby certain securities from our portfolio are loaned to other institutions for short periods of time. We have the right to approve any institution with whom the lending agent transacts on our behalf. Initial collateral, primarily cash, 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 short-term liquid assets on our behalf. 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 us against losses resulting from the failure of a counterparty to return securities pledged where collateral is insufficient to cover the loss. As of December 31, 2019 and 2018, the fair value of loaned securities was \$1,159 million and \$1,237 million, respectively, and is included in Securities pledged on the Consolidated Balance Sheets. As of December 31, 2019 and 2018, collateral retained by the lending agent and invested in liquid assets on our behalf was \$1,055 million and \$1,190 million, respectively, and is recorded in Short-term investments under securities loan agreements, including collateral delivered on the Consolidated Balance Sheets. As of December 31, 2019 and 2018, liabilities to return collateral of \$1,055 million and \$1,190 million, respectively, are included in Payables under securities loan and repurchase agreements, including collateral held on the Consolidated Balance Sheets.

Repurchase Agreements

We engage in dollar repurchase agreements with mortgage-backed securities ("dollar rolls") and repurchase agreements with other collateral types to increase our return on investments and improve liquidity. Such arrangements meet the requirements to be accounted for as financing arrangements. We enter into dollar roll transactions by selling existing mortgage-backed securities ("MBS") and concurrently entering into an agreement to repurchase similar securities within a short time frame at a lower price. Under repurchase agreements, we borrow cash from a counterparty at an agreed upon interest rate for an agreed upon time frame and pledge collateral in the form of securities. At the end of the agreement, the counterparty returns the collateral to us, and we, in turn, repay the loan amount along with the additional agreed upon interest. We require that, at all times during the term of the dollar roll and repurchase agreements, cash or other collateral types obtained is sufficient to allow us to fund substantially all of the cost of purchasing replacement assets. Cash received is generally invested in short-term investments, with the offsetting obligation to repay the loan included within Payables under securities loan and repurchase agreements, including collateral held on the Consolidated Balance Sheets. As per the terms of the agreements, the market value of the loaned securities is monitored with additional collateral obtained or refunded as the market value of the loaned securities fluctuates due to changes in interest rates, spreads and other risk factors.

The carrying value of the securities pledged in dollar rolls and repurchase agreement transactions is included in Securities pledged on the Consolidated Balance Sheets. As of December 31, 2019, the carrying value of securities pledged and obligation to repay loans related to repurchase agreement transactions was \$66 million, respectively. As of December 31, 2018, the carrying value of securities pledged and obligation to repay loans related to repurchase agreement transactions was \$45 million, respectively. As of December 31, 2019 and 2018, we did not have any securities pledged in dollar rolls.

We also enter into reverse repurchase agreements. These transactions involve a purchase of securities and an agreement to sell substantially the same securities as those purchased. We require that, at all times during the term of the reverse repurchase agreements, cash or other collateral types provided is sufficient to allow the counterparty to fund substantially all of the cost of purchasing the replacement assets. As of December 31, 2019 and 2018, we did not have any securities pledged under reverse repurchase agreements.

The primary risk associated with short-term collateralized borrowings is that the counterparty will be unable to perform under the terms of the contract. Our exposure is limited to the excess of the net replacement cost of the securities over the value of the short-term investments. We believe the counterparties to the dollar rolls, repurchase and reverse repurchase agreements are financially responsible and that the counterparty risk is minimal.

FHLB

We are currently a member of the FHLB of Boston and the FHLB of Des Moines. We are required to maintain a collateral deposit to back any funding agreements issued by the FHLB. We have the ability to obtain funding from the FHLBs based on a percentage of the value of our assets and subject to the availability of eligible collateral. The limits across all programs are up to an amount that corresponds to the lending value of assets that can be pledged to the FHLB Boston which is limited to total statutory surplus of VRIAC and lending value of assets that can be pledged to the FHLB Des Moines which is limited to 30% of the total assets of the general and separate accounts of RLI. Furthermore, collateral is pledged based on the outstanding balances of FHLB funding agreements. The amount varies based on the type, rating and maturity of the collateral posted to the FHLB. Generally, mortgage securities, commercial real estate and U.S. treasury securities are pledged to the FHLBs. Market value fluctuations resulting from changes in interest rates, spreads and other risk factors for each type of assets are monitored and additional collateral is either pledged or released as needed. Additionally, SLD is currently a member of FHLB of Topeka. Our capacity under this facility will transfer to Resolution Life with the sale of SLD under the Individual Life Transaction.

Our maximum borrowing capacity for our continuing operations under the FHLB of Boston and the FHLB of Des Moines was \$7.8 billion as of December 31, 2019, and does not have an expiration date as long as we maintain a satisfactory level of creditworthiness based on the FHLBs' credit assessment. As of December 31, 2019 and 2018, we had \$877 million and \$657 million in non-putable FHLB funding agreements, respectively, which are included in Contract owner account balances on the Consolidated Balance Sheets. As of December 31, 2019 and 2018, we had assets with a market value of approximately \$1,211 million and \$771 million, respectively, which collateralized the FHLB funding agreements.

Borrowings from Subsidiaries

We maintain revolving reciprocal loan agreements with a number of our life and non-life insurance subsidiaries that are used to fund short-term cash requirements that arise in the ordinary course of business. Under these agreements, either party may borrow up to the maximum allowable under the agreement for a term not more than 270 days. For life insurance subsidiaries, the amounts that either party may borrow from the other under the agreement vary and are between 2% and 5% of the insurance subsidiary's statutory net admitted assets (excluding separate accounts) as of the previous year end depending on the state of domicile. As of December 31, 2019, the aggregate amount that may be borrowed or lent under agreements with life insurance subsidiaries was \$1.9 billion. For non-life insurance subsidiaries, the maximum allowable under the agreement is based on the assets of the subsidiaries and their particular cash requirements. As of December 31, 2019, Voya Financial, Inc. had \$69 million in outstanding borrowings from subsidiaries and had loaned \$164 million to its subsidiaries.

Collateral - Derivative Contracts

Under the terms of our over-the-counter ("OTC") Derivative ISDA agreements, we may receive from, or deliver to, counterparties, collateral to assure that the terms of the International Swaps and Derivatives Association, Inc. ("ISDA") agreements will be met with regard to the Credit Support Annex ("CSA"). The terms of the CSA call for us 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 and repurchase agreements, including collateral held and Short-term investments under securities loan agreements, including collateral delivered, respectively, on the 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 us are the source of noncash collateral posted, which is reported in Securities pledged on the Consolidated Balance Sheets. As of December 31, 2019, we held \$9 million and \$82 million of net cash collateral related to OTC derivative contracts and cleared derivative contracts, respectively. As of December 31, 2018, we held \$27 million and \$16 million of net cash collateral related to OTC derivative contracts and cleared derivative contracts, respectively. In addition, as of December 31, 2019, we delivered \$183 million of securities and held no securities as collateral. As of December 31, 2018, we delivered \$180 million of securities and held no securities as collateral.

Ratings

Our access to funding and our related cost of borrowing, collateral requirements for derivative instruments and the attractiveness of certain of our products to customers are affected by our credit ratings and insurance financial strength ratings, which are periodically reviewed by the rating agencies. Financial strength ratings and credit ratings are important factors affecting public confidence in an insurer and its competitive position in marketing products. Credit ratings are also important to our ability to raise capital through the issuance of debt and for the cost of such financing.

A downgrade in our credit ratings or the credit or financial strength ratings of our rated subsidiaries could have a material adverse effect on our results of operations and financial condition. See *Risk Factors- A downgrade or a potential downgrade in our financial strength or credit ratings could result in a loss of business and adversely affect our results of operations and financial condition* in Part I, Item 1A. of this Annual Report on Form 10-K.

With respect to our credit facility and derivative agreements, based on the amount of credit outstanding as of December 31, 2019, a one-notch or two-notch downgrade in Voya Financial, Inc.'s credit ratings by S&P or Moody's would not have resulted in an additional increase in our collateral requirements.

With respect to certain SLD reinsurance agreements, based on the amount of reinsurance outstanding as of December 31, 2019 and December 31, 2018, a two-notch downgrade of our insurance subsidiaries would have resulted in an estimated increase in our collateral requirements by approximately \$13 million and \$14 million, respectively. The nature of the collateral that we may be required to post is principally in the form of cash, highly rated securities or LOC.

Financial strength ratings represent the opinions of rating agencies regarding the financial ability of an insurance company to meet its obligations under an insurance policy. Credit ratings represent the opinions of rating agencies regarding an entity's ability to repay its indebtedness. These ratings are not a recommendation to buy or hold any of our securities and they may be revised or revoked at any time at the sole discretion of the rating organization.

The financial strength and credit ratings of Voya Financial, Inc. and its principal subsidiaries as of the date of this Annual Report on Form 10-K are summarized in the following table.

	Rating Agency			
	A.M. Best ("A.M. Best") ⁽¹⁾	Fitch, Inc. ("Fitch") ⁽²⁾	Moody's Investors Service, Inc. ("Moody's") ⁽³⁾	Standard & Poor's ("S&P") ⁽⁴⁾
Long-term Issuer Credit Rating/Outlook:				
Voya Financial, Inc.....	withdrawn	BBB+/stable	Baa2/stable	BBB+/stable
Financial Strength Rating/Outlook:				
Voya Retirement Insurance and Annuity Company ...	⁽⁵⁾	A/stable	A2/stable	A+/stable
Security Life of Denver Insurance Company	⁽⁵⁾	A/stable	A3/Under Review	A+/stable
ReliaStar Life Insurance Company	A/stable	A/stable	A2/stable	A+/stable
ReliaStar Life Insurance Company of New York	A/stable	A/stable	A2/stable	A+/stable

⁽¹⁾ A.M. Best's financial strength ratings for insurance companies range from "A++ (superior)" to "s (suspended)." Long-term credit ratings range from "aaa (exceptional)" to "s (suspended)."

⁽²⁾ Fitch's financial strength ratings for insurance companies range from "AAA (exceptionally strong)" to "C (distressed)." Long-term credit ratings range from "AAA (highest credit quality)," which denotes exceptionally strong capacity for timely payment of financial commitments, to "D (default)."

⁽³⁾ Moody's financial strength ratings for insurance companies range from "Aaa (exceptional)" to "C (lowest)." Numeric modifiers are used to refer to the ranking within the group- with 1 being the highest and 3 being the lowest. These modifiers are used to indicate relative strength within a category. Long-term credit ratings range from "Aaa (highest)" to "C (default)."

⁽⁴⁾ S&P's financial strength ratings for insurance companies range from "AAA (extremely strong)" to "D (default)." Long-term credit ratings range from "AAA (extremely strong)" to "D (default)."

⁽⁵⁾ Effective April 11, 2019, A.M. Best withdrew, at the Company's request, its financial strength ratings with respect to Voya Retirement Insurance Annuity Company and Security Life of Denver Insurance Company.

Rating agencies use an "outlook" statement for both industry sectors and individual companies. For an industry sector, a stable outlook generally implies that over the next 12 to 18 months the rating agency expects ratings to remain unchanged among companies in the sector. For a particular company, an outlook generally indicates a medium- or long-term trend in credit fundamentals, which if continued, may lead to a rating change.

Ratings actions and outlook changes by A.M. Best, Fitch, Moody's and S&P from December 31, 2018 through December 31, 2019 and subsequently through the date of this Annual Report on Form 10-K are as follows:

- On March 11, 2019, Fitch affirmed the ratings of the holding company, Voya Financial, Inc. and revised its outlook on the ratings to Stable from Negative. At the same time, Fitch affirmed the financial strength ratings of Voya's life insurance subsidiaries and maintained its Stable outlook on these ratings.
- On April 11, 2019, A.M. Best affirmed the financial strength rating of A of the life insurance entities of Voya Financial, Inc. Additionally, A.M. Best affirmed the long-term issuer credit rating of "bbb+" of Voya Financial, Inc. The outlook of these was assigned as Stable. Concurrently, A.M. Best withdrew the ratings of Voya, Voya Retirement Insurance Annuity Company and Security Life of Denver Insurance Company at our request to no longer participate in A.M. Best's rating process with respect to those entities.
- On June 11, 2019, S&P upgraded the long-term issuer credit rating of Voya Financial, Inc. from BBB, Positive to BBB+, Stable and the financial strength rating of the insurance entities of Voya Financial, Inc. from A, Positive to A+, Stable.
- On December 18, 2019, Moody's downgraded the financial strength rating of Security Life of Denver Insurance Company from A2, Stable to A3 and placed the rating on review for downgrade. The ratings of Voya Financial, Inc. and those of its other affiliates are not included in this rating action.

Reinsurance

We reinsure our business through a diversified group of well capitalized, highly rated reinsurers. However, we remain liable to the extent our reinsurers do not meet their obligations under the reinsurance agreements. We monitor trends in arbitration and any litigation outcomes with our reinsurers. Collectability of reinsurance balances are evaluated by monitoring ratings and evaluating the financial strength of our reinsurers. Large reinsurance recoverable balances with offshore or other non-accredited reinsurers are secured through various forms of collateral, including secured trusts, funds withheld accounts and irrevocable LOCs.

The S&P financial strength rating of our reinsurers with our largest reinsurance recoverable balances are AA- rated or better. These reinsurers are (i) Lincoln National Life Insurance Company and Lincoln Life & Annuity Company of New York and subsidiaries of Lincoln National Corporation ("Lincoln"). Only those reinsurance recoverable balances where recovery is deemed probable are recognized as assets on our Consolidated Balance Sheets.

In 1998, in order to divest of a block of the individual life business, we entered into an indemnity reinsurance agreement with a subsidiary of Lincoln, which established a trust to secure its obligations to us under the reinsurance transaction. Of the Premium receivable and reinsurance recoverable on the Consolidated Balance Sheets, \$1.3 billion and \$1.4 billion as of December 31, 2019 and 2018, respectively, is related to the reinsurance recoverable from the subsidiary of Lincoln under this reinsurance agreement.

Pursuant to the terms of the 2018 MTA disclosed in the *Overview* section of the Management's Discussion and Analysis in Item 7. of Part II of the Annual Report on Form 10-K and prior to the closing of the Transaction, the Company entered into the following reinsurance transactions:

- VIAC recaptured from the Company the CBVA business previously assumed by Roaring River II, Inc., a subsidiary of the Company.
- Our company, through one of our subsidiaries ceded, under modified coinsurance agreements, as amended, fixed and fixed indexed annuity reserves of \$451 million to Athene Life Re, Ltd. ("ALRe"). Under the terms of the agreements, ALRe contractually assumed the policyholder liabilities and obligations related to the policies, although we remain obligated to the policyholders. Upon the consummation of the agreements, we recognized no gain or loss in the Consolidated Statements of Operations.
- Our company, through one of our subsidiaries, assumed, under coinsurance and modified coinsurance agreements, certain individual life and deferred annuity policies from VIAC. Upon the consummation of the agreements, we recognized no gain or loss in the Consolidated Statements of Operations. As of December 31, 2019 and 2018, assumed reserves related to these agreements were \$782 million and \$837 million, respectively.

As a result of the Individual Life Transaction described in the *Overview* section of the Management's Discussion and Analysis in Part II, Item 7. of the Annual Report on Form 10-K, the following reinsurance transactions have been reported as held for sale in our Consolidated Financial Statements:

On December 31, 2004, we reinsured the individual life reinsurance business (and sold certain systems and operating assets used in the individual life reinsurance business) to Scottish Re on a 100% coinsurance basis (the "2004 Transaction") through our wholly owned subsidiaries, SLD and SLDI. As part of the 2004 Transaction, the ceding commission (net of taxes), along with other reserve assets, was placed in trust for our benefit to secure Scottish Re's obligations as reinsurers of the acquired business.

On November 19, 2008, an existing reinsurance agreement between Scottish Re (U.S.), Inc. ("SRUS") and Ballantyne Re, an Irish public limited company ("Ballantyne Re"), concerning a portion of the business that was originally ceded to Scottish Re as part of the 2004 Transaction, was novated with the result that SLD was substituted for SRUS as the ceding company to Ballantyne Re and made the sole beneficiary of the trust established by to support the reserve requirements of the ceded business. On April 12, 2019, SLD entered into a Lock-Up Support Agreement (the "Lock-Up Agreement") with Ballantyne Re, certain other companies, and holders of certain notes issued by Ballantyne Re in connection with the restructuring of Ballantyne Re. Under the terms of the Lock-Up Agreement, SLD agreed, subject to certain conditions, to enter into a novation and related agreements (the "Novation"). The Novation occurred on June 12, 2019 with the result that Swiss Re Life & Health America Inc. ("Swiss Re") was substituted for Ballantyne Re as the reinsurer effective April 1, 2019. As part of the Novation, Swiss Re established a trust account with assets supporting its reinsurance obligation to SLD. The Novation did not change SLD's reinsurance coverage related to the reinsured business. As of December 31, 2019, trust assets with a market value of \$559 million supported reserves of \$528 million.

Effective January 1, 2009, we entered into the Master Purchase Agreement ("MPA") with Scottish Re and Hannover Re such that Hannover Re acquired the individual life reinsurance business from Scottish Re. Of the Assets held for sale on the Consolidated Balance Sheets, \$2.1 billion and \$2.4 billion as of December 31, 2019 and 2018, respectively, is related to the reinsurance recoverable from Hannover Re under this reinsurance agreement. As of December 31, 2018, the premium deficiency reserve established in 2017 related to the business assumed was \$0.3 billion and had no impact on the Consolidated Statements of Operations as the business is 100% reinsured.

For additional information regarding our reinsurance recoverable balances, see *Quantitative and Qualitative Disclosures About Market Risk* in Part II, Item 7A. of this Annual Report on Form 10-K.

Pension and Postretirement Plans

When contributing to our qualified retirement plans we will take into consideration the minimum and maximum amounts required by ERISA, the attained funding target percentage of the plan, the variable-rate premiums that may be required by the Pension Benefit Guaranty Corporation ("PBGC") and any funding relief that might be enacted by Congress. Contributions to our nonqualified plans and other postretirement and post-employment plans are funded from general assets of the respective sponsoring subsidiary company as benefits are paid.

For additional information on our pension and postretirement plan arrangements, see the *Employee Benefit Arrangements* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K.

Restrictions on Dividends and Returns of Capital from Subsidiaries

Our business is conducted through operating subsidiaries. U.S. insurance laws and regulations regulate the payment of dividends and other distributions by our U.S. insurance subsidiaries to their respective parents. These restrictions are based in part on the prior year's statutory income and surplus. In general, dividends up to specified levels are considered ordinary and may be paid without prior approval. Dividends in larger amounts, or "extraordinary" dividends, are subject to approval by the insurance commissioner of the state of domicile of the insurance subsidiary proposing to pay the dividend. In addition, under the insurance laws of our principal insurance subsidiaries domiciled in Connecticut and Minnesota (these insurance subsidiaries, together with our insurance subsidiary domiciled in Colorado, are referred to collectively, as our "Principal Insurance Subsidiaries"), no dividend or other distribution exceeding an amount equal to an insurance company's earned surplus may be paid without the domiciliary insurance regulator's prior approval. Our Principal Insurance Subsidiary domiciled in Connecticut has ordinary dividend capacity for 2020. However, as a result of the extraordinary dividends it paid in 2015, 2016 and 2017, together with statutory losses incurred in connection with the recapture and cession to one of our Arizona captives of certain term life business in the fourth quarter of 2016, our Principal Insurance Subsidiary domiciled in Minnesota currently has negative earned surplus. In addition, primarily as a result of statutory losses incurred in connection with the retrocession of our Principal Insurance Subsidiary domiciled in Minnesota of certain life insurance business in the fourth quarter of 2018, our Principal Insurance Subsidiary domiciled in Colorado has a net loss from operations for the twelve-month period ending the preceding December 31. Therefore, neither our Minnesota nor Colorado Principal Insurance Subsidiaries have the capacity at this time to make ordinary dividend payments. Any extraordinary dividend payment would be subject to domiciliary insurance regulatory approval, which can be granted or withheld at the discretion of the regulator.

For a summary of applicable laws and regulations governing dividends, see the Insurance Subsidiaries Dividend Restrictions section of the *Insurance Subsidiaries* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K.

The following table summarizes dividends permitted to be paid by our Principal Insurance Subsidiaries to Voya Financial, Inc. or Voya Holdings without the need for insurance regulatory approval and dividends and extraordinary distributions paid by each of our Principal Insurance Subsidiaries to its parent for the periods indicated:

	Dividends Permitted without Approval		Dividends Paid		Extraordinary Distributions Paid	
	2020	2019	Year Ended December 31,		Year Ended December 31,	
			2019	2018	2019	2018
<i>(\$ in millions)</i>						
Subsidiary Name (State of domicile):						
Voya Retirement Insurance and Annuity Company (CT).....	\$ 295	\$ 396	\$ 396	\$ 126	\$ —	\$ —
Security Life of Denver Insurance Company (CO) . . .	—	—	—	52	—	—
ReliaStar Life Insurance Company (MN).....	—	—	—	—	360	—

Other Subsidiaries - Dividends, Returns of Capital, and Capital Contributions

We may receive dividends from or contribute capital to our wholly owned non-life insurance subsidiaries such as broker-dealers, investment management entities and intermediate holding companies. For the years ended December 31, 2019 and 2018, dividends net of capital contributions received by Voya Financial, Inc. and Voya Holdings from non-life subsidiaries were \$78 million and \$114 million, respectively.

On March 27, 2019, RRII paid a dividend of \$152 million to SLDI, which in turn paid a dividend of \$170 million to Voya Financial. On December 31, 2019, RRII paid a dividend of \$2 million to SLDI, which in turn paid a dividend of \$58 million to Voya Financial.

Statutory Capital and Risk-Based Capital of Principal Insurance Subsidiaries

Each of our wholly owned Principal Insurance Subsidiaries is subjected to minimum risk based capital ("RBC") requirements established by the insurance departments of their applicable state of domicile. The formulas for determining the amount of RBC specify various weighting factors that are applied to financial balances or various levels of activity based on the perceived degree of risk. Regulatory compliance is determined by a ratio of total adjusted capital ("TAC"), as defined by the NAIC, to RBC requirements, as defined by the NAIC. Each of our U.S. insurance subsidiaries exceeded the minimum RBC requirements that would require regulatory or corrective action for all periods presented herein. Our estimated RBC ratio on a combined basis for our Principal Insurance Subsidiaries, with adjustments for certain intercompany transactions, was approximately 490% as of December 31, 2019. As a result of Tax Reform, the NAIC updated the factors affecting RBC requirements, including ours, to reflect the lowering of the top corporate tax rate from 35% to 21%. Adjusting these factors in light of Tax Reform resulted in an increase in the amount of capital we are required to maintain to satisfy our RBC requirements. During the fourth quarter of 2018, we also established a new RBC target of 400%.

Our wholly owned insurance subsidiaries are required to prepare statutory financial statements in accordance with statutory accounting practices prescribed or permitted by the insurance department of the state of domicile of the respective insurance subsidiary. Statutory accounting practices primarily differ from U.S. GAAP by charging policy acquisition costs to expense as incurred, establishing future policy benefit liabilities using different actuarial assumptions as well as valuing investments and certain assets and accounting for deferred taxes on a different basis. Certain assets that are not admitted under statutory accounting principles are charged directly to surplus. Depending on the regulations of the insurance department of the state of domicile, the entire amount or a portion of an asset balance can be non-admitted depending on specific rules regarding admissibility. The most significant non-admitted assets are typically a portion of deferred tax assets in excess of prescribed thresholds.

For a summary of statutory capital and surplus of our Principal Insurance Subsidiaries, see the *Insurance Subsidiaries* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K.

We monitor the ratio of our insurance subsidiaries' TAC to Company Action Level Risk-Based Capital ("CAL"). A ratio in excess of 125% indicates that the insurance subsidiary is not required to take any corrective actions to increase capital levels at the direction of the applicable state of domicile.

The following table summarizes the ratio of TAC to CAL on a combined basis primarily for our Principal Insurance Subsidiaries, with adjustments for certain intercompany transactions, as of the dates indicated below:

<i>(\$ in millions)</i>			<i>(\$ in millions)</i>		
As of December 31, 2019			As of December 31, 2018		
CAL	TAC	Ratio	CAL	TAC	Ratio
\$ 1,046	\$ 5,126	490%	\$ 1,072	\$ 5,129	478%

For additional information regarding RBC, see *Business-Regulation-Insurance Regulation* in Part I, Item 1. of this Annual Report on Form 10-K.

As of December 31, 2019, SLD had the following surplus notes outstanding to its affiliate SLDI Georgia Holdings, Inc. "(Georgia Holdings").

Issuance Date	Maturity	2019		2018	
12/21/1994	4/15/2021	\$	40	\$	60
12/19/2000	4/15/2021		26		39
4/15/2017	4/15/2042		61		61
4/15/2018	4/15/2043		62		62
4/15/2019	4/15/2044		63		—

Upon the closing of the Resolution MTA, Voya Financial, Inc., through one of its affiliates, will retain surplus notes issued by SLD in the amount of \$123 million under modified terms.

Captive Reinsurance Subsidiaries

Uncertainties associated with our continued use of affiliated captive reinsurance subsidiaries are primarily related to potential regulatory changes. For example, effective January 1, 2016, the NAIC heightened the standards applicable to captives related to XXX and AXXX business issued and ceded after December 31, 2014. The NAIC left for future action application of the standards to captives that assume variable annuity business.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

As of December 31, 2019, the following table presents our on- and off- balance sheet contractual obligations due in various periods. The payments reflected in this table are based on our estimates and assumptions about these obligations. Because these estimates and assumptions are necessarily subjective, the actual cash outflows in future periods will vary, possibly materially, from those presented in the table.

(\$ in millions)

	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Contractual Obligations:					
Purchase obligations ⁽¹⁾	\$ 1,016	\$ 972	\$ 44	\$ —	\$ —
Reserves for insurance obligations ⁽²⁾⁽³⁾	62,689	4,031	6,581	6,962	45,115
Retirement and other plans ⁽⁴⁾	1,668	149	299	317	903
Short-term and long-term debt obligations ⁽⁵⁾	6,652	166	309	473	5,704
Operating leases ⁽⁶⁾	187	33	64	49	41
Finance leases ⁽⁷⁾	65	21	42	2	—
Securities lending, repurchase agreements and collateral held ⁽⁸⁾	1,519	1,453	—	—	66
Total⁽⁹⁾	\$ 73,796	\$ 6,825	\$ 7,339	\$ 7,803	\$ 51,829

Contractual Obligations of businesses held for sale:

Purchase obligations ⁽¹⁾	\$ 305	\$ 294	\$ 11	\$ —	\$ —
Reserves for insurance obligations	33,353	224	924	1,102	31,103
Securities lending and repurchase agreements ⁽⁸⁾	241	241	—	—	—
Total⁽⁹⁾	\$ 33,899	\$ 759	\$ 935	\$ 1,102	\$ 31,103

⁽¹⁾ Purchase obligations consist primarily of outstanding commitments under alternative investments that may occur any time within the terms of the partnership and private loans. The exact timing, however, of funding these commitments related to partnerships and private loans cannot be estimated. Therefore, the amount of the commitments related to partnerships and private loans is included in the category "Less than 1 Year."

⁽²⁾ Reserves for insurance obligations consist of amounts required to meet our future obligations for future policy benefits and contract owner account balances. Amounts presented in the table represent estimated cash payments under such contracts, including significant assumptions related to the receipt of future premiums, mortality, morbidity, lapse, renewal, retirement, disability and annuitization comparable with actual experience. These assumptions also include market growth and interest crediting consistent with assumptions used in amortizing DAC. Estimated cash payments are undiscounted for the time value of money. Accordingly, the sum of cash flows presented of \$62.7 billion significantly exceeds the sum of Future policy benefits and Contract owner account balances of \$50.9 billion recorded on our Consolidated Balance Sheets as of December 31, 2019. Estimated cash payments are also presented gross of reinsurance. Due to the significance of the assumptions used, the amounts presented could materially differ from actual results.

⁽³⁾ Contractual obligations related to certain closed blocks, with reserves in the amount of \$1.5 billion, have been excluded from the table because the blocks were divested through reinsurance contracts and collateral is provided by third parties that is accessible by us. Although we are not relieved of legal liability to the contract holder for these closed blocks, third-party collateral of \$1.7 billion has been provided for the payment of the related insurance obligations. The sufficiency of collateral held for any individual block may vary.

⁽⁴⁾ Includes estimated benefit payments under our qualified and non-qualified pension plans, estimated benefit payments under our other postretirement benefit plans, and estimated payments of deferred compensation based on participant elections and an average retirement age.

⁽⁵⁾ The estimated payments due by period for long-term debt reflects the contractual maturities of principal, as well as estimated future interest payments. The payment of principal and estimated future interest for short-term debt are reflected in estimated payments due in less than one year. See the *Financing Agreements* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K for additional information concerning the short-term and long-term debt obligations.

⁽⁶⁾ Operating leases consist primarily of outstanding commitments for office space, equipment and automobiles.

⁽⁷⁾ Finance lease obligation is associated with a service contract.

⁽⁸⁾ Securities loan, repurchase agreements, and collateral held represent the liability to return collateral received from counterparties under securities lending agreements, OTC derivative and cleared derivative contracts as well as the obligations related to borrowings under repurchase agreements. Securities lending agreements include provisions which permit us to call back securities with minimal notice and accordingly, the payable is classified as having a term of less than 1 year. Additionally, Securities lending agreements and collateral held include off-balance sheet non-cash collateral of \$146 million and \$0 million, respectively.

⁽⁹⁾ Unrecognized tax benefits are excluded from the table due to immateriality. In addition, in 2015 we entered into a put option agreement with a Delaware trust that gives Voya Financial, Inc. the right, at any time over a 10-year period, to issue up to \$500 million of senior notes to the trust in return for principal and interest strips of U.S. Treasury securities that are held by the trust. See Liquidity-Put Option Agreement for Senior Debt Issuance for more information on this agreement.

Critical Accounting Judgments and Estimates

General

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Critical estimates and assumptions are evaluated on an on-going basis based on historical developments, market conditions, industry trends and other information that is reasonable under the circumstances. There can be no assurance that actual results will conform to estimates and assumptions and

that reported results of operations will not be materially affected by the need to make future accounting adjustments to reflect changes in these estimates and assumptions from time to time.

We have identified the following accounting judgments and estimates as critical in that they involve a higher degree of judgment and are subject to a significant degree of variability:

- Estimated loss on businesses held for sale;
- Reserves for future policy benefits;
- DAC, VOBA and other intangibles (collectively, "DAC/VOBA and other intangibles");
- Valuation of investments and derivatives;
- Impairments;
- Income taxes;
- Contingencies; and
- Employee benefit plans.

In developing these accounting estimates, we make subjective and complex judgments that are inherently uncertain and subject to material changes as facts and circumstances develop. Although variability is inherent in these estimates, we believe the amounts provided are appropriate based on the facts available upon preparation of the Consolidated Financial Statements.

The above critical accounting estimates are described in the *Business, Basis of Presentation and Significant Accounting Policies* Note and the *Business Held for Sale and Discontinued Operations* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K.

Estimated loss on businesses held for sale

On December 18, 2019, we entered into the Resolution MTA with Resolution Life US pursuant to which Resolution Life US will acquire all of the shares of the capital stock of SLD and SLDI, including the capital stock of several subsidiaries of SLD and SLDI. This transaction will result in the sale of a significant portion of our Individual Life business as well as the fixed and variable Annuities business associated with the subsidiaries sold. We have determined that the businesses to be disposed via sale meet the criteria to be classified as held for sale and the sale represents a strategic shift that will have a major effect on our operations. Accordingly, the results of operations of the businesses to be sold have been presented as discontinued operations in the accompanying Consolidated Statements of Operations and 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 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. In connection with this transaction, we recorded an estimated loss on sale, net of tax, of \$1,108 million in the fourth quarter of 2019. The estimated loss on sale, net of tax is based on assumptions that are subject to change due to fluctuations in market conditions and other variables that may occur prior to the closing date, which is expected to take place by September 30, 2020. For additional information on the Individual Life Transaction and the related estimated loss on sale, net of tax, see *Trends and Uncertainties* in Part II, Item 7. of this Annual Report on Form 10-K and the *Business Held for Sale and Discontinued Operations* Note to our accompanying Consolidated Financial Statements.

Reserves for Future Policy Benefits

The determination of future policy benefit reserves is dependent on actuarial assumptions. The principal assumptions used to establish liabilities for future policy benefits are based on our experience and periodically reviewed against industry standards. These assumptions include mortality, morbidity, policy lapse, contract renewal, payment of subsequent premiums or deposits by the contract owner, retirement, investment returns, inflation, benefit utilization and expenses. The assumptions used require considerable judgments. Changes in, or deviations from, the assumptions used can significantly affect our reserve levels and related results of operations.

- Mortality is the incidence of death among policyholders triggering the payment of underlying insurance coverage by the insurer. In addition, mortality also refers to the ceasing of payments on life-contingent annuities due to the death of the annuitant. We utilize a combination of actual and industry experience when setting our mortality assumptions.
- A lapse rate is the percentage of in-force policies surrendered by the policyholder or canceled by us due to non-payment of premiums.

See the *Reserves for Future Policy Benefits and Contract Owner Account Balances* Note and the *Guaranteed Benefit Features* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K for further information on our reserves for future policy benefits, contract owner account balances and product guarantees.

Insurance and Other Reserves

Reserves for traditional life insurance contracts (term insurance, participating and non-participating whole life insurance and traditional group life insurance) and accident and health insurance represent the present value of future benefits to be paid to or on behalf of contract owners and related expenses, less the present value of future net premiums. Assumptions as to interest rates, mortality, expenses and persistency are based on our estimates of anticipated experience at the period the policy is sold or acquired, including a provision for adverse deviation. Interest rates used to calculate the present value of these reserves ranged from 2.3% to 7.7%.

Reserves for payout contracts with life contingencies are equal to the present value of expected future payments. Assumptions as to interest rates, mortality and expenses are based on our estimates of anticipated experience at the period the policy is sold or acquired, including a provision for adverse deviation. Such assumptions generally vary by annuity plan type, year of issue and policy duration. Interest rates used to calculate the present value of future benefits ranged from 2.7% to 8.3%.

Although assumptions are "locked-in" upon the issuance of traditional life insurance contracts, certain accident and health insurance contracts and payout contracts with life contingencies, significant changes in experience or assumptions may require us to provide for expected future losses on a product by establishing premium deficiency reserves. Premium deficiency reserves are determined based on best estimate assumptions that exist at the time the premium deficiency reserve is established and do not include a provision for adverse deviation. See "Deferred Policy Acquisition Costs, Value of Business Acquired and Other Intangibles" below for premium deficiency reserves established during 2019 and 2018.

Product Guarantees and Index-crediting Features

The assumptions used to establish the liabilities for our product guarantees require considerable judgment and are established as management's best estimate of future outcomes. We periodically review these assumptions and, if necessary, update them based on additional information that becomes available. Changes in, or deviations from, the assumptions used can significantly affect our reserve levels and related results of operations.

IUL, Stabilizer and MCG: We also issue certain products that contain embedded derivatives that are measured at estimated fair value separately from the host contracts. These products include IUL, and stabilizer ("Stabilizer") contracts. The managed custody guarantee product ("MCG") is a stand-alone derivative and is measured in its entirety at estimated fair value.

The estimated fair value of the embedded derivative in the IUL contracts is based on the present value of the excess of interest payments to the contract owners over the growth in the minimum guaranteed account value. The excess interest payments are determined as the excess of projected index driven benefits over the projected guaranteed benefits. The projection horizon is over the current indexed term of the related contracts, which takes into account best estimate actuarial assumptions, such as partial withdrawals, full surrenders, deaths and maturities.

The estimated fair value of the Stabilizer embedded derivative and MCG stand-alone derivative is determined based on the present value of projected future claims, minus the present value of future guaranteed premiums. At inception of the contract, we project a guaranteed premium to be equal to the present value of the projected future claims. The income associated with the contracts is projected using actuarial and capital market assumptions, including benefits and related contract charges, over the anticipated life of the related contracts. The cash flow estimates are projected under multiple capital market scenarios using observable risk-free rates and other best estimate assumptions.

The liabilities for the IUL and Stabilizer embedded derivatives and the MCG stand-alone derivative include a risk margin to capture uncertainties related to policyholder behavior assumptions. The margin represents additional compensation a market participant would require to assume these risks.

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

Universal and Variable Universal Life: Reserves for UL and variable universal life ("VUL") secondary guarantees and paid-up guarantees are calculated by estimating the expected value of death benefits payable and recognizing those benefits ratably over the accumulation period based on total expected assessments. The reserve for such products recognizes the portion of contract assessments received in early years used to compensate us for benefits provided in later years. Assumptions used, such as the interest rate, lapse rate and mortality, are consistent with assumptions used in estimating gross profits for purposes of amortizing DAC.

See *Quantitative and Qualitative Disclosures About Market Risk* in Part II, Item 7A. of this Annual Report on Form 10-K for additional information regarding specific hedging strategies we utilize to mitigate risk for the product guarantees, as well as sensitivities of the embedded derivative and stand-alone derivative liabilities to changes in certain capital markets assumptions.

Deferred Policy Acquisition Costs, Value of Business Acquired and Other Intangibles

DAC represents policy acquisition costs that have been capitalized and are subject to amortization and interest. VOBA represents the outstanding value of in-force business acquired and is subject to amortization and interest. DSI represents benefits paid to contract owners for a specified period that are incremental to the amounts we credit on similar contracts without sales inducements and are higher than the contract's expected ongoing crediting rates for periods after the inducement. URR relates to UL and VUL products and represents policy charges for benefits or services to be provided in future periods.

Collectively, we refer to DAC, VOBA, DSI and URR as "DAC/VOBA and other intangibles". See the *Deferred Policy Acquisition Costs and Value of Business Acquired* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K for additional information on DAC/VOBA and other intangibles.

Amortization Methodologies

We amortize DAC and VOBA related to certain traditional life insurance contracts and certain accident and health insurance contracts over the premium payment period in proportion to the present value of expected gross premiums. Assumptions as to mortality, morbidity, persistency and interest rates, which include provisions for adverse deviation, are consistent with the assumptions used to calculate reserves for future policy benefits.

These assumptions are "locked-in" at issue and not revised unless the DAC or VOBA balance is deemed to be unrecoverable from future expected profits. Recoverability testing is performed for current issue year products to determine if gross premiums are sufficient to cover DAC or VOBA, estimated benefits and related expenses. In subsequent periods, the recoverability of DAC and VOBA is determined by assessing whether future gross premiums are sufficient to amortize DAC or VOBA, as well as provide for expected future benefits and related expenses. If a premium deficiency is deemed to be present, charges will be applied against the DAC and VOBA balances before an additional reserve is established. Absent such a premium deficiency, variability in amortization after policy issuance or acquisition relates only to variability in premium volumes.

We amortize DAC and VOBA related to universal life-type contracts and fixed and variable deferred annuity contracts over the estimated lives of the contracts in relation to the emergence of estimated gross profits. Assumptions as to mortality, persistency, interest crediting rates, fee income, returns associated with separate account performance, impact of hedge performance, expenses to administer the business and certain economic variables, such as inflation, are based on our experience and overall capital markets. At each valuation date, estimated gross profits are updated with actual gross profits, and the assumptions underlying future estimated gross profits are evaluated for continued reasonableness. Adjustments to estimated gross profits require that amortization rates be revised retroactively to the date of the contract issuance ("unlocking"). If the update of assumptions causes estimated gross profits to increase, DAC and VOBA amortization will decrease, resulting in a current period increase to earnings. The opposite result occurs when the assumption update causes estimated gross profits to decrease. We amortize the DSI and URR over the estimated lives of the related contracts using the same methodology and assumptions used to amortize DAC.

For universal life-type contracts and fixed and variable deferred annuity contracts, recoverability testing is performed for current issue year products to determine if gross profits are sufficient to cover DAC/VOBA and other intangibles, estimated benefits and related expenses. In subsequent periods, we perform testing to assess the recoverability of DAC/VOBA and other intangibles on

an annual basis, or more frequently if circumstances indicate a potential loss recognition issue exists. If DAC/VOBA or other intangibles are not deemed recoverable from future gross profits, charges will be applied against the DAC/VOBA or other intangible balances before an additional reserve is established.

During the year ended December 31, 2017, as a result of the 2018 Transaction and the sale of substantially all of the Annuities and CBVA businesses discussed above, we have evaluated and redefined our contract groupings for loss recognition testing in those businesses. This has resulted in the establishment of premium deficiency reserves for the Annuities and CBVA business that was not included in the 2018 Transaction of \$43 million, as of December 31, 2017. Of that amount, \$18 million is recorded as an increase in Policyholder benefits in the Consolidated Statement of Operations, with a corresponding increase to Future policy benefits on the Consolidated Balance Sheet, and \$25 million is reported within Income (loss) from discontinued operations, net of tax in the Consolidated Statement of Operations, with a corresponding amount in Liabilities held for sale on the Consolidated Balance Sheet.

Assumptions and Periodic Review

Changes in assumptions can have a significant impact on DAC/VOBA and other intangibles balances, amortization rates, reserve levels, and results of operations. Assumptions are management's best estimates of future outcome. We periodically review these assumptions against actual experience and, based on additional information that becomes available, update our assumptions. Deviation of emerging experience from our assumptions could have a significant effect on our DAC/VOBA and other intangibles, reserves, and the related results of operations.

- One significant assumption is the assumed return associated with the variable account performance, which has historically had a greater impact on variable annuity than VUL products. To reflect the volatility in the equity markets, this assumption involves a combination of near-term expectations and long-term assumptions regarding market performance. The overall return on the variable account is dependent on multiple factors, including the relative mix of the underlying sub-accounts among bond funds and equity funds, as well as equity sector weightings. We use a reversion to the mean approach, which assumes that the market returns over the entire mean reversion period are consistent with a long-term level of equity market appreciation. We monitor market events and only change the assumption when sustained deviations are expected. This methodology incorporates a 9% long-term equity return assumption, a 14% cap and a five-year look-forward period.
- Another significant assumption used in the estimation of gross profits for certain products is mortality. We utilize a combination of actual and industry experience when setting our mortality assumptions, which are consistent with the assumptions used to calculate reserves for future policy benefits.
- Assumptions related to interest rate spreads and credit losses also impact estimated gross profits for applicable products with credited rates. These assumptions are based on the current investment portfolio yields and credit quality, estimated future crediting rates, capital markets, and estimates of future interest rates and defaults.
- Other significant assumptions include estimated policyholder behavior assumptions, such as surrender, lapse, and annuitization rates. We use a combination of actual and industry experience when setting and updating our policyholder behavior assumptions, and such assumptions require considerable judgment. Estimated gross revenues and gross profits for our variable annuity contracts are particularly sensitive to these assumptions.

We include the impact of the change in value of the embedded derivative associated with the IUL contracts in gross profits for purposes of determining DAC amortization.

During the third quarter of 2019, 2018 and 2017, we conducted our annual review of assumptions, including projection model inputs, and made a number of changes to our assumptions which impacted the results of our segments reflected in Income (loss). The following are the impacts of assumption changes during 2019, 2018 and 2017.

During the third quarter of 2019, we updated our assumptions to reflect, among other changes, a reduction in the long-term interest rate of 50 basis points and updates to our Individual Life business assumptions including higher than expected persistency at older ages, lower net margins and refinements to our policyholder behavior assumptions. The impact of assumption changes on our results from continuing operations was a loss of \$70 million in the third quarter of 2019, of which a loss of \$25 million was included in Adjusted operating earnings before income taxes and reflects net unfavorable DAC/VOBA and other intangibles unlocking.

During the third quarter of 2018, we updated our assumptions to reflect, among other changes, increases in reinsurance rate assumptions in our Individual Life business and the unfavorable adjustment of the GMIR initiative partially offset by favorable changes in equity market assumptions in our Retirement business. The impact of assumption changes on our results from continuing operations was a loss of \$51 million in the third quarter of 2018 of which a gain of \$49 million was included in Adjusted operating earnings before income taxes and reflects net favorable DAC/VOBA and other intangibles unlocking.

During the third quarter of 2017, the impact of assumption changes on our results from continuing operations resulted in a loss of \$130 million, of which a loss of \$47 million was included in Adjusted operating earnings before income taxes and reflects net unfavorable DAC/VOBA and other intangibles unlocking.

For the third quarter of 2019, 2018 and 2017, the impact of assumption changes related to our disposed businesses reported in discontinued operations were losses of \$31 million, \$102 million and \$59 million, respectively and reflected unfavorable DAC/VOBA and other intangibles unlocking.

Sensitivity

We perform sensitivity analyses to assess the impact that certain assumptions have on DAC/VOBA and other intangibles, as well as certain reserves. The following table presents the estimated instantaneous net impact to income from continuing and discontinued operations of various assumption changes on our DAC/VOBA and other intangible balances and the impact on related reserves for future policy benefits and reinsurance. The effects are not representative of the aggregate impacts that could result if a combination of such changes to equity markets, interest rates and other assumptions occurred.

(\$ in millions)

	As of December 31, 2019		
	Continuing Operations ⁽¹⁾	Discontinued Operations	Total
Decrease in long-term equity rate of return assumption by 100 basis points	\$ (37)	\$ —	\$ (37)
A change to the long-term interest rate assumption of -50 basis points	(43)	(22)	(65)
A change to the long-term interest rate assumption of +50 basis points	30	20	50
An assumed increase in future mortality by 1%	(10)	(12)	(22)

¹⁾ Includes DAC/VOBA and other intangibles of the Individual Life business that will be exited via reinsurance pursuant to the Resolution MTA.

We generally assume that the rate of return on fixed income investments backing CBVA contracts moves in a manner correlated with changes to our assumed long-term rate of return. Furthermore, assumptions regarding shifts in market factors may be overly simplistic and not indicative of actual market behavior in stress scenarios.

Lower assumed equity rates of return, lower assumed interest rates, increased assumed future mortality and decreased equity market values generally decrease DAC/VOBA and other intangibles and increase future policy benefits, thus decreasing income before income taxes. Higher assumed interest rates generally increase DAC/VOBA and other intangibles and decrease future policy benefits, thus increasing income before income taxes.

Valuation of Investments and Derivatives

Our investment portfolio consists of public and private fixed maturity securities, commercial mortgage and other loans, equity securities, short-term investments, other invested assets and derivative financial instruments. We enter into interest rate, equity market, credit default and currency contracts, including swaps, futures, forwards, caps, floors and options, to reduce and manage various risks associated with changes in value, yield, price, cash flow or exchange rates of assets or liabilities held or intended to be held, or to assume or reduce credit exposure associated with a referenced asset, index or pool. We also utilize options and futures on equity indices to reduce and manage risks associated with our universal-life type and annuity products.

See the *Investments (excluding Consolidated Investment Entities)* Note and the *Derivative Financial Instruments* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K for further information.

Investments

We measure the fair value of our financial assets and liabilities based on assumptions used by market participants in pricing the asset or liability, which may include inherent risk, restrictions on the sale or use of an asset, or nonperformance risk, including our own credit risk. The estimate of fair value is the price that would be received to sell an asset or transfer a liability ("exit price") in an orderly transaction between market participants in the principal market, or the most advantageous market in the absence of a principal market, for that asset or liability. We use a number of valuation sources to determine the fair values of our financial assets and liabilities, including quoted market prices, third-party commercial pricing services, third-party brokers, industry-standard,

vendor-provided software that models the value based on market observable inputs, and other internal modeling techniques based on projected cash flows.

We categorize our financial instruments into a three-level hierarchy based on the priority of the inputs to the valuation technique. 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 securities 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 flows, matrix pricing or other similar techniques. Inputs to these methodologies include, but are not limited to, market observable inputs such as benchmark yields, credit quality, issuer spreads, bids, offers and cash flow characteristics of the security. For privately placed bonds, we also consider such factors as the net worth of the borrower, value of the collateral, the capital structure of the borrower, the presence of guarantees, and the borrower's ability to compete in its relevant market. Valuations are reviewed and validated monthly by an internal valuation committee using price variance reports, comparisons to internal pricing models, back testing of recent trades, and monitoring of trading volumes, as appropriate.

The valuation of financial assets and liabilities involves considerable judgment, is subject to considerable variability, is established using management's best estimate, and is revised as additional information becomes available. As such, changes in, or deviations from, the assumptions used in such valuations can significantly affect our results of operations. Financial markets are subject to significant movements in valuation and liquidity, which can impact our ability to liquidate and the selling price that can be realized for our securities.

Derivatives

Derivatives are carried at fair value, which is determined by using observable key financial data, such as yield curves, exchange rates, S&P 500 prices, LIBOR and Overnight Index Swap Rates ("OIS") or through values established by third-party sources, such as brokers. Valuations for our futures contracts are based on unadjusted quoted prices from an active exchange. Counterparty credit risk is considered and incorporated in our valuation process through counterparty credit rating requirements and monitoring of overall exposure. Our own credit risk is also considered and incorporated in our valuation process.

We have certain CDS 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.

We also have investments in certain fixed maturities and have issued certain universal life-type and annuity products that contain embedded derivatives for which fair value is at least partially determined by levels of or changes in domestic and/or foreign interest rates (short-term or long-term), exchange rates, prepayment rates, equity markets, or credit ratings/spreads. The fair values of these embedded derivatives are determined using prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. For additional information regarding the valuation of and significant assumptions associated with embedded derivatives and stand-alone derivatives associated with certain universal life-type and annuity contracts, see "Reserves for Future Policy Benefits" above.

In addition, we have entered into coinsurance with funds withheld reinsurance arrangements that contain embedded derivatives. The fair value of the embedded derivatives is based on the change in the fair value of the underlying assets held in the trust using the valuation methods and assumptions described for our investments held.

The valuation of derivatives involves considerable judgment, is subject to considerable variability, is established using management's best estimate and is revised as additional information becomes available. As such, changes in, or deviations from, these assumptions used in such valuations can have a significant effect on the results of operations.

For additional information regarding the fair value of our investments and derivatives, see the *Fair Value Measurements (excluding Consolidated Investment Entities)* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K.

Impairments

We evaluate our available-for-sale investments quarterly to determine whether there has been an other-than-temporary decline in fair value below the amortized cost basis. This evaluation process entails considerable judgment and estimation. Factors considered in this analysis include, but are not limited to, the length of time and the extent to which the fair value has been less than amortized cost, the issuer's financial condition and near-term prospects, future economic conditions and market forecasts, interest rate changes and changes in ratings of the security. An extended and severe unrealized loss position on a fixed maturity may not have any impact on: (a) the ability of the issuer to service all scheduled interest and principal payments and (b) the evaluation of recoverability of all contractual cash flows or the ability to recover an amount at least equal to its amortized cost based on the present value of the expected future cash flows to be collected. In contrast, for certain equity securities, we give greater weight and consideration to a decline in market value and the likelihood such market value decline will recover.

When assessing our intent to sell a security, or if it is more likely than not we will be required to sell a security before recovery of its amortized cost basis, we evaluate facts and circumstances such as, but not limited to, decisions to rebalance the investment portfolio and sales of investments to meet cash flow or capital needs.

We use the following methodology and significant inputs to determine the amount of the OTTI credit loss:

- When determining collectability and the period over which the value is expected to recover for U.S. and foreign corporate securities, foreign government securities and state and political subdivision securities, we apply the same considerations utilized in our overall impairment evaluation process, which incorporates information regarding the specific security, the industry and geographic area in which the issuer operates and overall macroeconomic conditions. Projected future cash flows are estimated using assumptions derived from our best estimates of likely scenario-based outcomes, after giving consideration to a variety of variables that includes, but is not limited to: general payment terms of the security; the likelihood that the issuer can service the scheduled interest and principal payments; the quality and amount of any credit enhancements; the security's position within the capital structure of the issuer; possible corporate restructurings or asset sales by the issuer; and changes to the rating of the security or the issuer by rating agencies.
- Additional considerations are made when assessing the unique features that apply to certain structured securities, such as subprime, Alt-A, non-agency RMBS, CMBS and ABS. These additional factors for structured securities include, but are not limited to: the quality of underlying collateral; expected prepayment speeds; loan-to-value ratio; debt service coverage ratios; current and forecasted loss severity; consideration of the payment terms of the underlying assets backing a particular security; and the payment priority within the tranche structure of the security.
- When determining the amount of the credit loss for U.S. and foreign corporate securities, foreign government securities and state and political subdivision securities, we consider the estimated fair value as the recovery value when available information does not indicate that another value is more appropriate. When information is identified that indicates a recovery value other than estimated fair value, we consider in the determination of recovery value the same considerations utilized in its overall impairment evaluation process, which incorporates available information and our best estimate of scenario-based outcomes regarding the specific security and issuer; possible corporate restructurings or asset sales by the issuer; the quality and amount of any credit enhancements; the security's position within the capital structure of the issuer; fundamentals of the industry and geographic area in which the security issuer operates; and the overall macroeconomic conditions.
- We perform a discounted cash flow analysis comparing the current amortized cost of a security to the present value of future cash flows expected to be received, including estimated defaults and prepayments. The discount rate is generally the effective interest rate of the fixed maturity prior to impairment.

Mortgage loans on real estate are all commercial mortgage loans. If a mortgage loan is determined to be impaired (i.e., when it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement), the carrying value of the mortgage loan is reduced to the lower of either the present value of expected cash flows from the loan, discounted at the loan's original purchase yield, or the fair value of the collateral. For those mortgages that are determined to require foreclosure, the carrying value is reduced to the fair value of the underlying collateral, net of estimated costs to obtain and sell at the point of foreclosure.

Impairment analysis of the investment portfolio involves considerable judgment, is subject to considerable variability, is established using management's best estimate and is revised as additional information becomes available. As such, changes in, or deviations from, the assumptions used in such analysis can have a significant effect on the results of operations.

For additional information regarding the evaluation process for impairments, see the *Investments (excluding Consolidated Investment Entities)* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K.

Income Taxes

Valuation Allowances

We use certain assumptions and estimates in determining the income taxes payable or refundable for the current year, the deferred income tax liabilities and assets for items recognized differently in our Consolidated Financial Statements from amounts shown on our income tax returns and the federal income tax expense. Determining these amounts requires analysis and interpretation of current tax laws and regulations, including the loss limitation rules associated with change in control. We exercise considerable judgment in evaluating the amount and timing of recognition of the resulting income tax liabilities and assets. These judgments and estimates are reevaluated on a periodic basis and as regulatory and business factors change.

Deferred tax assets represent the tax benefit of future deductible temporary differences, net operating loss carryforwards and tax credit carryforwards. We evaluate and test the recoverability of deferred tax assets. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence, it is more likely than not that some portion, or all, of the deferred tax assets will not be realized. Considerable judgment and the use of estimates are required in determining whether a valuation allowance is necessary and, if so, the amount of such valuation allowance. In evaluating the need for a valuation allowance, we consider many factors, including:

- The nature, frequency and severity of book income or losses in recent years;
- The nature and character of the deferred tax assets and liabilities;
- The nature and character of income by life and non-life subgroups;
- The recent cumulative book income (loss) position after adjustment for permanent differences;
- Taxable income in prior carryback years;
- Projected future taxable income, exclusive of reversing temporary differences and carryforwards;
- Projected future reversals of existing temporary differences;
- The length of time carryforwards can be utilized;
- Prudent and feasible tax planning strategies we would employ to avoid a tax benefit from expiring unused; and
- Tax rules that would impact the utilization of the deferred tax assets.

We have assessed whether it is more likely than not that the deferred tax assets will be realized in the future. In making this assessment, we considered the available sources of income and positive and negative evidence regarding our ability to generate sufficient taxable income to realize our deferred tax assets, which include net operating loss carryforwards ("NOLs"), capital loss carryforwards and tax credit carryforwards.

After considering the impact of the above factors on the valuation allowance, including the impact of the Individual Life Transaction, we determined that it is more likely than not that \$250 million of additional deferred tax asset will be realized. As a result, we recorded a valuation allowance release of \$250 million.

The valuation allowance was approximately \$388 million and \$638 million as of December 31, 2019 and 2018, respectively. The decrease is primarily related to the tax valuation allowance release of \$250 million. Pursuant to U.S. GAAP, we do not specifically identify the valuation allowance with individual categories. However, we estimate that balances of approximately \$198 million as of December 31, 2019 and \$445 million as of December 31, 2018 were related to federal net operating and capital losses. The remaining balances were attributable to various items, including state taxes and other deferred tax assets.

In December 2014, we entered into an Issue Resolution Agreement ("IA") with the IRS relating to the Internal Revenue Code Section 382 calculation of the annual limitation on the use of certain of the Company's federal tax attributes that will apply as a consequence of the Section 382 event experienced by the Company in March 2014. We do not expect the annual limitation to impact our ability to utilize the losses or credits. As of December 31, 2019, we had approximately \$9.6 billion of federal net operating loss carryforwards and \$17 million of capital loss carryforwards.

For further information on our income taxes see the *Income Taxes* Note to our Consolidated Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K.

Tax Contingencies

In establishing unrecognized tax benefits, we determine whether a tax position is more likely than not to be sustained under examination by the appropriate taxing authority. We also consider positions which have been reviewed and agreed to as part of an

examination by the appropriate taxing authority. Tax positions that do not meet the more likely than not standard are not recognized. Tax positions that meet this standard are recognized in our Consolidated Financial Statements. We measure the tax position as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate resolution with the taxing authority that has full knowledge of all relevant information.

Changes in Law

Certain changes or future events, such as changes in tax legislation, geographic mix of earnings, completion of tax audits, planning opportunities and expectations about future outcomes could have an impact on our estimates of deferred taxes, valuation allowances, tax provisions and effective tax rates.

Contingencies

For information regarding our contingencies, see the *Commitments and Contingencies* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K.

Employee Benefits Plans

We sponsor defined benefit pension and other postretirement benefit plans covering eligible employees, sales representatives and other individuals. The net periodic benefit cost and projected benefit obligations are calculated based on assumptions, such as discount rate, expected rate of return on plan assets, rate of future compensation increases and health care cost trend rates. These assumptions require considerable judgment, are subject to considerable variability and are established using our best estimate. Actual results could vary significantly from assumptions based on changes, such as economic and market conditions, demographics of participants in the plans and amendments to benefits provided under the plans. Differences between the expected return and the actual return on plan assets and other actuarial changes, which could be significant, are immediately recognized in the Consolidated Statements of Operations, generally in the fourth quarter.

The table below summarizes the components of the net actuarial (gains) losses related to pension obligations recognized within Operating expenses in our Consolidated Statements of Operations for the periods indicated:

<i>(Gain)/Loss Recognized (\$ in millions)</i>	2019	2018	2017
Discount Rate	\$ 292	\$ (160)	\$ 196
Asset Returns	(263)	207	(142)
Mortality Table Assumptions	(22)	(6)	(14)
Demographic Data and other	(11)	9	(25)
Total Net Actuarial (Gain)/Loss Recognized	<u>\$ (4)</u>	<u>\$ 50</u>	<u>\$ 14</u>

For the year ended December 31, 2019, we decreased our pension plans discount rate by 1.1% resulting in an increase in our benefit obligations and a corresponding actuarial loss of \$292 million. This decrease in the discount rate was driven by decrease in the 30-year Treasury and corporate AA yields. For the year ended December 31, 2018, we increased our pension plans discount rate by 0.61%, resulting in a decrease in our benefit obligations and a corresponding actuarial gain of \$160 million. This increase in the discount rate was driven by an increase in the 30-year Treasury and corporate AA yields. For the year ended December 31, 2017, we decreased our pension plans discount rate by 0.70%, resulting in an increase in our benefit obligations and a corresponding actuarial loss of \$196 million. This decrease in discount rate was driven by a decrease in corporate AA yields and 30-year Treasury yields.

Our expected long-term rate of return on our Voya Retirement Plan (the "Retirement Plan") assets was 6.75% and 7.5% for 2019 and 2018, respectively. Our expected return on plan assets is calculated using 30-year forward looking assumptions based on the long-term target asset allocation. In 2019, the actual return on our Retirement Plan assets was approximately 24.4%, resulting in an actuarial gain of \$263 million. In 2018, the actual return on our Retirement Plan assets was approximately (4.1)%, resulting in an actuarial loss of \$207 million. In 2017, the actual return on our Retirement Plan assets was approximately 17.4%, resulting in an actuarial gain of \$142 million.

In October 2019, the Society of Actuaries ("SOA") published and we adopted the Pri. A-2012 Private Retirement Plans Mortality Tables report that provides new base mortality assumptions; and new mortality improvement projection scales (MP-2019) that project a lower rate of mortality improvement than what was used in 2018. These mortality assumption changes lowered our total benefit liability by approximately 1% in 2019 and contributed \$(22) million to the net actuarial gain for the year ended December

31, 2019. Changes in mortality assumptions in 2018 and 2017 contributed \$(6) million and \$(14) million, respectively, to the net actuarial loss in those periods.

The Retirement Plan is a tax qualified defined benefit plan, the benefits of which are guaranteed (within certain specified legal limits) by the Pension Benefit Guaranty Corporation ("PBGC"). Beginning January 1, 2012, the Retirement Plan adopted a cash balance pension formula instead of a final average pay ("FAP") formula, allowing all eligible employees to participate in the Retirement Plan. Participants earn an annual credit equal to 4% of eligible compensation. Interest is credited monthly based on a 30-year U.S. Treasury securities bond rate published by the IRS in the preceding August of each year. The accrued vested cash pension balance benefit is portable; participants can take it if they leave us.

Sensitivity

The discount rate and expected rate of return assumptions relating to our defined benefit pension plans have historically had the most significant effect on our net periodic benefit costs and the projected and accumulated projected benefit obligations associated with these plans.

The discount rates are based on current market information provided by plan actuaries. The discount rate modeling process involves selecting a portfolio of high quality, non-callable bonds that will match the cash flows of the defined benefit pension plans. The weighted average discount rate in 2019 for the net periodic benefit cost was 4.37% for defined benefit pension plans. The discount rate as of December 31, 2019 for the benefit obligation of our pension plans was 3.36%.

As of December 31, 2019, the sensitivities of the effect of a change in the discount rate are as presented below. This represents the estimate of actuarial gains (losses) that would be recognized immediately through Operating expenses in our Consolidated Statements of Operations:

<i>(\$ in millions)</i>	Increase (Decrease) in Net Periodic Benefit Cost-Pension Plans
Increase in discount rate by 100 basis points	\$ (266)
Decrease in discount rate by 100 basis points	330

<i>(\$ in millions)</i>	Increase (Decrease) in Pension Benefit Obligation
Increase in discount rate by 100 basis points	\$ (266)
Decrease in discount rate by 100 basis points	330

The expected rate of return considers the asset allocation, historical returns on the types of assets held and current economic environment. Based on these factors, we expect that the assets will earn an average percentage per year over the long term. This estimation is based on an active return on a compound basis, with a reduction for administrative expenses and manager fees paid to non-affiliated companies from the assets. For estimation purposes, we assume the long-term asset mix will be consistent with the current mix. Changes in the asset mix could impact the amount of recorded pension income or expense, the funded status of the Retirement Plan and the need for future cash contributions.

The expected rate of return for 2019 was 6.75%, net of expenses, for the Retirement Plan. The expected rate of return assumption is only applicable to the Retirement Plan as assets are not held by any of the other pension and other postretirement plans.

As of December 31, 2019, the effect of a change in the actual rate of return on the net periodic benefit cost is presented in the table below. This represents the estimate of actuarial gains (losses) that would be recognized immediately through Operating expenses in our Consolidated Statements of Operations:

<i>(\$ in millions)</i>	Increase (Decrease) in Net Periodic Benefit Cost-Pension Plans
Increase in actual rate of return by 100 basis points	\$ (17)
Decrease in actual rate of return by 100 basis points	17

The expected rate of return for 2020 is 6.25%, net of expenses, for the Retirement Plan, reflecting a change in asset allocation from equity securities to fixed maturities. The estimated impact of this change as well as the actuarial gain experienced on plan assets in 2019 is expected to decrease our net periodic benefit cost by approximately \$10 million.

For more information related to our employee benefit plans, see the *Employee Benefit Arrangements* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K.

Impact of New Accounting Pronouncements

For information regarding the impact of new accounting pronouncements, see the *Business, Basis of Presentation and Significant Accounting Policies* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K.

INVESTMENTS
(excluding Consolidated Investment Entities)

Investments for our general account are managed by our wholly owned asset manager, Voya Investment Management LLC, pursuant to investment advisory agreements with affiliates. In addition, our internal treasury group manages our holding company liquidity investments, primarily money market funds.

Investment Strategy

Our investment strategy seeks to achieve sustainable risk-adjusted returns by focusing on principal preservation, disciplined matching of asset characteristics with liability requirements and the diversification of risks. Investment activities are undertaken according to investment policy statements that contain internally established guidelines and risk tolerances and are required to comply with applicable laws and insurance regulations. Risk tolerances are established for credit risk, credit spread risk, market risk, liquidity risk and concentration risk across issuers, sectors and asset types that seek to mitigate the impact of cash flow variability arising from these risks.

Segmented portfolios are established for groups of products with similar liability characteristics. Our investment portfolio consists largely of high quality fixed maturities and short-term investments, investments in commercial mortgage loans, alternative investments and other instruments, including a small amount of equity holdings. Fixed maturities include publicly issued corporate bonds, government bonds, privately placed notes and bonds, bonds issued by states and municipalities, ABS, traditional MBS and various CMO tranches managed in combination with financial derivatives as part of a proprietary strategy known as CMO-B.

We use derivatives for hedging purposes to reduce our exposure to the cash flow variability of assets and liabilities, interest rate risk, credit risk and market risk. In addition, we use credit derivatives to replicate exposure to individual securities or pools of securities as a means of achieving credit exposure similar to bonds of the underlying issuer(s) more efficiently.

See the *Investments (excluding Consolidated Investment Entities)* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K.

Portfolio Composition

The following table presents the investment portfolio as of the dates indicated:

	December 31, 2019		December 31, 2018	
	Carrying Value	% of Total	Carrying Value	% of Total
<i>(\$ in millions)</i>				
Fixed maturities, available-for-sale, excluding securities pledged	\$ 39,663	74.0%	\$ 36,897	73.0%
Fixed maturities, at fair value using the fair value option	2,707	5.0%	2,233	4.4%
Equity securities, available-for-sale	196	0.4%	247	0.5%
Short-term investments ⁽¹⁾	68	0.1%	126	0.2%
Mortgage loans on real estate	6,878	12.8%	7,281	14.4%
Policy loans	776	1.4%	814	1.6%
Limited partnerships/corporations	1,290	2.4%	982	1.9%
Derivatives	316	0.6%	194	0.4%
Other investments	385	0.7%	379	0.7%
Securities pledged	1,408	2.6%	1,462	2.9%
Total investments	\$ 53,687	100.0%	\$ 50,615	100.0%

⁽¹⁾ Short-term investments include investments with remaining maturities of one year or less, but greater than three months, at the time of purchase.

Fixed Maturities

The following tables present total fixed maturities, including securities pledged, by market sector, as of the dates indicated:

		December 31, 2019			
<i>(\$ in millions)</i>		Amortized Cost	% of Total	Fair Value	% of Total
Fixed maturities:					
U.S. Treasuries	\$	1,074	2.7%	\$ 1,382	3.2%
U.S. Government agencies and authorities		74	0.2%	95	0.2%
State, municipalities and political subdivisions		1,220	3.1%	1,323	3.0%
U.S. corporate public securities		12,980	32.5%	14,938	34.0%
U.S. corporate private securities		5,568	14.0%	6,035	13.8%
Foreign corporate public securities and foreign governments ⁽¹⁾		3,887	9.8%	4,341	10.0%
Foreign corporate private securities ⁽¹⁾		4,545	11.4%	4,831	11.0%
Residential mortgage-backed securities		4,999	12.6%	5,204	11.9%
Commercial mortgage-backed securities		3,402	8.5%	3,574	8.2%
Other asset-backed securities		2,058	5.2%	2,055	4.7%
Total fixed maturities, including securities pledged	\$	<u>39,807</u>	<u>100.0%</u>	\$ <u>43,778</u>	<u>100.0%</u>

⁽¹⁾ Primarily U.S. dollar denominated.

		December 31, 2018			
<i>(\$ in millions)</i>		Amortized Cost	% of Total	Fair Value	% of Total
Fixed maturities:					
U.S. Treasuries	\$	1,228	3.1%	\$ 1,423	3.5%
U.S. Government agencies and authorities		62	0.1%	74	0.2%
State, municipalities and political subdivisions		1,241	3.1%	1,250	3.1%
U.S. corporate public securities		14,455	36.2%	14,876	36.6%
U.S. corporate private securities		5,499	13.8%	5,491	13.5%
Foreign corporate public securities and foreign governments ⁽¹⁾		4,139	10.4%	4,135	10.2%
Foreign corporate private securities ⁽¹⁾		4,705	11.8%	4,640	11.4%
Residential mortgage-backed securities		4,143	10.4%	4,282	10.6%
Commercial mortgage-backed securities		2,777	6.9%	2,763	6.8%
Other asset-backed securities		1,688	4.2%	1,658	4.1%
Total fixed maturities, including securities pledged	\$	<u>39,937</u>	<u>100.0%</u>	\$ <u>40,592</u>	<u>100.0%</u>

⁽¹⁾ Primarily U.S. dollar denominated.

As of December 31, 2019, the average duration of our fixed maturities portfolio, including securities pledged, is between 7.5 and 8.0 years.

Fixed Maturities Credit Quality - Ratings

The Securities Valuation Office ("SVO") of the NAIC evaluates the fixed maturity security investments of insurers for regulatory reporting and capital assessment purposes and assigns securities to one of six credit quality categories called "NAIC designations." An internally developed rating is used as permitted by the NAIC if no rating is available. These designations are generally similar to the credit quality designations of the NAIC acceptable rating organizations ("ARO") for marketable fixed maturity securities, called rating agency designations except for certain structured securities as described below. NAIC designations of "1," highest quality and "2," high quality, include fixed maturity securities generally considered investment grade by such rating organizations.

NAIC designations 3 through 6 include fixed maturity securities generally considered below investment grade by such rating organizations.

The NAIC designations for structured securities, including subprime and Alt-A RMBS, are based upon a comparison of the bond's amortized cost to the NAIC's loss expectation for each security. Securities where modeling results in no expected loss in each scenario are considered to have the highest designation of NAIC 1. A large percentage of our RMBS securities carry the NAIC 1 designation while the ARO rating indicates below investment grade. This is primarily due to the credit and intent impairments recorded by us that reduced the amortized cost on these securities to a level resulting in no expected loss in any scenario, which corresponds to the NAIC 1 designation. The methodology reduces regulatory reliance on rating agencies and allows for greater regulatory input into the assumptions used to estimate expected losses from such structured securities. In the tables below, we present the rating of structured securities based on ratings from the NAIC methodologies described above (which may not correspond to rating agency designations). NAIC designations (e.g., NAIC 1-6) are based on the NAIC methodologies.

As a result of time lags between the funding of investments, the finalization of legal documents and the completion of the SVO filing process, the fixed maturity portfolio generally includes securities, that have not yet been rated by the SVO as of each balance sheet date, such as private placements. Pending receipt of SVO ratings, the categorization of these securities by NAIC designation is based on the expected ratings indicated by internal analysis.

Information about certain of our fixed maturity securities holdings by the NAIC designation is set forth in the following tables. Corresponding rating agency designation does not directly translate into NAIC designation, but represents our best estimate of comparable ratings from rating agencies, including Moody's, S&P and Fitch. If no rating is available from a rating agency, then an internally developed rating is used. As of December 31, 2019 and 2018, the weighted average NAIC quality rating of our fixed maturities portfolio was 1.5.

The following tables present credit quality of fixed maturities, including securities pledged, using NAIC designations as of dates indicated:

(\$ in millions)

NAIC Quality Designation	December 31, 2019						Total Fair Value
	1	2	3	4	5	6	
U.S. Treasuries	\$ 1,382	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,382
U.S. Government agencies and authorities	95	—	—	—	—	—	95
State, municipalities and political subdivisions	1,200	121	—	—	—	2	1,323
U.S. corporate public securities	6,783	7,327	682	124	22	—	14,938
U.S. corporate private securities	2,095	3,620	157	148	15	—	6,035
Foreign corporate public securities and foreign governments ⁽¹⁾	1,758	2,389	148	46	—	—	4,341
Foreign corporate private securities ⁽¹⁾	505	4,050	232	44	—	—	4,831
Residential mortgage-backed securities	5,030	111	18	1	19	25	5,204
Commercial mortgage-backed securities	3,166	322	66	12	8	—	3,574
Other asset-backed securities	1,765	209	21	3	57	—	2,055
Total fixed maturities	<u>\$ 23,779</u>	<u>\$ 18,149</u>	<u>\$ 1,324</u>	<u>\$ 378</u>	<u>\$ 121</u>	<u>\$ 27</u>	<u>\$ 43,778</u>
% of Fair Value	<u>54.2%</u>	<u>41.5%</u>	<u>3.0%</u>	<u>0.9%</u>	<u>0.3%</u>	<u>0.1%</u>	<u>100.0%</u>

⁽¹⁾ Primarily U.S. dollar denominated.

(\$ in millions)

December 31, 2018

NAIC Quality Designation	1	2	3	4	5	6	Total Fair Value
U.S. Treasuries	\$ 1,423	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,423
U.S. Government agencies and authorities	74	—	—	—	—	—	74
State, municipalities and political subdivisions	1,148	100	—	—	—	2	1,250
U.S. corporate public securities	6,660	7,293	752	158	13	—	14,876
U.S. corporate private securities	2,161	3,034	128	149	16	3	5,491
Foreign corporate public securities and foreign governments ⁽¹⁾	1,808	2,069	219	37	1	1	4,135
Foreign corporate private securities ⁽¹⁾	587	3,671	275	65	42	—	4,640
Residential mortgage-backed securities	4,177	25	34	2	7	37	4,282
Commercial mortgage-backed securities	2,668	75	20	—	—	—	2,763
Other asset-backed securities	1,423	144	30	7	31	23	1,658
Total fixed maturities	<u>\$ 22,129</u>	<u>\$ 16,411</u>	<u>\$ 1,458</u>	<u>\$ 418</u>	<u>\$ 110</u>	<u>\$ 66</u>	<u>\$ 40,592</u>
% of Fair Value	<u>54.5%</u>	<u>40.4%</u>	<u>3.6%</u>	<u>1.0%</u>	<u>0.3%</u>	<u>0.2%</u>	<u>100.0%</u>

⁽¹⁾ Primarily U.S. dollar denominated.

The fixed maturities in our portfolio are generally rated by external rating agencies and, if not externally rated, are rated by us on a basis similar to that used by the rating agencies. As of December 31, 2019 and 2018, the weighted average quality rating of our fixed maturities portfolio was A. Ratings are derived from three ARO ratings and are applied as follows, based on the number of agency ratings received:

- when three ratings are received then the middle rating is applied;
- when two ratings are received then the lower rating is applied;
- when a single rating is received, the ARO rating is applied; and
- when ratings are unavailable then an internal rating is applied.

The following tables present credit quality of fixed maturities, including securities pledged, using ARO ratings as of the dates indicated:

(\$ in millions)

ARO Quality Ratings	December 31, 2019					
	AAA	AA	A	BBB	BB and Below	Total Fair Value
U.S. Treasuries	\$ 1,382	\$ —	\$ —	\$ —	\$ —	\$ 1,382
U.S. Government agencies and authorities	89	6	—	—	—	95
State, municipalities and political subdivisions	83	757	360	121	2	1,323
U.S. corporate public securities	152	924	5,715	7,373	774	14,938
U.S. corporate private securities	148	184	1,882	3,494	327	6,035
Foreign corporate public securities and foreign governments ⁽¹⁾	13	377	1,353	2,378	220	4,341
Foreign corporate private securities ⁽¹⁾	—	—	591	4,022	218	4,831
Residential mortgage-backed securities	3,768	175	110	383	768	5,204
Commercial mortgage-backed securities	1,397	365	872	777	163	3,574
Other asset-backed securities	393	411	920	215	116	2,055
Total fixed maturities	<u>\$ 7,425</u>	<u>\$ 3,199</u>	<u>\$ 11,803</u>	<u>\$ 18,763</u>	<u>\$ 2,588</u>	<u>\$ 43,778</u>
% of Fair Value	<u>17.0%</u>	<u>7.3%</u>	<u>27.0%</u>	<u>42.8%</u>	<u>5.9%</u>	<u>100.0%</u>

⁽¹⁾ Primarily U.S. dollar denominated.

(\$ in millions)

ARO Quality Ratings	December 31, 2018					
	AAA	AA	A	BBB	BB and Below	Total Fair Value
U.S. Treasuries	\$ 1,423	\$ —	\$ —	\$ —	\$ —	\$ 1,423
U.S. Government agencies and authorities	69	5	—	—	—	74
State, municipalities and political subdivisions	89	697	362	100	2	1,250
U.S. corporate public securities	171	829	5,643	7,321	912	14,876
U.S. corporate private securities	156	211	1,933	2,901	290	5,491
Foreign corporate public securities and foreign governments ⁽¹⁾	26	430	1,378	2,042	259	4,135
Foreign corporate private securities ⁽¹⁾	—	—	610	3,791	239	4,640
Residential mortgage-backed securities	3,064	73	57	158	930	4,282
Commercial mortgage-backed securities	1,358	335	523	404	143	2,763
Other asset-backed securities	629	185	554	166	124	1,658
Total fixed maturities	<u>\$ 6,985</u>	<u>\$ 2,765</u>	<u>\$ 11,060</u>	<u>\$ 16,883</u>	<u>\$ 2,899</u>	<u>\$ 40,592</u>
% of Fair Value	<u>17.2%</u>	<u>6.8%</u>	<u>27.3%</u>	<u>41.6%</u>	<u>7.1%</u>	<u>100.0%</u>

⁽¹⁾ Primarily U.S. dollar denominated.

Fixed maturities rated BB and below may have speculative characteristics and changes in economic conditions or other circumstances that are more likely to lead to a weakened capacity of the issuer to make principal and interest payments than is the case with higher rated fixed maturities.

Unrealized Capital Losses

Gross unrealized capital losses on fixed maturities, including securities pledged, decreased \$756 million from \$847 million to \$91 million for the year ended December 31, 2019. The decrease in gross unrealized capital losses was primarily due to declining interest rates and tightening credit spreads. Gross unrealized losses on fixed maturities, including securities pledged, increased

\$645 million from \$202 million to \$847 million for the year ended December 31, 2018. The increase in gross unrealized capital losses was primarily due to rising interest rates and widening credit spreads.

As of December 31, 2019, we held one fixed maturity security with unrealized capital losses in excess of \$10 million. The unrealized capital losses on this fixed maturity security equaled \$13 million, or 14.2% of the total unrealized losses. As of December 31, 2018, we held three fixed maturities with unrealized capital losses in excess of \$10 million. The unrealized capital losses on these fixed maturities equaled \$44 million, or 5.2% of the total unrealized losses.

As of December 31, 2019, we held \$3.2 billion of energy sector fixed maturity securities, constituting 7.2% of the total fixed maturities portfolio, with gross unrealized capital losses of \$27 million, including one energy sector fixed maturity security with unrealized capital losses in excess of \$10 million. The unrealized capital losses on this fixed maturity security equaled \$13 million. As of December 31, 2019, our fixed maturity exposure to the energy sector is comprised of 91.1% investment grade securities.

As of December 31, 2018, we held \$3.2 billion of energy sector fixed maturity securities, constituting 7.9% of the total fixed maturities portfolio, with gross unrealized capital losses of \$117 million including one energy sector fixed maturity security with unrealized capital losses in excess of \$10 million. The unrealized capital losses on this fixed maturity security equaled \$21 million. As of December 31, 2018, our fixed maturity exposure to the energy sector is comprised of 86.9% investment grade securities.

The following table presents the U.S. and foreign corporate securities within our energy holdings by sector as of the dates indicated:

Sector Type	December 31, 2019			December 31, 2018		
	Amortized Cost	Fair Value	% Fair Value	Amortized Cost	Fair Value	% Fair Value
Midstream	\$ 1,132	\$ 1,284	40.6%	\$ 1,228	\$ 1,264	39.5%
Integrated Energy . .	485	566	17.9%	679	689	21.5%
Independent Energy	696	755	23.9%	716	715	22.3%
Oil Field Services . .	302	309	9.8%	356	321	10.0%
Refining	204	246	7.8%	201	213	6.7%
Total	\$ 2,819	\$ 3,160	100.0%	\$ 3,180	\$ 3,202	100.0%

See the *Investments (excluding Consolidated Investment Entities)* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K for further information on unrealized capital losses.

CMO-B Portfolio

As part of our broadly diversified investment portfolio, we have a core holding in a proprietary mortgage derivatives strategy known as CMO-B, which invests in a variety of CMO securities in combination with interest rate derivatives in targeting a specific type of exposure to the U.S. residential mortgage market. Because of their relative complexity and generally small natural buyer base, we believe certain types of CMO securities are consistently priced below their intrinsic value, thereby providing a source of potential return for investors in this strategy.

The CMO securities that are part of our CMO-B portfolio are either notional or principal securities, backed by the interest and principal components, respectively, of mortgages secured by single-family residential real estate. There are many variations of these two types of securities including interest only and principal only securities, as well as inverse-floating rate (principal) securities and inverse interest only securities, all of which are part of our CMO-B portfolio. This strategy has been in place for nearly two decades and thus far has been a significant source of investment income while exhibiting relatively low volatility and correlation compared to the other asset types in the investment portfolio, although we cannot predict whether favorable returns will continue in future periods.

To protect against the potential for credit loss associated with financially troubled borrowers, investments in our CMO-B portfolio are primarily in CMO securities backed by one of the government sponsored entities: the Federal National Mortgage Association ("Fannie Mae"), the Federal Home Loan Mortgage Corporation ("Freddie Mac") or Government National Mortgage Association ("Ginnie Mae").

Because the timing of the receipt of the underlying cash flow is highly dependent on the level and direction of interest rates, our CMO-B portfolio also has exposure to both interest rate and convexity risk. The exposure to interest rate risk—the potential for changes in value that results from changes in the general level of interest rates—is managed to a defined target duration using interest

rate swaps and interest rate futures. The exposure to convexity risk—the potential for changes in value that result from changes in duration caused by changes in interest rates—is dynamically hedged using interest rate swaps and at times, interest rate swaptions.

Prepayment risk represents the potential for adverse changes in portfolio value resulting from changes in residential mortgage prepayment speed (actual and projected), which in turn depends on a number of factors, including conditions in both credit markets and housing markets. Changes in the prepayment behavior of homeowners represent both a risk and potential source of return for our CMO-B portfolio. As a result, we seek to invest in securities that are broadly diversified by collateral type to take advantage of the uncorrelated prepayment experiences of homeowners with unique characteristics that influence their ability or desire to prepay their mortgage. We choose collateral types and individual securities based on an in-depth quantitative analysis of prepayment incentives across available borrower types.

The following table presents fixed maturities balances held in the CMO-B portfolio by NAIC quality rating as of the dates indicated:

NAIC Quality Designation	December 31, 2019			December 31, 2018		
	Amortized Cost	Fair Value	% Fair Value	Amortized Cost	Fair Value	% Fair Value
1	\$ 3,131	\$ 3,273	95.4%	\$ 2,723	\$ 2,835	97.1%
2	104	105	3.1%	15	15	0.5%
3	12	12	0.3%	15	25	0.9%
4	—	—	—%	—	—	—%
5	8	18	0.5%	3	6	0.2%
6	19	25	0.7%	23	37	1.3%
Total	\$ 3,274	\$ 3,433	100.0%	\$ 2,779	\$ 2,918	100.0%

For CMO securities where we elected the FVO, amortized cost represents the market values. For details on the NAIC designation methodology, please see "Fixed Maturities Credit Quality-Ratings" above.

The following table presents the notional amounts and fair values of interest rate derivatives used in our CMO-B portfolio as of the dates indicated:

	December 31, 2019			December 31, 2018		
	Notional Amount	Asset Fair Value	Liability Fair Value	Notional Amount	Asset Fair Value	Liability Fair Value
Interest Rate Contracts	\$ 13,772	\$ 58	\$ 131	\$ 14,969	\$ 32	\$ 79

We utilize interest rate futures and interest rate swaps as a part of the CMO-B portfolio to hedge interest rate risk.

The following table presents our CMO-B fixed maturity securities balances and tranche type as of the dates indicated:

Tranche Type	December 31, 2019			December 31, 2018		
	Amortized Cost	Fair Value	% Fair Value	Amortized Cost	Fair Value	% Fair Value
Inverse Floater	\$ 273	\$ 350	10.2%	\$ 300	\$ 360	12.3%
Interest Only (IO)	179	183	5.3%	164	177	6.1%
Inverse IO	1,615	1,681	49.1%	1,315	1,365	46.8%
Principal Only (PO)	230	235	6.8%	246	248	8.5%
Floater	11	12	0.3%	13	14	0.5%
Agency Credit Risk Transfer	957	962	28.0%	739	751	25.7%
Other	9	10	0.3%	2	3	0.1%
Total	\$ 3,274	\$ 3,433	100.0%	\$ 2,779	\$ 2,918	100.0%

For the year ended December 31, 2019, the market value of our CMO-B portfolio increased primarily due to new purchase activity exceeding paydowns and maturities. Valuation of the securities within our CMO-B portfolio have benefited from a benign prepayment environment for seasoned collateral resulting in continued positive relative performance for the strategy. Yields within the CMO-B portfolio continue to decline, however, as higher yielding historical CMO-B assets paydown or mature and are replaced with lower yielding new assets.

The following table presents returns for our CMO-B portfolio for the periods indicated:

	Year Ended December 31,		
	2019	2018	2017
<i>(\$ in millions)</i>			
Net investment income	\$ 452	\$ 413	\$ 408
Net realized capital gains (losses) ⁽¹⁾	(203)	(339)	(289)
Income (loss) from continuing operations before income taxes	<u>\$ 249</u>	<u>\$ 74</u>	<u>\$ 119</u>

⁽¹⁾ Net realized capital gains (losses) also include derivatives interest settlements, mark to market adjustments and realized gains (losses) on standalone derivatives contracts that are in the CMO-B portfolio.

In defining the Adjusted operating earnings before income taxes for our CMO-B portfolio (including CMO-B portfolio income (loss) related to businesses to be exited through reinsurance or divestment) certain recharacterizations are recognized. The net coupon settlement on interest rate swaps hedging CMO-B securities that is included in Net realized capital gains (losses) is reflected. In addition, the premium amortization and change in fair value for securities designated under the FVO are included in Net realized capital gains (losses), whereas the coupon for these securities is included in Net investment income. In order to present the economics of these fair value securities in a similar manner to those of an available for sale security, the premium amortization is reclassified from Net realized capital gains (losses).

After adjusting for the two items referenced immediately above, the following table presents a reconciliation of Income (loss) from continuing operations before income taxes from our CMO-B portfolio to Adjusted operating earnings before income taxes from our CMO-B portfolio (including CMO-B portfolio income (loss) related to businesses to be exited through reinsurance or divestment) for the periods indicated:

	Year Ended December 31,		
	2019	2018	2017
<i>(\$ in millions)</i>			
Income (loss) from continuing operations before income taxes	\$ 249	\$ 74	\$ 119
Realized gains/(losses) including OTTI	3	15	1
Fair value adjustments	(62)	107	69
Total adjustments to income (loss) from continuing operations	<u>(59)</u>	<u>122</u>	<u>70</u>
Total ⁽¹⁾	<u>\$ 190</u>	<u>\$ 196</u>	<u>\$ 189</u>

⁽¹⁾ Includes CMO-B portfolio income related to adjusted operating earnings and businesses to be exited through reinsurance or divestment.

Structured Securities

Residential Mortgage-backed Securities

The following tables present our residential mortgage-backed securities as of the dates indicated:

December 31, 2019					
<i>(\$ in millions)</i>	Amortized Cost	Gross Unrealized Capital Gains	Gross Unrealized Capital Losses	Embedded Derivatives	Fair Value
Prime Agency	\$ 2,783	\$ 137	\$ 3	\$ 10	\$ 2,927
Prime Non-Agency	2,062	47	10	2	2,101
Alt-A	133	14	—	8	155
Sub-Prime ⁽¹⁾	52	6	1	—	57
Total RMBS	\$ 5,030	\$ 204	\$ 14	\$ 20	\$ 5,240

⁽¹⁾ Includes subprime other asset backed securities.

December 31, 2018					
<i>(\$ in millions)</i>	Amortized Cost	Gross Unrealized Capital Gains	Gross Unrealized Capital Losses	Embedded Derivatives	Fair Value
Prime Agency	\$ 2,647	\$ 110	\$ 31	\$ 8	\$ 2,734
Prime Non-Agency	1,333	45	16	2	1,364
Alt-A	141	15	—	7	163
Sub-Prime ⁽¹⁾	68	7	1	—	74
Total RMBS	\$ 4,189	\$ 177	\$ 48	\$ 17	\$ 4,335

⁽¹⁾ Includes subprime other asset backed securities.

Commercial Mortgage-backed Securities

The following tables present our commercial mortgage-backed securities as of the dates indicated:

December 31, 2019												
(\$ in millions)	AAA		AA		A		BBB		BB and Below		Total	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
2013 and prior . . .	\$ 286	\$ 316	\$ 42	\$ 43	\$ 70	\$ 71	\$ 124	\$ 131	\$ 3	\$ 4	\$ 525	\$ 565
2014 . . .	307	336	44	45	59	61	28	29	25	25	463	496
2015 . . .	234	248	160	165	115	119	127	132	25	25	661	689
2016 . . .	59	61	17	18	30	32	50	53	8	8	164	172
2017 . . .	131	138	41	41	129	134	66	68	66	68	433	449
2018 . . .	121	137	24	25	231	240	95	98	2	2	473	502
2019 . . .	143	160	28	28	213	215	268	267	31	31	683	701
Total CMBS	\$ 1,281	\$ 1,396	\$ 356	\$ 365	\$ 847	\$ 872	\$ 758	\$ 778	\$ 160	\$ 163	\$ 3,402	\$ 3,574

December 31, 2018												
(\$ in millions)	AAA		AA		A		BBB		BB and Below		Total	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
2013 and prior . . .	\$ 370	\$ 380	\$ 63	\$ 63	\$ 78	\$ 78	\$ 76	\$ 81	\$ 9	\$ 9	\$ 596	\$ 611
2014 . . .	342	345	33	32	40	40	27	27	37	37	479	481
2015 . . .	302	297	148	147	61	61	116	116	27	27	654	648
2016 . . .	91	86	15	15	33	32	43	43	7	7	189	183
2017 . . .	203	193	55	54	85	83	42	41	33	33	418	404
2018 . . .	57	56	24	24	231	229	98	97	31	30	441	436
2019 . . .	—	—	—	—	—	—	—	—	—	—	—	—
Total CMBS	\$ 1,365	\$ 1,357	\$ 338	\$ 335	\$ 528	\$ 523	\$ 402	\$ 405	\$ 144	\$ 143	\$ 2,777	\$ 2,763

As of December 31, 2019, 88.6% and 9.0% of CMBS investments were designated as NAIC-1 and NAIC-2, respectively. As of December 31, 2018, 96.6% and 2.7% of CMBS investments were designated as NAIC-1 and NAIC-2, respectively.

Other Asset-backed Securities

The following tables present our other asset-backed securities as of the dates indicated:

December 31, 2019												
(\$ in millions)	AAA		AA		A		BBB		BB and Below		Total	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Collateralized Obligation . . .	\$ 317	\$ 315	\$ 298	\$ 298	\$ 699	\$ 689	\$ 31	\$ 30	\$ 86	\$ 76	\$ 1,431	\$ 1,408
Auto-Loans . . .	3	4	10	10	8	8	—	—	—	—	21	22
Student Loans	17	17	94	96	93	95	2	1	—	—	206	209
Credit Card loans	1	1	—	—	—	—	—	—	—	—	1	1
Other Loans . . .	55	58	6	7	123	126	179	183	5	5	368	379
Total Other ABS⁽¹⁾	\$ 393	\$ 395	\$ 408	\$ 411	\$ 923	\$ 918	\$ 212	\$ 214	\$ 91	\$ 81	\$ 2,027	\$ 2,019

⁽¹⁾ Excludes subprime other asset backed securities.

December 31, 2018												
(\$ in millions)	AAA		AA		A		BBB		BB and Below		Total	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Collateralized Obligation . . .	\$ 558	\$ 550	\$ 93	\$ 91	\$ 370	\$ 354	\$ 26	\$ 24	\$ 77	\$ 70	\$ 1,124	\$ 1,089
Auto-Loans . . .	3	3	10	10	8	8	—	—	—	—	21	21
Student Loans	9	9	80	81	95	94	—	—	—	—	184	184
Credit Card loans	2	2	—	—	—	—	—	—	—	—	2	2
Other Loans . . .	66	65	2	2	94	95	144	142	5	5	311	309
Total Other ABS⁽¹⁾	\$ 638	\$ 629	\$ 185	\$ 184	\$ 567	\$ 551	\$ 170	\$ 166	\$ 82	\$ 75	\$ 1,642	\$ 1,605

⁽¹⁾ Excludes subprime other asset backed securities.

As of December 31, 2019, 85.9% and 10.2% of Other ABS investments were designated as NAIC-1 and NAIC-2, respectively. As of December 31, 2018, 85.8% and 8.7% of Other ABS investments were designated as NAIC-1 and NAIC-2, respectively.

Mortgage Loans on Real Estate

We rate commercial mortgages to quantify the level of risk. We place those loans with higher risk on a watch list and closely monitor these loans for collateral deficiency or other credit events that may lead to a potential loss of principal and/or interest. If we determine the value of any mortgage loan to be OTTI (i.e., when it is probable that we will be unable to collect on amounts due according to the contractual terms of the loan agreement), the carrying value of the mortgage loan is reduced to either the present value of expected cash flows from the loan, discounted at the loan's effective interest rate, or fair value of the collateral. For those mortgages that are determined to require foreclosure, the carrying value is reduced to the fair value of the underlying collateral, net of estimated costs to obtain and sell at the point of foreclosure. The carrying value of the impaired loans is reduced by establishing an other-than-temporary write-down recorded in Net realized capital gains (losses) in the Consolidated Statements of Operations.

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

As of December 31, 2019 and 2018, our mortgage loans on real estate portfolio had a weighted average DSC of 2.3 times and 2.2 times, and a weighted average LTV ratio of 61.5% and 61.6%, respectively. See the *Investments (excluding Consolidated Investment Entities)* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K for further information on mortgage loans on real estate.

Other-Than-Temporary Impairments

We evaluate available-for-sale fixed maturities and equity securities for impairment on a regular basis. The assessment of whether impairments have occurred is based on a case-by-case evaluation of the underlying reasons for the decline in estimated fair value. See the *Business, Basis of Presentation and Significant Accounting Policies* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K for the policy used to evaluate whether the investments are other-than-temporarily impaired.

For the year ended December 31, 2019, we recorded \$28 million of credit related OTTI. See the *Investments (excluding Consolidated Investment Entities)* Note in our Consolidated Financial Statements of Part II, Item 8. in this Annual Report on Form 10-K for further information on OTTI.

Derivatives

We use derivatives for a variety of hedging purposes. We also have embedded derivatives within fixed maturities instruments and certain product features. See the *Business, Basis of Presentation and Significant Accounting Policies* Note and the *Derivatives* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K for further information.

European Exposures

We quantify and allocate our exposure to the region by attempting to identify aspects of the region or country risk to which we are exposed. Among the factors we consider are the nationality of the issuer, the nationality of the issuer's ultimate parent, the corporate and economic relationship between the issuer and its parent, as well as the political, legal and economic environment in which each functions. By undertaking this assessment, we believe that we develop a more accurate assessment of the actual geographic risk, with a more integrated understanding of contributing factors to the full risk profile of the issuer.

In the normal course of our ongoing risk and portfolio management process, we closely monitor compliance with a credit limit hierarchy designed to minimize overly concentrated risk exposures by geography, sector and issuer. This framework takes into account various factors such as internal and external ratings, capital efficiency and liquidity and is overseen by a combination of Investment and Corporate Risk Management, as well as insurance portfolio managers focused specifically on managing the investment risk embedded in our portfolio.

While financial conditions in Europe have broadly improved, the possibility of capital market volatility spreading through a highly integrated and interdependent banking system remains. Despite signs of continuous improvement in the region, we continue to closely monitor our exposure to the region.

As of December 31, 2019, our total European exposure had an amortized cost and fair value of \$4,000 million and \$4,368 million, respectively. European exposure with a primary focus on Greece, Ireland, Italy, Portugal and Spain (which we refer to as "peripheral Europe") amounts to \$483 million, which includes non-financial institutions exposure in Ireland of \$175 million, in Italy of \$135 million and in Spain of \$111 million. We also had financial institutions exposure in Ireland of \$21 million, in Italy of \$10 million and in Spain of \$31 million. We did not have any exposure to Greece.

Among the remaining \$3,885 million of total non-peripheral European exposure, we had a portfolio of credit-related assets similarly diversified by country and sector across developed and developing Europe. As of December 31, 2019, our non-peripheral sovereign exposure was \$160 million, which consisted of fixed maturities and derivative assets. We also had \$633 million in net exposure to non-peripheral financial institutions, with a concentration in Switzerland of \$125 million and the United Kingdom of \$334 million. The balance of \$3,092 million was invested across non-peripheral, non-financial institutions.

Some of the major country level exposures were in the United Kingdom of \$1,956 million, in The Netherlands of \$372 million, in Belgium of \$222 million, in France of \$313 million, in Germany of \$197 million, in Switzerland of \$305 million, and in Russia of \$81 million. We believe the primary risk results from market value fluctuations resulting from spread volatility and the secondary risk is default risk, dependent upon the strength of continued recovery of economic conditions in Europe.

Consolidated Investment Entities

We provide investment management services to, and have transactions with, various collateralized loan obligations ("CLO entities"), private equity funds, hedge funds, registered investment companies, insurance entities, securitizations and other investment entities in the normal course of business. In certain instances, we serve as the investment manager, making day-to-day investment decisions concerning the assets of these entities. These entities are considered to be either variable interest entities ("VIEs") or voting interest entities ("VOEs"), and we evaluate our involvement with each entity to determine whether consolidation is required.

Certain investment entities are consolidated under consolidation guidance. We consolidate certain entities under the VIE guidance when it is determined that we are the primary beneficiary. We consolidate certain entities under the VOE guidance when we act as the controlling general partner and the limited partners have no substantive rights to impact ongoing governance and operating activities of the entity, or when we otherwise have control through voting rights. See Consolidation and Noncontrolling Interests in the *Business, Basis of Presentation and Significant Accounting Policies* Note to our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K.

We have no right to the benefits from, nor do we bear the risks associated with these investments beyond our direct debt or equity investments in and management fees generated from these entities. Such direct investments amounted to approximately \$279 million and \$290 million on a continuing basis as of December 31, 2019 and 2018, respectively. If we were to liquidate, the assets held by consolidated investment entities would not be available to our general creditors as a result of the liquidation.

Fair Value Measurement

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

Investments held by consolidated private equity funds and hedge funds are reported in our Consolidated Financial Statements. Changes in the fair value of consolidated investment entities are recorded as a separate line item within Income (loss) related to consolidated investment entities in our Consolidated Financial Statements.

The methodology for measuring the fair value and fair value hierarchy classification of financial assets and liabilities of consolidated investment entities is consistent with the methodology and fair value hierarchy rules that we apply to our investment portfolio. See Fair Value Measurement in the *Business, Basis of Presentation and Significant Accounting Policies* Note to our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K.

Nonconsolidated VIEs

We also hold variable interest in certain CLO entities that we do not consolidate because we have determined that we are not the primary beneficiary. With these CLO entities, we serve as the investment manager and receive investment management fees and contingent performance fees. Generally, we do not hold any interest in the nonconsolidated CLO entities, but if we do, such ownership has been deemed to be insignificant. We have not provided and are not obligated to provide any financial or other support to these entities.

We manage or hold investments in certain private equity funds and hedge funds. With these entities, we serve as the investment manager and are entitled to receive investment management fees and contingent performance fees that are generally expected to be insignificant. Although we have the power to direct the activities that significantly impact the economic performance of the funds, we do not hold a significant variable interest in any of these funds and, as such, do not have the obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the entity. Accordingly, we are not considered the primary beneficiary and did not consolidate any of these investment funds.

In addition, we do not consolidate funds in which our involvement takes the form of a limited partner interest and is restricted to a role of a passive investor, as a limited partner's interest does not provide us with any substantive kick-out or participating rights, which would overcome the presumption of control by the general partner. See the *Consolidated Investment Entities* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K for more information.

Securizations

We invest in various tranches of securitization entities, including RMBS, CMBS and ABS. Through our investments, we are not obligated to provide any financial or other support to these entities. Each of the RMBS, CMBS and ABS entities are thinly capitalized by design and considered VIEs. Our involvement with these entities is limited to that of a passive investor. We have no unilateral right to appoint or remove the servicer, special servicer or investment manager, which are generally viewed to have the power to direct the activities that most significantly impact the securitization entities' economic performance, in any of these entities, nor do we function in any of these roles. We, through our investments or other arrangements, do not have the obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the entity. Therefore, we are not the primary beneficiary and do not consolidate any of the RMBS, CMBS and ABS entities in which we hold investments. These investments are accounted for as investments available-for-sale as described in the *Fair Value Measurements (excluding Consolidated Investment Entities)* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K and unrealized capital gains (losses) on these securities are recorded directly in AOCI, except for certain RMBS which are accounted for under the FVO whose change in fair value is reflected in Other net realized gains (losses) in the Consolidated Statements of Operations. Our maximum exposure to loss on these structured investments is limited to the amount of our investment. Refer to the *Investments (excluding Consolidated Investment Entities)* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K for details regarding the carrying amounts and classifications of these assets.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the risk that our consolidated financial position and results of operations will be affected by fluctuations in the value of financial instruments. We have significant holdings in financial instruments and are naturally exposed to a variety of market risks. The main market risks we are exposed to include interest rate risk, equity market price risk, and credit risk. We do not have material market risk exposure to "trading" activities in our Consolidated Financial Statements.

Risk Management

As a financial services company active in retirement, investment management and insurance products and services, taking measured risks is part of our business. As part of our effort to ensure measured risk taking, we have integrated risk management in our daily business activities and strategic planning.

We place a high priority on risk management and risk control. We have comprehensive risk management and control procedures in place at all levels and have established a dedicated risk management function with responsibility for the formulation of our risk appetite, strategies, policies and limits. The risk management function is also responsible for monitoring our overall market risk exposures and provides review, oversight and support functions on risk-related issues.

Our risk appetite is aligned with how our businesses are managed and anticipates future regulatory developments. In particular, our risk appetite is aligned with regulatory capital requirements applicable to our regulated insurance subsidiaries as well as metrics that are aligned with various ratings agency models.

Our risk governance and control systems enable us to identify, control, monitor and aggregate risks and provide assurance that risks are being measured, monitored and reported adequately and effectively. To promote measured risk taking, we have integrated risk management with our business activities and strategic planning.

Each risk that is managed has been mapped for oversight by the Board of Directors or appropriate Board Committees. The Chief Risk Officer ("CRO") reports to the Chief Executive Officer and has direct access to the Board on a regular basis. The Company's Board of Directors and Board Committees are directly involved within the risk framework.

The CRO heads the risk management function and each of the businesses, as well as corporate, has a similar function that reports to the CRO. This functional approach is designed to promote consistent application of guidelines and procedures, regular reporting and appropriate communication through the risk management function, as well as to provide ongoing support for the business. The scope, roles, responsibilities and authorities of the risk management function at different levels are described in a Risk Management Policy to which our businesses must adhere.

Our Risk Committee discusses and approves all risk policies and reviews and approves risks associated with our activities. This includes volatility (affecting earnings and value), exposure (required capital and market risk) and insurance risks. Each business has a Committee that reviews business specific risks and is governed by the Risk Committee.

We have implemented several limit structures to manage risk. Examples include, but are not limited to, the following:

- At-risk limits on sensitivities of earnings and regulatory capital;
- Duration and convexity mismatch limits;
- Credit risk limits;
- Liquidity limits;
- Mortality concentration limits;
- Catastrophe and mortality exposure retention limits for our insurance risk; and
- Investment and derivative guidelines.

We manage our risk appetite based on several key risk metrics, including:

- At-risk metrics on sensitivities of earnings and regulatory capital;
- Stress scenario results: forecasted results under stress events covering the impact of changes in interest rates, equity markets, mortality rates, credit default and spread levels, and combined impacts; and
- Economic capital: the amount of capital required to cover extreme scenarios.

We are also subject to cash flow stress testing pursuant to regulatory requirements. This analysis measures the effect of changes in interest rate assumptions on asset and liability cash flows. The analysis includes the effects of:

- the timing and amount of redemptions and prepayments in our asset portfolio;
- our derivative portfolio;
- death benefits and other claims payable under the terms of our insurance products;
- lapses and surrenders in our insurance products;
- minimum interest guarantees in our insurance products; and
- book value guarantees in our insurance products.

We evaluate any shortfalls that our cash flow testing reveals and if needed increase statutory reserves or adjust portfolio management strategies.

Derivatives are financial instruments whose values are derived from interest rates, foreign currency exchange rates, financial indices, or other prices of securities or commodities. Derivatives include swaps, futures, options and forward contracts. Under U.S. insurance statutes, our insurance subsidiaries may use derivatives to hedge market values or cash flows of assets or liabilities; to replicate cash market instruments; and for certain limited income generating activities. Our insurance subsidiaries are generally prohibited from using derivatives for speculative purposes. References below to hedging and hedge programs refer to our process of reducing exposure to various risks. This does not mean that the process necessarily results in hedge accounting treatment for the respective derivative instruments. To qualify for hedge accounting treatment, a derivative must be highly effective in mitigating the designated risk of the hedged item and meet other specific requirements. Effectiveness of the hedge is assessed at inception and throughout the life of the hedging relationship. Even if a derivative qualifies for hedge accounting treatment, there may be an element of ineffectiveness of the hedge. The ineffective portion of a hedging relationship subject to hedge accounting is recognized in Net realized capital gains (losses) in the Consolidated Statements of Operations.

Market Risk Related to Interest Rates

We define interest rate risk as the risk of an economic loss due to adverse changes in interest rates. This risk arises from our holdings in interest sensitive assets and liabilities, primarily as a result of investing life insurance premiums, fixed annuity and guaranteed investment contract deposits received in interest-sensitive assets and carrying these funds as interest-sensitive liabilities. We are also subject to interest rate risk on our stable value contracts and secondary guarantee universal life contracts. A sustained decline in interest rates or a prolonged period of low interest rates may subject us to higher cost of guaranteed benefits and increased hedging costs on those products that are being hedged. In a rising interest rate environment, we are exposed to the risk of financial disintermediation through a potential increase in the level of book value withdrawals on certain stable value contracts. Conversely, a steady increase in interest rates would tend to improve financial results due to reduced hedging costs, lower costs of guaranteed benefits and improvement to fixed margins.

We use product design, pricing and ALM strategies to reduce the adverse effects of interest rate movement. Product design and pricing strategies can include the use of surrender charges, withdrawal restrictions and the ability to reset credited interest rates. ALM strategies can include the use of derivatives and duration and convexity mismatch limits. See *Risk Factors-Risks Related to Our Business-General-The level of interest rates may adversely affect our profitability, particularly in the event of a continuation of the current low interest rate environment or a period of rapidly increasing interest rates* in Part I, Item 1A. of this Annual Report on Form 10-K.

Derivatives strategies include the following:

- *Guaranteed Minimum Contract Value Guarantees.* For certain liability contracts, we provide the contract holder a guaranteed minimum contract value. These contracts include certain life insurance and annuity products. We purchase interest rate swaps and interest rate options to reduce risk associated with these liability guarantees.
- *Book Value Guarantees in Stable Value Contracts.* For certain stable value contracts, the contract holder and participants may surrender the contract for the account value even if the market value of the asset portfolio is in an unrealized loss position. We purchase derivatives including interest rate swaps and interest rate options to reduce the risk associated with this type of guarantee.
- *Other Market Value and Cash Flow Hedges.* We also use derivatives in general to hedge present or future changes in cash flows or market value changes in our assets and liabilities. We use derivatives such as interest rate swaps to specifically hedge interest rate risks associated with our CMO-B portfolio; see *Management's Discussion and Analysis of Financial Condition and Results of Operations-Investments-CMO-B Portfolio* in Part II, Item 7. of this Annual Report on Form 10-K.

We assess interest rate exposures for financial assets, liabilities and derivatives using hypothetical test scenarios that assume either increasing or decreasing 100 basis point parallel shifts in the yield curve. The following tables summarize the net estimated potential change in fair value from hypothetical 100 basis point upward and downward shifts in interest rates as of December 31, 2019 and 2018. In calculating these amounts, we exclude gains and losses on separate account fixed income securities related to products for which the investment risk is borne primarily by the separate account contract holder rather than by us. While the test scenarios are for illustrative purposes only and do not reflect our expectations regarding future interest rates or the performance of fixed-income markets, they are a near-term, reasonably possible hypothetical change that illustrates the potential impact of such events. These tests do not measure the change in value that could result from non-parallel shifts in the yield curve. As a result, the actual change in fair value from a 100 basis point change in interest rates could be different from that indicated by these calculations.

As of December 31, 2019				
Hypothetical Change in Fair Value⁽²⁾				
<i>(\$ in millions)</i>	Notional	Fair Value⁽¹⁾	+ 100 Basis Points Yield Curve Shift	- 100 Basis Points Yield Curve Shift
Continuing operations:⁽⁶⁾				
Financial assets with interest rate risk:				
Fixed maturity securities, including securities pledged	\$ —	\$ 43,778	\$ (2,648)	\$ 3,806
Commercial mortgage and other loans	—	7,262	(375)	414
Notes Receivable ⁽³⁾	—	320	(31)	36
Financial liabilities with interest rate risk:				
Investment contracts:				
Funding agreements without fixed maturities and deferred annuities ⁽⁴⁾	—	41,035	(3,342)	3,887
Funding agreements with fixed maturities	—	877	(27)	29
Supplementary contracts and immediate annuities	—	872	(42)	49
Derivatives:				
Interest rate contracts	25,057	77	(67)	100
Long-term debt	—	3,418	(234)	268
Embedded derivatives on reinsurance	—	100	86	(105)
Guaranteed benefit derivatives ⁽⁴⁾ :				
Other ⁽⁵⁾	—	60	(30)	96

⁽¹⁾ Separate account assets and liabilities which are interest sensitive are not included herein as any interest rate risk is borne by the holder of separate account.

⁽²⁾ (Decreases) in assets or (decreases) in liabilities are presented in parentheses. Increases in assets or increases in liabilities are presented without parentheses.

⁽³⁾ Reflects SLD's surplus notes as of December 31, 2019 and is included included in Other investments on the Consolidated Balance Sheets.

⁽⁴⁾ Certain amounts included in Funding agreements without fixed maturities and deferred annuities section are also reflected within the Guaranteed benefit derivatives section of the tables above.

⁽⁵⁾ Includes GMWBL, GMWB, FIA, Stabilizer and MCG.

⁽⁶⁾ Includes amounts related to businesses to be exited via reinsurance associated with the Individual Life Transaction.

As of December 31, 2018

(\$ in millions)	Hypothetical Change in Fair Value ⁽²⁾			
	Notional	Fair Value ⁽¹⁾	+ 100 Basis Points Yield Curve Shift	- 100 Basis Points Yield Curve Shift
Continuing operations:⁽⁶⁾				
Financial assets with interest rate risk:				
Fixed maturity securities, including securities pledged	\$ —	\$ 40,592	\$ (2,962)	\$ 3,197
Commercial mortgage and other loans	—	7,391	(381)	420
Derivatives:				
Interest rate contracts	26,053	42	163	(169)
Notes Receivable ⁽³⁾	—	302	(22)	24
Financial liabilities with interest rate risk:				
Investment contracts:				
Funding agreements without fixed maturities and deferred annuities ⁽⁴⁾	—	37,052	(2,321)	3,052
Funding agreements with fixed maturities	—	652	(23)	24
Supplementary contracts and immediate annuities	—	854	(35)	39
Long-term debt	—	3,112	(216)	246
Embedded derivatives on reinsurance	—	(5)	64	(77)
Guaranteed benefit derivatives ⁽⁴⁾ :				
Other ⁽⁵⁾	—	44	(12)	48

- ⁽¹⁾ Separate account assets and liabilities which are interest sensitive are not included herein as any interest rate risk is borne by the holder of separate account.
- ⁽²⁾ (Decreases) in assets or (decreases) in liabilities are presented in parentheses. Increases in assets or increases in liabilities are presented without parentheses.
- ⁽³⁾ Reflects SLD's surplus notes as of December 31, 2018 and is included in Other investments on the Consolidated Balance Sheets.
- ⁽⁴⁾ Certain amounts included in Funding agreements without fixed maturities and deferred annuities section are also reflected within the Guaranteed benefit derivatives section of the tables above.
- ⁽⁵⁾ Includes GMWBL, GMWB, FIA, Stabilizer and MCG.
- ⁽⁶⁾ Includes amounts related to businesses to be exited via reinsurance associated with the Individual Life Transaction.

For certain liability contracts, we provide the contract holder a guaranteed minimum interest rate ("GMIR"). These contracts include fixed annuities and other insurance liabilities. We are required to pay these guaranteed minimum rates even if earnings on our investment portfolio decline, with a resulting investment margin compression negatively impacting earnings. Credited rates are set either quarterly or annually. See the *Guaranteed Benefit Features* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K.

The following table summarizes detail on the differences between the interest rate being credited to contract holders as of December 31, 2019, and the respective GMIRs:

	Account Value ⁽¹⁾						Total
	At GMIR	Up to .50% Above GMIR	0.51% - 1.00% Above GMIR	1.01% - 1.50% Above GMIR	1.51% - 2.00% Above GMIR	More than 2.00% Above GMIR	
Excess of crediting rate over GMIR							
<i>(\$ in millions)</i>							
Continuing operations: ⁽³⁾							
Guaranteed minimum interest rate							
Up to 1.00%	\$ 3,221	\$ 1,544	\$ 1,808	\$ 870	\$ 1,543	\$ 882	\$ 9,868
1.01% - 2.00%	904	118	50	1	1	10	1,084
2.01% - 3.00%	13,708	69	73	100	—	—	13,950
3.01% - 4.00%	9,204	152	1	—	—	—	9,357
4.01% and Above	1,893	96	—	—	—	—	1,989
Renewable beyond 12 months (MYGA) ⁽²⁾	473	—	—	—	1	—	474
Total discretionary rate setting products	<u>\$ 29,403</u>	<u>\$ 1,979</u>	<u>\$ 1,932</u>	<u>\$ 971</u>	<u>\$ 1,545</u>	<u>\$ 892</u>	<u>\$ 36,722</u>
Percentage of Total	80.1%	5.4%	5.3%	2.6%	4.2%	2.4%	100.0%

⁽¹⁾ Includes only the account values for investment spread products with GMIRs and discretionary crediting rates, net of policy loans. Excludes Stabilizer products, which are fee based. Also, excludes the portion of the account value of FIA products for which the crediting rate is based on market indexed strategies.

⁽²⁾ Represents MYGA contracts with renewal dates after December 31, 2020 on which we are required to credit interest above the contractual GMIR for at least the next twelve months.

⁽³⁾ Includes amounts related to businesses to be exited via reinsurance associated with the Individual Life Transaction.

Market Risk Related to Equity Market Prices

Our general account equity securities are significantly influenced by global equity markets. Increases or decreases in equity markets impact certain assets and liabilities related to our variable products and our earnings derived from those products.

We assess equity risk exposures for financial assets, liabilities and derivatives using hypothetical test scenarios that assume either an increase or decrease of 10% in all equity market benchmark levels. The following tables summarize the net estimated potential change in fair value from an instantaneous increase and decrease in all equity market benchmark levels of 10% as of December 31, 2019 and 2018. In calculating these amounts, we exclude gains and losses on separate account equity securities related to products for which the investment risk is borne primarily by the separate account contract holder rather than by us. While the test scenarios are for illustrative purposes only and do not reflect our expectations regarding the future performance of equity markets, they are near-term, reasonably possible hypothetical changes that illustrate the potential impact of such events. These scenarios consider only the direct effect on the fair value of market instruments corresponding to declines or increases in equity benchmark market levels and not changes in asset-based fees recognized as revenue, changes in our estimates of total gross profits used as a basis for amortizing DAC/VOBA, other intangibles and other costs, or changes in any other assumptions such as market volatility or mortality, utilization or persistency rates in variable contracts that could also impact the fair value of our living benefits features. In addition, these scenarios do not reflect the effect of basis risk, such as potential differences in the performance of the investment funds underlying the variable annuity products relative to the equity market benchmark we use as a basis for developing our hedging strategy. The impact of basis risk could result in larger differences between the change in fair value of the equity-based derivatives and the related living benefit features, in comparison to the hypothetical test scenarios.

		As of December 31, 2019			
				Hypothetical Change in Fair Value ⁽¹⁾	
		Notional	Fair Value	+ 10% Equity Shock	-10% Equity Shock
<i>(\$ in millions)</i>					
Continuing operations:⁽³⁾					
Financial assets with equity market risk:					
Equity securities, available-for-sale	\$	—	\$ 196	\$ 19	\$ (19)
Limited liability partnerships/corporations		—	1,290	78	(78)
Derivatives:					
Equity futures and total return swaps		252	(1)	(12)	12
Equity options		148	3	1	(1)
Financial liabilities with equity market risk:					
Guaranteed benefit derivatives:					
Other ⁽²⁾		—	60	(2)	4

⁽¹⁾ (Decreases) in assets or (decreases) in liabilities are presented in parentheses. Increases in assets or increases in liabilities are presented without parentheses.

⁽²⁾ Includes GMWBL, GMWB, FIA, Stabilizer and MCG.

⁽³⁾ Includes amounts related to businesses to be exited via reinsurance associated with the Individual Life Transaction.

		As of December 31, 2018			
				Hypothetical Change in Fair Value ⁽¹⁾	
		Notional	Fair Value	+ 10% Equity Shock	-10% Equity Shock
<i>(\$ in millions)</i>					
Continuing operations:⁽³⁾					
Financial assets with equity market risk:					
Equity securities, available-for-sale	\$	—	\$ 247	\$ 23	\$ (23)
Limited liability partnerships/corporations		—	982	60	(60)
Derivatives:					
Equity futures and total return swaps		150	—	(15)	15
Equity options		178	—	1	(1)
Financial liabilities with equity market risk:					
Guaranteed benefit derivatives:					
Other ⁽²⁾		—	44	(3)	4

⁽¹⁾ (Decreases) in assets or (decreases) in liabilities are presented in parentheses. Increases in assets or increases in liabilities are presented without parentheses.

⁽²⁾ Includes GMWBL, GMWB, FIA, Stabilizer and MCG.

⁽³⁾ Includes amounts related to businesses to be exited via reinsurance associated with the Individual Life Transaction.

Market Risk Related to Credit Risk

Credit risk is primarily embedded in the general account portfolio. The carrying value of our fixed maturity, including securities pledged, and equity portfolio totaled \$44.0 billion and \$40.8 billion as of December 31, 2019 and 2018, respectively. Our credit risk materializes primarily as impairment losses and/or credit risk related trading losses. We are exposed to occasional cyclical economic downturns, during which impairment losses may be significantly higher than the long-term historical average. This is offset by years where we expect the actual impairment losses to be substantially lower than the long-term average.

Credit risk in the portfolio can also materialize as increased capital requirements caused by rating down-grades. The effect of rating migration on our capital requirements is also dependent on the economic cycle and increased asset impairment levels may go hand in hand with increased asset related capital requirements.

We manage the risk of default and rating migration by applying disciplined credit evaluation and underwriting standards and prudently limiting allocations to lower quality, higher risk investments. In addition, we diversify our exposure by issuer and country,

using rating based issuer and country limits, as well as by industry segment, using specific investment constraints. Limit compliance is monitored on a daily, monthly or quarterly basis. Limit violations are reported to senior management and we are actively involved in decisions around curing such limit violations.

We also have credit risk related to the ability of our derivatives and reinsurance counterparties to honor their obligations to pay the contract amounts under various agreements. In order to minimize the risk of credit loss on such contracts, we diversify our exposures among several counterparties and limit the amount of exposure to each based on credit rating. For most counterparties, we have collateral agreements in place that would substantially limit our credit losses in case of a counterparty default. We also generally limit our selection of counterparties that we do new transactions with to those with an "A-" credit rating or above. When exceptions are made to that principle, we ensure that we obtain collateral to mitigate our risk of loss. For derivatives counterparty risk exposures (which includes reverse repurchase and securities lending transactions), we measure and monitor our risks on a market value basis daily. Refer to the *Derivative Financial Instruments* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K for further details of these items.

In the normal course of business, certain reinsurance recoverables are subject to reviews by the reinsurers. We are not aware of any material disputes arising from these reviews or other communications with the counterparties that would affect collectability, and, therefore, as of December 31, 2019, no allowance for uncollectible amounts was recorded.

The following table summarizes our reinsurance recoverable balances, including collateral received and credit and financial strength ratings for our 10 largest reinsurance recoverable balances as of December 31, 2019:

	Reinsurance Recoverable	% Collateralized ⁽¹⁾	Financial Strength Rating		Credit Rating	
			S&P	Moody's	S&P	Moody's
<i>(\$ in millions)</i>						
Continuing operations:⁽³⁾						
Parent Company/Principal Reinsurers						
Lincoln National Corp	1,315	96%			A-	Baa1
Lincoln Life & Annuity Company of New York			AA-	A1		
Lincoln National Life Insurance Co			AA-	A1		
Reinsurance Group of America Inc	1,190	83%			A	Baa1
RGA Reinsurance Company			AA-	A1		
Sun Life Financial Inc						
Sun Life Assurance Company of Canada	255	77%	AA-	NR ⁽²⁾	A+	Baa1
Sun Life & Health Insurance Co						
Prudential Public Limited Company	171	—%			A	A2
Jackson National Life Insurance Co			AA-	A1		
Swiss Re Ltd	136	0%			AA-	Aa3
Swiss Re Life & Health America Inc			AA-	Aa3		
Westport Insurance Corp			AA-	Aa3		
Enstar Group Limited	129	92%			BBB	NR ⁽²⁾
Fitzwilliam Insurance Ltd			NR ⁽²⁾	NR ⁽²⁾		
Aegon N.V.	49	0%			A-	A3
Transamerica Financial Life Insurance Co			AA-	A1		
Transamerica Life Insurance Co			AA-	A1		
Munich Re Group	19	3%			AA-	Aa3
Munich American Reassurance Co			AA-	NR ⁽²⁾		
SCOR SE	16	27%				
Scor Global Life Re Insurance Co of Delaware						
SCOR Global Life SE			AA-	Aa3		
SCOR Global Life US Reinsurance Co Inc			AA-	NR ⁽²⁾		
SCOR Global Life Reinsurance Co of America Inc			NR ⁽²⁾	NR ⁽²⁾		
Athene Holding Ltd.	13	0%			BBB+	NR ⁽²⁾
Athene Life Re LTD			NR ⁽²⁾	NR ⁽²⁾		
All Other Reinsurers	389	100%				
Total reinsurance recoverable	\$3,682	54%				

⁽¹⁾ Collateral includes LOCs, assets held in trust and funds withheld. Percent collateralized is based on the total of individual contractual exposures aggregated at the reinsurer Parent Company level, which may differ for each individual contractual exposure.

⁽²⁾ Not rated.

⁽³⁾ Includes amounts related to businesses to be exited via reinsurance associated with the Individual Life Transaction.

Risks Related to Business Classified as Held for Sale

Our business held for sale are subject to a variety of risks including interest rate risk, equity risk, credit risk and counterparty risk.

Interest Rate Risk

We define interest rate risk as the risk of an economic loss due to adverse changes in interest rates. This risk arises from our holdings in interest sensitive assets and liabilities, primarily as a result of investing life insurance premiums, fixed annuity and guaranteed investment contract deposits received in interest-sensitive assets and carrying these funds as interest-sensitive liabilities. We are also subject to interest rate risk on our variable annuity business, stable value contracts and secondary guarantee universal life contracts. A sustained decline in interest rates or a prolonged period of low interest rates may subject us to higher cost of guaranteed benefits and increased hedging costs on those products that are being hedged. In a rising interest rate environment, we are exposed to the risk of financial disintermediation through a potential increase in the level of book value withdrawals on certain stable value contracts. Conversely, a steady increase in interest rates would tend to improve financial results due to reduced hedging costs, lower costs of guaranteed benefits and improvement to fixed margins.

The following tables summarize the net estimated potential change in fair value within our businesses held for sale from hypothetical 100 basis point upward and downward shifts in interest rates as of December 31, 2019 and 2018.

		As of December 31, 2019			
		Notional		Fair Value⁽¹⁾	
		Hypothetical Change in Fair Value⁽²⁾			
		+ 100 Basis Points Yield Curve Shift		- 100 Basis Points Yield Curve Shift	
<i>(\$ in millions)</i>					
Business held for sale:					
Financial assets with interest rate risk:					
Fixed maturity securities, including securities pledged	\$	—	\$	12,470	\$ (1,156) \$ 1,352
Commercial mortgage and other loans		—		1,405	(82) 91
Derivatives:					
Interest rate contracts		2,228		(7)	(1) 1
Financial liabilities with interest rate risk:					
Investment contracts:					
Funding agreements with fixed maturities		—		923	(27) 28
Supplementary contracts and immediate annuities		—		104	(5) 5
Notes Payable ⁽³⁾				320	(31) 36
Embedded derivatives on reinsurance		—		75	47 (52)
Guaranteed benefit derivatives:					
IUL		—		217	12 (12)

⁽¹⁾ Separate account assets and liabilities which are interest sensitive are not included herein as any interest rate risk is borne by the holder of separate account.

⁽²⁾ (Decreases) in assets or (decreases) in liabilities are presented in parentheses. Increases in assets or increases in liabilities are presented without parentheses.

⁽³⁾ Reflects SLD's corresponding liability of surplus notes.

December 31, 2018

(\$ in millions)

Business held for sale:

Financial assets with interest rate risk:

	Notional	Fair Value ⁽¹⁾	Hypothetical Change in Fair Value ⁽²⁾	
			+ 100 Basis Points Yield Curve Shift	- 100 Basis Points Yield Curve Shift
Fixed maturity securities, including securities pledged	\$ —	\$ 10,529	\$ (941)	\$ 1,099
Commercial mortgage and other loans	—	1,420	(86)	96
Derivatives:				
Interest rate contracts	2,152	(12)	(1)	1

Financial liabilities with interest rate risk:

Investment contracts:				
Funding agreements with fixed maturities	—	545	(17)	18
Supplementary contracts and immediate annuities	—	106	(4)	5
Notes Payable ⁽³⁾		302	(22)	24
Embedded derivatives on reinsurance	—	26	39	(43)
Guaranteed benefit derivatives:				
IUL	—	82	7	(7)

- ⁽¹⁾ Separate account assets and liabilities which are interest sensitive are not included herein as any interest rate risk is borne by the holder of separate account.
⁽²⁾ (Decreases) in assets or (decreases) in liabilities are presented in parentheses. Increases in assets or increases in liabilities are presented without parentheses.
⁽³⁾ Reflects SLD's corresponding liability of surplus notes.

For certain liability contracts, we provide the contract holder a guaranteed minimum interest rate ("GMIR"). These contracts include fixed annuities and other insurance liabilities. We are required to pay these guaranteed minimum rates even if earnings on our investment portfolio decline, with a resulting investment margin compression negatively impacting earnings. Credited rates are set either quarterly or annually. See the *Guaranteed Benefit Features* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K.

The following table summarizes detail on the differences between the interest rate being credited to contract holders as of December 31, 2019, and the respective GMIRs for our business held for sale:

	Account Value ⁽¹⁾						Total
	Excess of crediting rate over GMIR						
	At GMIR	Up to .50% Above GMIR	0.51% - 1.00% Above GMIR	1.01% - 1.50% Above GMIR	1.51% - 2.00% Above GMIR	More than 2.00% Above GMIR	
Up to 1.00%	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
1.01% - 2.00%	—	—	—	—	11	53	64
2.01% - 3.00%	288	196	217	86	22	—	809
3.01% - 4.00%	3,044	600	420	4	—	—	4,068
4.01% and Above	509	—	—	—	—	—	509
Total discretionary rate setting products	\$ 3,841	\$ 796	\$ 637	\$ 90	\$ 33	\$ 53	\$ 5,450
Percentage of Total	70.5%	14.6%	11.7%	1.7%	0.6%	1.0%	100.0%

- ⁽¹⁾ Includes only the account values for investment spread products with GMIRs and discretionary crediting rates, net of policy loans. Excludes Stabilizer products, which are fee based. Also, excludes the portion of the account value of FIA products for which the crediting rate is based on market indexed strategies.

Market Risk Related to Equity Market Prices

Our variable annuity products, indexed universal life ("IUL") insurance products and general account equity securities are significantly influenced by global equity markets. Increases or decreases in equity markets impact certain assets and liabilities related to our variable products and our earnings derived from those products. Our variable products within businesses held for sale include variable annuity contracts and variable life insurance.

The following tables summarize the net estimated potential change in fair value from an instantaneous increase and decrease in all equity market benchmark levels of 10% as of December 31, 2019 and 2018 for Assets held for sale:

	December 31, 2019			
	Notional	Fair Value	Hypothetical Change in Fair Value ⁽¹⁾	
			+ 10% Equity Shock	-10% Equity Shock
<i>(\$ in millions)</i>				
Business held for sale:				
Financial assets with equity market risk:				
Equity securities, available-for-sale	\$ —	\$ 35	\$ 3	\$ (3)
Limited liability partnerships/corporations	—	327	20	(20)
Derivatives:				
Equity options	1,753	234	98	(103)
Financial liabilities with equity market risk:				
Guaranteed benefit derivatives:				
IUL	—	217	92	(96)

⁽¹⁾ (Decreases) in assets or (decreases) in liabilities are presented in parentheses. Increases in assets or increases in liabilities are presented without parentheses.

	December 31, 2018			
	Notional	Fair Value	Hypothetical Change in Fair Value ⁽¹⁾	
			+ 10% Equity Shock	-10% Equity Shock
<i>(\$ in millions)</i>				
Business held for sale:				
Financial assets with equity market risk:				
Equity securities, available-for-sale	\$ —	\$ 25	\$ 2	\$ (2)
Limited liability partnerships/corporations	—	239	14	(14)
Derivatives:				
Equity options	1,427	89	62	(42)
Financial liabilities with equity market risk:				
Guaranteed benefit derivatives:				
IUL	—	82	58	(38)

⁽¹⁾ (Decreases) in assets or (decreases) in liabilities are presented in parentheses. Increases in assets or increases in liabilities are presented without parentheses.

Hedging of IUL Benefits

We mitigate IUL market risk exposures through a combination of capital market hedging and product design. For IULs, these risks stem from the interest credits paid to policy owners based on exposure to various stock market indices. The minimum guarantees, interest rate and equity market exposures, are strongly dependent on capital markets and, to a lesser degree, policyholder behavior.

These hedge programs are limited to the current policy term of the liabilities, based on current participation rates and index caps. Future returns, which may be reflected in IUL credited rates beyond the current policy term, are not hedged until such time that policyholder selections of future crediting strategies have been made.

Equity options are used to hedge against an increase in various equity indices. An increase in various equity indices may result in increased payments to contract holders of IUL contracts. The equity options offset this increased expense.

Interest rate options are used to hedge against an increase in the interest rate benchmark. The interest rate options offset this increased expense.

Market Risk Related to Credit Risk

Credit risk is primarily embedded in the general account portfolio. The carrying value of our fixed maturity, including securities pledged, and equity portfolio for business held for sale totaled \$12.5 billion and \$10.6 billion as of December 31, 2019 and 2018, respectively. Our credit risk materializes primarily as impairment losses and/or credit risk related trading losses. We are exposed to occasional cyclical economic downturns, during which impairment losses may be significantly higher than the long-term historical average. This is offset by years where we expect the actual impairment losses to be substantially lower than the long-term average.

Credit risk in the portfolio can also materialize as increased capital requirements caused by rating down-grades. The effect of rating migration on our capital requirements is also dependent on the economic cycle and increased asset impairment levels may go hand in hand with increased asset related capital requirements.

We manage the risk of default and rating migration by applying disciplined credit evaluation and underwriting standards and prudently limiting allocations to lower quality, higher risk investments. In addition, we diversify our exposure by issuer and country, using rating based issuer and country limits, as well as by industry segment, using specific investment constraints. Limit compliance is monitored on a daily, monthly or quarterly basis. Limit violations are reported to senior management and we are actively involved in decisions around curing such limit violations.

We also have credit risk related to the ability of our derivatives and reinsurance counterparties to honor their obligations to pay the contract amounts under various agreements. In order to minimize the risk of credit loss on such contracts, we diversify our exposures among several counterparties and limit the amount of exposure to each based on credit rating. For most counterparties, we have collateral agreements in place that would substantially limit our credit losses in case of a counterparty default. We also generally limit our selection of counterparties that we do new transactions with to those with an "A-" credit rating or above. When exceptions are made to that principle, we ensure that we obtain collateral to mitigate our risk of loss. For derivatives counterparty risk exposures (which includes reverse repurchase and securities lending transactions), we measure and monitor our risks on a market value basis daily.

For more information regarding the disposition of the Individual Life business and discontinued operations see the *Business Held for Sale and Discontinued Operations* Note in our Consolidated Financial Statements and *Risk Factors - We may not complete the Individual Life Transaction on the terms or timing currently contemplated, or at all, and the Individual Life Transaction could have negative impacts on us* in Part I, Item 1A. of this Annual Report on Form 10-K.

Item 8. Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Voya Financial, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Voya Financial, Inc. (the Company) as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and financial statement schedules listed in the Index at item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 21, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Deferred acquisition costs and Value of business acquired intangible assets

Description of the Matter

As disclosed in Note 2 and Note 6 to the consolidated financial statements, the Company's deferred policy acquisition costs and value of business acquired (DAC/VOBA) totaled \$2.8 billion at December 31, 2019, net of unrealized gains and losses, of which \$1.5 billion represented deferred acquisition costs and value of business acquired related to universal life-type products and fixed and variable deferred annuity contracts. The carrying amount of the DAC related to universal life-type products and fixed and variable deferred annuity contracts is the total of costs deferred less amortization net of interest. The carrying amount of the VOBA related to universal life-type products and fixed and variable deferred annuity contracts is the outstanding value of in-force business acquired, based on the present value of estimated net cash flows embedded in the insurance contracts at the time of the acquisition, less amortization net of interest. DAC and VOBA related to universal life-type products and fixed and variable deferred annuity contracts are amortized over the estimated lives of the contracts in relation to the emergence of estimated gross profits.

As described in Note 1 to the consolidated financial statements, there is a significant amount of uncertainty inherent in calculating estimated gross profits as the calculation includes significant management judgment in developing certain assumptions such as expected future mortality, persistency, interest crediting rates, fee income, returns associated with separate account performance, expenses to administer the business, and certain economic variables. Management's assumptions are adjusted, known as unlocking, over time for emerging experience and expected changes in trends. The unlocking results in DAC/VOBA amortization being recalculated, using the new assumptions for estimated gross profits, that results either in additional or less cumulative amortization expense.

Auditing management's estimate of DAC/VOBA related to universal life-type products and fixed and variable deferred annuity contracts was complex due to the highly judgmental nature of assumptions included in the projection of estimated gross profits used in the valuation of DAC/VOBA.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design, and tested the operating effectiveness of the controls over the DAC/VOBA estimation process, including, among others, controls related to management's evaluation of the need to update assumptions based on the comparison of actual Company experience to previous assumptions and updating investment margins for current and expected future market conditions.

We utilized actuarial specialists to assist with our audit procedures, which included, among others, reviewing the methodology applied by management by comparing to the methodology used in prior periods as well as industry practice. To assess the assumptions used in measuring estimated gross profits, we compared the significant assumptions noted above with historical experience, observable market data and management's estimates of prospective changes in these assumptions. We also independently recalculated estimated gross profits for a sample of product cohorts for comparison with the actuarial result developed by management.

Future policy benefits for secondary guarantees on universal life products

Description of the Matter

The Company has \$3.0 billion of liabilities for secondary guarantees on universal life-type products at December 31, 2019, as disclosed in Note 8 to the consolidated financial statements. The carrying amount of those product guarantees is based on estimates of how much the Company will pay for future benefits and claims and the amount of fees to be collected from policyholders to fund those guarantees. As described in Note 1 to the consolidated financial statements, there is significant uncertainty inherent in estimating the product guarantee liability because there is significant management judgment involved in developing certain assumptions, including expected mortality experience, interest rates, and policy lapse experience, that effect the underlying value of the guarantee.

Auditing the estimate of liabilities for secondary guarantees on universal life-type products was complex due to the highly judgmental nature of the actuarial assumptions used by management in their valuation of the liabilities.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design, and tested the operating effectiveness of the controls over the process to estimate the liability balance, including, among others, controls related to management's evaluation of the development of assumptions used in the valuation of the liability, based on the comparison of actual Company experience to previous assumptions and interest rates due to current and expected future market conditions.

We utilized actuarial specialists to assist with our audit procedures, which included, among others, evaluating the methodology used by management by comparing to the methodology used in prior periods as well as industry practice. To assess the assumptions used in the measurement of the liability, we compared the significant assumptions noted above with historical experience, observable market data and management's estimates of prospective changes in these assumptions. In order to test the model used to calculate secondary guarantees on universal life-type products, we performed independent recalculations of a sample of policies which we compared to the Company's recorded results.

Description of the Matter

Realizability of deferred tax assets

As described in Note 17 to the consolidated financial statements, at December 31, 2019, the Company had total deferred tax assets from continuing operations of \$2.3 billion, net of a \$0.4 billion valuation allowance. As described in Note 1 to the consolidated financial statements, these deferred tax assets represent the tax benefit of future deductible temporary differences, net operating loss carryforwards, and tax credit carryforwards. Deferred tax assets are reduced by a valuation allowance if, based on the weight of all available evidence, it is more likely than not that some portion, or all, of the deferred tax assets will not be realized. In evaluating the need for a valuation allowance, the Company considers many factors, including the future reversal of existing temporary differences and the identification and use of available tax planning strategies. If those sources are insufficient to support the recoverability of the deferred tax assets, the Company then considers its projections of future taxable income, which involves significant management judgment.

Auditing management's assessment of the realizability of its deferred tax assets is complex because management's projection of future taxable income includes forward-looking assumptions which are inherently judgmental because they may be affected by future market or other economic conditions.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls that relate to the development of the projection of future taxable income supporting the realizability of deferred tax assets. This included, among others, controls related to the review and approval process of future projected taxable income and the assumptions used in the Company's model.

Among other audit procedures performed, we evaluated the assumptions used by the Company to develop projections of future taxable income. We assessed the historical accuracy of management's projections by comparing the projections of future taxable income with the actual results of prior periods. We also evaluated management's consideration of current industry and economic trends and compared the projections of future taxable income with other available financial information prepared by the Company. Additionally, we utilized tax professionals to assist us in our audit procedures, which included, among others, evaluating the methodology utilized within the Company's future taxable income projections model by comparing to the methodology used in prior periods and testing the calculations within the model.

Description of the Matter

Accounting for discontinued operations and related loss on sale

As discussed in Notes 1 and 2 to the consolidated financial statements, on December 18, 2019, the Company announced that it had entered into a master transaction agreement (MTA) with Resolution Life US (Resolution Life) to divest its Individual Life and other legacy non-retirement fixed and variable annuities businesses. The transaction will be executed through the sale of the Company's wholly-owned subsidiaries, Security Life of Denver Insurance Company (SLD) and Security Life of Denver International Limited to Resolution Life. In addition, in accordance with the transaction, several of the Company's wholly-owned subsidiaries will reinsure certain of their life insurance and annuities businesses to SLD. The transaction will result in a loss on sale of \$1.1 billion, which is included within the results of the operations of the business to be divested as discontinued operations in the consolidated statement of operations. The loss on sale was calculated as the difference between the carrying value of the business to be divested and the estimated proceeds from the transaction.

Auditing the Company's loss on sale from discontinued operations was complex due to the multiple elements of the transaction, including the determination of the carrying value of the business to be divested and the estimated proceeds, as well as the assessment of the tax impacts of the transaction.

*How We Addressed the
Matter in Our Audit*

We obtained an understanding, evaluated the design, and tested the operating effectiveness of the controls over the process to estimate the loss on sale, including, among others, controls related to the review and approval process for the calculation of the estimated proceeds, the appropriate accounting for the multiple elements of the transaction, and the tax treatment of the transaction.

Our audit procedures included, among others, assessing the terms of the MTA to determine the completeness and accuracy of the components included in the calculation of the loss on sale, evaluating management's accounting conclusions and application thereof related to the multiple elements of the transaction, and testing the Company's calculation of the estimated proceeds. In addition, we utilized tax professionals who assisted in the performance of audit procedures, including testing the tax-related elements of the loss on sale calculation.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2001.

Boston, Massachusetts

February 21, 2020

Voya Financial, Inc.
Consolidated Balance Sheets
December 31, 2019 and 2018
(In millions, except share and per share data)

	As of December 31,	
	2019	2018
Assets:		
Investments:		
Fixed maturities, available-for-sale, at fair value (amortized cost of \$35,836 as of 2019 and \$36,268 as of 2018)	\$ 39,663	\$ 36,897
Fixed maturities, at fair value using the fair value option	2,707	2,233
Equity securities, at fair value (cost of \$196 as of 2019 and \$247 as of 2018)	196	247
Short-term investments	68	126
Mortgage loans on real estate, net of valuation allowance of \$1 as of 2019 and \$2 as of 2018	6,878	7,281
Policy loans	776	814
Limited partnerships/corporations	1,290	982
Derivatives	316	194
Other investments	385	379
Securities pledged (amortized cost of \$1,264 as of 2019 and \$1,436 as of 2018)	1,408	1,462
Total investments	<u>53,687</u>	<u>50,615</u>
Cash and cash equivalents	1,181	1,237
Short-term investments under securities loan agreements, including collateral delivered	1,395	1,293
Accrued investment income	505	529
Premium receivable and reinsurance recoverable	3,732	3,843
Deferred policy acquisition costs and Value of business acquired	2,226	2,973
Current income taxes	—	17
Deferred income taxes	1,458	1,610
Other assets	902	1,027
Assets related to consolidated investment entities:		
Limited partnerships/corporations, at fair value	1,632	1,421
Cash and cash equivalents	68	331
Corporate loans, at fair value using the fair value option	513	542
Other assets	13	16
Assets held in separate accounts	81,670	69,931
Assets held for sale	20,069	20,045
Total assets	<u>\$ 169,051</u>	<u>\$ 155,430</u>

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

Voya Financial, Inc.
Consolidated Balance Sheets
December 31, 2019 and 2018
(In millions, except share and per share data)

	As of December 31,	
Liabilities and Shareholders' Equity:		
Future policy benefits	\$ 9,945	\$ 9,587
Contract owner account balances	40,923	41,183
Payables under securities loan and repurchase agreements, including collateral held	1,373	1,366
Short-term debt	1	1
Long-term debt	3,042	3,136
Derivatives	403	164
Pension and other postretirement provisions	468	551
Current income taxes	27	—
Other liabilities	1,345	1,375
Liabilities related to consolidated investment entities:		
Collateralized loan obligations notes, at fair value using the fair value option	474	540
Other liabilities	652	688
Liabilities related to separate accounts	81,670	69,931
Liabilities held for sale	18,498	17,903
Total liabilities	158,821	146,425
 Commitments and Contingencies (Note 19)		
 Shareholders' equity:		
Preferred stock (\$0.01 par value per share; \$625 and \$325 aggregate liquidation preference as of 2019 and 2018, respectively)	—	—
Common stock (\$0.01 par value per share; 900,000,000 shares authorized; 140,726,677 and 272,431,745 shares issued as of 2019 and 2018, respectively; 132,325,790 and 150,978,184 shares outstanding as of 2019 and 2018, respectively)	2	3
Treasury stock (at cost; 8,400,887 and 121,453,561 shares as of 2019 and 2018, respectively)	(460)	(4,981)
Additional paid-in capital	11,184	24,316
Accumulated other comprehensive income (loss)	3,331	607
Retained earnings (deficit):		
Appropriated-consolidated investment entities	—	—
Unappropriated	(4,649)	(11,732)
Total Voya Financial, Inc. shareholders' equity	9,408	8,213
Noncontrolling interest	822	792
Total shareholders' equity	10,230	9,005
Total liabilities and shareholders' equity	\$ 169,051	\$ 155,430

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

Voya Financial, Inc.
Consolidated Statements of Operations
For the Years Ended December 31, 2019, 2018 and 2017
(In millions, except per share data)

	Year Ended December 31,		
	2019	2018	2017
Revenues:			
Net investment income	\$ 2,792	\$ 2,669	\$ 2,641
Fee income	1,969	1,982	1,889
Premiums	2,273	2,132	2,097
Net realized capital gains (losses):			
Total other-than-temporary impairments	(65)	(27)	(29)
Less: Portion of other-than-temporary impairments recognized in Other comprehensive income (loss)	(1)	1	(9)
Net other-than-temporary impairments recognized in earnings	(64)	(28)	(20)
Other net realized capital gains (losses)	(102)	(327)	(189)
Total net realized capital gains (losses)	(166)	(355)	(209)
Other revenue	465	443	379
Income (loss) related to consolidated investment entities:			
Net investment income	143	292	432
Total revenues	<u>7,476</u>	<u>7,163</u>	<u>7,229</u>
Benefits and expenses:			
Policyholder benefits	2,583	2,364	2,422
Interest credited to contract owner account balances	1,167	1,162	1,236
Operating expenses	2,746	2,606	2,562
Net amortization of Deferred policy acquisition costs and Value of business acquired	199	233	353
Interest expense	176	221	184
Operating expenses related to consolidated investment entities:			
Interest expense	38	41	80
Other expense	7	8	7
Total benefits and expenses	<u>6,916</u>	<u>6,635</u>	<u>6,844</u>
Income (loss) from continuing operations before income taxes	560	528	385
Income tax expense (benefit)	(205)	37	687
Income (loss) from continuing operations	765	491	(302)
Income (loss) from discontinued operations, net of tax	(1,066)	529	(2,473)
Net income (loss)	(301)	1,020	(2,775)
Less: Net income (loss) attributable to noncontrolling interest	50	145	217
Net income (loss) available to Voya Financial, Inc.	(351)	875	(2,992)
Less: Preferred stock dividends	28	—	—
Net income (loss) available to Voya Financial, Inc.'s common shareholders	<u>\$ (379)</u>	<u>\$ 875</u>	<u>\$ (2,992)</u>
Net income (loss) per common share:			
Basic			
Income (loss) from continuing operations available to Voya Financial, Inc.'s common shareholders	\$ 4.88	\$ 2.12	\$ (2.82)
Income (loss) available to Voya Financial, Inc.'s common shareholders	<u>\$ (2.69)</u>	<u>\$ 5.36</u>	<u>\$ (16.25)</u>
Diluted			
Income (loss) from continuing operations available to Voya Financial, Inc.'s common shareholders	\$ 4.68	\$ 2.05	\$ (2.82)
Income (loss) available to Voya Financial, Inc.'s common shareholders	<u>\$ (2.58)</u>	<u>\$ 5.20</u>	<u>\$ (16.25)</u>

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

Voya Financial, Inc.
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2019, 2018 and 2017
(In millions)

	Year Ended December 31,		
	2019	2018	2017
Net income (loss)	\$ (301)	\$ 1,020	\$ (2,775)
Other comprehensive income (loss), before tax:			
Unrealized gains (losses) on securities	3,013	(2,810)	1,191
Other-than-temporary impairments	3	32	(2)
Pension and other postretirement benefits liability	(4)	(11)	(15)
Other comprehensive income (loss), before tax	3,012	(2,789)	1,174
Income tax expense (benefit) related to items of other comprehensive income (loss)	631	(693)	364
Other comprehensive income (loss), after tax	2,381	(2,096)	810
Comprehensive income (loss)	2,080	(1,076)	(1,965)
Less: Comprehensive income (loss) attributable to noncontrolling interest . .	50	145	217
Comprehensive income (loss) attributable to Voya Financial, Inc.	<u>\$ 2,030</u>	<u>\$ (1,221)</u>	<u>\$ (2,182)</u>

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

Voya Financial, Inc.
Consolidated Statements of Changes in Shareholders' Equity
For the Years Ended December 31, 2019, 2018 and 2017
(In millions)

	Preferred Stock	Common Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)		Voya Financial, Inc. Shareholders' Equity	Noncontrolling Interest	Total Shareholders' Equity
						Appropriated	Unappropriated			
Balance at January 1, 2017	\$ —	\$ 3	\$ (2,796)	\$ 23,609	\$ 1,921	\$ —	\$ (9,742)	\$ 12,995	\$ 1,073	\$ 14,068
Cumulative effect of changes in accounting: Adjustment for adoption of ASU 2016-09	—	3	(2,796)	23,609	1,921	—	(9,727)	15	—	14,083
Comprehensive income (loss)	—	—	—	—	810	—	(2,992)	(2,992)	217	(2,775)
Net income (loss)	—	—	—	—	—	—	—	810	—	810
Other comprehensive income (loss), after tax	—	—	—	—	—	—	—	(2,182)	217	(1,965)
Total comprehensive income (loss)	—	—	—	—	810	—	—	—	38	38
Net consolidation (deconsolidation) of consolidated investment entities	—	—	—	—	—	—	—	—	—	—
Common stock issuance	—	3	—	3	—	—	—	3	—	3
Common stock acquired - Share repurchase	—	—	(1,023)	100	—	—	—	(923)	—	(923)
Dividends on common stock	—	—	(8)	(8)	—	—	—	(8)	—	(8)
Share-based compensation	—	—	(8)	117	—	—	—	109	—	109
Contributions from (Distributions to) noncontrolling interest, net	—	—	—	—	—	—	—	—	(206)	(206)
Balance at December 31, 2017 - As previously filed	—	3	(3,827)	23,821	2,731	—	(12,719)	10,009	1,122	11,131
Cumulative effect of changes in accounting: Adjustment for adoption of ASU 2014-09	—	—	—	—	(28)	—	84	84	—	84
Adjustment for adoption of ASU 2016-01	—	—	—	—	—	—	28	—	—	—
Balance at January 1, 2018 - As adjusted	—	3	(3,827)	23,821	2,703	—	(12,607)	10,093	1,122	11,215
Comprehensive income (loss)	—	—	—	—	—	—	—	875	145	1,020
Net income (loss)	—	—	—	—	(79)	—	—	(79)	—	(79)
Reversal of Other Comprehensive Income (Loss) due to Sale of Annuity and CBVA	—	—	—	—	(2,017)	—	—	(2,017)	—	(2,017)
Other comprehensive income (loss), after tax	—	—	—	—	—	—	—	—	—	—
Total comprehensive income (loss)	—	—	—	(31)	—	—	—	(31)	145	(1,076)
Effect of transaction for entities under common control	—	—	—	—	—	—	—	—	—	—
Net consolidation (deconsolidation) of consolidated investment entities	—	—	—	319	—	—	—	319	(33)	(33)
Preferred stock issuance	—	—	—	3	—	—	—	3	—	3
Common stock issuance	—	—	(1,125)	100	—	—	—	(1,025)	—	(1,025)
Common stock acquired - Share repurchase	—	—	(29)	110	—	—	—	(6)	—	(6)
Dividends on common stock	—	—	(29)	—	—	—	—	81	—	81
Share-based compensation	—	—	—	—	—	—	—	—	—	—
Contributions from (Distributions to) noncontrolling interest, net	—	—	—	—	—	—	—	—	(442)	(441)
Balance as of December 31, 2018	—	3	(4,981)	24,316	607	—	(11,732)	8,213	792	9,005
Adoption of ASU 2018-02	—	—	—	—	343	—	(343)	—	—	—
Comprehensive income (loss)	—	—	—	—	—	—	—	(351)	50	(301)
Net income (loss)	—	—	—	—	—	—	—	(351)	—	(351)
Other comprehensive income (loss), after tax	—	—	—	—	2,381	—	—	2,381	—	2,381
Total comprehensive income (loss)	—	—	—	—	—	—	—	2,030	50	2,080
Preferred stock issuance	—	—	—	293	—	—	—	293	—	293
Common stock issuance	—	—	—	3	—	—	—	3	—	3
Common stock acquired - Share repurchase	—	—	(1,096)	(40)	—	—	—	(1,136)	—	(1,136)
Treasury stock retirement	—	(1)	5,666	(13,452)	—	—	7,787	—	—	—
Dividends on preferred stock	—	—	—	(18)	—	—	(10)	(28)	—	(28)
Dividends on common stock	—	—	—	(44)	—	—	—	(44)	—	(44)
Share-based compensation	—	—	(49)	126	—	—	—	77	—	77
Contributions from (Distributions to) noncontrolling interest, net	—	—	—	—	—	—	—	—	(20)	(20)
Balance as of December 31, 2019	\$ —	\$ 2	\$ (460)	\$ 11,184	\$ 3,331	\$ —	\$ (4,649)	\$ 9,408	\$ 822	\$ 10,230

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

Voya Financial, Inc.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2019, 2018 and 2017
(In millions)

	Year Ended December 31,		
	2019	2018	2017
Cash Flows from Operating Activities:			
Net income (loss)	\$ (301)	\$ 1,020	\$ (2,775)
Adjustments to reconcile Net income (loss) to Net cash provided by operating activities:			
(Income) loss from discontinued operations, net of tax	1,066	(529)	2,473
Capitalization of deferred policy acquisition costs, value of business acquired and sales inducements	(110)	(109)	(133)
Net amortization of deferred policy acquisition costs, value of business acquired and sales inducements	205	235	358
Future policy benefits, claims reserves and interest credited	567	475	506
Deferred income tax expense (benefit)	(332)	(83)	814
Net realized capital losses	166	355	209
Share-based compensation	98	96	117
(Gains) losses on consolidated investment entities	(102)	(256)	(343)
(Gains) losses on limited partnerships/corporations	(93)	(45)	(26)
Change in:			
Premiums receivable and reinsurance recoverable	111	178	185
Other receivables and assets accruals	254	(314)	281
Other payables and accruals	(71)	(164)	(60)
(Increase) decrease in cash held by consolidated investment entities	(57)	(305)	(557)
Other, net	11	262	22
Net cash provided by operating activities - discontinued operations	(102)	1,052	511
Net cash provided by operating activities	<u>1,310</u>	<u>1,868</u>	<u>1,582</u>
Cash Flows from Investing Activities:			
Proceeds from the sale, maturity, disposal or redemption of:			
Fixed maturities	6,423	6,419	7,001
Equity securities, available-for-sale	163	152	54
Mortgage loans on real estate	1,153	895	851
Limited partnerships/corporations	205	318	211
Acquisition of:			
Fixed maturities	(6,455)	(7,513)	(6,445)
Equity securities, available-for-sale	(55)	(57)	(45)
Mortgage loans on real estate	(760)	(643)	(1,478)
Limited partnerships/corporations	(403)	(318)	(302)
Short-term investments, net	58	273	(28)
Derivatives, net	(29)	72	203
Sales from consolidated investment entities	586	1,365	2,047
Purchases within consolidated investment entities	(1,385)	(994)	(2,036)
Collateral delivered, net	(95)	(28)	(205)
Other, net	(35)	(9)	5

Voya Financial, Inc.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2019, 2018 and 2017
(In millions)

	Year Ended December 31,		
	2019	2018	2017
Net cash used in investing activities - discontinued operations	(626)	(214)	(2,261)
Net cash used in investing activities	(1,255)	(282)	(2,428)
Cash Flows from Financing Activities:			
Deposits received for investment contracts	4,383	4,884	3,593
Maturities and withdrawals from investment contracts	(5,180)	(4,799)	(4,763)
Settlements on deposit contracts	(8)	(10)	—
Proceeds from issuance of debt with maturities of more than three months	—	288	338
Repayment of debt with maturities of more than three months	(113)	(677)	(461)
Debt issuance costs	—	(6)	(3)
Borrowings of consolidated investment entities	1,106	773	967
Repayments of borrowings of consolidated investment entities	(903)	(656)	(804)
Contributions from (distributions to) participants in consolidated investment entities	715	(166)	449
Proceeds from issuance of common stock, net	3	3	3
Proceeds from issuance of preferred stock, net	293	319	—
Share-based compensation	(22)	(14)	(8)
Common stock acquired - Share repurchase	(1,136)	(1,025)	(923)
Dividends paid on common stock	(44)	(6)	(8)
Dividends paid on preferred stock	(28)	—	—
Net cash (used in) provided by financing activities - discontinued operations	813	(672)	1,271
Net cash used in financing activities	(121)	(1,764)	(349)
Net decrease in cash and cash equivalents	(66)	(178)	(1,195)
Cash and cash equivalents, beginning of period	1,538	1,716	2,911
Cash and cash equivalents, end of period	1,472	1,538	1,716
Less: Cash and cash equivalents of discontinued operations, end of period	291	301	862
Cash and cash equivalents of continuing operations, end of period	<u>\$ 1,181</u>	<u>\$ 1,237</u>	<u>\$ 854</u>
Supplemental cash flow information:			
Income taxes (received) paid, net	\$ (127)	\$ 1	\$ (154)
Interest paid	159	180	174
Non-cash investing and financing activities:			
Initial recognition of operating leases upon adoption of ASU 2016-02	\$ 146	\$ —	\$ —
Leased assets in exchange for finance lease liabilities	68	—	—
Treasury stock retirement	7,787	—	—

The accompanying notes are an integral part of these 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, investment management services, mutual funds, group insurance and supplemental health products.

On December 18, 2019, the Company entered into a Master Transaction Agreement (the "Resolution MTA") with Resolution Life U.S. Holdings Inc., a Delaware corporation ("Resolution Life US"), pursuant to which Resolution Life US will acquire all of the shares of the capital stock of Security Life of Denver Company ("SLD") and Security Life of Denver International Limited ("SLDI"), including the capital stock of several subsidiaries of SLD and SLDI. The transaction is expected to close by September 30, 2020 and is subject to conditions specified in the Resolution MTA, including the receipt of required regulatory approvals. The assets and liabilities related to the businesses to be sold have been classified as held for sale in the accompanying Consolidated Balance Sheets and as discontinued operations in the accompanying Consolidated Statements of Operations and 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 Consolidated Financial Statements.

Concurrently with the sale, SLD will enter into reinsurance agreements with insurance subsidiaries of the Company. Pursuant to these agreements, the Company's subsidiaries will reinsure to SLD certain individual life insurance and annuities businesses. The sale of SLD, SLDI and several of their subsidiaries along with the aforementioned reinsurance transactions are referred to herein as the "Individual Life Transaction". The Individual Life Transaction will result in the disposition of substantially all of our life insurance and legacy non-retirement annuity businesses and related assets. As such, the Company will no longer report its Individual Life business as an operating segment.

On June 1, 2018, the Company consummated a series of transactions (collectively, the "2018 Transaction") pursuant to a Master Transaction Agreement dated December 20, 2017 (the "2018 MTA") with VA Capital Company LLC ("VA Capital") and Athene Holding Ltd. ("Athene"). As part of the Transaction, Venerable Holdings, Inc. ("Venerable"), a wholly owned subsidiary of VA Capital, acquired two of the Company's subsidiaries, Voya Insurance and Annuity Company ("VIAC") and Directed Services, LLC ("DSL"), and VIAC and other Voya subsidiaries reinsured to Athene substantially all of their fixed and fixed indexed annuities business. In connection with the 2018 Transaction, VIAC and another Voya subsidiary engaged in a series of reinsurance arrangements pursuant to which Voya and its subsidiaries other than VIAC retained VIAC's businesses other than variable annuities and fixed and fixed indexed annuities. The Transaction resulted in the disposition of substantially all of the Company's Closed Block Variable Annuity ("CBVA") and Annuities businesses.

The Company provides its principal products and services through three segments: Retirement, Investment Management and Employee Benefits. In addition, the Company includes in Corporate activities that are not directly related to its segments and certain run-off activities that are not meaningful to the Company's business strategy. See the *Segments* Note to these 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 ("IPO") 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 Consolidated Financial Statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

The Consolidated Financial Statements include the accounts of Voya Financial, Inc. and its subsidiaries, as well as other (voting interest entities ("VOEs")) and variable interest entities ("VIEs") in which the Company has a controlling financial interest. See the *Consolidated Investment Entities* Note to these Consolidated Financial Statements. Intercompany transactions and balances have been eliminated.

Significant Accounting Policies

Estimates and Assumptions

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 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 Company has identified the following accounts and policies as the most significant in that they involve a higher degree of judgment, are subject to a significant degree of variability and/or contain significant accounting estimates:

- Reserves for future policy benefits;
- Deferred policy acquisition costs ("DAC"), value of business acquired ("VOBA") and other intangibles (collectively, "DAC/VOBA and other intangibles");
- Valuation of investments and derivatives;
- Impairments;
- Income taxes;
- Contingencies; and
- Employee benefit plans.

Fair Value Measurement

The Company measures the fair value of its financial assets and liabilities based on assumptions used by market participants in pricing the asset or liability, which may include inherent risk, restrictions on the sale or use of an asset, or nonperformance risk, including the Company's own credit risk. The estimate of fair value is the price that would be received to sell an asset or transfer a liability ("exit price") in an orderly transaction between market participants in the principal market, or the most advantageous market in the absence of a principal market, for that asset or liability. The Company uses a number of valuation sources to determine the fair values of its financial assets and liabilities, including quoted market prices, third-party commercial pricing services, third-party brokers, industry-standard, vendor-provided software that models the value based on market observable inputs, and other internal modeling techniques based on projected cash flows.

Investments

The accounting policies for the Company's principal investments are as follows:

Fixed Maturities and Equity Securities: 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").

The Company's fixed maturities are currently designated as available-for-sale, except those accounted for using the fair value option ("FVO"). 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 DAC/VOBA and other intangibles and Deferred income taxes. In addition, certain fixed maturities have embedded derivatives, which are reported with the host contract on the 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 Consolidated Statements of Operations. Certain collateralized mortgage obligations ("CMOs"), primarily interest-only and principal-only strips, are accounted for as hybrid instruments and valued at fair value with changes in the fair value recorded in Other net realized capital gains (losses) in the Consolidated Statements of Operations.

Purchases and sales of fixed maturities and equity securities, excluding private placements, are recorded on the trade date. Purchases and sales of private placements and mortgage loans are recorded on the closing date. Investment gains and losses on sales of securities are generally determined on a first-in-first-out ("FIFO") basis.

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

Included within fixed maturities are loan-backed securities, including residential mortgage-backed securities ("RMBS"), commercial mortgage-backed securities ("CMBS") and asset-backed securities ("ABS"). Amortization of the premium or discount from the purchase of these securities considers the estimated timing and amount of prepayments of the underlying loans. Actual prepayment experience is periodically reviewed and effective yields are recalculated when differences arise between the prepayments originally anticipated and the actual prepayments received and currently anticipated. Prepayment assumptions for single-class and multi-class mortgage-backed securities ("MBS") and ABS are estimated by management using inputs obtained from third-party specialists, including broker-dealers, and based on management's knowledge of the current market. For prepayment-sensitive securities such as interest-only and principal-only strips, inverse floaters and credit-sensitive MBS and ABS securities, which represent beneficial interests in securitized financial assets that are not of high credit quality or that have been credit impaired, the effective yield is recalculated on a prospective basis. For all other MBS and ABS, the effective yield is recalculated on a retrospective basis.

Short-term Investments: Short-term investments include investments with remaining maturities of one year or less, but greater than three months, at the time of purchase. These investments are stated at fair value.

Assets Held in Separate Accounts: Assets held in separate accounts are reported at the fair values of the underlying investments in the separate accounts. The underlying investments include mutual funds, short-term investments, cash and fixed maturities.

Mortgage Loans on Real Estate: The Company's mortgage loans on real estate are all commercial mortgage loans, which are reported at amortized cost, less impairment write-downs and allowance for losses. If a mortgage loan is determined to be impaired (i.e., when it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement), the carrying value of the mortgage loan is reduced to the lower of either the present value of expected cash flows from the loan, discounted at the loan's original purchase yield, or fair value of the collateral. For those mortgages that are determined to require foreclosure, the carrying value is reduced to the fair value of the underlying collateral, net of estimated costs to obtain and sell at the point of foreclosure. The carrying value of the impaired loans is reduced by establishing a permanent write-down recorded in Other net realized capital gains (losses) in the Consolidated Statements of Operations. Property obtained from foreclosed mortgage loans is recorded in Other investments on the Consolidated Balance Sheets.

Mortgage loans are evaluated by the Company's investment professionals, including an appraisal of loan-specific credit quality, property characteristics and market trends. Loan performance is continuously monitored on a loan-specific basis throughout the year. The Company's review includes submitted appraisals, operating statements, rent revenues and annual inspection reports, among other items. This review evaluates whether the properties are performing at a consistent and acceptable level to secure the debt.

Mortgages are rated for the purpose of quantifying the level of risk. Those loans with higher risk are placed on a watch list and are closely monitored for collateral deficiency or other credit events that may lead to a potential loss of principal or interest. The Company defines delinquent mortgage loans consistent with industry practice as 60 days past due.

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

The Company records an allowance for probable losses incurred on non-impaired loans on an aggregate basis, rather than specifically identified probable losses incurred by individual loan.

Policy Loans: Policy loans are carried at an amount equal to the unpaid balance. Interest income on such loans is recorded as earned in Net investment income using the contractually agreed upon interest rate. Generally, interest is capitalized on the policy's anniversary date. Valuation allowances are not established for policy loans, as these loans are collateralized by the cash surrender value of the associated insurance contracts. Any unpaid principal or interest on the loan is deducted from the account value or the death benefit prior to settlement of the policy.

Limited Partnerships/Corporations: The Company uses the equity method of accounting for investments in limited partnership interests that are not consolidated, which primarily consist of investments in private equity funds, hedge funds and other VIEs for which the Company is not the primary beneficiary. Generally, the Company records its share of earnings using a lag methodology, relying on the most recent financial information available, generally not to exceed three months. The Company's earnings from limited partnership interests accounted for under the equity method are recorded in Net investment income.

Other Investments: Other investments are comprised primarily of Federal Home Loan Bank ("FHLB") stock and property obtained from foreclosed mortgage loans, as well as other miscellaneous investments. The Company is a member of the FHLB system and is required to own a certain amount of FHLB stock based on the level of borrowings and other factors. FHLB stock is carried at cost, classified as a restricted security and periodically evaluated for impairment based on ultimate recovery of par value.

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, primarily cash, 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 short-term 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.

Impairments

The Company evaluates its available-for-sale investments quarterly to determine whether there has been an other-than-temporary decline in fair value below the amortized cost basis. This evaluation process entails considerable judgment and estimation. Factors considered in this analysis include, but are not limited to, the length of time and the extent to which the fair value has been less than amortized cost, the issuer's financial condition and near-term prospects, future economic conditions and market forecasts, interest rate changes and changes in ratings of the security. An extended and severe unrealized loss position on a fixed maturity may not have any impact on: (a) the ability of the issuer to service all scheduled interest and principal payments and (b) the evaluation of recoverability of all contractual cash flows or the ability to recover an amount at least equal to its amortized cost based on the present value of the expected future cash flows to be collected.

When assessing the Company's intent to sell a security, or if it is more likely than not it will be required to sell a security before recovery of its amortized cost basis, management evaluates facts and circumstances such as, but not limited to, decisions to rebalance the investment portfolio and sales of investments to meet cash flow or capital needs.

When the Company has determined it has the intent to sell, or if it is more likely than not that the Company will be required to sell a security before recovery of its amortized cost basis, and the fair value has declined below amortized cost ("intent impairment"), the individual security is written down from amortized cost to fair value, and a corresponding charge is recorded in Net realized capital gains (losses) in the Consolidated Statements of Operations as an other-than-temporary impairment ("OTTI"). If the Company does not intend to sell the security, and it is not more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis, but the Company has determined that there has been an other-than-temporary decline in fair value below the amortized cost basis, the OTTI is bifurcated into the amount representing the present value of the decrease in cash flows expected to be collected ("credit impairment") and the amount related to other factors ("noncredit impairment"). The credit impairment is recorded in Net realized capital gains (losses) in the Consolidated Statements of Operations. The noncredit impairment is recorded in Other comprehensive income (loss).

The Company uses the following methodology and significant inputs to determine the amount of the OTTI credit loss:

- When determining collectability and the period over which the value is expected to recover for U.S. and foreign corporate securities, foreign government securities and state and political subdivision securities, the Company applies the same considerations utilized in its overall impairment evaluation process, which incorporates information regarding the specific security, the industry and geographic area in which the issuer operates and overall macroeconomic conditions. Projected future cash flows are estimated using assumptions derived from the Company's best estimates of likely scenario-based outcomes, after giving consideration to a variety of variables that includes, but is not limited to: general payment terms of the security; the likelihood that the issuer can service the scheduled interest and principal payments; the quality and amount of any credit enhancements; the security's position within the capital structure of the issuer; possible corporate restructurings or asset sales by the issuer; and changes to the rating of the security or the issuer by rating agencies.
- Additional considerations are made when assessing the unique features that apply to certain structured securities, such as subprime, Alt-A, non-agency RMBS, CMBS and ABS. These additional factors for structured securities include, but are not limited to: the quality of underlying collateral; expected prepayment speeds; loan-to-value ratios; debt service coverage ratios; current and forecasted loss severity; consideration of the payment terms of the underlying assets backing a particular security; and the payment priority within the tranche structure of the security.
- When determining the amount of the credit loss for U.S. and foreign corporate securities, foreign government securities and state and political subdivision securities, the Company considers the estimated fair value as the recovery value when available information does not indicate that another value is more appropriate. When information is identified that indicates a recovery value other than estimated fair value, the Company considers in the determination of recovery value the same considerations utilized in its overall impairment evaluation process, which incorporates available information and the Company's best estimate of scenario-based outcomes regarding the specific security and issuer; possible corporate restructurings or asset sales by the issuer; the quality and amount of any credit enhancements; the security's position within the capital structure of the issuer; fundamentals of the industry and geographic area in which the security issuer operates; and the overall macroeconomic conditions.
- The Company performs a discounted cash flow analysis comparing the current amortized cost of a security to the present value of future cash flows expected to be received, including estimated defaults and prepayments. The discount rate is generally the effective interest rate of the fixed maturity prior to impairment.

In periods subsequent to the recognition of the credit related impairment components of OTTI on a fixed maturity, the Company accounts for the impaired security as if it had been purchased on the measurement date of the impairment. Accordingly, the discount (or reduced premium) based on the new cost basis is accreted into Net investment income over the remaining term of the fixed maturity in a prospective manner based on the amount and timing of estimated future cash flows.

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 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.

The Company enters into interest rate, equity market, credit default and currency contracts, including swaps, futures, forwards, caps, floors and options, to reduce and manage various risks associated with changes in value, yield, price, cash flow or exchange rates of assets or liabilities held or intended to be held, or to assume or reduce credit exposure associated with a referenced asset, index or pool. The Company also utilizes options and futures on equity indices to reduce and manage risks associated with its universal life-type and annuity products. Derivative contracts are reported as Derivatives assets or liabilities on the Consolidated Balance Sheets at fair value. Changes in the fair value of derivatives are recorded in Other net realized capital gains (losses) in the Consolidated Statements of Operations.

To qualify for hedge accounting, at the inception of the hedging relationship, the Company formally documents its risk management objective and strategy for undertaking the hedging transaction, as well as its designation of the hedge as either (a) a hedge of the exposure to changes in the estimated fair value of a recognized asset or liability or an identified portion thereof that is attributable to a particular risk ("fair value hedge") or (b) a hedge of a forecasted transaction or of the variability of cash flows that is attributable to interest rate risk to be received or paid related to a recognized asset or liability ("cash flow hedge"). In this documentation, the Company sets forth how the hedging instrument is expected to hedge the designated risks related to the hedged item and sets forth

the method that will be used to retrospectively and prospectively assess the hedging instrument's effectiveness and the method that will be used to measure ineffectiveness. A derivative designated as a hedging instrument must be assessed as being highly effective in offsetting the designated risk of the hedged item. Hedge effectiveness is formally assessed at inception and periodically throughout the life of the designated hedging relationship.

- *Fair Value Hedge:* For derivative instruments that are designated and qualify as a fair value hedge, the entire change in the fair value of the hedging instrument included in the assessment of hedge effectiveness is recorded in the same line item in the Consolidated Statements of Operations as impacted by the hedged item.
- *Cash Flow Hedge:* For derivative instruments that are designated and qualify as a cash flow hedge, the entire change in the fair value of the hedging instrument included in the assessment of hedge effectiveness is reported as a component of AOCI. Those amounts are subsequently reclassified to earnings when the hedged item affects earnings, and are reported in the same line item in the Consolidated Statements of Operations as impacted by the hedged item.

When hedge accounting is discontinued because it is determined that the derivative is no longer expected to be highly effective in offsetting changes in the estimated fair value or cash flows of a hedged item, the derivative continues to be carried on the Consolidated Balance Sheets at its estimated fair value, with subsequent changes in estimated fair value recognized currently in Other net realized capital gains (losses). The carrying value of the hedged asset or liability under a fair value hedge is no longer adjusted for changes in its estimated fair value due to the hedged risk, and the cumulative adjustment to its carrying value is amortized into income over the remaining life of the hedged item. Provided the hedged forecasted transaction is still probable of occurrence, the changes in estimated fair value of derivatives recorded in Other comprehensive income (loss) related to discontinued cash flow hedges are released into the Consolidated Statements of Operations when the Company's earnings are affected by the variability in cash flows of the hedged item.

When hedge accounting is discontinued because it is no longer probable that the forecasted transactions will occur on the anticipated date, or within two months of that date, the derivative continues to be carried on the Consolidated Balance Sheets at its estimated fair value, with changes in estimated fair value recognized currently in Other net realized capital gains (losses). Derivative gains and losses recorded in Other comprehensive income (loss) pursuant to the discontinued cash flow hedge of a forecasted transaction that is no longer probable are recognized immediately in Other net realized capital gains (losses).

The Company also has investments in certain fixed maturities and has issued certain universal life-type and annuity products that contain embedded derivatives for which fair value is at least partially determined by levels of or changes in domestic and/or foreign interest rates (short-term or long-term), exchange rates, prepayment rates, equity markets or credit ratings/spreads. Embedded derivatives within fixed maturities are included with the host contract on the Consolidated Balance Sheets, and changes in the fair value of the embedded derivatives are recorded in Other net realized capital gains (losses) in the Consolidated Statements of Operations. Embedded derivatives within certain universal life-type and annuity products are included in Future policy benefits on the Consolidated Balance Sheets, and changes in the fair value of the embedded derivatives are recorded in Other net realized capital gains (losses) in the Consolidated Statements of Operations.

In addition, the Company has entered into coinsurance with funds withheld and modified coinsurance reinsurance arrangements that contain embedded derivatives, the fair value of which is based on the change in the fair value of the underlying assets held in trust. The embedded derivatives within coinsurance with funds withheld reinsurance arrangements and modified coinsurance reinsurance arrangements are reported with the host contract in Other liabilities and Premium receivables and reinsurance recoverable, respectively, on the Consolidated Balance Sheets. Changes in the fair value of embedded derivatives are recorded in Policyholder benefits in the Consolidated Statements of Operations.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts due from banks and other highly liquid investments, such as money market instruments and debt instruments with maturities of three months or less at the time of purchase. Cash and cash equivalents are stated at fair value. Cash and cash equivalents of VIEs and VOEs are not available for general use by the Company.

Deferred Policy Acquisition Costs, Value of Business Acquired and Other Intangibles

DAC represents policy acquisition costs that have been capitalized and are subject to amortization and interest. Capitalized costs are incremental, direct costs of contract acquisition and certain other costs related directly to successful acquisition activities. Such costs consist principally of commissions, underwriting, sales and contract issuance and processing expenses directly related to the successful acquisition of new and renewal business. Indirect or unsuccessful acquisition costs, maintenance, product development and overhead expenses are charged to expense as incurred. VOBA represents the outstanding value of in-force business acquired and is subject to amortization and interest. The value is based on the present value of estimated net cash flows embedded in the insurance contracts at the time of the acquisition and increased for subsequent deferrable expenses on purchased policies.

Collectively, the Company refers to DAC, VOBA, deferred sales inducements ("DSI") and unearned revenue ("URR") as "DAC/VOBA and other intangibles." (See "Insurance Revenue and Related Benefits" section below). DAC/VOBA and other intangibles are adjusted for the impact of unrealized capital gains (losses) on investments, as if such gains (losses) have been realized, with corresponding adjustments included in AOCI.

Amortization Methodologies

The Company amortizes DAC and VOBA related to certain traditional life insurance contracts and certain accident and health insurance contracts over the premium payment period in proportion to the present value of expected gross premiums. Assumptions as to mortality, morbidity, persistency and interest rates, which include provisions for adverse deviation, are consistent with the assumptions used to calculate reserves for future policy benefits.

These assumptions are "locked-in" at issue and not revised unless the DAC or VOBA balance is deemed to be unrecoverable from future expected profits. Recoverability testing is performed for current issue year products to determine if gross premiums are sufficient to cover DAC or VOBA, estimated benefits and related expenses. In subsequent periods, the recoverability of DAC or VOBA is determined by assessing whether future gross premiums are sufficient to amortize DAC or VOBA, as well as provide for expected future benefits and related expenses. If a premium deficiency is deemed to be present, charges will be applied against the DAC and VOBA balances before an additional reserve is established. Absent such a premium deficiency, variability in amortization after policy issuance or acquisition relates only to variability in premium volumes.

The Company amortizes DAC and VOBA related to universal life-type contracts and fixed and variable deferred annuity contracts over the estimated lives of the contracts in relation to the emergence of estimated gross profits. Assumptions as to mortality, persistency, interest crediting rates, fee income, returns associated with separate account performance, impact of hedge performance, expenses to administer the business and certain economic variables, such as inflation, are based on the Company's experience and overall capital markets. At each valuation date, estimated gross profits are updated with actual gross profits, and the assumptions underlying future estimated gross profits are evaluated for continued reasonableness. Adjustments to estimated gross profits require that amortization rates be revised retroactively to the date of the contract issuance ("unlocking"). As of December 31, 2019, \$1,478 of DAC/VOBA is amortized in relation to the emergence of estimated gross profits of which \$904 and \$574 are reported in Deferred policy acquisition costs and Value of business acquired, and Assets held for sale, respectively, on the consolidated balance sheets.

For universal life-type contracts and fixed and variable deferred annuity contracts, recoverability testing is performed for current issue year products to determine if gross profits are sufficient to cover DAC/VOBA and other intangibles, estimated benefits and related expenses. In subsequent years, the Company performs testing to assess the recoverability of DAC/VOBA and other intangibles on an annual basis, or more frequently if circumstances indicate a potential loss recognition issue exists. If DAC/VOBA or other intangibles are not deemed recoverable from future gross profits, charges will be applied against the DAC/VOBA or other intangible balances before an additional reserve is established.

Internal Replacements

Contract owners may periodically exchange one contract for another, or make modifications to an existing contract. These transactions are identified as internal replacements. Internal replacements that are determined to result in substantially unchanged contracts are accounted for as continuations of the replaced contracts. Any costs associated with the issuance of the new contracts are considered maintenance costs and expensed as incurred. Unamortized DAC/VOBA and other intangibles related to the replaced contracts continue to be deferred and amortized in connection with the new contracts. Internal replacements that are determined to result in contracts that are substantially changed are accounted for as extinguishments of the replaced contracts, and any unamortized DAC/VOBA and other intangibles related to the replaced contracts are written off to the same account in which amortization is reported in the Consolidated Statements of Operations.

Assumptions

Changes in assumptions can have a significant impact on DAC/VOBA and other intangible balances, amortization rates, reserve levels, and results of operations. Assumptions are management's best estimate of future outcome.

Several assumptions are considered significant in the estimation of gross profits associated with the Company's variable products. One significant assumption is the assumed return associated with the variable account performance. To reflect the volatility in the equity markets, this assumption involves a combination of near-term expectations and long-term assumptions regarding market performance. The overall return on the variable account is dependent on multiple factors, including the relative mix of the underlying sub-accounts among bond funds and equity funds, as well as equity sector weightings. The Company uses a reversion to the mean approach, which assumes that the market returns over the entire mean reversion period are consistent with a long-term level of equity market appreciation. The Company monitors market events and only changes the assumption when sustained deviations are expected. This methodology incorporates a 9% long-term equity return assumption, a 14% cap and a five-year look-forward period.

Other significant assumptions used in the estimation of gross profits include mortality, and for products with credited rates include interest rate spreads and credit losses. Estimated gross profits of variable annuity contracts are sensitive to mortality and estimated policyholder behavior assumptions, such as surrender, lapse and annuitization rates.

Contract Costs Associated with Certain Financial Services Contracts

Contract cost assets represent costs incurred to obtain or fulfill a non-insurance financial services 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. 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.

Capitalized contract costs are included in Other assets on the Consolidated Balance Sheets, and costs expensed as incurred are included in Operating expenses in the Consolidated Statements of Operations.

As of December 31, 2019 and 2018, contract cost assets were \$111 and \$108, respectively. For the years ended December 31, 2019 and 2018, amortization expense of \$25 and \$24, respectively, was recorded in Operating expenses in the Consolidated Statement of Operations. There was no impairment loss in relation to the contract costs capitalized.

Future Policy Benefits and Contract Owner Account Balances

Future Policy Benefits

The Company establishes and carries actuarially-determined reserves that are calculated to meet its future obligations, including estimates of unpaid claims and claims that the Company believes have been incurred but have not yet been reported as of the balance sheet date. The principal assumptions used to establish liabilities for future policy benefits are based on Company experience and periodically reviewed against industry standards. These assumptions include mortality, morbidity, policy lapse, contract renewal, payment of subsequent premiums or deposits by the contract owner, retirement, investment returns, inflation, benefit utilization and expenses. Changes in, or deviations from, the assumptions used can significantly affect the Company's reserve levels and related results of operations.

- Reserves for traditional life insurance contracts (term insurance, participating and non-participating whole life insurance and traditional group life insurance) and accident and health insurance represent the present value of future benefits to be paid to or on behalf of contract owners and related expenses, less the present value of future net premiums. Assumptions as to interest rates, mortality, expenses and persistency are based on the Company's estimates of anticipated experience at the period the policy is sold or acquired, including a provision for adverse deviation. Interest rates used to calculate the present value of these reserves ranged from 2.3% to 7.7%.
- Reserves for payout contracts with life contingencies are equal to the present value of expected future payments. Assumptions as to interest rates, mortality and expenses are based on the Company's estimates of anticipated experience at the period the policy is sold or acquired, including a provision for adverse deviation. Such assumptions generally vary

by annuity plan type, year of issue and policy duration. Interest rates used to calculate the present value of future benefits ranged from 2.7% to 8.3%.

Although assumptions are "locked-in" upon the issuance of traditional life insurance contracts, certain accident and health insurance contracts and payout contracts with life contingencies, significant changes in experience or assumptions may require the Company to provide for expected future losses on a product by establishing premium deficiency reserves. Premium deficiency reserves are determined based on best estimate assumptions that exist at the time the premium deficiency reserve is established and do not include a provision for adverse deviation.

During the year ended December 31, 2017, as a result of the 2018 Transaction and the sale of substantially all of the Annuities and CBVA businesses discussed above, the Company has evaluated and redefined its contract groupings for loss recognition testing in those businesses. This has resulted in the establishment of premium deficiency reserves of \$43 as of December 31, 2017 for the contracts that were not part of the 2018 Transaction. Of that amount, \$18 is recorded as an increase in Policyholder benefits in the Consolidated Statement of Operations, with a corresponding increase to Future policy benefits on the Consolidated Balance Sheet, and \$25 is reported in Income (loss) from discontinued operations, net of tax in the Consolidated Statement of Operations, with a corresponding amount in Liabilities held for sale on the Consolidated Balance Sheet.

Contract Owner Account Balances

Contract owner account balances relate to universal life-type and investment-type contracts, as follows:

- Account balances for funding agreements with fixed maturities are calculated using the amount deposited with the Company, less withdrawals, plus interest accrued to the ending valuation date. Interest on these contracts is accrued by a predetermined index, plus a spread or a fixed rate, established at the issue date of the contract.
- Account balances for universal life-type contracts, including variable universal life ("VUL") contracts, are equal to cumulative deposits, less charges, withdrawals and account values released upon death, plus credited interest thereon.
- Account balances for fixed annuities and payout contracts without life contingencies are equal to cumulative deposits, less charges and withdrawals, plus credited interest thereon. Credited interest rates vary by product and ranged up to 7.5% for the years 2019, 2018 and 2017. Account balances for group immediate annuities without life contingent payouts are equal to the discounted value of the payment at the implied break-even rate.
- For fixed-indexed annuity ("FIA") and indexed universal life ("IUL") contracts, the aggregate initial liability is equal to the deposit received, plus a bonus, if applicable, and is split into a host component and an embedded derivative component. Thereafter, the host liability accumulates at a set interest rate, and the embedded derivative liability is recognized at fair value.

Product Guarantees and Additional Reserves

The Company calculates additional reserve liabilities for certain universal life-type products, certain variable annuity guaranteed benefits and variable funding products. The Company periodically evaluates its estimates and adjusts the additional liability balance, with a related charge or credit to benefit expense, if actual experience or other evidence suggests that earlier assumptions should be revised. Changes in, or deviations from, the assumptions used can significantly affect the Company's reserve levels and related results of operations.

Universal and Variable Life: Reserves for universal life ("UL") and VUL secondary guarantees and paid-up guarantees are calculated by estimating the expected value of death benefits payable and recognizing those benefits ratably over the accumulation period based on total expected assessments. The reserve for such products recognizes the portion of contract assessments received in early years used to compensate the Company for benefits provided in later years. Assumptions used, such as the interest rate, lapse rate and mortality, are consistent with assumptions used in estimating gross profits for purposes of amortizing DAC. Reserves for UL and VUL secondary guarantees and paid-up guarantees are recorded in Future policy benefits on the Consolidated Balance Sheets.

The Company also calculates a benefit ratio for each block of business that meets the requirements for additional reserves and calculates an additional reserve by accumulating amounts equal to the benefit ratio multiplied by the assessments for each period, reduced by excess benefits during the period. The additional reserve is accumulated at interest rates consistent with the DAC model for the period. The calculated reserve includes provisions for UL contracts that produce expected gains from the insurance benefit function followed by losses from that function in later years. Additional reserves are recorded in Future policy benefits on the Consolidated Balance Sheets.

URR relates to UL and VUL products and represents policy charges for benefits or services to be provided in future periods (see "Recognition of Insurance Revenue and Related Benefits" below). The URR balance is recorded in Contract owner account balances on the Consolidated Balance Sheets.

GMDB and GMIB: Reserves for annuity guaranteed minimum death benefits ("GMDB") and guaranteed minimum income benefits ("GMIB") are determined by estimating the value of expected benefits in excess of the projected account balance and recognizing the excess ratably over the accumulation period based on total expected assessments. Expected experience is based on a range of scenarios. Assumptions used, such as the long-term equity market return, lapse rate and mortality, are consistent with assumptions used in estimating gross revenues for the purpose of amortizing DAC. The assumptions of investment performance and volatility are consistent with the historical experience of the appropriate underlying equity index, such as the Standard & Poor's ("S&P") 500 Index. In addition, the reserve for the GMIB incorporates assumptions for the likelihood and timing of the potential annuitizations that may be elected by the contract owner. In general, the Company assumes that GMIB annuitization rates will be higher for policies with more valuable ("in the money") guarantees, where the notional benefit amount is in excess of the account value. Reserves for GMDB and GMIB are recorded in Future policy benefits. Changes in reserves for GMDB and GMIB are reported in Policyholder benefits.

GMWBL, GMWB, FIA and IUL: The Company has in force contracts that contain embedded derivatives that are measured at estimated fair value separately from the host contracts. These products include deferred variable annuity contracts containing guaranteed minimum withdrawal benefits with life payouts ("GMWBL") and guaranteed minimum withdrawal benefits without life contingencies ("GMWB") features and FIA and IUL contracts. Embedded derivatives associated with GMWB and GMWBL are recorded in Future policy benefits. Embedded derivatives associated with FIA and IUL contracts are recorded in Contract owner account balances. Changes in estimated fair value, that are not related to attributed fees or premiums collected or payments made, are reported in Other net realized capital gains (losses).

At inception of the contracts containing the GMWBL and GMWB features, the Company projects a fee to be attributed to the embedded derivative portion of the guarantee equal to the present value of projected future guaranteed benefits. After inception, the estimated fair value of the GMWBL and GMWB embedded derivatives is determined based on the present value of projected future guaranteed benefits, minus the present value of projected attributed fees. A risk neutral valuation methodology is used under which the cash flows from the guarantees are projected under multiple capital market scenarios using observable risk free rates. The projection of future guaranteed benefits and future attributed fees requires the use of assumptions for capital markets (e.g., implied volatilities, correlation among indices, risk-free swap curve, etc.) and policyholder behavior (e.g., lapse, benefit utilization, mortality, etc.).

The estimated fair value of the embedded derivative in the FIA contracts is based on the present value of the excess of interest payments to the contract owners over the growth in the minimum guaranteed contract value. The excess interest payments are determined as the excess of projected index driven benefits over the projected guaranteed benefits. The projection horizon is over the anticipated life of the related contracts, which takes into account best estimate actuarial assumptions, such as partial withdrawals, full surrenders, deaths, annuitizations and maturities.

The estimated fair value of the embedded derivative in the IUL contracts is based on the present value of the excess of interest payments to the contract owners over the growth in the minimum guaranteed account value. The excess interest payments are determined as the excess of projected index driven benefits over the projected guaranteed benefits. The projection horizon is over the current index term of the related contracts, which takes into account best estimate actuarial assumptions, such as partial withdrawals, full surrenders, deaths and maturities.

Stabilizer and MCG: Guaranteed credited rates give rise to an embedded derivative in the Stabilizer products and a stand-alone derivative for managed custody guarantee products ("MCG"). These derivatives are measured at estimated fair value and recorded in Contract owner account balances on the Consolidated Balance Sheets. Changes in estimated fair value, that are not related to attributed fees collected or payments made, are reported in Other net realized capital gains (losses) in the Consolidated Statements of Operations.

The estimated fair value of the Stabilizer embedded derivative and MCG stand-alone derivative 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 actuarial and capital market assumptions, including benefits and related contract charges, over the anticipated life of the related contracts. The cash flow estimates are projected under multiple capital market scenarios using observable risk-free rates and other best estimate assumptions.

The liabilities for the GMWBL, GMWB, FIA, IUL and Stabilizer embedded derivatives and the MCG stand-alone derivative (collectively, "guaranteed benefit derivatives") include a risk margin to capture uncertainties related to policyholder behavior assumptions. The margin represents additional compensation a market participant would require to assume these risks.

The discount rate used to determine the fair value of the liabilities for the GMWBL, GMWB, FIA, IUL and Stabilizer embedded derivatives and the MCG stand-alone derivative includes an adjustment to reflect the risk that these obligations will not be fulfilled ("nonperformance risk").

Separate Accounts

Separate account assets and liabilities generally represent funds maintained to meet specific investment objectives of contract owners or participants who bear the investment risk, subject, in limited cases, to minimum guaranteed rates. Investment income and investment gains and losses generally accrue directly to such contract owners. The assets of each account are legally segregated and are not subject to claims that arise out of any other business of the Company.

Separate account assets supporting variable options under variable annuity contracts are invested, as designated by the contract owner or participant under a contract, in shares of mutual funds that are managed by the Company or in other selected mutual funds not managed by the Company.

The Company reports separately, as assets and liabilities, investments held in the separate accounts and liabilities of separate accounts if:

- Such separate accounts are legally recognized;
- Assets supporting the contract liabilities are legally insulated from the Company's general account liabilities;
- Investments are directed by the contract owner or participant; and
- All investment performance, net of contract fees and assessments, is passed through to the contract owner.

The Company reports separate account assets that meet the above criteria at fair value on the Consolidated Balance Sheets based on the fair value of the underlying investments. Separate account liabilities equal separate account assets. Investment income and net realized and unrealized capital gains (losses) of the separate accounts, however, are not reflected in the Consolidated Statements of Operations, and the Consolidated Statements of Cash Flows do not reflect investment activity of the separate accounts.

Short-term and Long-term Debt

Short-term and long-term debt are carried on the Consolidated Balance Sheets at an amount equal to the unpaid principal balance, net of any remaining unamortized discount or premium and any direct and incremental costs attributable to issuance. Discounts, premiums and direct and incremental costs are amortized as a component of Interest expense in the Consolidated Statements of Operations over the life of the debt using the effective interest method of amortization.

Repurchase Agreements

The Company engages in dollar repurchase agreements with MBS ("dollar rolls") and repurchase agreements with other collateral types to increase its return on investments and improve liquidity. Such arrangements meet the requirements to be accounted for as financing arrangements.

The Company enters into dollar roll transactions by selling existing MBS and concurrently entering into an agreement to repurchase similar securities within a short time frame at a lower price. Under repurchase agreements, the Company borrows cash from a counterparty at an agreed upon interest rate for an agreed upon time frame and pledges collateral in the form of securities. At the end of the agreement, the counterparty returns the collateral to the Company, and the Company, in turn, repays the loan amount along with the additional agreed upon interest.

The Company's policy requires that at all times during the term of the dollar roll and repurchase agreements that cash or other collateral types obtained is sufficient to allow the Company to fund substantially all of the cost of purchasing replacement assets. Cash received is generally invested in Short-term investments, with the offsetting obligation to repay the loan included within Payables under securities loan and repurchase agreements, including collateral held on the Consolidated Balance Sheets. The carrying value of the securities pledged in dollar rolls and repurchase agreement transactions is included in Securities pledged on the Consolidated Balance Sheets.

The primary risk associated with short-term collateralized borrowings is that the counterparty will be unable to perform under the terms of the contract. The Company's exposure is limited to the excess of the net replacement cost of the securities over the value of the short-term investments. The Company believes the counterparties to the dollar rolls and repurchase agreements are financially responsible and that the counterparty risk is minimal.

Recognition of Revenue

Insurance Revenue and Related Benefits

Premiums related to traditional life insurance contracts and payout contracts with life contingencies are recognized in Premiums in the Consolidated Statements of Operations when due from the contract owner. When premiums are due over a significantly shorter period than the period over which benefits are provided, any gross premium in excess of the net premium (i.e., the portion of the gross premium required to provide for expected future benefits and expenses) is deferred and recognized into revenue in a constant relationship to insurance in force. Benefits are recorded in Policyholder benefits in the Consolidated Statements of Operations when incurred.

Amounts received as payment for investment-type, universal life-type, fixed annuities, payout contracts without life contingencies and FIA contracts are reported as deposits to contract owner account balances. Revenues from these contracts consist primarily of fees assessed against the contract owner account balance for mortality and policy administration charges and are reported in Fee income. Surrender charges are reported in Other revenue. In addition, the Company earns investment income from the investment of contract deposits in the Company's general account portfolio, which is reported in Net investment income in the Consolidated Statements of Operations. Fees assessed that represent compensation to the Company for services to be provided in future periods and certain other fees are established as a URR liability and amortized into revenue over the expected life of the related contracts in proportion to estimated gross profits in a manner consistent with DAC for these contracts. URR is reported in Contract owner account balances and amortized into Fee income. Benefits and expenses for these products include claims in excess of related account balances, expenses of contract administration and interest credited to contract owner account balances.

Performance-based Capital Allocations on Private Equity Funds

Under asset management arrangements for certain of its sponsored private equity funds, the Company, as General Partner, is entitled to receive performance-based capital allocations ("carried interest") when the return on assets under management for such funds exceeds prescribed investment return hurdles or other performance targets. Carried interest is accrued quarterly based on measuring cumulative fund performance against the stated performance hurdle, as if the fund was liquidated at its estimated fair value as of the applicable balance sheet date.

Carried interest is subject to adjustment to the extent that subsequent fund performance causes the fund's cumulative investment return to fall below specified investment return hurdles. In such a circumstance, some or all of the previously accrued carried interest is reversed to the extent that the Company is no longer entitled to the performance-based capital allocation and, if such allocations have been distributed to the Company but are subject to recoupment by the fund, a liability is established for the potential repayment obligation.

Financial Services Revenue

Revenue for various financial services is measured based on consideration specified in a contract with a customer and is recognized when the Company has satisfied a performance obligation. For advisory, asset management, and recordkeeping and administration services of \$1,423 and \$1,426 for the years ended December 31, 2019 and 2018, respectively, the Company recognizes revenue as services are provided, generally over time. For distribution and shareholder servicing revenue of \$438 and \$469 for the years ended December 31, 2019 and 2018, respectively, the Company recognizes revenue as related consideration is received and provides distribution services at a point in time and shareholder services over time. Contract terms are typically less than one year, and consideration is variable.

For a description of principal activities by reportable segment from which the Company generates revenue, see the *Segments* Note in these Consolidated Financial Statements for further information.

For the year ended December 31, 2019, such revenue represents approximately 27.4% of total Retirement revenue, all of Investment Management revenue, and 3.6% of Corporate revenue. For the year ended December 31, 2018, such revenue represents approximately 28.4% of total Retirement revenue, all of Investment Management revenue, and 17.3% of Corporate revenue. Such revenue is immaterial for the Employee Benefits segment. For the years ended December 31, 2019 and 2018, a portion of the revenue recognized in the current period from distribution services is related to performance obligations satisfied in previous periods. Revenue for various financial services is recorded in Fee income or Other revenue in the Consolidated Statements of Operations. Receivables of \$249 and \$237 are included in Other assets on the Consolidated Balance Sheet as of December 31, 2019 and 2018, respectively.

Income Taxes

The Company files a consolidated federal income tax return, which includes many of its subsidiaries, in accordance with the Internal Revenue Code of 1986, as amended.

Items required by tax regulations to be included in the tax return may differ from the items reflected in the financial statements. As a result, the effective tax rate reflected in the financial statements may be different than the actual rate applied on the tax return. Some of these differences are permanent, such as the dividends received deduction which is estimated using information from the prior period and current year results. Other differences are temporary, reversing over time, such as the valuation of insurance reserves, and create deferred tax assets and liabilities.

The Company's deferred tax assets and liabilities resulting from temporary differences between financial reporting and tax bases of assets and liabilities are measured at the balance sheet date using enacted tax rates expected to apply to taxable income in the years the temporary differences are expected to reverse.

Deferred tax assets represent the tax benefit of future deductible temporary differences, net operating loss carryforwards and tax credit carryforwards. The Company evaluates and tests the recoverability of its deferred tax assets. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence, it is more likely than not that some portion, or all, of the deferred tax assets will not be realized. Considerable judgment and the use of estimates are required in determining whether a valuation allowance is necessary and, if so, the amount of such valuation allowance. In evaluating the need for a valuation allowance, the Company considers many factors, including:

- The nature, frequency and severity of book income or losses in recent years;
- The nature and character of the deferred tax assets and liabilities;
- The nature and character of income by life and non-life subgroups;
- The recent cumulative book income (loss) position after adjustment for permanent differences;
- Taxable income in prior carryback years;
- Projected future taxable income, exclusive of reversing temporary differences and carryforwards;
- Projected future reversals of existing temporary differences;
- The length of time carryforwards can be utilized;
- Prudent and feasible tax planning strategies the Company would employ to avoid a tax benefit from expiring unused; and
- Tax rules that would impact the utilization of the deferred tax assets.

In establishing unrecognized tax benefits, the Company determines whether a tax position is more likely than not to be sustained under examination by the appropriate taxing authority. The Company also considers positions that have been reviewed and agreed to as part of an examination by the appropriate taxing authority. Tax positions that do not meet the more likely than not standard are not recognized in the Consolidated Financial Statements. Tax positions that meet this standard are recognized in the Consolidated Financial Statements. The Company measures the tax position as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate resolution with the tax authority that has full knowledge of all relevant information.

Reinsurance

The Company utilizes reinsurance agreements in most aspects of its insurance business to reduce its exposure to large losses. Such reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Company as direct insurer of the risks reinsured.

For each of its reinsurance agreements, the Company determines whether the agreement provides indemnification against loss or liability relating to insurance risk. The Company reviews contractual features, particularly those that may limit the amount of insurance risk to which the reinsurer is subject or features that delay the timely reimbursement of claims. The assumptions used to account for both long and short-duration reinsurance agreements are consistent with those used for the underlying contracts. Ceded Future policy benefits and Contract owner account balances are reported gross on the Consolidated Balance Sheets.

Long-duration: For reinsurance of long-duration contracts that transfer significant insurance risk, the difference, if any, between the amounts paid and benefits received related to the underlying contracts is included in the expected net cost of reinsurance, which is recorded as a component of the reinsurance asset or liability. Any difference between actual and expected net cost of reinsurance is recognized in the current period and included as a component of profits used to amortize DAC.

Short-duration: For prospective reinsurance of short-duration contracts that meet the criteria for reinsurance accounting, amounts paid are recorded as ceded premiums and ceded unearned premiums and are reflected as a component of Premiums in the Consolidated Statements of Operations and Other assets on the Consolidated Balance Sheets, respectively. Ceded unearned premiums are amortized through premiums over the remaining contract period in proportion to the amount of protection provided.

For retroactive reinsurance of short-duration contracts that meet the criteria for reinsurance accounting, amounts paid in excess of the related insurance liabilities ceded are recognized immediately as a loss. Any gains on such retroactive agreements are deferred in Other liabilities and amortized over the remaining life of the underlying contracts.

Accounting for reinsurance requires use of assumptions and estimates, particularly related to the future performance of the underlying business and the potential impact of counterparty credit risks. The Company periodically reviews actual and anticipated experience compared to the assumptions used to establish assets and liabilities relating to ceded and assumed reinsurance. The Company also evaluates the financial strength of potential reinsurers and continually monitors the financial condition of reinsurers. The S&P ratings for the Company's reinsurers with the largest reinsurance recoverable balances are A-rated or better, including Lincoln National Corporation ("Lincoln") and various subsidiaries of Reinsurance Group of America Incorporated (collectively, "RGA").

Only those reinsurance recoverable balances deemed probable of recovery are recognized as assets on the Company's Consolidated Balance Sheets and are stated net of allowances for uncollectible reinsurance. Amounts currently recoverable and payable under reinsurance agreements are included in Premium receivable and reinsurance recoverable. Such assets and liabilities relating to reinsurance agreements with the same reinsurer are recorded net on the Consolidated Balance Sheets if a right of offset exists within the reinsurance agreement. Premiums, Fee income and Policyholder benefits are reported net of reinsurance ceded. Amounts received from reinsurers for policy administration are reported in Other revenue.

The Company has entered into coinsurance funds withheld reinsurance arrangements that contain embedded derivatives for which carrying value is estimated based on the change in the fair value of the assets supporting the funds withheld payable under the agreements.

Employee Benefits Plans

The Company sponsors and/or administers various plans that provide defined benefit pension and other postretirement benefit plans covering eligible employees, sales representatives and other individuals. The plans are generally funded through payments, determined by periodic actuarial calculations, to trustee-administered funds.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive upon retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in respect of defined benefit pension plans is the present value of the projected pension benefit obligation ("PBO") at the balance sheet date, less the fair value of plan assets, together with adjustments for unrecognized past service costs. This liability is included in Pension and other postretirement provisions on the Consolidated Balance Sheets. The PBO is defined as the actuarially calculated present value of vested and non-vested pension benefits accrued based on future salary levels. The Company recognizes the funded status of the PBO for pension plans and the accumulated postretirement benefit obligation ("APBO") for other postretirement plans on the Consolidated Balance Sheets.

Net periodic benefit cost is determined using management estimates and actuarial assumptions to derive service cost, interest cost and expected return on plan assets for a particular year. The obligations and expenses associated with these plans require use of assumptions, such as discount rate, expected rate of return on plan assets, rate of future compensation increases and healthcare cost trend rates, as well as assumptions regarding participant demographics, such as age of retirements, withdrawal rates and mortality. Management determines these assumptions based on a variety of factors, such as historical performance of the plan and its assets, currently available market and industry data and expected benefit payout streams. Actual results could vary significantly from assumptions based on changes, such as economic and market conditions, demographics of participants in the plans and amendments to benefits provided under the plans. These differences may have a significant effect on the Company's Consolidated Financial Statements and liquidity. Differences between the expected return and the actual return on plan assets and actuarial gains (losses) are immediately recognized in Operating expenses in the Consolidated Statements of Operations.

For postretirement healthcare and other benefits to retirees, the entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued in Pension and other postretirement provisions over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains (losses) are immediately recognized in Operating expenses in the Consolidated Statements of Operations.

Share-based Compensation

The Company grants certain employees and directors share-based compensation awards under various plans. Share-based compensation plans are subject to certain vesting conditions. The Company measures the cost of its share-based awards at their grant date fair value, which in the case of restricted stock units ("RSUs") and performance share units ("PSUs"), is based upon the market value of the Company's common stock on the date of grant. The Company grants certain PSU awards, which are subject to attainment of specified total shareholder return ("TSR") targets relative to a specified peer group. The number of TSR-based PSU awards expected to be earned, based on achievement of the market condition, is factored into the grant date Monte Carlo valuation for the award. Fair value of stock options is determined using a Black-Scholes options valuation methodology. Compensation expense is principally related to the granting of performance share units, restricted stock units and stock options and is recognized in Operating expenses in the Consolidated Statements of Operations over the requisite service period. The majority of awards granted are provided in the first quarter of each year. The Company includes estimated forfeitures in the calculation of share-based compensation expense.

The liability related to cash-settled awards is recorded within Other liabilities on the Consolidated Balance Sheets. Unlike equity-settled awards, which have a fixed grant-date fair value, the fair value of unvested cash-settled awards is remeasured at the end of each reporting period until the awards vest.

All excess tax benefits and tax deficiencies related to share-based compensation are reported in Net income (loss).

Earnings per Common Share

Basic earnings per common share ("EPS") is computed by dividing earnings available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted EPS is computed assuming the issuance of nonvested shares, restricted stock units, stock options, performance share units and warrants using the treasury stock method. Basic and diluted earnings per share are calculated using unrounded, actual amounts. Under the treasury stock method, the Company utilizes the average market price to determine the amount of cash that would be available to repurchase shares if the common shares vested. The net incremental share count issued represents the potential dilutive or anti-dilutive securities.

For any period where a loss from continuing operations available to common shareholders is experienced, shares used in the diluted EPS calculation represent basic shares, as using diluted shares would be anti-dilutive to the calculation.

Treasury Stock

All amounts paid to repurchase common stock are recorded as Treasury stock on the Consolidated Balance Sheets. When Treasury stock is retired and the purchase price is greater than par, an excess of purchase price over par is allocated between additional paid-in capital and retained earnings (deficit). Shares that are retired are determined on a FIFO basis.

Consolidation and Noncontrolling Interests

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

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

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

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

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

Contingencies

A loss contingency is an existing condition, situation or set of circumstances involving uncertainty as to possible loss that will ultimately be resolved when one or more future events occur or fail to occur. Examples of loss contingencies include pending or threatened adverse litigation, threat of expropriation of assets and actual or possible claims and assessments. Amounts related to loss contingencies are accrued and recorded in Other liabilities on the Consolidated Balance Sheets if it is probable that a loss has been incurred and the amount can be reasonably estimated, based on the Company's best estimate of the ultimate outcome.

Adoption of New Pronouncements

The following table provides a description of the Company's adoption of new Accounting Standard Updates ("ASUs") issued by the Financial Accounting Standards Board ("FASB") and the impact of the adoption on the Company's financial statements.

Standard	Description of Requirements	Effective Date and Method of Adoption	Effect on the Financial Statements or Other Significant Matters
ASU 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income	<p>This standard, issued in February 2018, permits a reclassification from accumulated other comprehensive income ("AOCI") to retained earnings for stranded tax effects resulting from the 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.</p>	<p>January 1, 2019, with the change reported in the period of adoption.</p>	<p>The impact to the January 1, 2019 Condensed Consolidated Balance Sheet was an increase to AOCI of \$343, with a corresponding decrease to Retained earnings. The ASU did not have a material impact on the Company's results of operations, cash flows, or disclosures.</p>
ASU 2017-12, Targeted Improvements to Accounting for Hedging Activities	<p>This standard, issued in August 2017, enables entities to better portray risk management activities in their financial statements, as follows:</p> <ul style="list-style-type: none"> • Expands an entity's ability to hedge nonfinancial and financial risk components and reduces complexity in accounting for fair value hedges of interest rate risk, • Eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item, and • Eases certain documentation and assessment requirements and modifies the accounting for components excluded from the assessment of hedge effectiveness, and modifies required disclosures. <p>In October 2018, the FASB issued an amendment which expands the list of U.S. benchmark interest rates permitted in the application of hedge accounting.</p>	<p>January 1, 2019, using the modified retrospective method, with the exception of the presentation and disclosure requirements which were adopted prospectively.</p>	<p>The adoption had no effect on the Company's financial condition, results of operations, or cash flows. The adoption resulted in a change to the Company's significant accounting policy with respect to Derivatives, as follows:</p> <p><i>Fair Value Hedge:</i> For derivative instruments that are designated and qualify as a fair value hedge, the entire change in the fair value of the hedging instrument included in the assessment of hedge effectiveness is recorded in the same line item in the Condensed Consolidated Statements of Operations as impacted by the hedged item.</p> <p><i>Cash Flow Hedge:</i> For derivative instruments that are designated and qualify as a cash flow hedge, the entire change in the fair value of the hedging instrument included in the assessment of hedge effectiveness is reported as a component of AOCI. Those amounts are subsequently reclassified to earnings when the hedged item affects earnings, and are reported in the same line item in the Condensed Consolidated Statements of Operations as impacted by the hedged item.</p> <p>Other required disclosure changes have been included in Note 4, <i>Derivative Financial Instruments</i>.</p>

Standard	Description of Requirements	Effective Date and Method of Adoption	Effect on the Financial Statements or Other Significant Matters
ASU 2016-02, Leases	<p>This standard, issued in February 2016, 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.</p> <p>ASU 2016-02 also replaces the sale-leaseback guidance to align with the new revenue recognition standard, addresses statement of operation and statement of cash flow classification, and requires additional disclosures for all leases. In addition, the FASB issued various amendments during 2018 to clarify and simplify the provisions and implementation guidance of ASU 2016-02.</p>	January 1, 2019, using the modified retrospective method.	Adoption of the ASU resulted in the establishment of a \$146 lease liability for operating leases and a corresponding right-of-use asset, which are included in Other liabilities and Other assets, respectively. The Company elected the practical expedients at transition. The ASU did not impact the Company's Shareholders' equity or results of operations, and did not materially impact cash flows or disclosures.
ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities	<p>This standard, issued in January 2016, addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments, including requiring:</p> <ul style="list-style-type: none"> • 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. 	January 1, 2018 using the modified retrospective method, except for certain provisions that were required to be applied using the prospective method.	The impact to the January 1, 2018 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.

Standard	Description of Requirements	Effective Date and Method of Adoption	Effect on the Financial Statements or Other Significant Matters
ASU 2014-09, Revenue from Contracts with Customers	This standard, issued in May 2014, 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.	January 1, 2018 using the modified retrospective method.	<p>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 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.)</p> <p>Comparative information has not been adjusted and continues to be reported under previous revenue recognition guidance. As of December 31, 2018, the adoption of ASU 2014-09 resulted in a \$108 increase in Other assets, reduced by a related \$23 decrease in Deferred income taxes, resulting in a net \$85 increase to Retained earnings (deficit) on the Consolidated Balance Sheet. For the year ended December 31, 2018, the adoption resulted in a \$2 increase in Operating expenses on the Consolidated Statement of Operations and had no impact on Net cash provided by operating activities.</p>

Future Adoption of Accounting Pronouncements

Long-Duration Contracts

In August 2018, the FASB issued ASU 2018-12, "Financial Services - Insurance (Topic 944) Targeted Improvements to the Accounting for Long-Duration Contracts" ("ASU 2018-12"), which changes the measurement and disclosures of insurance liabilities and deferred acquisition costs for long-duration contracts issued by insurers. In November 2019, the FASB issued ASU 2019-09 to amend the effective date of ASU 2018-12 for public business entities that are required to file with the SEC to fiscal years beginning after December 15, 2021, including interim periods, with early adoption permitted. The Company is currently in the process of evaluating the provisions of ASU 2018-12. While it is not possible to estimate the expected impact of adoption at this time, the Company believes there is a reasonable possibility that implementation of ASU 2018-12 may result in a significant impact on Shareholders' equity and future earnings patterns.

In addition to requiring significantly expanded interim and annual disclosures regarding long-duration insurance contract assets and liabilities, ASU 2018-12's provisions include modifications to the accounting for such contracts in the following areas:

ASU 2018-12 Subject Area	Description of Requirements	Transition Provisions	Effect on the Financial Statements or Other Significant Matters
Assumptions used to measure the liability for future policy benefits for nonparticipating traditional and limited payment insurance contracts	<p>Requires insurers to review and, if necessary, update cash flow assumptions at least annually.</p> <p>The effect of updating cash flow assumptions will be measured on a retrospective catch-up basis and presented in the Statement of Operations in the period in which the update is made.</p> <p>The rate used to discount the liability for future policy benefits will be required to be updated quarterly, with related changes in the liability recorded in AOCI. The discount rate will be based on an upper-medium grade fixed-income corporate instrument yield reflecting the duration characteristics of the relevant liabilities.</p>	<p>Initial adoption is required to be reported using either a full retrospective or modified retrospective approach. Under either method, upon adoption the liability for future policy benefits will be remeasured using current discount rates as of the beginning of the earliest period presented with the impact recorded as a cumulative effect adjustment to AOCI.</p>	<p>The application of periodic assumption updates for nonparticipating traditional and limited payment insurance contracts is significantly different from the current accounting approach for such liabilities, which is based on assumptions that are locked in at contract inception unless a premium deficiency occurs. Under the current accounting guidance, the liability discount rate is based on expected yields on the underlying investment portfolio held by the insurer.</p> <p>The implications of these requirements, including transition options, and related potential financial statement impacts are currently being evaluated.</p>
Measurement of market risk benefits	<p>Creates a new category of benefit features called market risk benefits, defined as features that protect contract holders from capital market risk and expose the insurers to that risk. Market risk benefits will be required to be measured at fair value, with changes in fair value recognized in the Statement of Operations, except for changes in fair value attributable to changes in the instrument-specific credit risk, which will be recorded in AOCI.</p>	<p>Full retrospective application is required. Upon adoption, any difference between the fair value and pre-adoption carrying value of market risk benefits not currently measured at fair value will be recorded to retained earnings. In addition, the cumulative effect of changes in instrument-specific credit risk will be reclassified from retained earnings to AOCI.</p>	<p>Under the current accounting guidance, certain features that are expected to meet the definition of market risk benefits are accounted for as either insurance liabilities or embedded derivatives.</p> <p>The implications of these requirements and related potential financial statement impacts are currently being evaluated.</p>

Voya Financial, Inc.

Notes to the Consolidated Financial Statements

(Dollar amounts in millions, unless otherwise stated)

ASU 2018-12 Subject Area	Description of Requirements	Transition Provisions	Effect on the Financial Statements or Other Significant Matters
Amortization of DAC and other balances	Requires DAC (and other balances that refer to the DAC model, such as deferred sales inducement costs and unearned revenue liabilities) for all long-duration contracts to be measured on a constant level basis over the expected life of the contract.	Initial adoption is required to be reported using either a full retrospective or modified retrospective approach. The method of transition applied for DAC and other balances must be consistent with the transition method selected for future policy benefit liabilities, as described above.	<p>This approach is intended to approximate straight-line amortization and cannot be based on revenue or profits as it is under the current accounting model. Related amounts in AOCI will be eliminated upon adoption. ASU 2018-12 did not change the existing accounting guidance related to value of business acquired ("VOBA") and net cost of reinsurance, which allows, but does not require, insurers to amortize such balances on a basis consistent with DAC.</p> <p>The implications of these requirements, including transition options, and related potential financial statement impacts are currently being evaluated.</p>

The following table provides a description of future adoptions of other new accounting standards that may have an impact on the Company's financial statements when adopted:

Standard	Description of Requirements	Effective Date and Transition Provisions	Effect on the Financial Statements or Other Significant Matters
ASU 2018-15, Implementation costs incurred in a cloud computing arrangement that is a service contract	This standard, issued in August 2018, requires a customer in a hosting arrangement that is a service contract to follow the guidance for internal-use software projects to determine which implementation costs to capitalize as an asset. Capitalized implementation costs are required to be expensed over the term of the hosting arrangement. In addition, a customer is required to apply the impairment and abandonment guidance for long-lived assets to the capitalized implementation costs. Balances related to capitalized implementation costs must be presented in the same financial statement line items as other hosting arrangement balances, and additional disclosures are required.	January 1, 2020 with early adoption permitted. Initial adoption of ASU 2018-15 may be reported either on a prospective or retrospective basis.	The Company intends to adopt ASU 2018-15 as of January 1, 2020 on a prospective basis. The Company does not expect ASU 2018-15 to have a material impact on the Company's financial condition, results of operations, or cash flows.
ASU 2018-14, Changes to the Disclosure Requirements for Defined Benefit Plans	This standard, issued in August 2018, eliminates certain disclosure requirements that are no longer considered cost beneficial and requires new disclosures that are considered relevant.	January 1, 2021 with early adoption permitted. Initial adoption of ASU 2018-14 is required to be reported on a retrospective basis for all periods presented.	The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2018-14.
ASU 2018-13, Changes to the Disclosure Requirements for Fair Value Measurement	This standard, issued in August 2018, simplifies certain disclosure requirements for fair value measurement.	January 1, 2020, including interim periods, with early adoption permitted. The transition method varies by provision.	The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2018-13.
ASU 2016-13, Measurement of Credit Losses on Financial Instruments	<p>This standard, issued in June 2016:</p> <ul style="list-style-type: none"> • Introduces a new current expected credit loss ("CECL") model to measure impairment on certain types of financial instruments, • Requires an entity to estimate lifetime expected credit losses, under the new CECL model, based on relevant information about historical events, current conditions, and reasonable and supportable forecasts, • 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. <p>In addition, the FASB issued various amendments during 2018 and 2019 to clarify the provisions of ASU 2016-13.</p>	January 1, 2020, including interim periods, with early adoption permitted. 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 believes the adoption of this guidance will not have a material impact on the Company's financial condition, results of operations or cash flows. The CECL requirements apply to financial assets held at amortized cost, the most significant of which, for the Company, are mortgage loans and reinsurance recoverable balances. Implementation efforts currently in progress include the finalization of CECL models and continuing analysis of model output, as well as development of related processes, controls, and disclosures.

2. Business Held for Sale and Discontinued Operations

As noted in the *Business, Basis of Presentation and Significant Accounting Policies* Note, on December 18, 2019, the Company entered into the Resolution MTA with Resolution Life US to sell several of its subsidiaries and the related Individual Life and fixed and variable annuities businesses within these subsidiaries. Additionally, on June 1, 2018, the Company consummated a series of transactions pursuant to a Master Transaction Agreement (the "2018 MTA") to sell substantially all of its fixed and fixed indexed annuities businesses.

The following table presents summary information related to assets and liabilities classified as held for sale and income (loss) from discontinued operations for the periods presented:

	Year Ended December 31,	
	2019	2018
Assets held for sale		
Individual Life Transaction	\$ 20,069	\$ 20,045
2018 Transaction	—	—
Total	<u>\$ 20,069</u>	<u>\$ 20,045</u>
Liabilities held for sale		
Individual Life Transaction	\$ 18,498	\$ 17,903
2018 Transaction	—	—
Total	<u>\$ 18,498</u>	<u>\$ 17,903</u>

	Year Ended December 31,		
	2019	2018	2017
Income (loss) from discontinued operations, net of tax			
Individual Life Transaction	\$ (984)	\$ 72	\$ 107
2018 Transaction	(82)	457	(2,580)
Total	<u>\$ (1,066)</u>	<u>\$ 529</u>	<u>\$ (2,473)</u>

The following table presents summary information related to cash flows from discontinued operations for the periods presented:

	Year Ended December 31,		
	2019	2018	2017
Net cash provided by operating activities - discontinued operations			
Individual Life Transaction	\$ (102)	\$ (410)	\$ 100
2018 Transaction	—	1,462	411
Total	<u>\$ (102)</u>	<u>\$ 1,052</u>	<u>\$ 511</u>
Net cash provided by investing activities - discontinued operations			
Individual Life Transaction	\$ (498)	\$ (248)	\$ (1,000)
2018 Transaction	(128)	34	(1,261)
Total	<u>\$ (626)</u>	<u>\$ (214)</u>	<u>\$ (2,261)</u>
Net cash provided by financing activities - discontinued operations			
Individual Life Transaction	\$ 813	\$ 537	\$ 887
2018 Transaction	—	(1,209)	384
Total	<u>\$ 813</u>	<u>\$ (672)</u>	<u>\$ 1,271</u>

The Individual Life Transaction

Sale of legal entities

Pursuant to the the Company executing the Resolution MTA and upon closing of the Individual Life Transaction, the Company will sell five of its legal subsidiaries, SLD, SLDI, Roaring River II ("RRII"), Midwestern United Life Insurance Company ("MUL") and Voya American Equities, Inc. ("VAE") to Resolution Life US. Resolution Life US is an insurance holding company newly formed by Resolution Life Group Holdings, L.P., a Bermuda-based limited partnership ("RLGH"). The Individual Life Transaction is expected to close by September 30, 2020 and is subject to conditions specified in the Resolution MTA, including the receipt of required regulatory approvals.

The purchase price in the transaction is approximately \$1.25 billion, with an adjustment based on the adjusted capital and surplus of SLD, SLDI and RRII at closing. The purchase price includes cash consideration of approximately \$902, a \$225 equity interest in RLGH, and \$123 principal amount in surplus notes issued by SLD that will be retained by the Company under modified terms. The receivable for the surplus notes and SLD's corresponding liability outstanding as of December 31, 2019 and 2018 are included in Other investments and Liabilities held for sale, respectively, on the Company's Consolidated Balance Sheets. In the summary of major categories of assets and liabilities held for sale below, SLD's corresponding liability for the surplus notes is included in Notes payable.

The Individual Life Transaction is subject to a \$100 reverse termination fee that would be payable by Resolution Life US to the Company if the Resolution MTA is terminated in prescribed circumstances related to the failure by Resolution Life US's reserve financing provider to provide a committed financing facility. A separate \$20 termination fee would be payable by Resolution Life US to the Company in prescribed circumstances where the Resolution MTA is terminated due to a failure to obtain certain approvals or consents.

Concurrent with the execution of the Resolution MTA, RLGH provided the Company with a limited guarantee to guarantee its financial obligations for an amount not to exceed \$1.3 billion, including the termination fees and subject to the terms and conditions in the Resolution MTA.

Voya Financial, Inc.

Notes to the Consolidated Financial Statements

(Dollar amounts in millions, unless otherwise stated)

The Company has determined that these entities 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 entities to be sold have been presented as discontinued operations in the accompanying Consolidated Statements of Operations and 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 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 Consolidated Statements of Operations for all periods presented. In addition, Income (loss) from discontinued operations, net of tax, for the year ended December 31, 2019 includes the estimated loss on sale, net of tax of \$1,108 to write down the carrying value of the businesses held for sale to estimated fair value, which is based on the estimated sales price of the transaction, less cost to sell and other adjustments in accordance with the Resolution MTA. Additionally, the estimated loss on sale is based on assumptions that are subject to change due to fluctuations in market conditions and other variables that may occur prior to the closing date.

Voya Financial, Inc.

Notes to the Consolidated Financial Statements

(Dollar amounts in millions, unless otherwise stated)

The following table summarizes the major categories of assets and liabilities classified as held for sale related to the Individual Life Transaction in the accompanying Consolidated Balance Sheets as of December 31, 2019 and 2018:

	As of December 31,	
	2019	2018
Assets:		
Investments:		
Fixed maturities, available-for-sale, at fair value	\$ 11,483	\$ 9,401
Fixed maturities, at fair value using the fair value option	752	722
Mortgage loans on real estate, net of valuation allowance	1,319	1,395
Policy loans	1,005	1,019
Derivatives	304	131
Other investments ⁽¹⁾	430	333
Securities pledged	235	405
Total investments	<u>15,528</u>	<u>13,406</u>
Cash and cash equivalents	291	301
Short-term investments under securities loan agreements, including collateral delivered	216	391
Premium receivable and reinsurance recoverable	3,101	3,309
Deferred policy acquisition costs and Value of business acquired	607	1,143
Current income taxes	136	220
Deferred income taxes	(757)	(452)
Other assets ⁽²⁾	570	430
Assets held in separate accounts	1,485	1,297
Write-down of businesses held for sale to fair value less cost to sell	(1,108)	—
Total assets held for sale	<u>\$ 20,069</u>	<u>\$ 20,045</u>
Liabilities:		
Future policy benefits and contract owner account balances	\$ 15,472	\$ 15,008
Payables under securities loan and repurchase agreements, including collateral held	428	455
Derivatives	77	53
Notes payable	252	222
Other liabilities	784	868
Liabilities related to separate accounts	1,485	1,297
Total liabilities held for sale	<u>\$ 18,498</u>	<u>\$ 17,903</u>

⁽¹⁾ Includes Other investments, Equity securities, Limited Partnerships/corporations and Short-term investments.

⁽²⁾ Includes Other assets and Accrued investment income.

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

The following table summarizes the components of Income (loss) from discontinued operations, net of tax related to the Individual Life Transaction for the years ended December 31, 2019, 2018 and 2017:

	Year Ended December 31,		
	2019	2018	2017
Revenues:			
Net investment income	\$ 665	\$ 649	\$ 672
Fee income	750	743	754
Premiums	27	27	24
Total net realized capital gains (losses)	45	(44)	(18)
Other revenue	(21)	4	(8)
Total revenues	<u>1,466</u>	<u>1,379</u>	<u>1,424</u>
Benefits and expenses:			
Interest credited and other benefits to contract owners/policyholders	1,065	1,050	978
Operating expenses	83	96	102
Net amortization of Deferred policy acquisition costs and Value of business acquired	153	135	176
Interest expense	10	9	8
Total benefits and expenses	<u>1,311</u>	<u>1,290</u>	<u>1,264</u>
Income (loss) from discontinued operations before income taxes	155	89	160
Income tax expense (benefit)	31	17	53
Loss on sale, net of tax	(1,108)	—	—
Income (loss) from discontinued operations, net of tax	<u>\$ (984)</u>	<u>\$ 72</u>	<u>\$ 107</u>

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

- The performance of the businesses held for sale, including the impact of mortality, reinsurance rates and financing costs;
- Changes in the terms of the Transaction, including as the result of subsequent negotiations or as necessary to obtain regulatory approval; and
- Other changes in the terms of the Transaction due to unanticipated developments.

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.

Reinsurance

Concurrently with the sale, SLD will enter into reinsurance agreements with Reliastar Life Insurance Company ("RLI"), ReliaStar Life Insurance Company of New York ("RLNY"), and Voya Retirement Insurance and Annuity Company ("VRIAC"), each of which is a direct or indirect wholly owned subsidiary of the Company. Pursuant to these agreements, RLI and VRIAC will reinsure to SLD a 100% quota share, and RLNY will reinsure to SLD a 75% quota share, of their respective individual life insurance and annuities businesses. RLI, RLNY, and VRIAC will remain subsidiaries of the Company. The Company currently expects that these reinsurance transactions will be carried out on a coinsurance basis, with SLD's reinsurance obligations collateralized by assets in trust. Based on values as of December 31, 2019, U.S GAAP reserves to be ceded under the Individual Life Transaction (defined below) are expected to be approximately \$11.0 billion and are subject to change until closing. The reinsurance agreements along with the sale of the legal entities noted above will result in the disposition of substantially all of the Company's life insurance and legacy non-retirement annuity businesses and related assets. The revenues and net results of the Individual Life and Annuities

businesses that will be disposed of via reinsurance are reported in businesses exited or to be exited through reinsurance or divestment which is an adjustment to the Company's U.S. GAAP revenues and earnings measures to calculate Adjusted operating revenues and Adjusted operating earnings before income taxes, respectively. In connection with the reinsurance agreements mentioned above, the Company may incur charges associated with the termination or recapture of existing reinsurance arrangements with its reinsurers.

The 2018 Transaction

On June 1, 2018, the Company consummated a series of transactions (collectively, the "2018 Transaction") pursuant to a Master Transaction Agreement dated December 20, 2017 (the "2018 MTA") with VA Capital Company LLC ("VA Capital") and Athene Holding Ltd. ("Athene"). As part of the 2018 Transaction, Venerable Holdings, Inc. ("Venerable"), a wholly owned subsidiary of VA Capital, acquired two of the Company's subsidiaries, Voya Insurance and Annuity Company ("VIAC") and Directed Services, LLC ("DSL"), and VIAC and other Voya subsidiaries reinsured to Athene substantially all of their fixed and fixed indexed annuities business. The Company has determined that the CBVA and Annuities businesses disposed of in the 2018 Transaction meet the criteria to be classified as discontinued operations and that the sale represents a strategic shift that has a major effect on the Company's operations. Accordingly, the results of operations of the businesses sold have been presented as discontinued operations in the accompanying Consolidated Statements of Operations and Consolidated Statements of Cash Flows for all periods presented.

Pursuant to the terms of the 2018 MTA and prior to the closing of the Transaction, VIAC undertook certain restructuring transactions, including reinsurance, with several affiliates in order to transfer business and assets into and out of VIAC from and to the Company's affiliates. See the *Reinsurance* Note to the Consolidated Financial Statements for further information.

The purchase price for VIAC was \$169 and was equal to the difference between the Required Adjusted Book Value (as defined in the 2018 MTA) and the Statutory capital in VIAC at closing, after giving effect to certain agreed upon adjustments. Following the closing of the Transaction, the Company, through its other insurance subsidiaries, continued to own surplus notes issued by VIAC in an aggregate principal amount of \$350 and acquired a 9.99% equity interest in VA Capital. The investment in surplus notes was reported in Fixed maturities, available-for-sale on the Company's Consolidated Balance Sheet as of December 31, 2018. Final loss on sale related to the 2018 Transaction was \$2,000 which included transaction costs of \$33 and the loss of \$460 of deferred tax assets and was recorded in the Company's Consolidated Statements of Operations as presented in the Income (loss) from discontinued operations table below. The final loss on sale included the outstanding purchase price true-up amounts with VA Capital of \$82 which was settled during the year ended December 31, 2019.

Upon execution of the Individual Life Transaction including the reinsurance arrangements disclosed in the Individual Life Transaction section above, the Company will continue to hold an insignificant number of Individual Life, Annuities and CBVA policies. These policies are referred to in this Annual Report on Form 10-K as "Residual Runoff Business".

Voya Financial, Inc.**Notes to the Consolidated Financial Statements**

(Dollar amounts in millions, unless otherwise stated)

The following table summarizes the components of Income (loss) from discontinued operations, net of tax related to the 2018 Transaction for the years ended December 31, 2019, 2018 and 2017:

	Year Ended December 31,		
	2019	2018	2017
Revenues:			
Net investment income	\$ —	\$ 510	\$ 1,266
Fee income	—	295	801
Premiums	—	(50)	190
Total net realized capital losses	—	(345)	(1,234)
Other revenue	—	10	19
Total revenues	<u>—</u>	<u>420</u>	<u>1,042</u>
Benefits and expenses:			
Interest credited and other benefits to contract owners/policyholders	—	442	978
Operating expenses	—	(14)	250
Net amortization of Deferred policy acquisition costs and Value of business acquired	—	49	127
Interest expense	—	10	22
Total benefits and expenses	<u>—</u>	<u>487</u>	<u>1,377</u>
Income (loss) from discontinued operations before income taxes	—	(67)	(335)
Income tax expense (benefit)	—	(19)	(178)
Loss on sale, net of tax	(82)	505	(2,423)
Income (loss) from discontinued operations, net of tax	<u>\$ (82)</u>	<u>\$ 457</u>	<u>\$ (2,580)</u>

Voya Financial, Inc.

Notes to the Consolidated Financial Statements

(Dollar amounts in millions, unless otherwise stated)

3. Investments (excluding Consolidated Investment Entities)

Fixed Maturities

Available-for-sale and FVO fixed maturities were as follows as of December 31, 2019:

	<u>Amortized Cost</u>	<u>Gross Unrealized Capital Gains</u>	<u>Gross Unrealized Capital Losses</u>	<u>Embedded Derivatives⁽²⁾</u>	<u>Fair Value</u>	<u>OTTI⁽³⁾⁽⁴⁾</u>
Fixed maturities:						
U.S. Treasuries	\$ 1,074	\$ 308	\$ —	\$ —	\$ 1,382	\$ —
U.S. Government agencies and authorities	74	21	—	—	95	—
State, municipalities and political subdivisions	1,220	103	—	—	1,323	—
U.S. corporate public securities	12,980	1,977	19	—	14,938	—
U.S. corporate private securities	5,568	488	21	—	6,035	—
Foreign corporate public securities and foreign governments ⁽¹⁾	3,887	460	6	—	4,341	—
Foreign corporate private securities ⁽¹⁾	4,545	288	2	—	4,831	—
Residential mortgage-backed securities	4,999	200	14	19	5,204	5
Commercial mortgage-backed securities	3,402	176	4	—	3,574	—
Other asset-backed securities	2,058	22	25	—	2,055	1
Total fixed maturities, including securities pledged	<u>39,807</u>	<u>4,043</u>	<u>91</u>	<u>19</u>	<u>43,778</u>	<u>6</u>
Less: Securities pledged	1,264	154	10	—	1,408	—
Total fixed maturities	<u>\$ 38,543</u>	<u>\$ 3,889</u>	<u>\$ 81</u>	<u>\$ 19</u>	<u>\$ 42,370</u>	<u>\$ 6</u>

⁽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 Consolidated Statements of Operations.

⁽³⁾ Represents OTTI reported as a component of Other comprehensive income (loss).

⁽⁴⁾ Amount excludes \$336 of net unrealized gains on impaired available-for-sale securities.

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

Available-for-sale and FVO fixed maturities were as follows as of December 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	\$ 1,228	\$ 196	\$ 1	\$ —	\$ 1,423	\$ —
U.S. Government agencies and authorities	62	12	—	—	74	—
State, municipalities and political subdivisions	1,241	25	16	—	1,250	—
U.S. corporate public securities	14,455	721	300	—	14,876	—
U.S. corporate private securities	5,499	134	142	—	5,491	—
Foreign corporate public securities and foreign governments ⁽¹⁾	4,139	125	129	—	4,135	—
Foreign corporate private securities ⁽¹⁾	4,705	66	131	—	4,640	—
Residential mortgage-backed securities	4,143	170	47	16	4,282	7
Commercial mortgage-backed securities	2,777	27	41	—	2,763	—
Other asset-backed securities	1,688	10	40	—	1,658	2
Total fixed maturities, including securities pledged	39,937	1,486	847	16	40,592	9
Less: Securities pledged	1,436	75	49	—	1,462	—
Total fixed maturities	<u>\$ 38,501</u>	<u>\$ 1,411</u>	<u>\$ 798</u>	<u>\$ 16</u>	<u>\$ 39,130</u>	<u>\$ 9</u>

⁽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 Consolidated Statements of Operations.

⁽³⁾ Represents OTTI reported as a component of Other comprehensive income (loss).

⁽⁴⁾ Amount excludes \$234 of net unrealized gains on impaired available-for-sale securities.

The amortized cost and fair value of fixed maturities, including securities pledged, as of December 31, 2019, are shown below by contractual maturity. Actual maturities may differ from contractual maturities as securities may be restructured, called or prepaid. MBS and Other 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	\$ 1,105	\$ 1,120
After one year through five years	5,391	5,638
After five years through ten years	8,014	8,667
After ten years	14,838	17,520
Mortgage-backed securities	8,401	8,778
Other asset-backed securities	2,058	2,055
Fixed maturities, including securities pledged	<u>\$ 39,807</u>	<u>\$ 43,778</u>

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.

Voya Financial, Inc.**Notes to the Consolidated Financial Statements**

(Dollar amounts in millions, unless otherwise stated)

As of December 31, 2019 and 2018, 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
<u>December 31, 2019</u>				
Communications	\$ 1,694	\$ 295	\$ —	\$ 1,989
Financial	4,067	535	1	4,601
Industrial and other companies	11,669	1,274	16	12,927
Energy	2,819	368	27	3,160
Utilities	4,895	561	1	5,455
Transportation	1,206	116	2	1,320
Total	<u>\$ 26,350</u>	<u>\$ 3,149</u>	<u>\$ 47</u>	<u>\$ 29,452</u>
<u>December 31, 2018</u>				
Communications	\$ 1,952	\$ 107	\$ 29	\$ 2,030
Financial	4,131	199	70	4,260
Industrial and other companies	12,707	371	330	12,748
Energy	3,180	138	117	3,201
Utilities	5,120	189	114	5,195
Transportation	1,039	27	25	1,041
Total	<u>\$ 28,129</u>	<u>\$ 1,031</u>	<u>\$ 685</u>	<u>\$ 28,475</u>

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 December 31, 2019 and 2018, approximately 43.4% and 46.0%, 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 December 31, 2019 and 2018, the Company did not have any securities pledged in dollar rolls or reverse repurchase agreements. As of December 31, 2019, the carrying value of securities pledged and obligation to repay loans related to repurchase agreement transactions was \$66, and included in Securities pledged and Payables under securities loan and repurchase agreements, including collateral held, respectively, on the Consolidated Balance Sheets. As of December 31, 2018, the carrying value of securities pledged and obligation to repay loans related to repurchase agreement transaction was \$45. Securities pledged related to repurchase agreements are comprised of other asset-backed securities.

Securities Lending

As of December 31, 2019 and 2018, the fair value of loaned securities was \$1,159 and \$1,237, respectively, and is included in Securities pledged on the 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 December 31, 2019 and 2018, cash collateral retained by the lending agent and invested in short-term liquid assets on the Company's behalf was \$1,055 and \$1,190, respectively, and is recorded in Short-term investments under securities loan agreements, including collateral delivered on the Consolidated Balance Sheets. As of December 31, 2019 and 2018, liabilities to return collateral of \$1,055 and \$1,190, respectively, are included in Payables under securities loan and repurchase agreements, including collateral held on the Consolidated Balance Sheets.

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 Consolidated Balance Sheets. This collateral generally consists of U.S. Treasury, U.S. Government agency securities and MBS pools. As of December 31, 2019 and 2018, the fair value of securities retained as collateral by the lending agent on the Company's behalf was \$146 and \$91, respectively.

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

	December 31, 2019 ⁽¹⁾⁽²⁾	December 31, 2018 ⁽¹⁾⁽²⁾
U.S. Treasuries	\$ 213	\$ 180
U.S. Government agencies and authorities	15	7
U.S. corporate public securities	684	813
Equity securities	—	1
Foreign corporate public securities and foreign governments	289	280
Payables under securities loan agreements	<u>\$ 1,201</u>	<u>\$ 1,281</u>

⁽¹⁾ As of December 31, 2019 and 2018, borrowings under securities lending transactions include cash collateral of \$1,055 and \$1,190, respectively.

⁽²⁾ As of December 31, 2019 and 2018, borrowings under securities lending transactions include non-cash collateral of \$146 and \$91, 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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Notes to the Consolidated Financial Statements

(Dollar amounts in millions, unless otherwise stated)

Unrealized Capital Losses

Unrealized capital losses (including noncredit impairments), along with the fair value of fixed maturity securities, including securities pledged, by market sector and duration were as follows as of December 31, 2019:

	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
U.S. Treasuries	\$ 2	\$ — *	\$ 21	\$ — *	\$ 23	\$ — *
State, municipalities and political subdivisions	25	— *	1	— *	26	— *
U.S. corporate public securities	122	3	199	16	321	19
U.S. corporate private securities	113	1	195	20	308	21
Foreign corporate public securities and foreign governments	15	— *	103	6	118	6
Foreign corporate private securities	36	— *	78	2	114	2
Residential mortgage-backed	730	8	194	6	924	14
Commercial mortgage-backed	472	4	18	— *	490	4
Other asset-backed	308	5	641	20	949	25
Total	<u>\$ 1,823</u>	<u>\$ 21</u>	<u>\$ 1,450</u>	<u>\$ 70</u>	<u>\$ 3,273</u>	<u>\$ 91</u>
Total number of securities in an unrealized loss position	<u>334</u>		<u>338</u>		<u>672</u>	

*Less than \$1.

Voya Financial, Inc.

Notes to the Consolidated Financial Statements

(Dollar amounts in millions, unless otherwise stated)

Unrealized capital losses (including noncredit impairments), along with the fair value of fixed maturity securities, including securities pledged, by market sector and duration were as follows as of December 31, 2018:

	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
U.S. Treasuries	\$ —	\$ —	\$ 40	\$ 1	\$ 40	\$ 1
State, municipalities and political subdivisions	363	7	178	9	541	16
U.S. corporate public securities	5,010	220	742	80	5,752	300
U.S. corporate private securities	2,031	56	744	86	2,775	142
Foreign corporate public securities and foreign governments	1,849	88	253	41	2,102	129
Foreign corporate private securities	1,969	101	327	30	2,296	131
Residential mortgage-backed	795	17	531	30	1,326	47
Commercial mortgage-backed	1,206	22	484	19	1,690	41
Other asset-backed	1,163	38	76	2	1,239	40
Total	<u>\$ 14,386</u>	<u>\$ 549</u>	<u>\$ 3,375</u>	<u>\$ 298</u>	<u>\$ 17,761</u>	<u>\$ 847</u>
Total number of securities in an unrealized loss position	<u>2,177</u>		<u>686</u>		<u>2,863</u>	

Based on the Company's quarterly evaluation of its securities in a unrealized loss position, described below, the Company concluded that these securities were not other-than-temporarily impaired as of December 31, 2019. The Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases.

On a quarterly basis, the Company evaluates its available-for-sale investment portfolio to determine whether there has been an other-than-temporary decline in fair value below the amortized cost basis. All available-for-sale securities with fair values less than amortized cost are included in the Company's evaluation. Generally, for non-structured securities, management considers the estimated fair value as the recovery value when available information does not indicate that another value is more appropriate. When information is identified that indicates a recovery value other than estimated fair value, management considers in the determination of recovery value the same consideration utilized in its overall impairment evaluation process, which incorporates available information and the Company's best estimate of scenario based outcomes regarding the specific security and issuer. The Company also considers quality and amount of any credit enhancement; the security's position within the capital structure of the issuer; fundamentals of the industry and geographic area in which the security issuer operates; and the overall macroeconomic conditions. For structured securities, such as non-agency RMBS, CMBS, and ABS, the Company evaluates other-than-temporary impairments based on actual and projected cash flows, after considering the quality and updated loan-to-value ratios, reflecting current home prices of the underlying collateral, forecasted loss severity, the payment priority in the tranche and any credit enhancement within the structure. In assessing credit impairment, the Company performs discounted cash flow analysis comparing the current amortized cost of a security to the present value of the expected future cash flows, including estimated defaults, and prepayments. The discount rate is generally the effective interest rate of the fixed maturity prior to the impairment.

See the *Business, Basis of Presentation and Significant Accounting Policies* Note to our Consolidated Financial Statements for the policy used to evaluate whether the investments are other-than-temporarily impaired.

Gross unrealized capital losses on fixed maturities, including securities pledged, decreased \$756 from \$847 to \$91 for the year ended December 31, 2019. The decrease in gross unrealized capital losses was primarily due to declining interest rates and tightening credit spreads.

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As of December 31, 2019, \$12 of the total \$91 of gross unrealized losses were from 8 available-for-sale fixed maturity securities with an unrealized loss position of 20% or more of amortized cost for 12 months or greater.

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 table identifies the Company's impairments included in the Consolidated Statements of Operations, excluding impairments included in Other comprehensive income (loss) by type for the periods indicated:

	Year Ended December 31,					
	2019		2018		2017	
	Impairment	No. of Securities	Impairment	No. of Securities	Impairment	No. of Securities
State, municipalities and political subdivisions	\$ — *	8	\$ —	—	\$ — *	2
U.S. corporate public securities	18	38	6	2	1	3
U.S. corporate private securities	1	18	—	—	—	—
Foreign corporate public securities and foreign governments ⁽¹⁾	5	22	2	3	2	3
Foreign corporate private securities ⁽¹⁾	26	12	15	1	15	2
Residential mortgage-backed	5	89	5	61	1	40
Other	5	128	— *	2	1	3
Total	\$ 60	315	\$ 28	69	\$ 20	53
Credit Impairments	\$ 28		\$ 19		\$ 18	
Intent Impairments	\$ 32		\$ 9		\$ 2	

⁽¹⁾ Primarily U.S. dollar denominated.

* Less than \$1

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

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:

	Year Ended December 31,		
	2019	2018	2017
Balance at January 1	\$ 11	\$ 21	\$ 21
Additional credit impairments:			
On securities not previously impaired	—	—	8
Reductions:			
Securities sold, matured, prepaid or paid down	3	10	8
Balance at December 31	\$ 8	\$ 11	\$ 21

Troubled Debt Restructuring

The Company invests in high quality, well performing portfolios of commercial mortgage loans and private placements. Under certain circumstances, modifications are granted to these contracts. Each modification is evaluated as to whether a troubled debt

restructuring has occurred. A modification is a troubled debt restructuring when the borrower is in financial difficulty and the creditor makes concessions. Generally, the types of concessions may include reducing the face amount or maturity amount of the debt as originally stated, reducing the contractual interest rate, extending the maturity date at an interest rate lower than current market interest rates and/or reducing accrued interest. The Company considers the amount, timing and extent of the concession granted in determining any impairment or changes in the specific valuation allowance recorded in connection with the troubled debt restructuring. A valuation allowance may have been recorded prior to the quarter when the loan is modified in a troubled debt restructuring. Accordingly, the carrying value (net of the specific valuation allowance) before and after modification through a troubled debt restructuring may not change significantly, or may increase if the expected recovery is higher than the pre-modification recovery assessment. For the year ended December 31, 2019, the Company had one new commercial mortgage loan troubled debt restructuring with a pre-modification carrying value of \$3 and post-modification carrying value of \$2. For the year ended December 31, 2019, the Company had one new private placement troubled debt restructuring with a pre-modification cost basis of \$107 and post-modification carrying value of \$54. For the year ended December 31, 2018, the Company did not have any new commercial mortgage loan or private placement troubled debt restructuring.

As of December 31, 2019 and 2018, the Company did not have any private placements modified in a troubled debt restructuring with a subsequent payment default. As of December 31, 2019, the Company had one commercial mortgage loan modified in a troubled debt restructuring with a subsequent payment default. As of December 31, 2018, the Company did not have any commercial mortgage loans modified in a troubled debt restructuring with a subsequent payment default.

Mortgage Loans on Real Estate

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:

	December 31, 2019			December 31, 2018		
	Impaired	Non Impaired	Total	Impaired	Non Impaired	Total
Commercial mortgage loans	\$ 4	\$ 6,875	\$ 6,879	\$ 4	\$ 7,279	\$ 7,283
Collective valuation allowance for losses.	N/A	(1)	(1)	N/A	(2)	(2)
Total net commercial mortgage loans	\$ 4	\$ 6,874	\$ 6,878	\$ 4	\$ 7,277	\$ 7,281

N/A - Not Applicable

There were two impairments of \$4 on the mortgage loan portfolio for the year ended December 31, 2019. There were no impairments on the mortgage loan portfolio for the year ended December 31, 2018.

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

	December 31, 2019	December 31, 2018
Collective valuation allowance for losses, balance at January 1	\$ 2	\$ 3
Addition to (reduction of) allowance for losses	(1)	(1)
Collective valuation allowance for losses, end of period	\$ 1	\$ 2

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Impaired loans without allowances for losses	\$ 4	\$ 4
Less: Allowances for losses on impaired loans	—	—
Impaired loans, net	<u>\$ 4</u>	<u>\$ 4</u>
Unpaid principal balance of impaired loans	<u>\$ 5</u>	<u>\$ 5</u>

For the years ended December 31, 2019 and 2018, the Company did not have any impaired loans with allowances for losses.

Commercial mortgage loans are placed on non-accrual status when 90 days in arrears if the Company has concerns regarding the collectability of future payments, or if a loan has matured without being paid off or extended.

As of December 31, 2019 and 2018, the Company had no loans greater than 60 days in arrears and there were no mortgage loans in the Company's portfolio in process of foreclosure. The Company foreclosed on two loans during the year ended December 31, 2019 with a carrying value of \$7.

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:

	<u>Year Ended December 31,</u>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Impaired loans, average investment during the period (amortized cost) ⁽¹⁾	\$ 11	\$ 4	\$ 4
Interest income recognized on impaired loans, on an accrual basis ⁽¹⁾	1	—	—
Interest income recognized on impaired loans, on a cash basis ⁽¹⁾	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.

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Notes to the Consolidated Financial Statements
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The following table presents the LTV and DSC ratios as of the dates indicated:

	Recorded Investment						
	Debt Service Coverage Ratios						
	> 1.5x	>1.25x - 1.5x	>1.0x - 1.25x	< 1.0x	Commercial mortgage loans secured by land or construction loans	Total	% of Total
December 31, 2019⁽¹⁾							
Loan-to-Value Ratios:							
0% - 50%	\$ 650	\$ 24	\$ 11	\$ 2	\$ —	\$ 687	10.0%
>50% - 60%	1,597	53	36	37	—	1,723	25.0%
>60% - 70%	2,669	581	329	131	—	3,710	53.9%
>70% - 80%	384	119	121	79	—	703	10.2%
>80% and above	33	16	—	7	—	56	0.9%
Total	\$ 5,333	\$ 793	\$ 497	\$ 256	\$ —	\$ 6,879	100.0%

	Recorded Investment						
	Debt Service Coverage Ratios						
	> 1.5x	>1.25x - 1.5x	>1.0x - 1.25x	< 1.0x	Commercial mortgage loans secured by land or construction loans	Total	% of Total
December 31, 2018⁽¹⁾							
Loan-to-Value Ratios:							
0% - 50%	\$ 553	\$ 39	\$ 26	\$ 2	\$ —	\$ 620	8.5%
>50% - 60%	1,653	57	37	6	—	1,753	24.1%
>60% - 70%	3,106	463	631	53	32	4,285	58.8%
>70% - 80%	324	124	93	23	4	568	7.8%
>80% and above	18	6	10	—	23	57	0.8%
Total	\$ 5,654	\$ 689	\$ 797	\$ 84	\$ 59	\$ 7,283	100.0%

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

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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:

	December 31, 2019		December 31, 2018	
	Gross Carrying Value	% of Total	Gross Carrying Value	% of Total
Commercial Mortgage Loans by U.S. Region:				
Pacific	\$ 1,627	23.6%	\$ 1,699	23.3%
South Atlantic	1,462	21.3%	1,519	20.9%
Middle Atlantic	1,326	19.3%	1,351	18.6%
West South Central	719	10.5%	817	11.2%
Mountain	670	9.7%	706	9.7%
East North Central	571	8.3%	666	9.1%
New England	117	1.7%	109	1.5%
West North Central	283	4.1%	338	4.6%
East South Central	104	1.5%	78	1.1%
Total Commercial mortgage loans	<u>\$ 6,879</u>	<u>100.0%</u>	<u>\$ 7,283</u>	<u>100.0%</u>

	December 31, 2019		December 31, 2018	
	Gross Carrying Value	% of Total	Gross Carrying Value	% of Total
Commercial Mortgage Loans by Property Type:				
Retail	\$ 1,873	27.3%	\$ 2,067	28.3%
Industrial	1,636	23.8%	1,803	24.8%
Apartments	1,797	26.1%	1,696	23.3%
Office	999	14.5%	1,144	15.7%
Hotel/Motel	188	2.7%	162	2.2%
Other	324	4.7%	347	4.8%
Mixed Use	62	0.9%	64	0.9%
Total Commercial mortgage loans	<u>\$ 6,879</u>	<u>100.0%</u>	<u>\$ 7,283</u>	<u>100.0%</u>

Net Investment Income

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

	Year Ended December 31,		
	2019	2018	2017
Fixed maturities	\$ 2,241	\$ 2,181	\$ 2,138
Equity securities	11	12	8
Mortgage loans on real estate	334	335	333
Policy loans	42	47	48
Short-term investments and cash equivalents	12	14	10
Other	222	146	144
Gross investment income	<u>2,862</u>	<u>2,735</u>	<u>2,681</u>
Less: investment expenses	70	66	40
Net investment income	<u>\$ 2,792</u>	<u>\$ 2,669</u>	<u>\$ 2,641</u>

Voya Financial, Inc.**Notes to the Consolidated Financial Statements**

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As of December 31, 2019 and 2018, the Company had \$1 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 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. Net realized capital gains (losses) also include changes in fair value of equity securities. The cost of the investments on disposal is generally determined based on FIFO methodology.

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

	Year Ended December 31,		
	2019	2018	2017
Fixed maturities, available-for-sale, including securities pledged	\$ (21)	\$ (88)	\$ (13)
Fixed maturities, at fair value option.	40	(357)	(238)
Equity securities	(16)	(9)	(1)
Derivatives.	(164)	(16)	(2)
Embedded derivatives - fixed maturities.	3	(6)	(10)
Guaranteed benefit derivatives	(6)	92	65
Other investments	(2)	29	(10)
Net realized capital gains (losses)	<u>\$ (166)</u>	<u>\$ (355)</u>	<u>\$ (209)</u>

For the years ended December 31, 2019 and 2018, the change in the fair value of equity securities still held as of December 31, 2019 and 2018 was \$(16) and \$(8), respectively.

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

	Year Ended December 31,		
	2019	2018	2017
Proceeds on sales.	\$ 4,105	\$ 4,162	\$ 4,164
Gross gains	63	29	67
Gross losses	54	82	50

4. Derivative Financial Instruments

The Company enters into the following types of derivatives:

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

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

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

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

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

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

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

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.

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

Options: The Company uses equity options to hedge against an increase in various equity indices. 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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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 and modified coinsurance 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") rules related to the variation margin payments, 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, including amounts related to businesses to be exited via reinsurance associated with the Individual Life Transaction, were as follows as of the dates indicated:

	December 31, 2019			December 31, 2018		
	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	\$ 30	\$ —	\$ —	\$ 42	\$ —	\$ —
Foreign exchange contracts	771	12	21	731	13	22
Derivatives: Non-qualifying for hedge accounting⁽¹⁾						
Interest rate contracts	25,027	294	371	26,011	179	137
Foreign exchange contracts	92	—	1	21	—	—
Equity contracts	400	10	8	329	2	2
Credit contracts	237	—	2	280	—	3
Embedded derivatives and Managed custody guarantees:						
Within fixed maturity investments	N/A	19	—	N/A	16	—
Within products	N/A	—	60	N/A	—	44
Within reinsurance agreements	N/A	—	100	N/A	—	(5)
Total		<u>\$ 335</u>	<u>\$ 563</u>		<u>\$ 210</u>	<u>\$ 203</u>

⁽¹⁾ Open derivative contracts are reported as Derivatives assets or liabilities on the 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:

	December 31, 2019			December 31, 2018		
	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	\$ 1	\$ —	\$ —	\$ 1	\$ —	\$ —
Foreign exchange contracts	19	1	1	13	1	—
Derivatives: Non-qualifying for hedge accounting⁽¹⁾						
Interest rate contracts	2,227	49	56	2,151	39	51
Foreign exchange contracts	18	—	—	9	—	—
Equity contracts	1,753	254	20	1,427	91	2
Credit contracts	—	—	—	1	—	—
Embedded derivatives and Managed custody guarantees:						
Within fixed maturity investments	N/A	8	—	N/A	9	—
Within products	N/A	—	217	N/A	—	82
Within reinsurance agreements	N/A	—	75	N/A	—	26
Total		<u>\$ 312</u>	<u>\$ 369</u>		<u>\$ 140</u>	<u>\$ 161</u>

⁽¹⁾ Open derivative contracts are reported as Derivatives assets or liabilities on the 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 December 31, 2019 and 2018. 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 for continuing operations and businesses held for sale are presented in the tables below as of the dates indicated:

	December 31, 2019		
Continuing operations:⁽¹⁾	Notional Amount	Asset Fair Value	Liability Fair Value
Credit contracts	\$ 237	\$ —	\$ 2
Equity contracts	293	9	7
Foreign exchange contracts	863	12	22
Interest rate contracts	23,634	295	371
		<u>316</u>	<u>402</u>
Counterparty netting ⁽²⁾		(290)	(290)
Cash collateral netting ⁽²⁾		(25)	(100)
Securities collateral netting ⁽²⁾		—	(5)
Net receivables/payables		<u>\$ 1</u>	<u>\$ 7</u>

⁽¹⁾ Includes amounts related to businesses to be exited via reinsurance associated with the Individual Life Transaction,

⁽²⁾ Represents the netting of receivable balances with payable balances, net of collateral, for the same counterparty under eligible netting agreements.

	December 31, 2019		
Businesses held for sale:	Notional Amount	Asset Fair Value	Liability Fair Value
Credit contracts	\$ —	\$ —	\$ —
Equity contracts	1,753	254	20
Foreign exchange contracts	37	1	1
Interest rate contracts	2,228	49	56
		<u>304</u>	<u>77</u>
Counterparty netting ⁽¹⁾		(76)	(76)
Cash collateral netting ⁽¹⁾		(206)	—
Securities collateral netting ⁽¹⁾		(17)	—
Net receivables/payables		<u>\$ 5</u>	<u>\$ 1</u>

⁽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, 2018		
Continuing operations: ⁽¹⁾	Notional Amount	Asset Fair Value	Liability Fair Value
Credit contracts	\$ 280	\$ —	\$ 3
Equity contracts	189	3	1
Foreign exchange contracts	752	13	22
Interest rate contracts	23,518	179	137
		<u>195</u>	<u>163</u>
Counterparty netting ⁽²⁾		(141)	(141)
Cash collateral netting ⁽²⁾		(49)	(8)
Securities collateral netting ⁽²⁾		—	(13)
Net receivables/payables		<u>\$ 5</u>	<u>\$ 1</u>

⁽¹⁾ Includes amounts related to businesses to be exited via reinsurance associated with the Individual Life Transaction.

⁽²⁾ Represents the netting of receivable balances with payable balances, net of collateral, for the same counterparty under eligible netting agreements.

	December 31, 2018		
Businesses held for sale:	Notional Amount	Asset Fair Value	Liability Fair Value
Credit contracts	\$ 1	\$ —	\$ —
Equity contracts	1,427	91	2
Foreign exchange contracts	22	1	—
Interest rate contracts	2,134	39	51
		<u>131</u>	<u>53</u>
Counterparty netting ⁽¹⁾		(50)	(50)
Cash collateral netting ⁽¹⁾		(62)	—
Securities collateral netting ⁽¹⁾		(11)	(3)
Net receivables/payables		<u>\$ 8</u>	<u>\$ —</u>

⁽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 and repurchase agreements, including collateral held and Short-term investments under securities loan agreements, including collateral delivered, respectively, on the 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 Consolidated Balance Sheets.

Continuing operations: As of December 31, 2019, the Company held \$9 and pledged \$82 of net cash collateral related to OTC derivative contracts and cleared derivative contracts, respectively. As of December 31, 2018, the Company held \$27 and \$16 of net cash collateral related to OTC derivative contracts and cleared derivative contracts, respectively. In addition, as of December 31, 2019, the Company delivered \$183 of securities and held no securities as collateral. As of December 31, 2018, the Company delivered \$180 of securities and held no securities as collateral.

Businesses held for sale: As of December 31, 2019, the Company held \$213 and no net cash collateral related to OTC derivative contracts and cleared derivative contracts, respectively. As of December 31, 2018, the Company held \$64 and

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no net cash collateral related to OTC derivative contracts and cleared derivative contracts, respectively. In addition, as of December 31, 2019, the Company delivered \$2 of securities and held \$18 of securities as collateral. As of December 31, 2018, the Company delivered \$6 of securities and held \$11 of securities as collateral.

The location and effect of derivatives qualifying for hedge accounting from continuing operations, including amounts related to businesses to be exited via reinsurance associated with the Individual Life Transaction, on the Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income are as follows for the period indicated:

	Interest Rate Contracts	Foreign Exchange Contracts
Derivatives: Qualifying for hedge accounting		
Location of Gain or (Loss) Reclassified from Accumulated Other Comprehensive Income into Income	Net investment income	Net investment income
Year Ended December 31, 2019		
Amount of Gain or (Loss) Recognized in Other Comprehensive Income	\$ 1	\$ —
Amount of Gain or (Loss) Reclassified from Accumulated Other Comprehensive Income	—	11

The location and amount of gain (loss) recognized from continuing operations, including amounts related to businesses to be exited via reinsurance associated with the Individual Life Transaction, in the Consolidated Statements of Operations for derivatives qualifying for hedge accounting are as follows for the period indicated:

	Year Ended December 31,	
	2019	
	Net Investment Income	Other net realized capital gains/(losses)
Total amounts of line items presented in the statement of operations in which the effects of cash flow hedges are recorded	\$ 2,792	\$ (102)
Derivatives: Qualifying for hedge accounting		
Cash flow hedges:		
Foreign exchange contracts:		
Gain (loss) reclassified from accumulated other comprehensive income into income	11	—

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The location and effect of derivatives not designated as hedging instruments from continuing operations, including amounts related to businesses to be exited via reinsurance associated with the Individual Life Transaction, on the Consolidated Statements of Operations are as follows for the periods indicated:

	Location of Gain or (Loss) Recognized in Income on Derivative	Year Ended December 31,		
		2019	2018	2017
Derivatives: Non-qualifying for hedge accounting				
Interest rate contracts	Other net realized capital gains (losses)	\$ (136)	\$ (38)	\$ 1
Foreign exchange contracts	Other net realized capital gains (losses)	2	4	(7)
Equity contracts	Other net realized capital gains (losses)	(32)	10	(31)
Credit contracts	Other net realized capital gains (losses)	2	(2)	13
Embedded derivatives and Managed custody guarantees:				
Within fixed maturity investments	Other net realized capital gains (losses)	3	(6)	(10)
Within products	Other net realized capital gains (losses)	(6)	92	65
Within reinsurance agreements	Policyholder benefits	(111)	81	(52)
Total		<u>\$ (278)</u>	<u>\$ 141</u>	<u>\$ (21)</u>

The location and effect of derivatives not designated as hedging instruments from discontinued operations on the Consolidated Statements of Operations are as follows for the periods indicated:

	Location of Gain or (Loss) Recognized in Income on Derivative	Year Ended December 31,		
		2019	2018	2017
Derivatives: Non-qualifying for hedge accounting				
Interest rate contracts	Income (loss) from discontinued operations, net of tax	\$ —	\$ 4	\$ 1
Foreign exchange contracts	Income (loss) from discontinued operations, net of tax	—	—	(1)
Equity contracts	Income (loss) from discontinued operations, net of tax	139	(75)	93
Credit contracts	Income (loss) from discontinued operations, net of tax	1	(1)	4
Embedded derivatives and Managed custody guarantees:				
Within fixed maturity investments	Income (loss) from discontinued operations, net of tax	(1)	(6)	(8)
Within products	Income (loss) from discontinued operations, net of tax	(134)	69	(87)
Within reinsurance agreements	Income (loss) from discontinued operations, net of tax	(49)	35	(5)
Total		<u>\$ (44)</u>	<u>\$ 26</u>	<u>\$ (3)</u>

5. Fair Value Measurements (excluding Consolidated Investment Entities)

Fair Value Measurement

The following table presents the Company's hierarchy for its assets and liabilities from continuing operations, including amounts related to businesses to be exited via reinsurance associated with the Individual Life Transaction, measured at fair value on a recurring basis as of December 31, 2019:

	Level 1	Level 2	Level 3	Total
Assets:				
Fixed maturities, including securities pledged:				
U.S. Treasuries	\$ 1,083	\$ 299	\$ —	\$ 1,382
U.S. Government agencies and authorities	—	95	—	95
State, municipalities and political subdivisions	—	1,323	—	1,323
U.S. corporate public securities	—	14,864	74	14,938
U.S. corporate private securities	—	4,578	1,457	6,035
Foreign corporate public securities and foreign governments ⁽¹⁾	—	4,341	—	4,341
Foreign corporate private securities ⁽¹⁾	—	4,503	328	4,831
Residential mortgage-backed securities	—	5,181	23	5,204
Commercial mortgage-backed securities	—	3,574	—	3,574
Other asset-backed securities	—	1,977	78	2,055
Total fixed maturities, including securities pledged	1,083	40,735	1,960	43,778
Equity securities	68	—	128	196
Derivatives:				
Interest rate contracts	2	243	49	294
Foreign exchange contracts	—	12	—	12
Equity contracts	—	10	—	10
Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements	2,613	31	—	2,644
Assets held in separate accounts	75,405	6,149	116	81,670
Total assets	<u>\$ 79,171</u>	<u>\$ 47,180</u>	<u>\$ 2,253</u>	<u>\$ 128,604</u>
Percentage of Level to total	61%	37%	2%	100%
Liabilities:				
Derivatives:				
Guaranteed benefit derivatives ⁽²⁾	—	—	60	60
Other derivatives:				
Interest rate contracts	—	322	49	371
Foreign exchange contracts	—	22	—	22
Equity contracts	—	8	—	8
Credit contracts	—	2	—	2
Embedded derivative on reinsurance	—	100	—	100
Total liabilities	<u>\$ —</u>	<u>\$ 454</u>	<u>\$ 109</u>	<u>\$ 563</u>

⁽¹⁾ Primarily U.S. dollar denominated.

⁽²⁾ Includes GMWBL, GMWB, FIA, Stabilizer and MCGs.

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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, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Fixed maturities, including securities pledged:				
U.S. Treasuries	\$ 472	\$ 314	\$ —	\$ 786
U.S. Government agencies and authorities	—	161	—	161
State, municipalities and political subdivisions	—	439	—	439
U.S. corporate public securities	—	5,949	32	5,981
U.S. corporate private securities	—	596	316	912
Foreign corporate public securities and foreign governments ⁽¹⁾	—	1,490	7	1,497
Foreign corporate private securities ⁽¹⁾	—	438	80	518
Residential mortgage-backed securities	—	588	—	588
Commercial mortgage-backed securities	—	995	—	995
Other asset-backed securities	—	587	6	593
Total fixed maturities, including securities pledged	<u>472</u>	<u>11,557</u>	<u>441</u>	<u>12,470</u>
Equity securities	2	—	33	35
Derivatives:				
Interest rate contracts	—	—	49	49
Foreign exchange contracts	—	1	—	1
Equity contracts	—	52	202	254
Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements	533	—	—	533
Assets held in separate accounts	1,485	—	—	1,485
Total assets	<u>\$ 2,492</u>	<u>\$ 11,610</u>	<u>\$ 725</u>	<u>\$ 14,827</u>
Percentage of Level to total	17%	78%	5%	100%
Liabilities:				
Derivatives:				
Guaranteed benefit derivatives - IUL	\$ —	\$ —	\$ 217	\$ 217
Other derivatives:				
Interest rate contracts	—	7	49	56
Foreign exchange contracts	—	1	—	1
Equity contracts	—	20	—	20
Embedded derivative on reinsurance	—	75	—	75
Total liabilities	<u>\$ —</u>	<u>\$ 103</u>	<u>\$ 266</u>	<u>\$ 369</u>

⁽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, including amounts related to businesses to be exited via reinsurance associated with the Individual Life Transaction, measured at fair value on a recurring basis as of December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Fixed maturities, including securities pledged:				
U.S. Treasuries	\$ 1,236	\$ 187	\$ —	\$ 1,423
U.S. Government agencies and authorities	—	74	—	74
State, municipalities and political subdivisions	—	1,250	—	1,250
U.S. corporate public securities	—	14,842	34	14,876
U.S. corporate private securities	—	4,357	1,134	5,491
Foreign corporate public securities and foreign governments ⁽¹⁾	—	4,135	—	4,135
Foreign corporate private securities ⁽¹⁾	—	4,423	217	4,640
Residential mortgage-backed securities	—	4,254	28	4,282
Commercial mortgage-backed securities	—	2,749	14	2,763
Other asset-backed securities	—	1,531	127	1,658
Total fixed maturities, including securities pledged	<u>1,236</u>	<u>37,802</u>	<u>1,554</u>	<u>40,592</u>
Equity securities	144	—	103	247
Derivatives:				
Interest rate contracts	—	140	39	179
Foreign exchange contracts	—	13	—	13
Equity contracts	—	2	—	2
Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements	2,628	28	—	2,656
Assets held in separate accounts	64,064	5,805	62	69,931
Total assets	<u>\$ 68,072</u>	<u>\$ 43,790</u>	<u>\$ 1,758</u>	<u>\$ 113,620</u>
Percentage of Level to total	60%	38%	2%	100%
Liabilities:				
Derivatives:				
Guaranteed benefit derivatives ⁽²⁾	\$ —	\$ —	\$ 44	\$ 44
Other derivatives:				
Interest rate contracts	1	97	39	137
Foreign exchange contracts	—	22	—	22
Equity contracts	1	1	—	2
Credit contracts	—	3	—	3
Embedded derivative on reinsurance	—	(5)	—	(5)
Total liabilities	<u>\$ 2</u>	<u>\$ 118</u>	<u>\$ 83</u>	<u>\$ 203</u>

⁽¹⁾ Primarily U.S. dollar denominated.

⁽²⁾ Includes GMWBL, GMWB, FIA, Stabilizer and MCGs.

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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, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Fixed maturities, including securities pledged:				
U.S. Treasuries	\$ 518	\$ 355	\$ —	\$ 873
U.S. Government agencies and authorities	—	167	—	167
State, municipalities and political subdivisions	—	408	—	408
U.S. corporate public securities	—	4,962	10	4,972
U.S. corporate private securities	—	482	259	741
Foreign corporate public securities and foreign governments ⁽¹⁾	—	1,310	11	1,321
Foreign corporate private securities ⁽¹⁾	—	421	34	455
Residential mortgage-backed securities	—	521	—	521
Commercial mortgage-backed securities	—	653	—	653
Other asset-backed securities	—	407	11	418
Total fixed maturities, including securities pledged	<u>518</u>	<u>9,686</u>	<u>325</u>	<u>10,529</u>
Equity securities	—	—	25	25
Derivatives:				
Interest rate contracts	—	—	39	39
Foreign exchange contracts	—	1	—	1
Equity contracts	—	8	83	91
Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements	734	—	—	734
Assets held in separate accounts	1,297	—	—	1,297
Total assets	<u>\$ 2,549</u>	<u>\$ 9,695</u>	<u>\$ 472</u>	<u>\$ 12,716</u>
Percentage of Level to total	20%	76%	4%	100%
Liabilities:				
Derivatives:				
Guaranteed benefit derivatives - IUL	\$ —	\$ —	\$ 82	\$ 82
Other derivatives:				
Interest rate contracts	—	12	39	51
Foreign exchange contracts	—	—	—	—
Equity contracts	—	2	—	2
Embedded derivative on reinsurance	—	26	—	26
Total liabilities	<u>\$ —</u>	<u>\$ 40</u>	<u>\$ 121</u>	<u>\$ 161</u>

⁽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 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.

The valuation approaches and key inputs for each category of assets or liabilities that are classified within Level 2 and Level 3 of the fair value hierarchy are presented below.

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.

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: Level 2 and Level 3 equity securities, typically private equities or equity securities not traded on an exchange, are valued by other sources such as analytics or brokers.

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. 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.

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

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

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

The discount rate used to determine the fair value of the Company's GMWBL, GMWB, FIA, IUL and Stabilizer embedded derivative liabilities and the stand-alone derivative for MCG includes an adjustment to reflect the risk that these obligations will not be fulfilled ("nonperformance risk"). The nonperformance risk adjustment incorporates a blend of observable, similarly rated

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

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

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

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

Transfers in and out of Level 1 and 2

There were no securities transferred between Level 1 and Level 2 for the years ended December 31, 2019 and 2018. 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.

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The following table summarizes the change in fair value of the Company's Level 3 assets and liabilities from continuing operations, including amounts related to businesses to be exited via reinsurance associated with the Individual Life Transaction, and transfers in and out of Level 3 for the period indicated:

	Year Ended December 31, 2019										Change In Unrealized Gains (Losses) Included in Earnings ⁽⁴⁾	
	Fair Value as of January 1	Total Realized/Unrealized Gains (Losses) Included in:					Settlements	Transfers into Level 3 ⁽³⁾	Transfers out of Level 3 ⁽³⁾	Fair Value as of December 31		
		Net Income	OCI	Purchases	Issuances	Sales						
Fixed maturities, including securities pledged:												
U.S. corporate public securities	\$ 34	\$ (1)	\$ 5	\$ 5	\$ —	\$ (7)	\$ 38	\$ —	\$ 74	\$ (1)		
U.S. corporate private securities	1,134	—	90	342	(23)	(86)	11	(11)	1,457	—		
Foreign corporate private securities ⁽¹⁾ . . .	217	(24)	46	169	(80)	—	—	—	328	2		
Residential mortgage-backed securities	28	(11)	1	13	(6)	—	—	(2)	23	(7)		
Commercial mortgage-backed securities	14	—	—	—	—	—	—	(14)	—	—		
Other asset-backed securities	127	—	1	8	—	(3)	—	(55)	78	—		
Total fixed maturities including securities pledged	1,554	(36)	143	537	(109)	(96)	49	(82)	1,960	(6)		
Equity securities	103	(17)	—	42	—	—	—	—	128	(17)		
Derivatives:												
Guaranteed benefit derivatives ⁽²⁾⁽⁶⁾	(44)	(6)	—	—	(9)	(1)	—	—	(60)	—		
Assets held in separate accounts ⁽⁵⁾	62	4	—	78	(1)	—	3	(30)	116	—		

⁽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 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 December 31 amounts are included in Net investment income and Total net realized capital gains (losses) in the Consolidated Statements of Operations.
⁽⁵⁾ The investment income and realized gains (losses) and change in unrealized gains (losses) included in net income for separate account assets are offset by an equal amount for separate account liabilities, which results in a net zero impact on Net income (loss) for the Company.
⁽⁶⁾ Includes GMWBL, GMWB, FIA, Stabilizer and MCGs.

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

The following table summarizes 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 period indicated:

	Year Ended December 31, 2019										Change In Unrealized Gains (Losses) Included in Earnings ⁽⁶⁾	
	Fair Value as of January 1	Total Realized/Unrealized Gains (Losses) Included in:				Transfers into Level 3 ⁽³⁾	Settlements	Sales	Transfers out of Level 3 ⁽³⁾	Fair Value as of December 31		
		Net Income	OCI	Purchases	Issuances							
Fixed maturities, including securities pledged:												
U.S. corporate public securities	\$ 10	\$ —	\$ 2	\$ —	\$ —	\$ (1)	\$ —	\$ 22	\$ (1)	\$ 32	\$ —	
U.S. corporate private securities	259	—	23	50	(2)	(15)	—	1	—	316	—	
Foreign corporate public securities and foreign governments ⁽¹⁾	11	—	(4)	—	—	—	—	—	—	7	—	
Foreign corporate private securities ⁽¹⁾	34	(4)	11	52	(13)	—	—	—	—	80	—	
Residential mortgage-backed securities	—	—	—	—	—	—	—	—	—	—	—	
Commercial mortgage-backed securities	—	—	—	—	—	—	—	—	—	—	—	
Other asset-backed securities	11	—	—	—	—	—	—	—	(5)	6	—	
Total fixed maturities including securities pledged	325	(4)	32	102	(15)	(16)	—	23	(6)	441	—	
Equity securities	25	1	—	7	—	—	—	—	—	33	1	
Derivatives:												
Guaranteed benefit derivatives - IUL ⁽²⁾	(82)	(134)	—	—	(56)	55	—	—	—	(217)	—	
Other derivatives, net	83	111	—	45	—	(37)	—	—	—	202	119	

⁽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 December 31 amounts are included in Income (loss) from discontinued operations, net of tax in the 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 Consolidated Financial Statements
(Dollar amounts in millions, unless otherwise stated)

The following table summarizes the change in fair value of the Company's Level 3 assets and liabilities from continuing operations, including amounts related to businesses to be exited via reinsurance associated with the Individual Life Transaction, and transfers in and out of Level 3 for the period indicated:

	Year Ended December 31, 2018										Change In Unrealized Gains (Losses) Included in Earnings ⁽⁴⁾	
	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 December 31
		Net Income	OCI									
Fixed maturities, including securities pledged:												
U.S. corporate public securities	\$ 48	\$ —	\$ (1)	\$ 26	\$ —	\$ (13)	\$ —	\$ —	\$ (26)	\$ 34	\$ —	\$ —
U.S. corporate private securities	942	5	(48)	319	—	(20)	(84)	31	(11)	1,134	—	—
Foreign corporate private securities ⁽¹⁾	162	(6)	6	134	—	(57)	(22)	—	—	217	(13)	(13)
Residential mortgage-backed securities	31	(9)	—	15	—	—	—	—	(9)	28	(9)	(9)
Commercial mortgage-backed securities	7	—	—	14	—	—	—	—	(7)	14	—	—
Other asset-backed securities	64	—	(3)	67	—	—	(5)	29	(25)	127	—	—
Total fixed maturities including securities pledged	1,254	(10)	(46)	575	—	(90)	(111)	60	(78)	1,554	(22)	(22)
Equity securities	87	(7)	—	25	—	(2)	—	—	—	103	(8)	(8)
Derivatives:												
Guaranteed benefit derivatives ⁽²⁾⁽⁶⁾	(147)	92	—	—	(5)	—	16	—	—	(44)	—	—
Other derivatives, net	5	—	—	—	—	—	(5)	—	—	—	(5)	(5)
Assets held in separate accounts ⁽⁵⁾	11	1	—	67	—	(6)	—	—	(11)	62	—	—

⁽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 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 December 31 amounts are included in Net investment income and Total net realized capital gains (losses) in the Consolidated Statements of Operations.

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

⁽⁶⁾ Includes GMWBL, GMWB, FIA, Stabilizer, and MCGs.

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

The following table summarizes 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 period indicated:

	Year Ended December 31, 2018										Change In Unrealized Gains (Losses) Included in Earnings ⁽⁴⁾	
	Fair Value as of January 1	Total Realized/ Unrealized Gains (Losses) Included in:				Settlements	Sales	Transfers into Level 3 ⁽⁶⁾	Transfers out of Level 3 ⁽³⁾	Fair Value as of December 31		
		Net Income	OCI	Purchases	Issuances							
Fixed maturities, including securities pledged:												
U.S. corporate public securities.....	\$ 9	\$ —	\$ (1)	\$ 5	\$ (3)	\$ —	\$ —	\$ —	\$ 10	\$ —	\$ —	\$ —
U.S. corporate private securities.....	185	2	(11)	85	—	(9)	8	(1)	259	—	—	—
Foreign corporate public securities and foreign governments ⁽¹⁾	11	—	—	—	—	—	—	—	11	—	—	—
Foreign corporate private securities ⁽¹⁾ ...	7	—	2	39	(13)	(1)	—	—	34	—	—	—
Residential mortgage-backed securities	11	—	—	—	(11)	—	—	—	—	—	—	—
Commercial mortgage-backed securities.....	10	—	—	—	—	—	—	(10)	—	—	—	—
Other asset-backed securities.....	27	—	(1)	—	—	—	6	(21)	11	—	—	—
Total fixed maturities including securities pledged.....	260	2	(11)	129	(27)	(10)	14	(32)	325	—	—	—
Equity securities.....	14	(1)	—	12	—	—	—	—	25	(1)	(1)	(1)
Derivatives:												
Guaranteed benefit derivatives - IUL ⁽²⁾	(159)	69	—	—	(53)	61	—	—	(82)	—	—	—
Other derivatives, net.....	153	(65)	—	42	—	(47)	—	—	83	(70)	(70)	(70)

⁽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 December 31 amounts are included in Income (loss) from discontinued operations, net of tax in the 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 Consolidated Financial Statements**

(Dollar amounts in millions, unless otherwise stated)

For the years ended December 31, 2019 and 2018, the transfers in and out of Level 3 for fixed maturities were due to the variation in inputs relied upon for valuation each quarter. Securities that are primarily valued using independent broker quotes when prices are not available from one of the commercial pricing services are reflected as transfers into Level 3. When securities are valued using more widely available information, the securities are transferred out of Level 3 and into Level 1 or 2, as appropriate.

Significant Unobservable Inputs

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

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

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

Following is a description of selected inputs:

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

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

The following table presents the unobservable inputs for IUL for businesses held for sale as of the dates indicated:

Unobservable Input	Range⁽¹⁾	
	December 31, 2019	December 31, 2018
Nonperformance risk	0.22% to 0.42%	0.38% to 0.84%
Actuarial Assumptions:		
Lapses	2% to 10%	2% to 10%
Mortality	— ⁽²⁾	— ⁽²⁾

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

⁽²⁾ The mortality rate is derived based on similarly underwritten business.

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

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

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 Consolidated Balance Sheets.

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

Voya Financial, Inc.

Notes to the Consolidated Financial Statements

(Dollar amounts in millions, unless otherwise stated)

The carrying values and estimated fair values of the Company's financial instruments from continuing operations, including amounts related to businesses to be exited via reinsurance associated with the Individual Life Transaction, as of the dates indicated:

	December 31, 2019		December 31, 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Fixed maturities, including securities pledged	\$ 43,778	\$ 43,778	\$ 40,592	\$ 40,592
Equity securities	196	196	247	247
Mortgage loans on real estate	6,878	7,262	7,281	7,391
Policy loans	776	776	814	814
Cash, cash equivalents, short-term investments and short-term investments under securities loan agreements	2,644	2,644	2,656	2,656
Derivatives	316	316	194	194
Other investments	320	456	287	369
Assets held in separate accounts	81,670	81,670	69,931	69,931
Liabilities:				
Investment contract liabilities:				
Funding agreements without fixed maturities and deferred annuities ⁽²⁾	\$ 33,916	\$ 41,035	\$ 34,053	\$ 37,052
Funding agreements with fixed maturities	877	877	657	652
Supplementary contracts, immediate annuities and other	821	872	870	854
Derivatives:				
Guaranteed benefit derivatives ⁽²⁾	60	60	44	44
Other derivatives	403	403	164	164
Short-term debt	1	1	1	1
Long-term debt	3,042	3,418	3,136	3,112
Embedded derivative on reinsurance	100	100	(5)	(5)

⁽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.

⁽²⁾ Includes GMWBL, GMWB, FIA, Stabilizer and MCG.

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

	December 31, 2019		December 31, 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Fixed maturities, including securities pledged	\$ 12,470	\$ 12,470	\$ 10,529	\$ 10,529
Equity securities	35	35	25	25
Mortgage loans on real estate	1,319	1,405	1,395	1,420
Policy loans	1,005	1,005	1,019	1,019
Cash, cash equivalents, short-term investments and short-term investments under securities loan agreements	533	533	734	734
Derivatives	305	305	131	131
Other investments	42	42	25	25
Assets held in separate accounts	1,485	1,485	1,297	1,297
Liabilities:				
Investment contract liabilities:				
Funding agreements with fixed maturities	\$ 927	\$ 923	\$ 551	\$ 545
Supplementary contracts, immediate annuities and other	97	104	106	106
Notes Payable	252	320	222	302
Derivatives:				
Guaranteed benefit derivatives - IUL	217	217	82	82
Embedded derivative on reinsurance	75	75	26	26

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

<u>Financial Instrument</u>	<u>Classification</u>
Mortgage loans on real estate	Level 3
Policy loans	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 table presents a rollforward of DAC and VOBA for the periods indicated:

	<u>DAC</u>	<u>VOBA</u>	<u>Total</u>
Balance at January 1, 2017	\$ 2,077	\$ 811	\$ 2,888
Deferrals of commissions and expenses	126	8	134
Amortization:			
Amortization, excluding unlocking	(235)	(152)	(387)
Unlocking ⁽¹⁾	(71)	(89)	(160)
Interest accrued	129	65 ⁽²⁾	194
Net amortization included in Consolidated Statements of Operations	(177)	(176)	(353)
Change in unrealized capital gains/losses on available-for-sale securities	(91)	(87)	(178)
Balance at December 31, 2017	<u>1,935</u>	<u>556</u>	<u>2,491</u>
Deferrals of commissions and expenses	97	9	106
Amortization:			
Amortization, excluding unlocking	(241)	(103)	(344)
Unlocking ⁽¹⁾	(62)	(10)	(72)
Interest accrued	125	58 ⁽²⁾	183
Net amortization included in Consolidated Statements of Operations	(178)	(55)	(233)
Change in unrealized capital gains/losses on available-for-sale securities	301	308	609
Balance as of December 31, 2018	<u>2,155</u>	<u>818</u>	<u>2,973</u>
Deferrals of commissions and expenses	102	8	110
Amortization:			
Amortization, excluding unlocking	(303)	(134)	(437)
Unlocking ⁽¹⁾	12	48	60
Interest accrued	122	56 ⁽²⁾	178
Net amortization included in Consolidated Statements of Operations	(169)	(30)	(199)
Change in unrealized capital gains/losses on available-for-sale securities	(326)	(332)	(658)
Balance as of December 31, 2019	<u>\$ 1,762</u>	<u>\$ 464</u>	<u>\$ 2,226</u>

⁽¹⁾ There was no loss recognition for DAC and VOBA during 2019, 2018 and 2017. Unlocking for 2018 and 2017 includes unfavorable amounts associated with an update to assumptions related to customer consents of changes to guaranteed minimum interest rate provisions. The 2018 amounts were \$25 and \$26 for DAC and VOBA, respectively and the 2017 amounts were \$80 and \$140 for DAC and VOBA, respectively.

⁽²⁾ Interest accrued at the following rates for VOBA: 3.5% to 7.4% during 2019 and 2018, and 4.0% to 7.4% during 2017.

The estimated amount of VOBA amortization expense, net of interest, during the next five years is presented in the following table. Actual amortization incurred during these years may vary as assumptions are modified to incorporate actual results and/or changes in best estimates of future results.

<u>Year</u>	<u>Amount</u>
2020	\$ 50
2021	48
2022	45
2023	44
2024	43

7. Reserves for Future Policy Benefits and Contract Owner Account Balances

Future policy benefits and contract owner account balances were as follows as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Future policy benefits:		
Individual and group life insurance contracts	\$ 2,982	\$ 3,341
Product guarantees on universal life and deferred annuity contracts, and payout contracts with life contingencies	6,141	5,435
Accident and health	822	811
Total	<u>\$ 9,945</u>	<u>\$ 9,587</u>
Contract owner account balances:		
Universal life-type contracts	\$ 5,300	\$ 5,563
Fixed annuities and payout contracts without life contingencies	34,746	34,962
Funding agreements and other	877	658
Total	<u>\$ 40,923</u>	<u>\$ 41,183</u>

8. Guaranteed Benefit Features

The Company issued UL and VUL contracts where the Company contractually guaranteed to the contract owner a death benefit even when there is insufficient value to cover monthly mortality and expense charges, whereas otherwise the contract would typically lapse ("no lapse guarantee"), and other provisions that would produce expected gains from the insurance benefit function followed by losses from that function in later years.

In addition, the Company's Stabilizer and MCG products have guaranteed credited rates. Credited rates are set either quarterly or annually. Most contracts have a zero percent minimum credited rate guarantee, although some contracts have minimum credited rate guarantees up to 3% and allow the contract holder to select either the market value of the account or the book value of the account at termination. The book value of the account is equal to deposits plus interest, less any withdrawals. The fair value is estimated using the income approach.

We have a small number of variable annuity policies that contain living benefit riders such as GMWB/GMWBL and GMIB and death benefit riders such as GMDB. These products include separate account options and guarantee the contract owner a return or withdrawal amount payable in conjunction with a specified event (ex. death, annuitization).

The Company's major source of income from guaranteed benefit features is the base contract mortality, expense and guaranteed death and living benefit rider fees charged to the contract owner, less the costs of administering the product and providing for the guaranteed death and living benefits.

The liabilities for UL contracts are recorded in the general account. The liabilities for VUL contracts are recorded in separate account liabilities. The separate account liabilities may include more than one type of guarantee. These liabilities are subject to the requirements for additional reserve liabilities under ASC Topic 944, which are recorded on the Consolidated Balance Sheets in Future policy benefits and Contract owner account balances. The paid and incurred amounts were as follows for the years ended December 31, 2019, 2018 and 2017:

	Continuing Operations ⁽⁶⁾			Business Held for Sale	
	UL and VUL ⁽¹⁾	Stabilizer and MCGs ⁽³⁾	Other ⁽⁴⁾	UL and VUL ⁽²⁾	Other ⁽⁵⁾
Separate account liability at December 31, 2019 ..	\$ 295	\$ 39,235	\$ 1,486	\$ 203	\$ 10
Separate account liability at December 31, 2018 ..	\$ 261	\$ 37,155	\$ 1,854	\$ 174	\$ 8
Additional liability balance:					
Balance at January 1, 2017	\$ 467	\$ 150	73	848	3,365
Incurred guaranteed benefits	(34)	(53)	(28)	135	(998)
Paid guaranteed benefits	(121)	—	(1)	(114)	(190)
Balance at December 31, 2017	312	97	44	869	2,177
Incurred guaranteed benefits	193	(92)	2	259	—
Paid guaranteed benefits	(157)	—	(2)	(137)	—
Adjustment for the close of The 2018 Transaction	—	—	—	—	(2,177)
Balance at December 31, 2018	348	5	44	991	—
Incurred guaranteed benefits	209	17	(9)	177	—
Paid guaranteed benefits	(163)	—	—	(155)	—
Balance at December 31, 2019	\$ 394	\$ 22	\$ 35	\$ 1,013	\$ —

⁽¹⁾ The additional liability balances as of December 31, 2019, 2018, 2017 and as of January 1, 2017 are presented net of reinsurance of \$1,005, \$899, \$906 and 671, respectively.

⁽²⁾ The additional liability balances as of December 31, 2019, 2018, 2017 and as of January 1, 2017 are presented net of reinsurance of 569, 552, 603 and 521, respectively.

⁽³⁾ The Separate account liability at December 31, 2019 and 2018 includes \$31.9 billion and \$29.0 billion, respectively, of externally managed assets, which are not reported on the Company's Consolidated Balance Sheets.

⁽⁴⁾ Includes GMDB/GMWBL/GMIB.

⁽⁵⁾ Separate Account liability relates to the Individual Life Transaction. Additional liability balance relates to the 2018 Transaction.

⁽⁶⁾ Includes amounts related to businesses to be exited via reinsurance associated with the Individual Life Transaction.

The net amount at risk for the secondary guarantees is equal to the current death benefit in excess of the account values. The general and separate account values, net amount at risk, net of reinsurance and the weighted average attained age of contract owners by type of minimum guaranteed benefit for UL and VUL contracts were as follows as of December 31, 2019 and 2018:

	December 31, 2019		December 31, 2018	
	Secondary Guarantees	Paid-up Guarantees	Secondary Guarantees	Paid-up Guarantees
Continuing Operations: ⁽¹⁾				
UL and VUL Contracts:				
Account value (general and separate account)	\$ 1,397	\$ —	\$ 1,432	\$ —
Net amount at risk, net of reinsurance	3,978	—	4,144	—
Weighted average attained age	72	—	72	—

⁽¹⁾ Includes amounts related to businesses to be exited via reinsurance associated with the Individual Life Transaction.

Voya Financial, Inc.

Notes to the Consolidated Financial Statements

(Dollar amounts in millions, unless otherwise stated)

	December 31, 2019		December 31, 2018	
	Secondary Guarantees	Paid-up Guarantees	Secondary Guarantees	Paid-up Guarantees
Business held for sale:				
UL and VUL Contracts:				
Account value (general and separate account)	\$ 1,697	\$ —	\$ 1,701	\$ —
Net amount at risk, net of reinsurance	11,018	—	11,317	—
Weighted average attained age	63	—	63	—

Account balances of contracts with guarantees invested in variable separate accounts were as follows as of December 31, 2019 and 2018:

	Continuing Operations ⁽¹⁾		Business Held for Sale	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Equity securities (including mutual funds):				
Equity funds	\$ 1,904	\$ 1,723	\$ 150	\$ 127
Bond funds	184	185	18	16
Balanced funds	329	302	37	31
Money market funds	46	49	5	4
Other	10	9	3	3
Total	\$ 2,473	\$ 2,268	\$ 213	\$ 181

⁽¹⁾Includes amounts related to businesses to be exited via reinsurance associated with the Individual Life Transaction.

In addition, the aggregate fair value of fixed income securities supporting separate accounts with Stabilizer benefits as of December 31, 2019 and 2018 was \$7.4 billion and \$8.0 billion, respectively.

9. Reinsurance

The Company reinsures its business through a diversified group of reinsurers. However, the Company remains liable to the extent its reinsurers do not meet their obligations under the reinsurance agreements. The Company monitors trends in arbitration and any litigation outcomes with its reinsurers. Collectability of reinsurance balances are evaluated by monitoring ratings and evaluating the financial strength of its reinsurers. Large reinsurance recoverable balances with offshore or other non-accredited reinsurers are secured through various forms of collateral, including secured trusts, funds withheld accounts and irrevocable letters of credit ("LOC").

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Information regarding the effect of reinsurance on the Consolidated Balance Sheets is as follows as of the periods indicated:

December 31, 2019

	Direct	Assumed	Ceded	Total, Net of Reinsurance
Assets				
Premiums receivable	\$ 125	\$ 12	\$ (87)	\$ 50
Reinsurance recoverable	—	—	3,682	3,682
Total	\$ 125	\$ 12	\$ 3,595	\$ 3,732
Liabilities				
Future policy benefits and contract owner account balances . .	\$ 49,757	\$ 1,111	\$ (3,682)	\$ 47,186
Liability for funds withheld under reinsurance agreements . . .	88	—	—	88
Total	\$ 49,845	\$ 1,111	\$ (3,682)	\$ 47,274

December 31, 2018

	Direct	Assumed	Ceded	Total, Net of Reinsurance
Assets				
Premiums receivable	\$ 121	\$ 11	\$ (85)	\$ 47
Reinsurance recoverable	—	—	3,796	3,796
Total	\$ 121	\$ 11	\$ 3,711	\$ 3,843
Liabilities				
Future policy benefits and contract owner account balances . .	\$ 49,568	\$ 1,202	\$ (3,796)	\$ 46,974
Liability for funds withheld under reinsurance agreements . . .	(5)	—	—	(5)
Total	\$ 49,563	\$ 1,202	\$ (3,796)	\$ 46,969

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Information regarding the effect of reinsurance on the Consolidated Statement of Operations is as follows for the periods indicated:

	Year ended December 31,		
	2019	2018	2017
Premiums:			
Direct premiums	\$ 2,759	\$ 2,602	\$ 2,597
Reinsurance assumed	827	956	1,152
Reinsurance ceded	(1,313)	(1,426)	(1,652)
Net premiums	<u>\$ 2,273</u>	<u>\$ 2,132</u>	<u>\$ 2,097</u>
Fee income:			
Gross fee income	\$ 1,970	\$ 1,983	\$ 1,890
Reinsurance ceded	(1)	(1)	(1)
Net fee income	<u>\$ 1,969</u>	<u>\$ 1,982</u>	<u>\$ 1,889</u>
Interest credited and other benefits to contract owners / policyholders:			
Direct interest credited and other benefits to contract owners / policyholders	\$ 4,186	\$ 3,912	\$ 4,090
Reinsurance assumed	9	554	23
Reinsurance ceded ⁽¹⁾	(445)	(940)	(455)
Net interest credited and other benefits to contract owners / policyholders	<u>\$ 3,750</u>	<u>\$ 3,526</u>	<u>\$ 3,658</u>

⁽¹⁾ Includes \$232, \$216 and \$219 for amounts paid to reinsurers in connection with the Company's UL contracts for the years ended December 31, 2019, 2018 and 2017, respectively.

Effective October 1, 1998, the Company disposed of a block of its individual life insurance business under an indemnity reinsurance arrangement with a subsidiary of Lincoln National Corporation ("Lincoln") for \$1.0 billion. Under the agreement, Lincoln contractually assumed from the Company certain policyholder liabilities and obligations, although the Company remains obligated to contract owners. The Lincoln subsidiary established a trust to secure its obligations to the Company under the reinsurance transaction. Of the Premium receivable and reinsurance recoverable on the Consolidated Balance Sheets, \$1.3 billion and \$1.4 billion as of December 31, 2019 and 2018, respectively, is related to the reinsurance recoverable from the subsidiary of Lincoln under this reinsurance agreement.

Pursuant to the terms of the 2018 MTA disclosed in the *Business, Basis of Presentation and Significant Accounting Policies* Note to the accompanying Consolidated Financial Statements and prior to the closing of the Transaction, the Company entered into the following reinsurance transactions:

- VIAC recaptured from the Company the CBVA business previously assumed by Roaring River II, Inc., a subsidiary of the Company.
- The Company, through one of its subsidiaries ceded, under modified coinsurance agreements, as amended, fixed and fixed indexed annuity reserves of \$451 to Athene Life Re, Ltd. ("ALRe"). Under the terms of the agreements, ALRe contractually assumed from the Company the policyholder liabilities and obligations related to the policies, although the Company remains obligated to the policyholders. Upon the consummation of the agreements, the Company recognized no gain or loss in the Consolidated Statements of Operations.
- The Company, through one of its subsidiaries, assumed, under coinsurance and modified coinsurance agreements, certain individual life and deferred annuity policies from VIAC. Upon the consummation of the agreements, the Company recognized no gain or loss in the Consolidated Statements of Operations. As of December 31, 2019 and 2018, assumed reserves related to these agreements were \$782 and \$837, respectively.

10. Goodwill and Other Intangible Assets

Goodwill

Goodwill is the excess of cost over the estimated fair value of net assets acquired. As of December 31, 2019 and 2018, the Company had \$48 in goodwill which was related to the Investment Management and Retirement segments. There is no accumulated impairment balance associated with goodwill. The Company performs a goodwill impairment analysis annually as of October 1 and more frequently if facts and circumstances indicate that goodwill may be impaired.

Other Intangible Assets

The following table presents other intangible assets as of the dates indicated:

	Weighted Average Amortization Lives	December 31, 2019			December 31, 2018		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Management contract rights	20 years	\$ 550	\$ 532	\$ 18	\$ 550	\$ 504	\$ 46
Customer relationship lists . . .	20 years	120	91	29	120	83	37
Computer software . . .	3 years	410	370	40	404	366	38
Total intangible assets		<u>\$ 1,080</u>	<u>\$ 993</u>	<u>\$ 87</u>	<u>\$ 1,074</u>	<u>\$ 953</u>	<u>\$ 121</u>

Amortization expense related to intangible assets was \$60, \$61 and \$62 for the years ended December 31, 2019, 2018 and 2017, respectively.

The estimated amortization of intangible assets are as follows:

Year	Amount
2020	\$ 46
2021	21
2022	9
2023	4
2024	3

Amortization of intangible assets is included in the Consolidated Statements of Operations in Operating expenses.

The Company does not have any indefinite-lived intangibles other than goodwill.

11. Share-based Incentive Compensation Plans

ING U.S., Inc. 2013 Omnibus Employee Incentive Plan, Voya Financial, Inc. 2014 Omnibus Employee Incentive Plan and 2019 Omnibus Employee Incentive Plan

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"). At inception of the 2013 Omnibus Plan, a total of 7,650,000 shares of Company common stock were reserved and available for issuance under the plan. As of December 31, 2019, common stock reserved and available for issuance under the 2013 Omnibus Plan was 347,663 shares. The 2013 Omnibus Plan is no longer actively used for new grants of equity-based compensation awards.

The 2014 Omnibus Plan was adopted by the Company's Board of Directors and approved by shareholders in 2014, and has substantially the same terms as the 2013 Omnibus Plan, except for certain changes intended to allow certain performance-based compensation awards to comply with the criteria for tax deductibility set forth in Section 162(m) of the Internal Revenue Code. The 2014 Omnibus Plan provides for 17,800,000 shares of common stock to be available for issuance as equity-based compensation awards. As of December 31, 2019, common stock reserved and available for issuance under the 2014 Omnibus Plan was 3,519,189 shares.

On March 27, 2019, the Company's Board of Directors adopted, subject to shareholder approval, the Voya Financial, Inc. 2019 Omnibus Employee Incentive Plan (the "2019 Omnibus Plan"). Shareholder approval for the 2019 Omnibus Plan was subsequently obtained at the Annual Meeting of Shareholders held on May 23, 2019. The 2019 Omnibus Plan provides for 11,700,000 shares of common stock to be available for issuance as equity-based compensation awards, subject to other provisions of the plan for replacement of shares and adjustments. As of December 31, 2019, common stock reserved and available for issuance under the 2019 Omnibus Plan was 11,802,649 shares.

The 2013 Omnibus Plan, the 2014 Omnibus Plan and the 2019 Omnibus Plan (together, the "Omnibus Plans") each permit the granting of a wide range of equity-based awards, including RSUs, which represent the right to receive a number of shares of Company common stock upon vesting; restricted stock, which are shares of Company stock that are issued subject to sale and transfer restrictions until the vesting conditions are met; PSUs, which are RSUs subject to certain performance-based vesting conditions, and under which the number of shares of common stock delivered upon vesting varies with the level of achievement of performance criteria; and stock options. Grants of equity-based awards under the Omnibus Plans are approved in advance by the Compensation and Benefits Committee (the "Committee") of the Board of Directors of the Company, and are subject to such terms and conditions as the Committee may determine, including in respect of vesting and forfeiture, subject to certain limitations provided in the Omnibus Plans. Equity-based awards under the Omnibus Plans may carry dividend equivalent rights, pursuant to which notional dividends accumulate on unvested equity awards and are paid, in cash, upon vesting. Except for stock option awards made during 2015 and 2019, awards made under the Omnibus Plans, to date, have included dividend equivalent rights. Dividend equivalents are credited to the recipient and are paid only to the extent the applicable performance criteria and service conditions are met.

During each of the years ended December 31, 2019, 2018 and 2017 the Company awarded RSUs and PSUs to its employees under the Omnibus Plans. The PSU awards entitle recipients to receive, upon vesting, a number of shares of common stock that ranges from 0% to 150% of the number of PSUs awarded, depending on the level of achievement of the specified performance conditions. The establishment and the achievement of performance objectives are determined and approved by the Committee. Except under certain termination conditions, RSUs and PSUs generally vest no earlier than one year from the date of the award and no later than three years from the date of the award. In the case of retirement (eligibility for which is based on the employee's age and years of service as provided in the relevant award agreement), awards vest in full, but subject to the satisfaction of any applicable performance criteria.

In December 2015, the Company also awarded contingent stock options ("2015 Stock Options") under the 2014 Omnibus Plan. These options are subject to vesting conditions based on the achievement of specified performance measures, and generally become exercisable one year following satisfaction of the relevant vesting condition. The options have a term of ten years from the grant date.

In February 2019, the Company awarded contingent stock options ("2019 Stock Options") under the 2014 Omnibus Plan. These options are subject to vesting conditions based on the achievement of specified performance measures, and generally become exercisable one year following satisfaction of the relevant vesting condition. The options have a term of ten years from the grant date.

If an award under the Omnibus Plans is forfeited, expired, terminated or otherwise lapses, the shares of Company common stock underlying that award will again become available for issuance. Shares withheld by the Company to pay employee taxes, or which are withheld by or tendered to the Company to pay the exercise price of stock options (or are repurchased from an option holder by the Company with proceeds from the exercise of stock options) are not available for reissuance.

Voya Financial, Inc.**Notes to the Consolidated Financial Statements**

(Dollar amounts in millions, unless otherwise stated)

Voya Financial, Inc. 2013 Omnibus Non-Employee Director Incentive Plan

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 ("2013 Director Plan"), which the Company adopted in connection with the IPO. A total of 288,000 shares of Company common stock may be issued under the 2013 Director Plan. The material terms of the 2013 Director Plan are substantially consistent with the material terms of the 2013 Omnibus Plan described above.

During the years ended December 31, 2019, 2018, and 2017, the Company granted 18,571, 22,637 and 27,261 RSUs, respectively, to certain of its non-employee directors. The awards granted vest in full on the first anniversary of the grant date, however, no shares are delivered in connection with the RSUs until such time as the director's service on the Board is terminated.

Compensation Cost

The fair value of stock options was estimated using the Black-Scholes option pricing model. The following is a summary of the assumptions used in this model for the stock options granted in 2015 and 2019:

	2015 Stock Options		2019 Stock Options
Expected volatility	28.6%		26.5%
Expected term (in years)	6.02		5.99
Strike price \$	37.60	\$	50.03
Risk-free interest rate	2.1%		2.7%
Expected dividend yield	0.11%		1.00%
Weighted average estimated fair value \$	11.89	\$	13.78

During the year ended December 31, 2017, all outstanding 2015 Stock Options vested as the necessary performance conditions were satisfied. The Company utilized the simplified method for the expected term calculations. At the time of grant, the Company did not have historical exercises on which to base its own estimate. Additionally, exercise data relating to employees of comparable companies was not easily obtainable. Furthermore, because the Company did not have historical stock prices for a period at least equal to the expected term, the Company estimated Expected volatilities were based on the Company's life-to-date historical volatility using a weighted-average consisting 70% of historical peer group volatility and 30% of the historical volatility of the Company common stock. The contractual term for exercising the options is ten years.

The vesting of the 2019 Stock Options was contingent on the satisfaction of performance conditions on or before December 31, 2020; the Company assumed for purposes of the award's fair value that such conditions would be met in full on or prior to such date. The Company utilized the simplified method for the expected term calculations. At the time of grant, the Company did not have historical exercises on which to base its own estimate. Additionally, exercise data relating to employees of comparable companies was not easily obtainable. Expected volatilities were based on the Company's life-to-date historical volatility. The contractual term for exercising the options is ten years.

The fair value of the TSR component of the PSU awards was estimated using a Monte Carlo simulation. The following is a summary of the significant assumptions used to calculate the fair value of the TSR component of the PSU awards granted during the periods indicated:

	2019	2018	2017
Expected volatility of the Company's common stock	28.29%	28.58%	26.67%
Average expected volatility of peer companies	25.15%	26.76%	27.43%
Expected term (in years)	2.86	2.86	2.86
Risk-free interest rate	2.48%	2.40%	1.45%
Expected dividend yield	—%	—%	—%
Average correlation coefficient of peer companies	63%	67%	68%

Voya Financial, Inc.
Notes to the Consolidated Financial Statements

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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:

	Year Ended December 31,		
	2019	2018	2017
RSUs	\$ 45	\$ 49	\$ 57
PSU awards	44	43	44
Stock options	8	5	16
Other ⁽¹⁾	—	—	1
Total	<u>97</u>	<u>97</u>	<u>118</u>
Income tax benefit	29	18	39
Share-based compensation	<u>\$ 68</u>	<u>\$ 79</u>	<u>\$ 79</u>

⁽¹⁾ Includes compensation cost for legacy plans, under which no new awards are being issued.

The following table summarizes the unrecognized compensation cost and expected remaining weighted-average period of expense recognition as of December 31, 2019 :

	RSUs	PSU Awards	Stock Options
Unrecognized compensation cost	\$ 22	\$ 32	\$ 6
Expected remaining weighted-average period of expense recognition (in years)	1.7	1.6	1.4

Awards Outstanding

The following table summarizes RSU and PSU awards activity under the Omnibus Plans for the periods indicated:

	RSU Awards		PSU Awards	
	Number of Awards	Weighted Average Grant Date Fair Value	Number of Awards	Weighted Average Grant Date Fair Value
<i>(awards in millions)</i>				
Outstanding at January 1, 2019	2.4	\$ 43.36	2.5	\$ 40.21
Adjusted for PSU performance factor	N/A	N/A	0.3	31.35
Granted	0.9	50.15	0.7	51.64
Vested	(1.3)	39.93	(1.2)	29.25
Forfeited	(0.1)	48.73	(0.1)	49.16
Outstanding at December 31, 2019	<u>1.9</u>	<u>\$ 48.56</u>	<u>2.2</u>	<u>\$ 48.85</u>
Awards expected to vest as of December 31, 2019	1.9	\$ 48.56	2.2	\$ 48.85

The weighted-average grant date fair value for RSU awards granted during the year ended December 31, 2019, 2018 and 2017 was \$50.15, \$50.55 and \$42.30, respectively. The weighted-average grant date fair value for PSU awards granted during the years ended December 31, 2019, 2018 and 2017 was \$51.64, \$53.21 and \$42.32, respectively.

The total fair value of shares vested for the years ended December 31, 2019, 2018, and 2017 was \$124, \$99 and \$102, respectively.

Voya Financial, Inc.
Notes to the Consolidated Financial Statements
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The following table summarizes the number of options under the Omnibus Plans for the periods indicated:

	Stock Options			
	Number of Awards	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
<i>(awards in millions)</i>				
Outstanding as of January 1, 2019	2.6	\$ 37.60	6.96	\$ 6.6
Granted	1.0	50.03		
Exercised	(0.7)	37.60		
Forfeited	— *	45.56		
Outstanding as of December 31, 2019	<u>2.9</u>	\$ 41.93	7.07	\$ 53.5
Vested, exercisable, as of December 31, 2019	1.9	37.60	5.96	42.8

* Less than 0.1.

The total intrinsic value of options exercised during the years ended December 31, 2019 and 2018 was \$12 and \$5. No options were exercised in 2017.

12. 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		
	Issued	Held in Treasury	Outstanding
<i>(shares in millions)</i>			
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 programs	2.0	0.2	1.8
Balance, December 31, 2017	<u>270.0</u>	<u>98.0</u>	<u>172.0</u>
Common Shares issued	—	—	—
Common Shares acquired - share repurchase	—	22.8	(22.8)
Share-based compensation programs	2.4	0.6	1.8
Balance, December 31, 2018	<u>272.4</u>	<u>121.4</u>	<u>151.0</u>
Common Shares issued	0.1	—	0.1
Common Shares acquired - share repurchase	—	21.1	(21.1)
Share-based compensation programs	3.2	0.9	2.3
Treasury Stock retirement	(135.0)	(135.0)	—
Balance, December 31, 2019	<u>140.7</u>	<u>8.4</u>	<u>132.3</u>

* Less than 0.1.

Voya Financial, Inc.
Notes to the Consolidated Financial Statements
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Dividends declared per share of Common Stock were as follows for the periods indicated:

	Year Ended December 31,		
	2019	2018	2017
Dividends declared per share of Common Stock	\$ 0.32	\$ 0.04	\$ 0.04

Share Repurchase Program

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

On May 2, 2019, the Board of Directors provided share repurchase authorization, increasing the aggregate of the Company's common stock authorized for repurchase by \$500. On October 31, 2019, 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 \$800. The additional share repurchase authorization expires on December 21, 2020 (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.

The following table presents repurchases of the Company's common stock through share repurchase agreements with third-party financial institutions for the year ended December 31, 2019 and December 31, 2017. The Company did not enter into any share repurchase agreements in 2018.

2019						
Execution Date	Payment	Initial Shares Delivered	Closing Date	Additional Shares Delivered	Total Shares Repurchased	
January 3, 2019	\$ 250	5,059,449	April 4, 2019	290,765	5,350,214	
April 9, 2019	\$ 236	3,593,453	June 4, 2019	879,199	4,472,652	
June 19, 2019	\$ 200	2,963,512	August 6, 2019	695,566	3,659,078	
December 19, 2019	\$ 200	2,591,093	(1)	(1)	(1)	

(1) This arrangement is scheduled to terminate no later than the end of first quarter of 2020, at which time the Company will settle any outstanding positive or negative share balances based on the daily volume-weighted average price of the Company's common stock.

2017						
Execution Date	Payment	Initial Shares Delivered	Closing Date	Additional Shares Delivered	Total Shares Repurchased	
March 9, 2017	\$ 150	—	April 12, 2017	3,986,647	3,986,647	
December 26, 2017	\$ 500	7,821,666	March 26, 2018	1,947,413	9,769,079	

The following table presents repurchases of our common stock through open market repurchases for the periods indicated:

(\$ in millions)

	Year Ended December 31,		
	2019	2018	2017
Shares of common stock	4,926,775	20,843,047	7,437,994
Payment	\$ 250	\$ 1,025	\$ 273

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 exercise price of the warrants at the time of issuance was \$48.75 per share of common stock, subject to adjustments, including for stock dividends, cash dividends in excess of \$0.01 per share a quarter, subdivisions, combinations, reclassifications and non-cash distributions. The warrants also provide for, upon the occurrence of certain change of control events affecting the Company, an increase in the number of shares to which a warrant holder will be entitled upon payment of the aggregate exercise price of the warrant. The warrants became exercisable to ING Group and its affiliates on January 1, 2017 and to all other holders starting on the first anniversary of the completion of the IPO (May 7, 2014). The warrants expire on the tenth anniversary of the completion of the IPO (May 7, 2023). The warrants are net share settled, which means that no cash will be payable by a warrant holder in respect of the exercise price of a warrant upon exercise, and are classified as permanent equity. They have been recorded at their fair value determined on the issuance date of May 7, 2013 in the amount of \$94 as an addition and reduction to Additional-paid-in-capital. Warrant holders are not entitled to receive dividends. On March 12, 2018, ING Group sold its remaining interests in the warrants and no longer owns any warrants.

On December 27, 2019, the Company paid a quarterly dividend of \$0.15 per share on its common stock. As a consequence, the exercise price of the warrants to purchase shares of common stock was adjusted to \$48.49 per share of common stock and the number of shares of common stock for which each warrant is exercisable has been adjusted to 1.002430429. As of December 31, 2019, no warrants have been exercised.

Preferred Stock

On June 11, 2019, the Company issued 300,000 shares of 5.35% Fixed-Rate Reset Non-Cumulative Preferred Stock, Series B ("the Series B preferred stock"), with a \$0.01 par value per share and a liquidation preference of \$1,000 per share, for aggregate net proceeds of \$293. The Company deposited the Series B preferred stock under a deposit agreement with a depository, which issued interests in fractional shares of the Series B preferred stock in the form of depository shares ("Depository Shares") evidenced by depository receipts; each Depository Share representing 1/40th interest in a share of the Series B preferred stock.

On September 12, 2018, the Company issued 325,000 shares of 6.125% Fixed-Rate Reset Non-Cumulative Preferred Stock, Series A, with a \$0.01 par value per share and a liquidation preference of \$1,000 per share, for aggregate net proceeds of \$319.

The ability of the Company to declare or pay dividends on, or purchase, redeem or otherwise acquire, shares of its common stock will be substantially restricted in the event that the Company does not declare and pay (or set aside) dividends on the Series A and Series B Preferred Stock for the last preceding dividend period.

The Series A and Series B preferred stock are not subject to any mandatory redemption, sinking fund, retirement fund, purchase fund or similar provisions. The Company may, at its option, redeem the Series A preferred stock, (a) in whole but not in part, at any time, within 90 days after the occurrence of a "rating agency event," at a redemption price equal to \$1,020 per share, plus an amount equal to any dividends per share of preferred stock that have accrued but not been declared and paid for the then-current dividend period to, but excluding, the redemption date and (b) (i) in whole but not in part, at any time within 90 days after the occurrence of a "regulatory capital event" or (ii) in whole or in part, from time to time, on September 15, 2023 or any subsequent "reset date," in each case, at a redemption price equal to \$1,000 per share of preferred stock, plus an amount equal to any dividends per share of preferred stock that have accrued but not been declared and paid for the then-current dividend period to, but excluding, such redemption date. The Company may, at its option, redeem the Series B preferred stock, (a) in whole but not in part, at any time, within 90 days after the occurrence of a "rating agency event," at a redemption price equal to \$1,020 per share (equivalent to \$25.50 per Depository Share), plus an amount equal to any accrued and unpaid dividends per share that have accrued but not been declared and paid for the then-current dividend period, but excluding, such redemption date and (b) (i) in whole but not in part, at any time, within 90 days after the occurrence of a "regulatory capital event," or (ii) in whole or in part, from time to time, on September 15, 2029 or any reset date, in each case, at a redemption price equal to \$1,000 per share of the Series B preferred stock (equivalent to \$25.00 per Depository Share), plus an amount equal to any accrued and unpaid dividends per share that have accrued but not been declared and paid for the then-current dividend period to, but excluding, such redemption date.

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

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

As of December 31, 2019 and December 31, 2018, there were 100,000,000 shares of preferred stock authorized. Preferred stock issued and outstanding are as follows:

Series	December 31, 2019		December 31, 2018	
	Issued	Outstanding	Issued	Outstanding
6.125% Non-cumulative Preferred Stock, Series A	325,000	325,000	325,000	325,000
5.35% Non-cumulative Preferred Stock, Series B	300,000	300,000	—	—
Total	<u>625,000</u>	<u>625,000</u>	<u>325,000</u>	<u>325,000</u>

As of December 31, 2019, there were no preferred stock dividends in arrears.

13. 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:

<i>(in millions, except for per share data)</i>	Year Ended December 31,		
	2019	2018	2017
<i>Earnings</i>			
Net income (loss) available to common shareholders			
Income (loss) from continuing operations	\$ 765	\$ 491	\$ (302)
Less: Preferred stock dividends	28	—	—
Less: Net income (loss) attributable to noncontrolling interest	50	145	217
Income (loss) from continuing operations available to common shareholders	687	346	(519)
Income (loss) from discontinued operations, net of tax	(1,066)	529	(2,473)
Net income (loss) available to common shareholders	<u>\$ (379)</u>	<u>\$ 875</u>	<u>\$ (2,992)</u>
<i>Weighted-average common shares outstanding</i>			
Basic	141.0	163.2	184.1
Dilutive Effects: ⁽¹⁾			
Warrants ⁽²⁾	2.1	0.8	—
RSUs ⁽³⁾	1.4	1.7	—
PSU awards ⁽³⁾	1.9	1.9	—
Stock Options ⁽⁴⁾	0.6	0.6	—
Diluted	<u>147.0</u>	<u>168.2</u>	<u>184.1</u>
<i>Basic⁽⁵⁾</i>			
Income (loss) from continuing operations available to Voya Financial, Inc.'s common shareholders	\$ 4.88	\$ 2.12	\$ (2.82)
Income (loss) from discontinued operations, net of taxes available to Voya Financial, Inc.'s common shareholders	\$ (7.57)	\$ 3.24	\$ (13.43)
Income (loss) available to Voya Financial, Inc.'s common shareholders	\$ (2.69)	\$ 5.36	\$ (16.25)
<i>Diluted⁽⁵⁾</i>			
Income (loss) from continuing operations available to Voya Financial, Inc.'s common shareholders	\$ 4.68	\$ 2.05	\$ (2.82)
Income (loss) from discontinued operations, net of taxes available to Voya Financial, Inc.'s common shareholders	\$ (7.26)	\$ 3.14	\$ (13.43)
Income (loss) available to Voya Financial, Inc.'s common shareholders	\$ (2.58)	\$ 5.20	\$ (16.25)

⁽¹⁾ For the years ended December 31, 2019 and December 31, 2017, weighted average shares used for calculating earnings per share excludes the impact of forward contracts related to the share repurchase agreements entered into on December 19, 2019 and December 26, 2017, respectively, as the inclusion of these instruments would be antidilutive to the earnings per share calculation. For more information on the share repurchase agreements, see the *Shareholders' Equity* Note to these Consolidated Financial Statements.

⁽²⁾ For the year ended December 31, 2017, weighted average shares used for calculating earnings per share excludes the 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 period presented. For more information on warrants, see the *Shareholders' Equity* Note to these Consolidated Financial Statements.

⁽³⁾ For the year ended December 31, 2017, weighted average shares used for calculating basic and diluted earnings per share are the same, as the inclusion of 1.9 and 0.8 shares for stock compensation plans of RSU and PSU awards, respectively, would be antidilutive to the earnings per share calculation due to the net loss from continuing operations during the period.

⁽⁴⁾ For the year ended December 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 average share price for the period presented. For more information on stock options, see the *Share-based Incentive Compensation Plans* Note to these Consolidated Financial Statements.

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⁽⁵⁾ Basic and diluted earnings per share are calculated using unrounded, actual amounts. Therefore, the components of earnings per share may not sum to its corresponding total.

14. Insurance Subsidiaries

Principal Insurance Subsidiaries Statutory Equity and Income

Each of Voya Financial, Inc.'s three principal insurance subsidiaries (the "Principal Insurance Subsidiaries") is subject to minimum risk-based capital ("RBC") requirements established by the insurance departments of their respective states of domicile. The formulas for determining the amount of RBC specify various weighting factors that are applied to financial balances or various levels of activity based on the perceived degree of risk. Regulatory compliance is determined by a ratio of total adjusted capital ("TAC"), as defined by the National Association of Insurance Commissioners ("NAIC"), to authorized control level RBC, as defined by the NAIC. Each of the Company's Principal Insurance Subsidiaries exceeded the minimum RBC requirements that would require any regulatory or corrective action for all periods presented herein.

The Company's Principal Insurance Subsidiaries are each required to prepare statutory financial statements in accordance with statutory accounting practices prescribed or permitted by the insurance department of its respective state of domicile. Such statutory accounting practices primarily differ from U.S. GAAP by charging policy acquisition costs to expense as incurred, establishing future policy benefit liabilities and contract owner account balances using different actuarial assumptions as well as valuing investments and certain assets and accounting for deferred taxes on a different basis. Certain assets that are not admitted under statutory accounting principles are charged directly to surplus. Depending on the regulations of the insurance department of an insurance company's state of domicile, the entire amount or a portion of an insurance company's asset balance can be non-admitted based on the specific rules regarding admissibility. For the years ended December 31, 2019, 2018 and 2017, the Principal Insurance Subsidiaries have no prescribed or permitted practices that materially impact total capital and surplus.

Statutory Net income (loss) for the years ended December 31, 2019, 2018 and 2017 and statutory capital and surplus as of December 31, 2019 and 2018 of the Company's Principal Insurance Subsidiaries (and for 2017, VIAC, which the Company sold in connection with the 2018 Transaction) are as follows:

Subsidiary Name (State of Domicile):	Statutory Net Income (Loss)			Statutory Capital and Surplus	
	2019	2018	2017	2019	2018
Voya Retirement Insurance and Annuity Company ("VRIAC") (CT).....	\$ 325	\$ 377	\$ 195	\$ 2,005	\$ 2,000
Security Life of Denver Insurance Company (CO)	(226)	(62)	58	881	965
ReliaStar Life Insurance Company ("RLI") (MN)	35	101	234	1,536	1,633
Voya Insurance and Annuity Company ("VIAC") (IA) ⁽¹⁾	N/A	N/A	514	N/A	N/A

⁽¹⁾ On June 1, 2018, VIAC was sold as part of the 2018 Transaction.
N/A - Not Applicable

All of the Company's Principal Insurance Subsidiaries have capital and surplus levels that exceed their respective regulatory minimum requirements.

As of December 31, 2019, SLD had the following surplus notes outstanding to its affiliate SLDI Georgia Holdings, Inc. "(Georgia Holdings)".

Issuance Date	Maturity	2019		2018	
12/21/1994	4/15/2021	\$	40	\$	60
12/19/2000	4/15/2021		26		39
4/15/2017	4/15/2042		61		61
4/15/2018	4/15/2043		62		62
4/15/2019	4/15/2044		63		—

Upon the closing of the Resolution MTA, Voya Financial, Inc., through one of its affiliates, will retain surplus notes issued by SLD in the amount of \$123 under modified terms.

Insurance Subsidiaries Dividend Restrictions

The states in which the insurance subsidiaries of Voya Financial, Inc. are domiciled impose certain restrictions on the subsidiaries' ability to pay dividends to their parent. These restrictions are based in part on the prior year's statutory income and surplus. In general, dividends up to specified levels are considered ordinary and may be paid without prior approval. Dividends in larger amounts, or "extraordinary" dividends, are subject to approval by the insurance commissioner of the state of domicile of the insurance subsidiary proposing to pay the dividend.

Under the insurance laws applicable to Voya Financial, Inc.'s insurance subsidiaries domiciled in Connecticut and Minnesota, an "extraordinary" dividend or distribution is defined as a dividend or distribution that, together with other dividends and distributions made within the preceding twelve months, exceeds the greater of (i) 10% of the insurer's policyholder surplus as of the preceding December 31, or (ii) the insurer's net gain from operations for the twelve-month period ending the preceding December 31, in each case determined in accordance with statutory accounting principles. Under Colorado insurance law, an "extraordinary dividend" or distribution is defined as a dividend or distribution that, together with other dividends and distributions made within the preceding twelve months, exceeds the lesser of (i) 10% of the insurer's policyholder surplus as of the preceding December 31, or (ii) the insurer's net gain from operations for the twelve-month period ending the preceding December 31, in each case determined in accordance with statutory accounting principles. In addition, under the insurance laws of Connecticut and Minnesota, no dividend or other distribution exceeding an amount equal to a domestic insurance company's earned surplus may be paid without the domiciliary insurance regulator's prior approval. The Company also has special purpose life reinsurance captive insurance company subsidiaries domiciled in Missouri that are collectively referred to as the Company's "Missouri captives" as well as captive reinsurance subsidiaries domiciled in Arizona that provide reinsurance to the Company's insurance subsidiaries for specific blocks of business. The Company's captive reinsurance subsidiaries domiciled in Arizona are referred to as the Company's "Arizona captives." The Company refers to its Missouri captives and its Arizona captives collectively as the Company's "captive reinsurance subsidiaries." The Company's Principal Insurance Subsidiary domiciled in Connecticut has ordinary dividend capacity for 2019. However, as a result of the extraordinary dividends it paid in 2015, 2016 and 2017, together with statutory losses incurred in connection with the recapture and cession to one of the Company's Arizona captives of certain term life insurance business in the fourth quarter of 2016, the Company's Principal Insurance Subsidiary domiciled in Minnesota currently has negative earned surplus. In addition, primarily as a result of statutory losses incurred in connection with the retrocession of the Company's Principal Insurance Subsidiary domiciled in Minnesota of certain life insurance business in the fourth quarter of 2018, the Company's principal insurance subsidiary domiciled in Colorado has a net loss from operations for the twelve-month period ending the preceding December 31. Therefore, neither the Company's Minnesota nor Colorado Principal Insurance Subsidiaries have the capacity at this time to make ordinary dividend payments to Voya Holdings Inc. ("Voya Holdings"), a wholly owned subsidiary of Voya Financial, Inc., and cannot make an extraordinary dividend payment without domiciliary insurance regulatory approval, which can be granted or withheld at the discretion of the regulator.

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Principal Insurance Subsidiaries - Dividends and Return of Capital

The following table summarizes dividends permitted to be paid by the Company's Principal Insurance Subsidiaries to Voya Financial, Inc. or Voya Holdings without the need for insurance regulatory approval and dividends and extraordinary distributions paid by each of the Company's Principal Insurance Subsidiaries to its parent for the periods indicated:

<u>Subsidiary Name (State of domicile):</u>	<u>Dividends Permitted without Approval</u>		<u>Dividends Paid</u>		<u>Extraordinary Distributions Paid</u>	
	<u>2020</u>	<u>2019</u>	<u>Year Ended December 31,</u>		<u>Year Ended December 31,</u>	
			<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Voya Retirement Insurance and Annuity Company (CT)	\$ 295	\$ 396	\$ 396	\$ 126	\$ —	\$ —
Security Life of Denver Insurance Company (CO) . . .	—	—	—	52	—	—
ReliaStar Life Insurance Company (MN)	—	—	—	—	360	—

Captive Reinsurance Subsidiaries

Voya Financial, Inc.'s captive reinsurance subsidiaries, provide reinsurance to the Company's insurance subsidiaries in order to facilitate the financing of statutory reserves including those associated with NAIC Model Regulation XXX or Actuarial Guideline 38 ("AG38") and to fund certain statutory annuity reserve requirements. Each of the Company's Missouri captives is subjected to specific minimum capital requirements set forth in the insurance statutes of Missouri, and is required to prepare statutory financial statements in accordance with statutory accounting practices prescribed in the Missouri insurance statutes or permitted by the Missouri insurance department. There are no prescribed practices material to the Missouri captive reinsurance subsidiaries, except that certain of these subsidiaries have included the value of LOCs and trust notes as admitted assets supporting the statutory reserves ceded to such subsidiaries. The effect of these prescribed practices was to increase statutory capital and surplus by \$749 and \$676 as of December 31, 2019 and 2018, respectively. The aggregate statutory capital and surplus, including the aforementioned prescribed practices, was \$172 and \$156 as of December 31, 2019 and 2018, respectively.

The Company's Arizona captives, SLDI and its wholly owned subsidiary RRII, provide reinsurance to the Company's insurance subsidiaries in order to facilitate the financing of statutory reserves including those associated with NAIC Model Regulation XXX or AG38 and to fund certain statutory annuity reserve requirements. Prior to the 2018 Transaction disclosed in the *Business Held for Sale and Discontinued Operations* Note to these Consolidated Financial Statements, this included reinsurance to RRII of the living benefit guarantees under the Company's CBVA business. In conjunction with the 2018 Transaction, the reinsurance treaty assumed by RRII was recaptured in 2018. Arizona state insurance statutes and regulations require the Company's Arizona captives to file financial statements with the Arizona Department of Insurance ("ADOI") and allow the filing of such financial statements on a U.S. GAAP basis modified for certain prescribed practices outlined in the Arizona insurance statutes that are applicable to U.S. GAAP filers. These prescribed practices had no impact on the Arizona captives Shareholder's equity as of December 31, 2019 and 2018. In addition, the Arizona captives have obtained approval from the ADOI for certain permitted practices, including, for SLDI, taking reinsurance credit for certain ceded reserves where the assets backing the liabilities are held by a wholly owned Principal Insurance Subsidiary of Voya Financial, Inc. SLDI has recorded a receivable for these assets. The effect of the permitted practice was to increase SLDI's Shareholder's equity by \$440 and \$431 as of December 31, 2019 and 2018, respectively, but has no effect on the Company's consolidated Total shareholders' equity. In the unlikely event that the permitted practice is suspended in the future, the Company has various alternatives which could be executed to allow the reinsurance credit for these ceded reserves. At consummation of the Individual Life Transaction, the Arizona captives will be sold to Resolution Life.

The Missouri captives may not declare or pay any dividends other than in accordance with their respective insurance reserve financing transaction agreements and their respective governing licensing orders. Likewise, the Company's Arizona captives may not declare or pay dividends other than in accordance with their annual capital and dividend plans as approved by the ADOI, which include minimum capital requirements. During 2019, RRII paid a dividend of \$154 to SLDI and SLDI paid a dividend of \$228 to the Company.

15. Employee Benefit Arrangements

Pension, Other Postretirement Benefit Plans and Other Benefit Plans

Voya Financial, Inc.'s subsidiaries maintain both qualified and non-qualified defined benefit pension plans (the "Plans"). These plans generally cover all employees and certain sales representatives who meet specified eligibility requirements. Pension benefits are based on a formula using compensation and length of service. Annual contributions are paid to the Plans at a rate necessary to adequately fund the accrued liabilities of the Plans calculated in accordance with legal requirements. The Plans comply with applicable regulations concerning investments and funding levels.

The Voya Retirement Plan (the "Retirement Plan") is a tax qualified defined benefit plan, the benefits of which are guaranteed (within certain specified legal limits) by the Pension Benefit Guaranty Corporation ("PBGC"). Beginning January 1, 2012, the Retirement Plan adopted a cash balance pension formula instead of a final average pay ("FAP") formula, allowing all eligible employees to participate in the Retirement Plan. Participants earn an annual credit equal to 4% of eligible compensation. Interest is credited monthly based on a 30-year U.S. Treasury securities bond rate published by the Internal Revenue Service in the preceding August of each year. The accrued vested cash pension balance benefit is portable; participants can take it if they leave the Company.

In addition to providing qualified retirement benefit plans, the Company provides certain supplemental retirement benefits to eligible employees, non-qualified pension plans for insurance sales representatives who have entered into a career agent agreement and certain other individuals. These plans are non-qualified defined benefit plans, which means all benefits are payable from the general assets of the sponsoring company.

The Company also offers deferred compensation plans for eligible employees, including eligible career agents and certain other individuals who meet the eligibility criteria. The Company's deferred compensation commitment for employees is recorded on the Consolidated Balance Sheets in Other liabilities and totaled \$314 and \$278 as of December 31, 2019 and 2018, respectively.

Voya Financial, Inc.'s subsidiaries also provide other postretirement and post-employment benefits to certain employees. These are primarily postretirement healthcare and life insurance benefits to retired employees and other eligible dependents and post-employment/pre-retirement plans provided to employees and former employees. The Company's other postretirement benefit obligation and unfunded status totaled \$18 and \$16 as of December 31, 2019 and 2018, respectively. Additionally, net periodic benefit for other postretirement benefits totaled \$2, \$6 and \$2 for the years ended December 31, 2019, 2018 and 2017, respectively.

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Obligations, Funded Status and Net Periodic Benefit Costs

The Company's Retirement Plan was fully funded in compliance with Employee Retirement Income Security Act ("ERISA") guidelines as of December 31, 2018, which is tested annually subsequent to this filing. The following tables summarize a reconciliation of beginning and ending balances of the benefit obligation and fair value of plan assets, as well as the funded status of the Company's Plans for the years ended December 31, 2019 and 2018:

	2019	2018
Change in benefit obligation:		
Benefit obligations, January 1	\$ 2,140	\$ 2,294
Service cost	24	25
Interest cost	92	86
Net actuarial (gains) losses	259	(157)
Benefits paid	(106)	(108)
(Gain) loss recognized due to curtailment	1	—
Benefit obligations, December 31	<u>2,410</u>	<u>2,140</u>
Change in plan assets:		
Fair value of plan net assets, January 1	1,605	1,764
Actual return on plan assets	376	(78)
Employer contributions	85	27
Benefits paid	(106)	(108)
Fair value of plan net assets, December 31	<u>1,960</u>	<u>1,605</u>
Unfunded status at end of year ⁽¹⁾	<u>\$ (450)</u>	<u>\$ (535)</u>

⁽¹⁾ Funded status is not indicative of the Company's ability to pay ongoing pension benefits or of its obligation to fund retirement trusts. Required pension funding for qualified plans is determined in accordance with ERISA regulations.

The following table summarizes amounts related to the Plans recognized on the Consolidated Balance Sheets and in AOCI as of December 31, 2019 and 2018:

	2019	2018
Amounts recognized in the Consolidated Balance Sheets consist of:		
Accrued benefit cost	\$ (450)	\$ (535)
Net amount recognized	<u>\$ (450)</u>	<u>\$ (535)</u>
Accumulated other comprehensive (income) loss:		
Prior service cost (credit)	\$ —	\$ (1)
Tax effect	—	—
Accumulated other comprehensive (income) loss, net of tax	<u>\$ —</u>	<u>\$ (1)</u>

The following table summarizes information for the Plans with a projected benefit obligation and an accumulated benefit obligation in excess of plan assets as of December 31, 2019 and 2018:

	2019	2018
Projected benefit obligation	\$ 2,410	\$ 2,140
Accumulated benefit obligation	2,404	2,134
Fair value of plan assets	1,960	1,605

Components of Periodic Net Benefit Cost

Net periodic pension cost and net periodic other postretirement benefit plan cost consist of the following:

- *Service Cost*: Service cost represents the increase in the projected benefit obligation as a result of benefits payable to employees on service rendered during the current year.
- *Interest Cost (on the Liability)*: Interest cost represents the increase in the amount of projected benefit obligation at the end of each year due to the time value adjustment.
- *Expected Return on Plan Assets*: Expected return on plan assets represents the anticipated return earned by the pension fund assets in a given year.
- *Net Loss (Gain) Recognition*: Actuarial gains and losses occur as a result of differences between actual and expected experience on pension plan assets or projected benefit obligation during a given period. The Company immediately recognizes actuarial losses (gains) on the qualified and nonqualified retirement plans as well as the other postretirement benefit plans.
- *Amortization of Prior Service Cost*: This cost represents the recognition of increases or decreases in Pension and other postretirement provisions on the Consolidated Balance Sheets as a result of changes in plans or initiation of new plans. The increases or decreases in obligation are recognized in AOCI at the time of the particular amendment. The costs are then amortized to Operating expenses in the Consolidated Statements of Operations over the expected service years of the covered employees.
- *(Gain) Loss Recognized due to Curtailment*: Curtailment gains and losses occur as a result of events that significantly reduce the expected years of future service of present employees or eliminates for a significant number of employees the accrual of defined benefits for some or all of their future services.

The components of net periodic benefit costs recognized in Operating expenses in the Consolidated Statements of Operations and other changes in plan assets and benefit obligations recognized in Other comprehensive income (loss) related to the Plans were as follows for the years ended December 31, 2019, 2018 and 2017:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net Periodic (Benefit) Costs Recognized in Consolidated Statements of Operations:			
Service cost	\$ 24	\$ 25	\$ 24
Interest cost	92	86	93
Expected return on plan assets	(113)	(129)	(115)
Amortization of prior service cost (credit)	—	(9)	(10)
(Gain) loss recognized due to curtailment	1	—	1
Net (gain) loss recognition	(4)	50	14
Net periodic (benefit) costs	<u>—</u>	<u>23</u>	<u>7</u>
Other Changes in Plan Assets and Benefit Obligations Recognized in AOCI:			
Amortization of prior service (credit) cost	—	9	10
(Credit) cost recognized due to curtailment	(1)	—	2
Total recognized in AOCI	<u>(1)</u>	<u>9</u>	<u>12</u>
Total recognized in net periodic (benefit) costs and AOCI	<u>\$ (1)</u>	<u>\$ 32</u>	<u>\$ 19</u>

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The table below summarizes the components of the net actuarial (gains) losses related to the Plans reported within Operating expenses in the Consolidated Statements of Operations for the periods presented:

<i>(Gain)/Loss Recognized</i>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Discount Rate	\$ 292	\$ (160)	\$ 196
Asset Returns	(263)	207	(142)
Mortality Table Assumptions	(22)	(6)	(14)
Demographic Data and other	(11)	9	(25)
Total Net Actuarial (Gain)/Loss Recognized	<u>\$ (4)</u>	<u>\$ 50</u>	<u>\$ 14</u>

The Company does not expect any prior service cost to be amortized from AOCI into net periodic (benefit) cost in 2020.

Assumptions

The discount rates used in determining pension benefit obligations as of December 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Discount rate	3.36%	4.46%

In determining the discount rate assumption, the Company utilizes current market information provided by its plan actuaries including discounted cash flow analyses of the Company's pension and general movements in the current market environment. The discount rate modeling process involves selecting a portfolio of high quality, noncallable bonds that will match the cash flows of the pension plans.

The weighted-average assumptions used in determining net benefit cost of the Plans for the years ended December 31, 2019, 2018 and 2017 were as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Discount rate	4.37%	3.85%	4.55%
Expected rate of return on plan assets	6.75%	7.50%	7.50%

The expected return on plan assets is updated at least annually using the calculated value approach, taking into consideration the Retirement Plan's asset allocation, historical returns on the types of assets held in the Retirement Plan's portfolio of assets ("the Fund") and the current economic environment. Based on these factors, it is expected that the Fund's assets will earn an average percentage per year over the long term. This estimation is based on an active return on a compound basis, with a reduction for administrative expenses and non-Voya investment manager fees paid from the Fund. For estimation purposes, it is assumed the long-term asset mix will be consistent with the current mix. Changes in the asset mix could impact the amount of recorded pension income or expense, the funded status of the Plan, and the need for future cash contributions.

Plan Assets

The Retirement Plan is the only defined benefit plan with plan assets in a trust. The primary financial objective of the Retirement Plan is to secure participant retirement benefits. As such, the key objective in the Retirement Plan's financial management is to promote stability and, to the extent appropriate, growth in funded status (i.e. the ratio of market value of assets to liabilities). The investment strategy for the Fund balances the requirement to generate returns with the need to control risk. The asset mix is recognized as the primary mechanism to influence the reward and risk structure of the Fund in an effort to accomplish the Retirement Plan's funding objectives. Desirable target allocations amongst identified asset classes are set and, within each asset class, careful consideration is given to balancing the portfolio among industry sectors, geographies, interest rate sensitivity, economic growth, currency and other factors affecting investment returns. The assets are managed by professional investment firms. They are bound by mandates and are measured against benchmarks. Consideration is given to balancing security concentration, investment style and reliance on particular active investment strategies, among other factors. The Company reviews its asset mix of the Fund on a regular basis. Generally, the pension committee of the Company will rebalance the Fund's asset mix to the target mix as individual

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portfolios approach their minimum or maximum levels. However, the Company has the discretion to deviate from these ranges or to manage investment performance using different criteria.

Derivative contracts may be used for hedging purposes to reduce the Retirement Plan's exposure to interest rate risk. Treasury futures are used to manage the interest rate risk in the Retirement Plan's fixed maturity portfolio. The derivatives do not qualify for hedge accounting.

The following table summarizes the Company's pension plan's target allocation range and actual asset allocation by asset category as of December 31, 2019 and 2018:

	Actual Asset Allocation	
	2019	2018
Equity securities:		
<i>Target allocation range</i>	<i>14%-40%</i>	<i>37%-65%</i>
Large-cap domestic	18.3%	23.0%
Small/Mid-cap domestic	5.9%	6.1%
International commingled funds	12.0%	11.7%
Limited Partnerships	1.3%	1.8%
Total equity securities	37.5%	42.6%
Fixed maturities:		
<i>Target allocation range</i>	<i>54%-82%</i>	<i>30%-50%</i>
U.S. Treasuries, short term investments, cash and futures	5.4%	3.0%
U.S. Government agencies and authorities	5.0%	8.2%
U.S. corporate, state and municipalities	40.8%	31.6%
Foreign securities	3.3%	4.1%
Other fixed maturities	—%	—%
Total fixed maturities	54.5%	46.9%
Other investments:		
<i>Target allocation range</i>	<i>6%-14%</i>	<i>6%-14%</i>
Hedge funds	3.9%	4.8%
Real estate	4.1%	5.7%
Total other investments	8.0%	10.5%
Total	100.0%	100.0%

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The following table summarizes the fair values of the pension plan assets by asset class as of December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>Total</u>
Assets					
Fixed maturities, short-term investments and cash:					
Cash and cash equivalents	\$ 14	\$ —	\$ —	\$ —	\$ 14
Short-term investment fund ⁽¹⁾	—	—	—	98	98
U.S. Government securities	97	—	—	—	97
U.S. corporate, state and municipalities	—	782	14	—	796
Foreign securities	—	64	—	—	64
Other fixed maturities	—	1	—	—	1
Total fixed maturities	111	847	14	98	1,070
Equity securities:					
Large-cap domestic	—	358	—	—	358
Small/Mid-cap domestic	115	—	—	—	115
International commingled funds ⁽²⁾	—	—	—	235	235
Limited partnerships ⁽³⁾	—	—	—	25	25
Total equity securities	115	358	—	260	733
Other investments:					
Real estate ⁽⁴⁾	—	—	—	80	80
Limited partnerships ⁽⁵⁾	—	—	—	81	81
Total other investments	—	—	—	161	161
Total Assets	\$ 226	\$ 1,205	\$ 14	\$ 519	\$ 1,964
Liabilities					
Derivatives	\$ 4	\$ —	\$ —	\$ —	\$ 4
Total Liabilities	\$ 4	\$ —	\$ —	\$ —	\$ 4
Net, total pension assets	\$ 222	\$ 1,205	\$ 14	\$ 519	\$ 1,960

⁽¹⁾ This category includes common collective trust funds invested in the EB Temporary Investment Fund of The Bank of New York Mellon ("Short-term Investment Fund"). The Short-term Investment Fund is designed to provide a rate of return by investing in a full range of high-quality, short-term money market securities. Participant's redemptions in the Short-term Investment Fund may be requested by 2 p.m. eastern standard time and are processed by the following day.

⁽²⁾ International Commingled funds are comprised of two assets that use NAV to calculate fair value. Baillie Gifford Funds has a balance of \$125 and uses a bottom up approach to stock picking. In determining the potential of a company, the fund manager analyzes industry background, competitive advantage, management attitudes and financial strength and valuation. There are no redemption restrictions in the Baillie Gifford Funds. Silchester has a fund balance of \$110 that has an investment objective to achieve long-term growth primarily by investing in a diversified portfolio of equity securities of companies located in any country other than the United States. Silchester clients may contribute to and redeem monies from the funds on a monthly basis as of the last business day of each month. Clients must notify Silchester at least six business days before the month-end to make a redemption request. Baillie Gifford and Silchester, as a normal course of business, enter into contracts (commitments) that contain indemnifications or warranties. The funds' maximum exposure under these arrangements is unknown, as this would involve future claims that have not yet occurred. Baillie Gifford and Silchester have no unfunded commitments.

⁽³⁾ Limited partnerships are comprised of two assets that use NAV to calculate fair value. Pantheon Europe has a balance of \$3 and Pantheon USA has a balance of \$22. Their strategy is to create a portfolio of high quality private equity funds, operating across Europe and diversified by stage, sector, geography, manager and vintage year. As of December 31, 2019, Pantheon Europe and Pantheon USA have unfunded commitments of \$1 and \$5, respectively, and there were no significant redemption restrictions.

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- ⁽⁴⁾ UBS Trumbull Property Fund ("UBS") uses NAV to calculate fair value. UBS has a balance of \$80 and is an actively managed core portfolio of equity real estate. The Fund has both relative and real return objectives. Its relative performance objective is to outperform the National Council of Real Estate investment Fiduciaries Open-End Diversified Core ("NFI_ODCE") index over any given three-to-five-year period. The Fund's real return performance objective is to achieve at least a 5.0% real rate of return (i.e., inflation-adjusted return), before advisory fees, over any given three-to-five-year period. Investors may request redemptions of all or a portion of their units as of the end of a calendar quarter by delivering written notice to the Fund at least sixty days prior to the end of the quarter.
- ⁽⁵⁾ Magnitude Institutional, Ltd. ("MIL") has a balance of \$81 and is designed to realize appreciation in value primarily through the allocation of capital directly and indirectly among investment funds and accounts. There are significant redemption restrictions in the MIL fund.

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The following table summarizes the fair values of the pension plan assets by asset class as of December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>Total</u>
Assets					
Fixed maturities, short term investments and cash:					
Cash and cash equivalents	\$ —	\$ —	\$ —	\$ —	\$ —
Short-term investment fund ⁽¹⁾	—	—	—	48	48
U.S. Government securities	131	—	—	—	131
U.S. corporate, state and municipalities	1	498	7	—	506
Foreign securities	—	66	—	—	66
Other fixed maturities	—	1	—	—	1
Total fixed maturities	132	565	7	48	752
Equity securities:					
Large-cap domestic	369	—	—	—	369
Small/Mid-cap domestic	98	—	—	—	98
International commingled funds ⁽²⁾	—	—	—	188	188
Limited partnerships ⁽³⁾	—	—	—	29	29
Total equity securities	467	—	—	217	684
Other investments:					
Real estate ⁽⁴⁾	—	—	—	92	92
Limited partnerships ⁽⁵⁾	—	—	—	75	75
Other	2	—	—	—	2
Total other investments	2	—	—	167	169
Net, total pension assets	\$ 601	\$ 565	\$ 7	\$ 432	\$ 1,605

⁽¹⁾ This category includes common collective trust funds invested in the Short-term Investment Fund. The Short-term Investment Fund is designed to provide a rate of return by investing in a full range of high-quality, short-term money market securities. Participant's redemptions in the Short-term Investment Fund may be requested by 2 p.m. eastern standard time and are processed by the following day.

⁽²⁾ International Commingled funds are comprised of two assets that use NAV to calculate fair value. Baillie Gifford Funds has a balance of \$94 and uses a bottom up approach to stock picking. In determining the potential of a company, the fund manager analyzes industry background, competitive advantage, management attitudes and financial strength and valuation. There are no redemption restrictions in the Baillie Gifford Funds. Silchester has a fund balance of \$94 that has an investment objective to achieve long-term growth primarily by investing in a diversified portfolio of equity securities of companies located in any country other than the United States. Silchester clients may contribute to and redeem moneys from the funds on a monthly basis as of the last business day of each month. Clients must notify Silchester at least six business days before the month-end to make a redemption request. Baillie Gifford and Silchester, as a normal course of business, enter into contracts (commitments) that contain indemnifications or warranties. The funds' maximum exposure under these arrangements is unknown, as this would involve future claims that have not yet occurred. Baillie Gifford and Silchester have no unfunded commitments.

⁽³⁾ Limited partnerships are comprised of two assets that use NAV to calculate fair value. Pantheon Europe has a balance of \$4 and Pantheon USA has a balance of \$25. Their strategy is to create a portfolio of high quality private equity funds, operating across Europe and diversified by stage, sector, geography, manager and vintage year. As of December 31, 2018, Pantheon Europe and Pantheon USA have unfunded commitments of \$1 and \$5, respectively, and there were no significant redemption restrictions.

⁽⁴⁾ UBS uses NAV to calculate fair value. UBS has a balance of \$92 and is an actively managed core portfolio of equity real estate. The Fund has both relative and real return objectives. Its relative performance objective is to outperform the NFI_ODCE index over any given three-to-five-year period. The Fund's real return performance objective is to achieve at least a 5.0% real rate of return (i.e., inflation-adjusted return), before advisory fees, over any given three-to-five-year period. Investors may request redemptions of all or a portion of their units as of the end of a calendar quarter by delivering written notice to the Fund at least sixty days prior to the end of the quarter.

⁽⁵⁾ MIL has a balance of \$75 and is designed to realize appreciation in value primarily through the allocation of capital directly and indirectly among investment funds and accounts. There are significant redemption restrictions in the MIL fund.

Voya Financial, Inc.

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As described in the *Fair Value Measurements (excluding Consolidated Investment Entities)* Note to these Consolidated Financial Statements, pension plan assets are categorized into a three-level fair value hierarchy based upon the inputs available in evaluating each of the assets. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). Certain investments are measured at fair value using the NAV per share as a practical expedient and have not been classified in the fair value hierarchy. The leveling hierarchy is applied to the pension plans assets as follows:

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

Short-term Investment Funds: Short term investment funds are estimated at NAV. See subscript (1) in Fair Value Hierarchy table footnotes for a description of the fund's redemption policies.

U.S. Government securities, corporate bonds and notes and foreign securities: Fair values for actively traded marketable bonds are determined based upon quoted market prices and are classified as Level 1 assets. Corporate bonds, ABS, U.S. agency bonds, and foreign securities use observable pricing method such as matrix pricing, market corroborated pricing or inputs such as yield curves and indices. These investments are classified as Level 2.

International Commingled Funds: Commingled funds are estimated at NAV per share. See subscript (2) in Fair Value Hierarchy table footnotes for description of the fund's redemption policies.

Equity securities: Fair values for actively traded equity securities are based upon a quoted market price determined in an active market and are included in Level 1. Collective trust use observable pricing method such as matrix pricing, market corroborated pricing or inputs such as yield curves and indices. These investments are classified as Level 2.

Real estate: Real estate is estimated at NAV. See subscript (4) in Fair Value Hierarchy table footnotes for more information on real estate.

Limited partnerships: Limited partnerships are estimated at NAV. See subscripts (3) and (5) in Fair Value Hierarchy table footnotes for more information on limited partnerships.

Expected Future Contributions and Benefit Payments

The following table summarizes the expected benefit payments for the Company's pension plans to be paid for the years indicated:

2020	\$	125
2021		122
2022		126
2023		130
2024		130
2025-2029		682

The Company expects that it will make a cash contribution of approximately \$86 to the Plans in 2020.

Defined Contribution Plans

Certain of the Company's subsidiaries sponsor defined contribution plans. The largest defined contribution plan is the Voya 401(k) Savings Plan (the "Savings Plan"). The assets of the Savings Plan are held in independently administered funds. Substantially all employees of the Company are eligible to participate, other than the Company's agents. The Savings Plan is a tax qualified defined contribution plan. Savings Plan benefits are not guaranteed by the PBGC. The Savings Plan allows eligible participants to defer into the Savings Plan a specified percentage of eligible compensation on a pretax basis. The Company matches such pretax contributions, up to a maximum of 6% of eligible compensation, subject to IRS limits. Matching contributions are subject to a 4-year graded vesting schedule. Contributions made to the Savings Plan are subject to certain limits imposed by applicable law.

These plans do not give rise to balance sheet provisions, other than relating to short-term timing differences included in Other liabilities. The amount of cost recognized for the defined contribution pension plans for the years ended December 31, 2019, 2018 and 2017 was \$35, \$35 and \$39, respectively, and is recorded in Operating expenses in the Consolidated Statements of Operations.

16. Accumulated Other Comprehensive Income (Loss)

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

	December 31,		
	2019	2018	2017
Fixed maturities, net of OTTI	\$ 5,546	\$ 1,074	\$ 5,351
Equity securities	—	—	35
Derivatives ⁽¹⁾	145	170	127
DAC/VOBA adjustment on available-for-sale securities	(1,498)	(380)	(1,471)
Premium deficiency reserve	(249)	(57)	(190)
Sales inducements and other intangibles adjustment on available-for-sale securities	(185)	(64)	(278)
Other	—	—	(18)
Unrealized capital gains (losses), before tax	3,759	743	3,556
Deferred income tax asset (liability)	(435)	(143)	(840)
Net unrealized capital gains (losses)	3,324	600	2,716
Pension and other postretirement benefits liability, net of tax	7	7	15
AOCI	<u>\$ 3,331</u>	<u>\$ 607</u>	<u>\$ 2,731</u>

⁽¹⁾ Gains and losses reported in Accumulated Other Comprehensive Income (AOCI) from hedge transactions that resulted in the acquisition of an identified asset are reclassified into earnings in the same period or periods during which the asset acquired affects earnings. As of December 31, 2019, the portion of the AOCI that is expected to be reclassified into earnings within the next 12 months is \$25.

Voya Financial, Inc.

Notes to the Consolidated Financial Statements

(Dollar amounts in millions, unless otherwise stated)

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

	December 31, 2019		
	Before-Tax Amount	Income Tax	After-Tax Amount
Available-for-sale securities:			
Fixed maturities	\$ 4,448	\$ (935)	\$ 3,513
Equity securities	— ⁽¹⁾	—	—
Other	—	—	—
OTTI	3	(1)	2
Adjustments for amounts recognized in Net realized capital gains (losses) in the Consolidated Statements of Operations	21	(4)	17
DAC/VOBA	(1,118) ⁽²⁾	235	(883)
Premium deficiency reserve	(192)	40	(152)
Sales inducements and other intangibles	(121)	25	(96)
Change in unrealized gains/losses on available-for-sale securities	<u>3,041</u>	<u>(640)</u>	<u>2,401</u>
Derivatives:			
Derivatives	— ⁽³⁾	—	—
Adjustments related to effective cash flow hedges for amounts recognized in Net investment income in the Consolidated Statements of Operations	(25)	5	(20)
Change in unrealized gains/losses on derivatives	<u>(25)</u>	<u>5</u>	<u>(20)</u>
Pension and other postretirement benefits liability:			
Amortization of prior service cost recognized in Operating expenses in the Consolidated Statements of Operations	(4) ⁽⁴⁾	4	—
Change in pension and other postretirement benefits liability	<u>(4)</u>	<u>4</u>	<u>—</u>
Change in Accumulated other comprehensive income (loss)	<u>\$ 3,012</u>	<u>\$ (631)</u>	<u>\$ 2,381</u>

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

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

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

⁽⁴⁾ See the *Employee Benefit Arrangements* Note to these Consolidated Financial Statements for amounts reported in Net Periodic (Benefit) Costs.

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(Dollar amounts in millions, unless otherwise stated)

	December 31, 2018		
	Before-Tax Amount	Income Tax	After-Tax Amount
Available-for-sale securities:			
Fixed maturities	\$ (4,379)	\$ 1,079	\$ (3,300)
Equity securities	— ⁽¹⁾	—	—
Other	18	(8)	10
OTTI	32	(9)	23
Adjustments for amounts recognized in Net realized capital gains (losses) in the Consolidated Statements of Operations	70	(18)	52
DAC/VOBA	1,091 ⁽²⁾	(255)	836
Premium deficiency reserve	133	(28)	105
Sales inducements	214	(59)	155
Change in unrealized gains/losses on available-for-sale securities	<u>(2,821)</u>	<u>702</u>	<u>(2,119)</u>
Derivatives:			
Derivatives	69 ⁽³⁾	(19)	50
Adjustments related to effective cash flow hedges for amounts recognized in Net investment income in the Consolidated Statements of Operations	(26)	7	(19)
Change in unrealized gains/losses on derivatives	<u>43</u>	<u>(12)</u>	<u>31</u>
Pension and other postretirement benefits liability:			
Amortization of prior service cost recognized in Operating expenses in the Consolidated Statements of Operations	(11) ⁽⁴⁾	3	(8)
Change in pension and other postretirement benefits liability	<u>(11)</u>	<u>3</u>	<u>(8)</u>
Change in Accumulated other comprehensive income (loss)	<u>\$ (2,789)</u>	<u>\$ 693</u>	<u>\$ (2,096)</u>

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

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

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

⁽⁴⁾ See the *Employee Benefit Arrangements* Note to these Consolidated Financial Statements for amounts reported in Net Periodic (Benefit) Costs.

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	December 31, 2017		
	Before-Tax Amount	Income Tax	After-Tax Amount
Available-for-sale securities:			
Fixed maturities	\$ 1,943	\$ (647)	\$ 1,296
Equity securities	2	(1)	1
Other	13	(5)	8
OTTI	(2)	1	(1)
Adjustments for amounts recognized in Net realized capital gains (losses) in the Consolidated Statements of Operations	(3)	1	(2)
DAC/VOBA	(388) ⁽¹⁾	150	(238)
Premium deficiency reserve	(136)	48	(88)
Sales inducements	(109)	39	(70)
Change in unrealized gains/losses on available-for-sale securities	1,320	(414)	906
Derivatives:			
Derivatives	(106) ⁽²⁾	37	(69)
Adjustments related to effective cash flow hedges for amounts recognized in Net investment income in the Consolidated Statements of Operations	(25)	9	(16)
Change in unrealized gains/losses on derivatives	(131)	46	(85)
Pension and other postretirement benefits liability:			
Amortization of prior service cost recognized in Operating expenses in the Consolidated Statements of Operations	(15) ⁽³⁾	4	(11)
Change in pension and other postretirement benefits liability	(15)	4	(11)
Change in Accumulated other comprehensive income (loss)	\$ 1,174	\$ (364)	\$ 810

⁽¹⁾ See the *Deferred Policy Acquisition Costs and Value of Business Acquired* Note to these Consolidated Financial Statements for additional information.

⁽²⁾ See the *Derivative Financial Instruments* Note to these Consolidated Financial Statements for additional information.

⁽³⁾ See the *Employee Benefit Arrangements* Note to these Consolidated Financial Statements for amounts reported in Net Periodic (Benefit) Costs.

17. Income Taxes

Income tax expense (benefit) consisted of the following for the periods indicated:

	Year Ended December 31,		
	2019	2018	2017
Current tax expense (benefit):			
Federal	\$ 126	\$ 123	\$ (128)
State	1	(2)	—
Total current tax expense (benefit)	127	121	(128)
Deferred tax expense (benefit):			
Federal	(335)	(84)	812
State	3	—	3
Total deferred tax expense (benefit)	(332)	(84)	815
Total income tax expense (benefit)	\$ (205)	\$ 37	\$ 687

Voya Financial, Inc.**Notes to the Consolidated Financial Statements**

(Dollar amounts in millions, unless otherwise stated)

Income taxes were different from the amount computed by applying the federal income tax rate to Income (loss) before income taxes for the following reasons for the periods indicated:

	Year Ended December 31,		
	2019	2018	2017
Income (loss) before income taxes	\$ 560	\$ 528	\$ 385
Tax Rate	21.0 %	21.0%	35.0%
Income tax expense (benefit) at federal statutory rate	118	111	135
Tax effect of:			
Valuation allowance	(250)	(15)	(28)
Dividend received deduction	(37)	(49)	(40)
Audit settlement	—	—	—
State tax expense (benefit)	1	10	4
Noncontrolling interest	(10)	(30)	(76)
Tax credits	(33)	—	14
Nondeductible expenses	1	4	2
Expirations of federal tax capital loss carryforward	—	—	2
Effect of Tax Reform	—	8	679 *
Other	5	(2)	(5)
Income tax expense (benefit)	<u>\$ (205)</u>	<u>\$ 37</u>	<u>\$ 687</u>
Effective tax rate	<u>(36.6)%</u>	<u>7.0%</u>	<u>178.4%</u>

*Effect of Tax Reform includes a tax benefit of \$283 related to change in valuation allowance

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

Voya Financial, Inc.
Notes to the Consolidated Financial Statements
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Temporary Differences

The tax effects of temporary differences that give rise to deferred tax assets and deferred tax liabilities were as follows as of the dates indicated:

	December 31,	
	2019	2018
Deferred tax assets		
Federal and state loss carryforwards	\$ 2,147	\$ 2,051
Investments	189	246
Insurance reserves	—	187
Compensation and benefits	269	295
Other assets	132	124
Total gross assets before valuation allowance	2,737	2,903
Less: Valuation allowance	388	638
Assets, net of valuation allowance	2,349	2,265
Deferred tax liabilities		
Net unrealized investment gains	(769)	(145)
Insurance reserves	(45)	—
Deferred policy acquisition costs	(66)	(493)
Other liabilities	(11)	(17)
Total gross liabilities	(891)	(655)
Net deferred income tax asset (liability)	\$ 1,458	\$ 1,610

The following table sets forth the federal, state and capital loss carryforwards for tax purposes as of the dates indicated:

	December 31,	
	2019	2018
Federal net operating loss carryforward	\$ 9,591 ⁽¹⁾	\$ 9,319
State net operating loss carryforward	2,849 ⁽²⁾	2,244
Federal tax capital loss carryforward	17 ⁽³⁾	—
Credit carryforward	73 ⁽⁴⁾	34

⁽¹⁾ Approximately \$5,882 of the net operating losses carryforwards ("NOL") not subject to expiration. Remaining NOLs expire between 2020 and 2037.

⁽²⁾ Approximately \$362 of the NOLs not subject to expiration. Remaining NOLs expire between 2020 and 2040.

⁽³⁾ Expires in 2024.

⁽⁴⁾ Expires between 2020 and 2039.

Valuation allowances are provided when it is considered more likely than not that some portion or all of the deferred tax assets will not be realized. As of December 31, 2019 and 2018, the Company had a total valuation allowance of \$388 and \$638, respectively. As of December 31, 2019 and 2018, \$742 and \$992, respectively, of this valuation allowance was allocated to continuing operations, and \$(354) and \$(354) allocated to Other comprehensive income (loss) related to realized and unrealized capital losses, respectively.

In our assessment of the valuation allowance for the year ended December 31, 2019, we determined that it is more likely than not that \$250 of additional deferred tax asset will be realized. As a result, we recorded a valuation allowance release of \$250, all of which was allocated to continuing operations.

For the year ended December 31, 2018, the decrease in the valuation allowance was \$15, all of which was allocated to continuing operations. The net decrease in the valuation allowance was a result of the utilization of certain capital losses subject to a valuation allowance as well as state apportionment changes for certain state deferred tax assets subject to a valuation allowance.

Voya Financial, Inc.
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For the year ended December 31, 2017, the decrease in the valuation allowance was \$311, all of which was allocated to continuing operations. The net decrease in the valuation allowance was primarily related to the reduction in the U.S. federal corporate tax rate from 35% to 21%, and expiration of foreign tax credits subject to a valuation allowance.

Unrecognized Tax Benefits

Reconciliations of the change in the unrecognized income tax benefits were as follows for the periods indicated:

	Year Ended December 31,		
	2019	2018	2017
Balance at beginning of period	\$ 33	\$ 37	\$ 36
Additions for tax positions related to current year	1	2	2
Additions for tax positions related to prior years	—	1	—
Reductions for tax positions related to prior years	(2)	(1)	—
Reductions for settlements with taxing authorities	—	(6)	—
Reductions for expiring statutes	—	—	(1)
Balance at end of period	<u>\$ 32</u>	<u>\$ 33</u>	<u>\$ 37</u>

The Company had \$1, \$1, and \$8 of unrecognized tax benefits as of December 31, 2019, 2018 and 2017, respectively, which would affect the Company's effective rate if recognized.

Interest and Penalties

The Company recognizes interest expense and penalties, if applicable, related to unrecognized tax benefits in tax expense net of federal income tax. The total amounts of gross accrued interest and penalties on the Company's Consolidated Balance Sheets as of December 31, 2019 and 2018 were immaterial. The Company recognized no gross interest (benefit) related to unrecognized tax in its Consolidated Statements of Operations for the years ended December 31, 2019, 2018 and 2017.

The timing of the payment of the remaining accrued interest and penalties cannot be reasonably estimated.

Tax Regulatory Matters

For the tax years 2017 through 2020, Voya Financial, Inc. participates in the IRS Compliance Assurance Process (CAP), which is a continuous audit program provided by the IRS. The IRS finalized the audit of Voya Financial, Inc. for the periods ended December 31, 2017 and December 31, 2018. For the periods ended December 31, 2019 and December 31, 2020, the IRS has determined that Voya Financial, Inc. would be in the Compliance Maintenance Bridge (Bridge) phase of CAP. In the Bridge phase, the IRS does not intend to conduct any review or provide any letters of assurance for the tax year.

Voya Financial, Inc.
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18. Financing Agreements

Short-term Debt

As of December 31, 2019 and 2018, the Company had \$1, respectively, of short-term borrowings outstanding consisting entirely of the current portion of long-term debt.

Long-term Debt

The following table summarizes the carrying value of the Company's long-term debt securities issued and outstanding as of December 31, 2019 and 2018:

	Issuer	Maturity	2019	2018
5.5% Senior Notes, due 2022 ⁽²⁾⁽³⁾	Voya Financial, Inc.	07/15/2022	\$ —	\$ 96
3.125% Senior Notes, due 2024 ⁽²⁾⁽³⁾	Voya Financial, Inc.	07/15/2024	397	396
3.65% Senior Notes, due 2026 ⁽²⁾⁽³⁾	Voya Financial, Inc.	06/15/2026	496	496
5.7% Senior Notes, due 2043 ⁽²⁾⁽³⁾	Voya Financial, Inc.	07/15/2043	395	395
4.8% Senior Notes, due 2046 ⁽²⁾⁽³⁾	Voya Financial, Inc.	06/15/2046	297	297
4.7% Fixed-to-Floating Rate Junior Subordinated Notes, due 2048 ⁽⁴⁾	Voya Financial, Inc.	01/23/2048	345	344
5.65% Fixed-to-Floating Rate Junior Subordinated Notes, due 2053 ⁽⁴⁾	Voya Financial, Inc.	05/15/2053	739	739
7.25% Voya Holdings Inc. debentures, due 2023 ⁽¹⁾	Voya Holdings Inc.	08/15/2023	139	138
7.63% Voya Holdings Inc. debentures, due 2026 ⁽¹⁾	Voya Holdings Inc.	08/15/2026	138	138
6.97% Voya Holdings Inc. debentures, due 2036 ⁽¹⁾	Voya Holdings Inc.	08/15/2036	79	79
8.42% Equitable of Iowa Companies Capital Trust II Notes, due 2027	Equitable of Iowa Capital Trust II	04/01/2027	14	14
1.00% Windsor Property Loan	Voya Retirement Insurance and Annuity Company	06/14/2027	4	5
Subtotal			<u>3,043</u>	<u>3,137</u>
Less: Current portion of long-term debt			1	1
Total			<u>\$ 3,042</u>	<u>\$ 3,136</u>

⁽¹⁾ Guaranteed by ING Group.

⁽²⁾ Interest is paid semi-annually in arrears.

⁽³⁾ Guaranteed by Voya Holdings.

⁽⁴⁾ See the Junior Subordinated Notes section below.

Unsecured senior debt, which consists of senior fixed rate notes and guarantees of fixed rate notes, ranks highest in priority, followed by subordinated debt, which consists of junior subordinated debt securities.

The aggregate amounts of future principal payments of long-term debt issued by the Company at December 31, 2019 for the next five years and thereafter are \$1 in 2020, \$1 in 2021, \$1 in 2022, \$1 in 2023, \$140 in 2024 and \$2,932 thereafter.

The aggregate amounts of future principal payments of long-term debt issued by Voya Financial, Inc. at December 31, 2019 for the next five years and thereafter are \$0 in 2020, \$0 in 2021, \$0 in 2022, \$0 in 2023, \$0 in 2024 and \$2,700 thereafter.

Loss on Debt Extinguishment

The Company incurred a loss on debt extinguishment of \$9, \$40 and \$4 for the years ended December 31, 2019, 2018 and 2017, respectively, which was recorded in Interest expense in the Consolidated Statements of Operations.

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Notes to the Consolidated Financial Statements
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Senior Notes

On July 5, 2017, Voya Financial, Inc. issued \$400 of unsecured 3.125% Senior Notes due July 15, 2024 (the "2024 Notes") in a registered public offering. The 2024 Notes are guaranteed by Voya Holdings. Interest is paid semi-annually, in arrears on each January 15 and July 15.

During the year ended December 31, 2019, the Company completed the redemption of the remaining \$97 aggregate principal amount of 5.5% Senior Notes due 2022 (the "2022 Notes"). During the year ended December 31, 2018, Voya Financial, Inc. repurchased \$141 and redeemed \$125 in aggregate principal amounts of the outstanding 2.9% Senior Notes due 2018.

Junior Subordinated Notes

Outstanding junior subordinated notes were as follows as of December 31, 2019:

Issuer	Issue Date	Interest Rate⁽¹⁾	Scheduled Redemption Date	Interest Rate Subsequent to Scheduled Redemption Date⁽²⁾	Final Maturity Date	Face Value
Voya Financial, Inc.	05/16/2013	5.65%	05/15/2023	LIBOR + 3.58%	05/15/2053 ⁽³⁾	\$ 750
Voya Financial, Inc.	01/23/2018	4.70%	01/23/2028	LIBOR + 2.084%	01/23/2048 ⁽⁴⁾	\$ 350

⁽¹⁾ Prior to the scheduled redemption date, interest is paid semi-annually, in arrears.

⁽²⁾ In the event the securities are not redeemed on or before the scheduled redemption date, interest will accrue after such date at an annual rate of three month LIBOR plus the indicated margin, payable quarterly in arrears.

⁽³⁾ The 5.65% Fixed-to-Floating Rate Junior Subordinated Notes due 2053 (the "2053 Notes") are guaranteed on a junior subordinated basis by Voya Holdings.

⁽⁴⁾ The 4.70% Fixed-to-Floating Rate Junior Subordinated Notes due 2048 (the "2048 Notes") are guaranteed on an unsecured, junior subordinated basis by Voya Holdings.

The Company has the right to defer interest payments on the Junior Subordinated Notes for one or more consecutive interest periods for up to five years, without resulting in a default, during which time interest will be compounded. On or after the optional redemption dates, Voya Financial, Inc. may redeem the Junior Subordinated Notes in whole or in part for the principal amount being redeemed plus accrued and unpaid interest. Prior to the optional redemption dates, the Company may elect to redeem the Junior Subordinated Notes for the principal amount being redeemed upon the occurrence of certain events as defined in the indentures governing the Junior Subordinated Notes, plus accrued and unpaid interest.

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

Aetna Notes

ING Group guarantees various debentures of Voya Holdings that were assumed by Voya Holdings in connection with the Company's acquisition of Aetna's life insurance and related businesses in 2000 (the "Aetna Notes"). Concurrent with the completion of the Company's IPO, the Company entered into a shareholder agreement with ING Group that governs certain aspects of the Company's continuing relationship. Pursuant to that agreement, the Company is obligated to reduce the aggregate outstanding principal amount of Aetna Notes to no more than zero as of December 31, 2019 or otherwise to make provision for ING Group's guarantee of any outstanding Aetna Notes in excess of such amounts.

The Company's obligation to ING Group with respect to the Aetna Notes can be met, at the Company's option, through redemptions, repurchases or by posting collateral with a third-party collateral agent, for the benefit of ING Group.

If the Company fails to meet these obligations to ING Group, the Company has agreed to pay a prescribed quarterly fee (1.25% per quarter for 2019) to ING Group based on the outstanding principal amount of Aetna Notes for which provision has not been made, in excess of the limits set forth above.

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As of December 31, 2019 and 2018, the outstanding principal amounts of the Aetna Notes were \$358, respectively. As of December 31, 2019 and 2018, the amounts of collateral required to avoid the payment of a fee to ING Group were \$358 and \$258, respectively. During the years ended December 31, 2019 and 2018, the Company deposited \$105 and \$36 of collateral, respectively, increasing the remaining collateral balance to \$372 and \$267, respectively.

Windsor Property Loan

On June 16, 2007, the State of Connecticut acting on behalf of the Department of Economic and Community Development ("DECD") loaned VRIAC \$10 (the "DECD Loan") in connection with the development of a corporate office facility located at One Orange Way, Windsor, Connecticut that serves as the principal executive offices of the Company (the "Windsor Property"). As of December 31, 2019 and 2018, the amount of the loan outstanding was \$4, which is reflected in Long-term debt on the Consolidated Balance Sheets.

In August 2017 the loan agreement between VRIAC and the DECD was amended and \$5 in cash was transferred into the cash deposit account as cash collateral. VRIAC's monthly payments of principal and interest are processed out of the cash deposit account.

Put Option Agreement for Senior Debt Issuance

During 2015, the Company entered into an off-balance sheet 10-year put option agreement with a Delaware trust formed by the Company, in connection with the sale by the trust of pre-capitalized trust securities ("P-Caps"), that provides Voya Financial, Inc. the right, at any time over a 10-year period, to issue up to \$500 principal amount of its 3.976% Senior Notes due 2025 ("3.976% Senior Notes") to the trust and receive in exchange a corresponding principal amount of U.S. Treasury securities that are held by the trust. The 3.976% Senior Notes will not be issued unless and until the put option is exercised. In return, the Company pays a semi-annual put premium to the trust at a rate of 1.875% per annum applied to the unexercised portion of the put option, and reimburses the trust for its expenses. The put premium and expense reimbursements are recorded in Operating expenses in the Consolidated Statements of Operations. If and when issued, the 3.976% Senior Notes will be guaranteed by Voya Holdings.

Upon an event of default, the put option will be exercised automatically in full. The Company has a one-time right to unwind a prior voluntary exercise of the put option by repurchasing all of the 3.976% Senior Notes then held by the trust for U.S. Treasury securities. If the put option has been fully exercised, the 3.976% Senior Notes issued may be redeemed by the Company prior to their maturity at par or, if greater, at a make-whole redemption price, in each case plus accrued and unpaid interest to the date of redemption. The P-Caps are to be redeemed by the trust on February 15, 2025 or upon any early redemption of the 3.976% Senior Notes.

Credit Facilities

The Company uses credit facilities to provide collateral required primarily under its affiliated reinsurance transactions with captive insurance subsidiaries. Total fees associated with credit facilities for the years ended 2019, 2018 and 2017 were \$34, \$34 and \$50, respectively.

Voya Financial, Inc.

Notes to the Consolidated Financial Statements

(Dollar amounts in millions, unless otherwise stated)

The following table outlines the Company's credit facilities as of December 31, 2019:

Obligor / Applicant	Secured/ Unsecured	Committed/ Uncommitted	Expiration	Capacity	Utilization	Unused Commitment
Voya Financial, Inc.	Unsecured	Committed	11/01/2024	\$ 500	\$ —	\$ 500
Voya Financial, Inc. / Security Life of Denver International Limited . .	Unsecured	Committed	03/20/2022	250	242	8
Security Life of Denver International Limited.	Unsecured	Committed	10/29/2023	61	51	10
Voya Financial, Inc. / Security Life of Denver International Limited . .	Unsecured	Committed	12/31/2025	475	475	—
Voya Financial, Inc. / Security Life of Denver International Limited	Unsecured	Committed	07/01/2037	1,725	1,606	119
Voya Financial, Inc.	Unsecured	Committed	02/11/2022	300	300	—
Voya Financial, Inc.	Secured	Uncommitted	Various	10	1	—
Voya Financial, Inc. / Roaring River LLC	Unsecured	Committed	10/01/2025	425	392	33
Voya Financial, Inc. / Roaring River IV, LLC	Unsecured	Committed	12/31/2028	565	357	208
Voya Financial, Inc. / Security Life of Denver International Limited . .	Unsecured	Uncommitted	12/31/2020	300	58	—
Voya Financial, Inc.	Unsecured	Committed	12/09/2024	300	250	50
Voya Financial, Inc.	Unsecured	Uncommitted	04/27/2021	125	125	—
Total.				\$ 5,036	\$ 3,857	\$ 928

Senior Unsecured Credit Facility

As of December 31, 2019, the Company had a \$500 senior unsecured credit facility with a syndicate of banks which expires November 1, 2024. The facility provides \$500 of committed capacity for issuing letters of credit and the full \$500 may be utilized for direct borrowings. As of December 31, 2019, there were no amounts outstanding as revolving credit borrowings and no amounts of LOCs outstanding under the senior unsecured credit facility. Under the terms of the facility, the Company is required to maintain a minimum net worth of \$6.15 billion, which may increase upon any future equity issuances by the Company.

19. Commitments and Contingencies

Leases

The Company leases its office space and certain equipment under operating leases, the longest term of which expires in 2030. The Company also has currently one finance lease associated with a service contract.

For the years ended December 31, 2019, 2018 and 2017, rent expense for leases was \$30, \$29 and \$34, respectively. Payments under the finance leases were \$4. The future net minimum payments under non-cancelable leases are as follows as of December 31, 2019:

	<u>Operating Leases</u>	<u>Finance Leases</u>
2020	\$ 31	\$ 21
2021	28	21
2022	28	21
2023	23	2
2024	18	—
Thereafter	17	—
Total undiscounted lease payments	<u>145</u>	<u>65</u>
Less: Imputed interest	(26)	(3)
Total Lease liabilities	<u>\$ 119</u>	<u>\$ 62</u>

During 2019, the Company entered into a lease agreement, which has a commencement date in 2020 and a commitment of \$38. This agreement is excluded from the table above.

Commitments

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

As of December 31, 2019, the Company had off-balance sheet commitments to acquire mortgage loans of \$107 and purchase limited partnerships and private placement investments of \$909, of which \$255 related to consolidated investment entities.

Insurance Company Guaranty Fund Assessments

Insurance companies are assessed on the costs of funding the insolvencies of other insurance companies by the various state guaranty associations, generally based on the amount of premiums companies collect in that state.

The Company accrues the cost of future guaranty fund assessments based on estimates of insurance company insolvencies provided by the National Organization of Life and Health Insurance Guaranty Associations and the amount of premiums written in each state. The Company has estimated this undiscounted liability, which is included in Other liabilities on the Consolidated Balance Sheets, to be \$1 and \$2 as of December 31, 2019 and 2018, respectively. The Company has also recorded an asset, in Other assets on the Consolidated Balance Sheets of \$14 and \$15 as of December 31, 2019 and 2018, respectively, for future credits to premium taxes. The Company estimates its liabilities for future assessments under state insurance guaranty association laws. The Company believes the reserves established are adequate for future assessments relating to insurance companies that are currently subject to insolvency proceedings.

Restricted Assets

The Company is required to maintain assets on deposit with various regulatory authorities to support its insurance operations. The Company may also post collateral in connection with certain securities lending, repurchase agreements, funding agreements, credit facilities and derivative transactions. The components of the fair value of the restricted assets were as follows as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Fixed maturity collateral pledged to FHLB ⁽¹⁾	\$ 1,211	\$ 771
FHLB restricted stock ⁽²⁾	55	50
Other fixed maturities-state deposits	48	99
Cash & cash equivalents	12	13
Securities pledged ⁽³⁾	1,408	1,462
Total restricted assets	<u>\$ 2,734</u>	<u>\$ 2,395</u>

⁽¹⁾Included in Fixed maturities, available-for-sale, at fair value on the Consolidated Balance Sheets.

⁽²⁾Included in Other investments on the Consolidated Balance Sheets.

⁽³⁾Includes the fair value of loaned securities of \$1,159 and \$1,237 as of December 31, 2019 and 2018, respectively. In addition, as of December 31, 2019 and 2018, the Company delivered securities as collateral of \$183 and \$180 and repurchase agreements of \$66 and \$45, respectively. Loaned securities and securities delivered as collateral are included in Securities pledged on the Consolidated Balance Sheets.

Federal Home Loan Bank Funding Agreements

The Company is a member of the FHLB of Des Moines and the FHLB of Boston, and is required to pledge collateral to back funding agreements issued to the FHLB. As of December 31, 2019 and 2018, the Company had \$877 and \$657, respectively, in non-puttable funding agreements, which are included in Contract owner account balances on the Consolidated Balance Sheets. As of December 31, 2019 and 2018, assets with a market value of approximately \$1,211 and \$771, respectively, collateralized the FHLB funding agreements. Assets pledged to the FHLB are included in Fixed maturities, available-for-sale, at fair value on the Consolidated Balance Sheets. Additionally, SLD is currently a member of FHLB of Topeka. The related non-puttable funding agreements and the assets pledged are reflected in Liabilities and Assets held for sale, respectively on the Consolidated Balance Sheets.

Litigation, Regulatory Matters and Loss Contingencies

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

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

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

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

For some matters, the Company is able to estimate a possible range of loss. For such matters in which a loss is probable, an accrual has been made. For matters where the Company, however, believes a loss is reasonably possible, but not probable, no accrual is required. For matters for which an accrual has been made, but there remains a reasonably possible range of loss in excess of the amounts accrued or for matters where no accrual is required, the Company develops an estimate of the unaccrued amounts of the reasonably possible range of losses. As of December 31, 2019, the Company estimates the aggregate range of reasonably possible losses, in excess of any amounts accrued for these matters as of such date, to be up to approximately \$50.

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

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

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

Lastly, litigation includes *Zhou v. Voya Financial, Inc. and Security Life of Denver* (USDC District of Colorado, No. 1:19-cv-02781) (filed September 27, 2019), a putative class action in which the plaintiff alleges that the Company did not properly administer certain universal life insurance policies. The plaintiff claims that the Company did not timely credit interest earned on the payment of her premiums and incorrectly calculated the amount of interest that the Company credited to her account. In addition to the class allegations, the lawsuit alleges breach of contract and conversion and seeks declaratory and injunctive relief. The Company denies the allegations, which it believes are without merit, and intends to defend the case vigorously.

Finally, industry wide, life insurers continue to be exposed to class action litigation related to the cost of insurance rates and periodic deductions from cash value. Common allegations include that insurance companies have breached the terms of their universal life insurance policies by establishing or increasing the cost of insurance rates using cost factors not permitted by the contract, thereby unjustly enriching themselves. This litigation is generally known as cost of insurance litigation.

Cost of insurance litigation for the Company includes *Barnes v. Security Life of Denver* (USDC District of Colorado, No. 1:18-cv-00718) (filed March 27, 2018), a putative class action in which the plaintiff alleges that his insurance policy only permitted the Company to rely upon his expected future mortality experience to establish and increase his cost of insurance, but the Company instead relied upon other, non-disclosed factors to do so. Plaintiff alleges breach of contract and conversion claims against the

Company and also seeks declaratory relief. The Company denies the allegations in the complaint, believes the complaint to be without merit, and intends to defend the matter vigorously.

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

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

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

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

As of December 31, 2019, approximately \$79 of previously accrued carried interest would be subject to full or partial reversal in future periods if cumulative fund performance hurdles are not maintained throughout the remaining life of the affected funds.

20. Consolidated Investment Entities

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

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

The Company has no right to the benefits from, nor does it bear the risks associated with consolidated investment entities beyond the Company's direct equity and debt investments in and management fees generated from these entities. Such direct investments amounted to approximately \$279 and \$290 on a continuing basis as of December 31, 2019 and 2018, respectively. If the Company were to liquidate, the assets held by consolidated investment entities would not be available to the general creditors of the Company as a result of the liquidation.

Consolidated VIEs and VOEs

Collateral Loan Obligations Entities ("CLOs")

The Company is involved in the design, creation, and the ongoing management of CLOs. These entities are created for the purpose of acquiring diversified portfolios of senior secured floating rate leveraged loans, and securitizing these assets by issuing multiple

Voya Financial, Inc.

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(Dollar amounts in millions, unless otherwise stated)

tranches of collateralized debt; thereby providing investors with a broad array of risk and return profiles. Also known as collateralized financing entities under Topic 810, CLOs are variable interest entities by definition.

In return for providing collateral management services, the Company earns investment management fees and contingent performance fees. In addition to earning fee income, the Company often holds an investment in certain of the CLOs it manages, generally within the unrated and most subordinated tranche of each CLO. The fee income earned and investments held are included in the Company's ongoing consolidation assessment for each CLO. The Company was the primary beneficiary of 3 and 2 CLOs as of December 31, 2019 and 2018, respectively.

Limited Partnerships ("LPs")

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

In return for serving as the general partner of and providing investment management services to these entities, the Company earns management fees and carried interest in the normal course of business. Additionally, the Company often holds an investment in each limited partnership it manages, generally in the form of general partner and limited partner interests. The fee income, carried interest, and investments held are included in the Company's ongoing consolidation analysis for each limited partnership. The Company consolidated 12 funds, which were structured as partnerships, as of December 31, 2019 and 2018, respectively.

Registered Investment Companies

The Company consolidated one sponsored investment fund accounted for as a VOE as of December 31, 2019 and 2018, because it is the majority investor in the fund, and as such, has a controlling financial interest in the fund.

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(Dollar amounts in millions, unless otherwise stated)

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Assets of Consolidated Investment Entities		
VIEs		
Cash and cash equivalents	\$ 68	\$ 331
Corporate loans, at fair value using the fair value option	513	542
Limited partnerships/corporations, at fair value	1,470	1,313
Other assets	12	15
Total VIE assets	<u>2,063</u>	<u>2,201</u>
VOEs		
Limited partnerships/corporations, at fair value	162	108
Other assets	1	1
Total VOE assets	<u>163</u>	<u>109</u>
Total assets of consolidated investment entities	<u>\$ 2,226</u>	<u>\$ 2,310</u>
Liabilities of Consolidated Investment Entities		
VIEs		
CLO notes, at fair value using the fair value option	\$ 474	\$ 540
Other liabilities	650	681
Total VIE liabilities	<u>1,124</u>	<u>1,221</u>
VOEs		
Other liabilities	2	7
Total VOE liabilities	<u>2</u>	<u>7</u>
Total liabilities of consolidated investment entities	<u>\$ 1,126</u>	<u>\$ 1,228</u>

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(Dollar amounts in millions, unless otherwise stated)

The following tables summarize the impact of consolidation of investment entities into the Consolidated Balance Sheets as of the dates indicated:

	<u>Before Consolidation⁽¹⁾</u>	<u>CLOs</u>	<u>LPs and VOEs</u>	<u>CLOs Adjustments⁽²⁾</u>	<u>LPs and VOEs Adjustments⁽²⁾</u>	<u>Total</u>
December 31, 2019						
Total investments and cash	\$ 55,146	\$ —	\$ —	\$ (32)	\$ (246)	\$ 54,868
Other assets	10,219	—	—	—	(1)	10,218
Assets held in consolidated investment entities	—	551	1,675	—	—	2,226
Assets held in separate accounts	81,670	—	—	—	—	81,670
Assets held for sale	20,069	—	—	—	—	20,069
Total assets	<u>\$ 167,104</u>	<u>\$ 551</u>	<u>\$ 1,675</u>	<u>\$ (32)</u>	<u>\$ (247)</u>	<u>\$ 169,051</u>
Future policy benefits and contract owner account balances	\$ 50,868	\$ —	\$ —	\$ —	\$ —	\$ 50,868
Other liabilities	6,659	—	—	—	—	6,659
Liabilities held in consolidated investment entities	1	551	607	(32)	(1)	1,126
Liabilities related to separate accounts	81,670	—	—	—	—	81,670
Liabilities held for sale	18,498	—	—	—	—	18,498
Total liabilities	<u>157,696</u>	<u>551</u>	<u>607</u>	<u>(32)</u>	<u>(1)</u>	<u>158,821</u>
Equity attributable to common shareholders	9,408	—	1,068	—	(1,068)	9,408
Equity attributable to noncontrolling interest in consolidated investment entities	—	—	—	—	822	822
Total liabilities and equity	<u>\$ 167,104</u>	<u>\$ 551</u>	<u>\$ 1,675</u>	<u>\$ (32)</u>	<u>\$ (247)</u>	<u>\$ 169,051</u>

⁽¹⁾ The Before Consolidation column includes the Company's direct investments in CIEs prior to consolidation, which are accounted for using the equity method or fair value option.

⁽²⁾ Adjustments include the elimination of intercompany transactions between the Company and CIEs. This consists primarily of the Company's direct investments in CIEs, but may also contain intercompany receivables or payables. The Company's direct investments are eliminated against CIE liabilities in the case of CLOs, or the net assets of consolidated private equity and other funds.

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(Dollar amounts in millions, unless otherwise stated)

	Before Consolidation ⁽¹⁾	CLOs	LPs and VOEs	CLOs Adjustments ⁽²⁾	LPs and VOEs Adjustments ⁽²⁾	Total
December 31, 2018						
Total investments and cash	\$ 52,142	\$ —	\$ —	\$ (7)	\$ (283)	\$ 51,852
Other assets	11,293	—	—	—	(1)	11,292
Assets held in consolidated investment entities	—	589	1,721	—	—	2,310
Assets held in separate accounts	69,931	—	—	—	—	69,931
Assets held for sale	20,045	—	—	—	—	20,045
Total assets	<u>\$ 153,411</u>	<u>\$ 589</u>	<u>\$ 1,721</u>	<u>\$ (7)</u>	<u>\$ (284)</u>	<u>\$ 155,430</u>
Future policy benefits and contract owner account balances	\$ 50,770	\$ —	\$ —	\$ —	\$ —	\$ 50,770
Other liabilities	6,593	—	—	—	—	6,593
Liabilities held in consolidated investment entities	1	589	646	(7)	(1)	1,228
Liabilities related to separate accounts	69,931	—	—	—	—	69,931
Liabilities held for sale	17,903	—	—	—	—	17,903
Total liabilities	<u>145,198</u>	<u>589</u>	<u>646</u>	<u>(7)</u>	<u>(1)</u>	<u>146,425</u>
Equity attributable to common shareholders	8,213	—	1,075	—	(1,075)	8,213
Equity attributable to noncontrolling interest in consolidated investment entities	—	—	—	—	792	792
Total liabilities and equity	<u>\$ 153,411</u>	<u>\$ 589</u>	<u>\$ 1,721</u>	<u>\$ (7)</u>	<u>\$ (284)</u>	<u>\$ 155,430</u>

⁽¹⁾ The Before Consolidation column includes the Company's direct investments in CIEs prior to consolidation, which are accounted for using the equity method or fair value option.

⁽²⁾ Adjustments include the elimination of intercompany transactions between the Company and CIEs. This consists primarily of the Company's direct investments in CIEs, but may also contain intercompany receivables or payables. The Company's direct investments are eliminated against CIE liabilities in the case of CLOs, or the net assets of consolidated private equity and other funds.

Voya Financial, Inc.
Notes to the Consolidated Financial Statements

(Dollar amounts in millions, unless otherwise stated)

The following tables summarize the impact of consolidation of investment entities into the Consolidated Statements of Operations for the periods indicated:

	Before Consolidation⁽¹⁾	CLOs	LPs and VOEs	CLOs Adjustments⁽²⁾	LPs and VOEs Adjustments⁽²⁾	Total
December 31, 2019						
Revenues:						
Net investment income	\$ 2,801	\$ —	\$ —	\$ (1)	\$ (8)	\$ 2,792
Fee income	2,008	—	—	(2)	(37)	1,969
Premiums	2,273	—	—	—	—	2,273
Net realized capital losses	(166)	—	—	—	—	(166)
Other income	465	—	—	—	—	465
Income related to consolidated investment entities	(1)	23	121	—	—	143
Total revenues	7,380	23	121	(3)	(45)	7,476
Benefits and expenses:						
Policyholder benefits and Interest credited and other benefits to contract owners	3,750	—	—	—	—	3,750
Other expense	3,121	—	—	—	—	3,121
Operating expenses related to consolidated investment entities . .	(1)	23	64	(3)	(38)	45
Total benefits and expenses	6,870	23	64	(3)	(38)	6,916
Income (loss) before income taxes	510	—	57	—	(7)	560
Income tax expense (benefit)	(205)	—	—	—	—	(205)
Income (loss) from continuing operations	715	—	57	—	(7)	765
Income (loss) from discontinued operations, net of tax	(1,066)	—	—	—	—	(1,066)
Net income (loss)	(351)	—	57	—	(7)	(301)
Less: Net income (loss) attributable to noncontrolling interest	—	—	—	—	50	50
Net income (loss) available to Voya Financial, Inc.	(351)	—	57	—	(57)	(351)
Less: Preferred stock dividends	28	—	—	—	—	28
Net income (loss) available to Voya Financial, Inc.'s common shareholders	\$ (379)	\$ —	\$ 57	\$ —	\$ (57)	\$ (379)

⁽¹⁾The Before Consolidation column includes the net investment income and fee income earned from CIEs prior to consolidation.

⁽²⁾Adjustments include the elimination of intercompany transactions between the Company and CIE's, primarily the elimination of management fees expensed by the funds and recorded as fee income by the Company prior to consolidation.

Voya Financial, Inc.

Notes to the Consolidated Financial Statements

(Dollar amounts in millions, unless otherwise stated)

	Before Consolidation ⁽¹⁾	CLOs	LPs and VOEs	CLOs Adjustments ⁽²⁾	LPs and VOEs Adjustments ⁽²⁾	Total
December 31, 2018						
Revenues:						
Net investment income	\$ 2,716	\$ —	\$ —	\$ (1)	\$ (46)	\$ 2,669
Fee income	2,033	—	—	(3)	(48)	1,982
Premiums	2,132	—	—	—	—	2,132
Net realized capital losses	(355)	—	—	—	—	(355)
Other income	443	—	—	—	—	443
Income related to consolidated investment entities	—	28	264	—	—	292
Total revenues	6,969	28	264	(4)	(94)	7,163
Benefits and expenses:						
Policyholder benefits and Interest credited and other benefits to contract owners	3,526	—	—	—	—	3,526
Other expense	3,060	—	—	—	—	3,060
Operating expenses related to consolidated investment entities.	—	28	73	(4)	(48)	49
Total benefits and expenses	6,586	28	73	(4)	(48)	6,635
Income (loss) before income taxes . . .	383	—	191	—	(46)	528
Income tax expense (benefit)	37	—	—	—	—	37
Income (loss) from continuing operations	346	—	191	—	(46)	491
Income (loss) from discontinued operations, net of tax	529	—	—	—	—	529
Net income (loss)	875	—	191	—	(46)	1,020
Less: Net income (loss) attributable to noncontrolling interest	—	—	—	—	145	145
Net income (loss) available to Voya Financial, Inc.	875	—	191	—	(191)	875
Less: Preferred stock dividends	—	—	—	—	—	—
Net income (loss) available to Voya Financial, Inc.'s common shareholders	\$ 875	\$ —	\$ 191	\$ —	\$ (191)	\$ 875

⁽¹⁾The Before Consolidation column includes the net investment income and fee income earned from CIEs prior to consolidation.

⁽²⁾Adjustments include the elimination of intercompany transactions between the Company and CIE's, primarily the elimination of management fees expensed by the funds and recorded as fee income by the Company prior to consolidation.

Voya Financial, Inc.

Notes to the Consolidated Financial Statements

(Dollar amounts in millions, unless otherwise stated)

	Before Consolidation ⁽¹⁾	CLOs	LPs and VOEs	CLOs Adjustments ⁽²⁾	LPs and VOEs Adjustments ⁽²⁾	Total
December 31, 2017						
Revenues:						
Net investment income	\$ 2,721	\$ —	\$ —	\$ (2)	\$ (78)	\$ 2,641
Fee income	1,937	—	—	(9)	(39)	1,889
Premiums	2,097	—	—	—	—	2,097
Net realized capital losses	(209)	—	—	—	—	(209)
Other income	379	—	—	—	—	379
Income related to consolidated investment entities	—	82	350	—	—	432
Total revenues	<u>6,925</u>	<u>82</u>	<u>350</u>	<u>(11)</u>	<u>(117)</u>	<u>7,229</u>
Benefits and expenses:						
Policyholder benefits and Interest credited and other benefits to contract owners	3,658	—	—	—	—	3,658
Other expense	3,099	—	—	—	—	3,099
Operating expenses related to consolidated investment entities	—	82	55	(11)	(39)	87
Total benefits and expenses	<u>6,757</u>	<u>82</u>	<u>55</u>	<u>(11)</u>	<u>(39)</u>	<u>6,844</u>
Income (loss) before income taxes	168	—	295	—	(78)	385
Income tax expense (benefit)	687	—	—	—	—	687
Income (loss) from continuing operations	(519)	—	295	—	(78)	(302)
Income (loss) from discontinued operations, net of tax	(2,473)	—	—	—	—	(2,473)
Net income (loss)	<u>(2,992)</u>	<u>—</u>	<u>295</u>	<u>—</u>	<u>(78)</u>	<u>(2,775)</u>
Less: Net income (loss) attributable to noncontrolling interest	—	—	—	—	217	217
Net income (loss) available to Voya Financial, Inc.	<u>(2,992)</u>	<u>—</u>	<u>295</u>	<u>—</u>	<u>(295)</u>	<u>(2,992)</u>
Less: Preferred stock dividends	—	—	—	—	—	—
Net income (loss) available to Voya Financial, Inc.'s common shareholders	<u>\$ (2,992)</u>	<u>\$ —</u>	<u>\$ 295</u>	<u>\$ —</u>	<u>\$ (295)</u>	<u>\$ (2,992)</u>

⁽¹⁾The Before Consolidation column includes the net investment income and fee income earned from CIEs prior to consolidation.

⁽²⁾Adjustments include the elimination of intercompany transactions between the Company and CIE's, primarily the elimination of management fees expensed by the funds and recorded as fee income by the Company prior to consolidation.

Fair Value Measurement

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

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

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

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

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

Cash and Cash Equivalents

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

CLOs

Corporate loans: Corporate loan investments, which comprise the majority of consolidated CLO portfolio collateral, are senior secured corporate loans maturing at various dates between 2020 and 2028, paying interest at LIBOR, EURIBOR or PRIME plus a spread of up to 10.0%. As of December 31, 2019 and 2018, the unpaid principal balance exceeded the fair value of the corporate loans by approximately \$18 and \$13, respectively. Less than 1.0% of the collateral assets were in default as of December 31, 2019 and 2018.

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

CLO notes: The CLO notes are backed by a diversified loan portfolio consisting primarily of senior secured floating rate leveraged loans. Repayment risk is segmented into tranches with credit ratings of these tranches reflecting both the credit quality of underlying collateral as well as how much protection a given tranche is afforded by tranches that are subordinate to it. The most subordinated tranche bears the first loss and receives the residual payments, if any. The interest rates are generally variable rates based on LIBOR plus a pre-defined spread, which varies from 0.7% for the more senior tranches to 5.4% for the more subordinated tranches. CLO notes mature in 2026 and have a weighted average maturity of 6.6 years as of December 31, 2019. The investors in this debt are not affiliated with the Company and have no recourse to the general credit of the Company for this debt.

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

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

The following narrative indicates the sensitivity of inputs:

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

Private Equity Funds

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

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

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

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

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

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

As of December 31, 2019 and 2018, certain private equity funds maintained term loans and revolving lines of credit of \$669 and \$753, respectively. The term loans renew every three years and the revolving lines of credit renew annually; all loans bear interest at LIBOR/EURIBOR plus 150 - 200 bps. The lines of credit are used for funding transactions before capital is called from investors, as well as for the financing of certain purchases. As of December 31, 2019 and 2018, outstanding borrowings amount to \$602 and \$584, respectively.

Voya Financial, Inc.**Notes to the Consolidated Financial Statements**

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On February 1, 2018, Pomona Investment Fund entered into a three-year revolving credit agreement with Credit Suisse. The size of the facility is \$25; the loan bears interest at LIBOR plus 325 bps and has a commitment fee of 160 bps. There was \$3 of outstanding borrowing as of December 31, 2019.

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

The following table summarizes the fair value hierarchy levels of consolidated investment entities as of December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>Total</u>
Assets					
VIEs					
Cash and cash equivalents	\$ 68	\$ —	\$ —	\$ —	\$ 68
Corporate loans, at fair value using the fair value option	—	513	—	—	513
Limited partnerships/corporations, at fair value	—	—	—	1,470	1,470
VOEs					
Limited partnerships/corporations, at fair value	—	—	—	162	162
Total assets, at fair value	<u>\$ 68</u>	<u>\$ 513</u>	<u>\$ —</u>	<u>\$ 1,632</u>	<u>\$ 2,213</u>
Liabilities					
VIEs					
CLO notes, at fair value using the fair value option	\$ —	\$ 474	\$ —	\$ —	\$ 474
Total liabilities, at fair value	<u>\$ —</u>	<u>\$ 474</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 474</u>

The following table summarizes the fair value hierarchy levels of consolidated investment entities as of December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>Total</u>
Assets					
VIEs					
Cash and cash equivalents	\$ 331	\$ —	\$ —	\$ —	\$ 331
Corporate loans, at fair value using the fair value option	—	542	—	—	542
Limited partnerships/corporations, at fair value	—	—	—	1,313	1,313
VOEs					
Limited partnerships/corporations, at fair value	—	—	—	108	108
Total assets, at fair value	<u>\$ 331</u>	<u>\$ 542</u>	<u>\$ —</u>	<u>\$ 1,421</u>	<u>\$ 2,294</u>
Liabilities					
VIEs					
CLO notes, at fair value using the fair value option	\$ —	\$ 540	\$ —	\$ —	\$ 540
Total liabilities, at fair value	<u>\$ —</u>	<u>\$ 540</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 540</u>

Transfers of investments out of Level 3 and into Level 2 or Level 1, if any, are recorded as of the beginning of the period in which the transfer occurred. For the years ended December 31, 2019 and 2018, there were no transfers in or out of Level 3 or transfers between Level 1 and Level 2.

Deconsolidation of Certain Investment Entities

The Company determined it was no longer the primary beneficiary of previously consolidated CLOs due to a reduction in the Company's investment in relation to the CLOs' equity. This caused a reduction in the Company's obligation to absorb losses and rights to receive benefits of the CLO that could potentially be significant to the CLO. As a result of this determination, the Company deconsolidated one and three investment entities during the years ended December 31, 2019 and December 31, 2018, respectively.

Nonconsolidated VIEs

CLOs

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

The Company reviews its assumptions on a periodic basis to determine if conditions have changed such that the projection of these contingent fees becomes significant enough to reconsider the Company's consolidation status as variable interest holder. As of December 31, 2019 and 2018, the Company held \$377 and \$468 ownership interests, respectively, in unconsolidated CLOs on a continuing basis.

Limited Partnerships

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

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

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

Variable Interests on the Consolidated Balance Sheet

	December 31, 2019		December 31, 2018	
	Carrying Amount	Maximum exposure to loss	Carrying Amount	Maximum exposure to loss
Fixed maturities, available for sale	\$ 377	\$ 377	\$ 466	\$ 466
Limited partnership/corporations	1,290	1,290	982	982

Securitizations

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

21. Restructuring

Organizational Restructuring

As a result of the closing of the 2018 Transaction, the decision to cease new sales following the strategic review of the Company's Individual Life business and the additional cost savings targets announced in November 2018, the Company has undertaken restructuring efforts to execute the 2018 Transaction, reduce stranded expenses, as well as improve operational efficiency, strengthen technology capabilities and centralize certain sales, operations and investment management activities ("Organizational Restructuring"). The initiatives associated with the closing of the 2018 Transaction and the decision to cease new sales following the strategic review of the Company's Individual Life business concluded during 2019.

These activities have resulted in recognition of severance and organizational transition costs and are reflected in Operating expenses in the Consolidated Statements of Operations, but excluded from Adjusted operating earnings before income taxes. These expenses are classified as a component of Other adjustments to Income (loss) from continuing operations before income taxes and consequently are not included in the adjusted operating results of the Company's segments. For the years ended December 31, 2019 and 2018, the Company incurred Organizational Restructuring expenses of \$201 and \$49 and associated with continuing operations.

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

	Years Ended December 31,			Cumulative Amounts Incurred to Date
	2019	2018	2017	
Severance benefits	\$ 39	\$ 15	\$ 4	\$ 58
Organizational transition costs	162	40	—	202
Total restructuring expenses	\$ 201	\$ 55	\$ 4	\$ 260

Including the expense of \$201 for the year ended December 31, 2019, the aggregate amount of additional Organizational Restructuring expenses expected is in the range of \$250 to \$300. The Company anticipates that these costs, which will include severance, organizational transition costs incurred to reorganize operations and other costs such as contract terminations and asset write-offs, will occur at least through the end of 2020.

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The following table presents the accrued liability associated with Organizational Restructuring expenses as of December 31, 2019:

	Severance Benefits	Organizational Transition Costs	Total
Accrued liability as of January 1, 2019	\$ 12	\$ 9	\$ 21
Provision	39	162	201
Payments	(21)	(146)	(167)
Accrued liability as of December 31, 2019	<u>\$ 30</u>	<u>\$ 25</u>	<u>\$ 55</u>

Pursuant to the Individual Life Transaction, the Company will divest or dissolve five regulated insurance entities, including its life companies domiciled in Colorado and Indiana, and captive entities domiciled in Arizona and Missouri. The Company will also divest Voya America Equities LLC, a regulated broker-dealer, and transfer or cease usage of a substantial number of administrative systems. The Company will undertake further restructuring efforts to reduce stranded expenses associated with its Individual Life business as well as its corporate and shared services functions. Through the closing of the Individual Life Transaction, the Company anticipates incurring additional restructuring expenses directly related to the disposition. These collective costs, which include severance, transition and other costs, cannot currently be estimated but could be material. Refer to the *Business Held for Sale and Discontinued Operation* Note to these Consolidated Financial statement for further information.

2016 Restructuring

In 2016, the Company began implementing a series of initiatives designed to make it a simpler, more agile company able to deliver an enhanced customer experience ("2016 Restructuring"). These initiatives include an increasing emphasis on less capital-intensive products and the achievement of operational synergies. Substantially all of the initiatives associated with the 2016 Restructuring program concluded at the end of 2018.

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

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

	Years Ended December 31,			Cumulative Amounts Incurred to Date⁽¹⁾
	2019	2018	2017	
Severance benefits	\$ —	\$ 9	\$ 34	\$ 69
Asset write-off costs	—	1	16	17
Transition costs	—	7	17	24
Other costs	8	13	15	44
Total restructuring expenses	<u>\$ 8</u>	<u>\$ 30</u>	<u>\$ 82</u>	<u>\$ 154</u>

⁽¹⁾ Cumulative amounts incurred to date include \$26 of severance benefits and \$8 of other costs incurred during the year ended December 31, 2016.

The following table presents the accrued liability associated with 2016 Restructuring expenses as of December 31, 2019:

	Severance Benefits	Transition Costs	Other Costs	Total
Accrued liability as of January 1, 2019	\$ 8	\$ 14	\$ 2	\$ 24
Provision	—	—	8	8
Payments	(4)	(6)	(10)	(20)
Accrued liability as of December 31, 2019	<u>\$ 4</u>	<u>\$ 8</u>	<u>\$ —</u>	<u>\$ 12</u>

22. Segments

On December 18, 2019, the Company entered into the Resolution MTA with Resolution Life US to sell several of its subsidiaries and the related Individual Life and fixed and variable annuities businesses within these subsidiaries. Additionally, on June 1, 2018, the Company consummated a series of transactions pursuant to a MTA (the "2018 MTA") to sell substantially all of its fixed and fixed indexed annuities businesses. See the *Business Held for Sale and Discontinued Operations* Note to these Consolidated Financial Statements. As such, the Company will no longer report its Life Insurance business as a segment. The Company revised prior period information to conform to current period presentation.

The Company provides its principal products and services through three segments: Retirement, Investment Management and Employee Benefits. These segments reflect the manner by which the Company's chief operating decision maker views and manages the business. A brief description of these segments follows.

The Retirement segment provides tax-deferred, employer-sponsored retirement savings plans and administrative services to corporate, education, healthcare, other non-profit and government entities, and stable value products to institutional clients where the Company may or may not be providing defined contribution products and services, as well as individual retirement accounts ("IRAs"), other retail financial products and comprehensive financial services to individual customers.

The Investment Management segment provides investment products and retirement solutions across a broad range of geographies, market sectors, investment styles and capitalization spectrums. Products and services are offered to institutional clients, including public, corporate and union retirement plans, endowments and foundations and insurance companies, as well as individual investors and general accounts of the Company's insurance subsidiaries and are distributed through the Company's direct sales force, consultant channel and intermediary partners (such as banks, broker-dealers and independent financial advisers).

The Employee Benefits segment provides stop loss, group life, voluntary employee-paid and disability products to mid-sized and large businesses.

The Company includes in Corporate the following corporate and business activities:

- corporate operations, corporate level assets and financial obligations; financing and interest expenses; dividend payments made to preferred shareholders; stranded costs and other items not allocated or directly related to the Company's segments, including items such as expenses of its Organizational Restructuring and 2016 Restructuring programs described in the *Restructuring* Note of these Consolidated Financial Statements, certain expenses and liabilities of employee benefit plans, certain adjustments to short-term and long-term incentive accruals and intercompany eliminations;
- investment income on assets backing surplus in excess of amounts held at the segment level;
- revenues and expenses related to a run-off block of guaranteed investment contracts ("GICs") and funding agreements as well as Residual Runoff Business.

Measurement

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

- Net investment gains (losses), net of related amortization of DAC, VOBA, sales inducements and unearned revenue, which are significantly influenced by economic and market conditions, including interest rates and credit spreads, and are not indicative of normal operations. Net investment gains (losses) include gains (losses) on the sale of securities, impairments, changes in the fair value of investments using the FVO unrelated to the implied loan-backed security income recognition for certain mortgage-backed obligations and changes in the fair value of derivative instruments, excluding realized gains (losses) associated with swap settlements and accrued interest;
- Net guaranteed benefit hedging gains (losses), which are significantly influenced by economic and market conditions and are not indicative of normal operations, include changes in the fair value of derivatives related to guaranteed benefits, net of related reserve increases (decreases) and net of related amortization of DAC, VOBA and sales inducements, less the estimated cost of these benefits. The estimated cost, which is reflected in adjusted operating earnings, reflects the expected cost of these benefits if markets perform in line with the Company's long-term expectations and includes the cost of hedging. Other derivative and reserve changes related to guaranteed benefits are excluded from adjusted operating earnings, including the impacts related to changes in the Company's nonperformance spread;
- Income (loss) related to businesses exited or to be exited through reinsurance or divestment, which includes gains and (losses) associated with transactions to exit blocks of business within continuing operations (including net investment gains (losses) on securities sold and expenses directly related to these transactions) and residual run-off activity (including an insignificant number of Individual Life, Annuities and CBVA policies that were not part of the Individual Life and 2018 Transactions). Excluding this activity, which also includes amortization of intangible assets related to businesses exited or to be exited, better reveals trends in the Company's core business and more closely aligns Adjusted operating earnings before income taxes with how the Company manages its segments;
- Income (loss) attributable to noncontrolling interest represents the interest of shareholders, other than those of the Company, in consolidated entities. Income (loss) attributable to noncontrolling interest represents such shareholders' interests in the gains and (losses) of those entities, or the attribution of results from consolidated VIEs or VOEs to which the Company is not economically entitled;

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- Dividend payments made to preferred shareholders are included as reductions to reflect the Adjusted operating earnings that is available to common shareholders;
- Income (loss) related to early extinguishment of debt, which includes losses incurred as a result of transactions where the Company repurchases outstanding principal amounts of debt; these losses are excluded from Adjusted operating earnings before income taxes since the outcome of decisions to restructure debt are not indicative of normal operations;
- Impairment of goodwill, value of management contract rights and value of customer relationships acquired, which includes losses as a result of impairment analysis; these represent losses related to infrequent events and do not reflect normal, cash-settled expenses;
- Immediate recognition of net actuarial gains (losses) related to the Company's pension and other postretirement benefit obligations and gains (losses) from plan amendments and curtailments, which includes actuarial gains and losses as a result of differences between actual and expected experience on pension plan assets or projected benefit obligation during a given period. The Company immediately recognizes actuarial gains and (losses) related to pension and other postretirement benefit obligations and gains and losses from plan adjustments and curtailments. These amounts do not reflect normal, cash-settled expenses and are not indicative of current Operating expense fundamentals; and
- Other items not indicative of normal operations or performance of the Company's segments or related to events such as capital or organizational restructurings undertaken to achieve long-term economic benefits, including certain costs related to debt and equity offerings, acquisition / merger integration expenses, severance and other expenses associated with such activities. These items vary widely in timing, scope and frequency between periods as well as between companies to which the Company is compared. Accordingly, the Company adjusts for these items as management believes that these items distort the ability to make a meaningful evaluation of the current and future performance of the Company's segments.

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

	Year Ended December 31,		
	2019	2018	2017
Income (loss) from continuing operations before income taxes	\$ 560	\$ 528	\$ 385
Less Adjustments:			
Net investment gains (losses) and related charges and adjustments	25	(124)	(112)
Net guaranteed benefit hedging gains (losses) and related charges and adjustments	(14)	62	46
Income (loss) related to businesses exited or to be exited through reinsurance or divestment	98	(40)	59
Income (loss) attributable to noncontrolling interest	50	145	217
Income (loss) related to early extinguishment of debt	(12)	(40)	(4)
Immediate recognition of net actuarial gains (losses) related to pension and other postretirement benefit obligations and gains (losses) from plan amendments and curtailments	3	(47)	(16)
Dividend payments made to preferred shareholders	28	—	—
Other adjustments	(209)	(79)	(97)
Total adjustments to income (loss) from continuing operations	(31)	(123)	93
Adjusted operating earnings before income taxes by segment:			
Retirement	\$ 588	\$ 701	\$ 456
Investment Management	180	205	248
Employee Benefits	199	160	127
Corporate	(376)	(415)	(539)
Total	<u>\$ 591</u>	<u>\$ 651</u>	<u>\$ 292</u>

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

- Net investment gains (losses) and related charges and adjustments, which are significantly influenced by economic and market conditions, including interest rates and credit spreads, and are not indicative of normal operations. Net investment gains (losses) include gains (losses) on the sale of securities, impairments, changes in the fair value of investments using the FVO unrelated to the implied loan-backed security income recognition for certain mortgage-backed obligations and changes in the fair value of derivative instruments, excluding realized gains (losses) associated with swap settlements and accrued interest. These are net of related amortization of unearned revenue;
- Gain (loss) on change in fair value of derivatives related to guaranteed benefits, which is significantly influenced by economic and market conditions and not indicative of normal operations, includes changes in the fair value of derivatives related to guaranteed benefits, less the estimated cost of these benefits. The estimated cost, which is reflected in Adjusted operating revenues, reflects the expected cost of these benefits if markets perform in line with the Company's long-term expectations and includes the cost of hedging. Other derivative and reserve changes related to guaranteed benefits are excluded from Adjusted operating revenues, including the impacts related to changes in the Company's nonperformance spread;

Voya Financial, Inc.

Notes to the Consolidated Financial Statements

(Dollar amounts in millions, unless otherwise stated)

- Revenues related to businesses exited or to be exited through reinsurance or divestment, which includes revenues associated with transactions to exit blocks of business within continuing operations (including net investment gains (losses) on securities sold related to these transactions) and residual run-off activity (including an insignificant number of Individual Life, Annuities and CBVA policies that were not part of the Individual Life and 2018 Transactions). Excluding this activity better reveals trends in the Company's core business and more closely aligns Adjusted operating revenues with how the Company manages its segments;
- Revenues attributable to noncontrolling interest represents the interests of shareholders, other than those of the Company, in consolidated entities. Revenues attributable to noncontrolling interest represents such shareholders' interests in the revenues of those entities, or the attribution of results from consolidated VIEs or VOEs to which the Company is not economically entitled; and
- Other adjustments to Total revenues primarily reflect fee income earned by the Company's broker-dealers for sales of non-proprietary products, which are reflected net of commission expense in the Company's segments' operating revenues, other items where the income is passed on to third parties and the elimination of intercompany investment expenses included in operating revenues.

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

	Year Ended December 31,		
	2019	2018	2017
Total revenues	\$ 7,476	\$ 7,163	\$ 7,229
Adjustments:			
Net realized investment gains (losses) and related charges and adjustments	18	(148)	(132)
Gain (loss) on change in fair value of derivatives related to guaranteed benefits	(13)	63	46
Revenues related to businesses exited or to be exited through reinsurance or divestment	1,531	1,446	1,618
Revenues attributable to noncontrolling interest	109	214	321
Other adjustments	321	238	193
Total adjustments to revenues	1,966	1,813	2,046
Adjusted operating revenues by segment:			
Retirement	\$ 2,712	\$ 2,727	\$ 2,538
Investment Management	675	683	731
Employee Benefits	2,026	1,849	1,767
Corporate	97	91	147
Total	<u>\$ 5,510</u>	<u>\$ 5,350</u>	<u>\$ 5,183</u>

Other Segment Information

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

	Year Ended December 31,		
	2019	2018	2017
Investment management intersegment revenues	\$ 104	\$ 101	\$ 103

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

	December 31, 2019	December 31, 2018
Retirement	\$ 118,024	\$ 104,995
Investment Management	745	690
Employee Benefits	3,117	2,560
Corporate	25,206	25,185
Total assets, before consolidation ⁽¹⁾	<u>147,092</u>	<u>133,430</u>
Consolidation of investment entities	1,890	1,955
Total assets, excluding assets held for sale	148,982	135,385
Assets held for sale	20,069	20,045
Total assets	<u>\$ 169,051</u>	<u>\$ 155,430</u>

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

23. Condensed Consolidating Financial Information

The accompanying condensed consolidating financial information has been prepared and presented pursuant to SEC Regulation S-X, Rule 3-10, "Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered" ("Rule 3-10"). The condensed consolidating financial information presents the financial position of Voya Financial, Inc. ("Parent Issuer"), Voya Holdings ("Subsidiary Guarantor") and all other subsidiaries ("Non-Guarantor Subsidiaries") of the Company as of December 31, 2019 and 2018, and their results of operations, comprehensive income and cash flows for the years ended December 31, 2019, 2018 and 2017.

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

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

Voya Financial, Inc.
Notes to the Consolidated Financial Statements

(Dollar amounts in millions, unless otherwise stated)

Condensed Consolidating Balance Sheet
December 31, 2019

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Assets:					
Investments:					
Fixed maturities, available-for-sale, at fair value	\$ 5	\$ —	\$ 39,673	\$ (15)	\$ 39,663
Fixed maturities, at fair value using the fair value option	—	—	2,707	—	2,707
Equity securities, at fair value	—	—	196	—	196
Short-term investments	—	—	68	—	68
Mortgage loans on real estate, net of valuation allowance	—	—	6,878	—	6,878
Policy loans	—	—	776	—	776
Limited partnerships/corporations	4	—	1,286	—	1,290
Derivatives	49	—	267	—	316
Investments in subsidiaries	11,003	8,493	—	(19,496)	—
Other investments	—	—	385	—	385
Securities pledged	—	—	1,408	—	1,408
Total investments	11,061	8,493	53,644	(19,511)	53,687
Cash and cash equivalents	212	—	969	—	1,181
Short-term investments under securities loan agreements, including collateral delivered	11	—	1,384	—	1,395
Accrued investment income	—	—	505	—	505
Premium receivable and reinsurance recoverable	—	—	3,732	—	3,732
Deferred policy acquisition costs and Value of business acquired	—	—	2,226	—	2,226
Deferred income taxes	816	39	603	—	1,458
Loans to subsidiaries and affiliates	164	—	69	(233)	—
Due from subsidiaries and affiliates	2	—	6	(8)	—
Other assets	7	—	895	—	902
Assets related to consolidated investment entities:					
Limited partnerships/corporations, at fair value	—	—	1,632	—	1,632
Cash and cash equivalents	—	—	68	—	68
Corporate loans, at fair value using the fair value option	—	—	513	—	513
Other assets	—	—	13	—	13
Assets held in separate accounts	—	—	81,670	—	81,670
Assets held for sale	—	—	20,069	—	20,069
Total assets	\$ 12,273	\$ 8,532	\$ 167,998	\$ (19,752)	\$ 169,051

Voya Financial, Inc.
Notes to the Consolidated Financial Statements

(Dollar amounts in millions, unless otherwise stated)

Condensed Consolidating Balance Sheet (Continued)
December 31, 2019

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Liabilities and Shareholders' Equity:					
Future policy benefits	\$ —	\$ —	\$ 9,945	\$ —	\$ 9,945
Contract owner account balances	—	—	40,923	—	40,923
Payables under securities loan and repurchase agreements, including collateral held	—	—	1,373	—	1,373
Short-term debt	69	87	78	(233)	1
Long-term debt	2,669	371	17	(15)	3,042
Derivatives	50	—	353	—	403
Pension and other postretirement provisions	—	—	468	—	468
Current income taxes	28	(17)	16	—	27
Due to subsidiaries and affiliates	4	—	2	(6)	—
Other liabilities	45	10	1,292	(2)	1,345
Liabilities related to consolidated investment entities:					
Collateralized loan obligations notes, at fair value using the fair value option	—	—	474	—	474
Other liabilities	—	—	652	—	652
Liabilities related to separate accounts	—	—	81,670	—	81,670
Liabilities held for sale	—	—	18,498	—	18,498
Total liabilities	2,865	451	155,761	(256)	158,821
Shareholders' equity:					
Total Voya Financial, Inc. shareholders' equity	9,408	8,081	11,415	(19,496)	9,408
Noncontrolling interest	—	—	822	—	822
Total shareholders' equity	9,408	8,081	12,237	(19,496)	10,230
Total liabilities and shareholders' equity	\$ 12,273	\$ 8,532	\$ 167,998	\$ (19,752)	\$ 169,051

Condensed Consolidating Balance Sheet
December 31, 2018

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Assets:					
Investments:					
Fixed maturities, available-for-sale, at fair value	\$ —	\$ —	\$ 36,912	\$ (15)	\$ 36,897
Fixed maturities, at fair value using the fair value option	—	—	2,233	—	2,233
Equity securities, at fair value	99	—	148	—	247
Short-term investments	—	—	126	—	126
Mortgage loans on real estate, net of valuation allowance	—	—	7,281	—	7,281
Policy loans	—	—	814	—	814
Limited partnerships/corporations	—	—	982	—	982
Derivatives	39	—	155	—	194
Investments in subsidiaries	10,099	7,060	—	(17,159)	—
Other investments	—	—	379	—	379
Securities pledged	—	—	1,462	—	1,462
Total investments	10,237	7,060	50,492	(17,174)	50,615
Cash and cash equivalents	209	2	1,026	—	1,237
Short-term investments under securities loan agreements, including collateral delivered	11	—	1,282	—	1,293
Accrued investment income	—	—	529	—	529
Premium receivable and reinsurance recoverable	—	—	3,843	—	3,843
Deferred policy acquisition costs and Value of business acquired	—	—	2,973	—	2,973
Current income taxes	(37)	26	28	—	17
Deferred income taxes	553	22	1,035	—	1,610
Loans to subsidiaries and affiliates	79	—	4	(83)	—
Due from subsidiaries and affiliates	2	—	3	(5)	—
Other assets	13	—	1,014	—	1,027
Assets related to consolidated investment entities:					
Limited partnerships/corporations, at fair value	—	—	1,421	—	1,421
Cash and cash equivalents	—	—	331	—	331
Corporate loans, at fair value using the fair value option	—	—	542	—	542
Other assets	—	—	16	—	16
Assets held in separate accounts	—	—	69,931	—	69,931
Assets held for sale	—	—	20,045	—	20,045
Total assets	\$ 11,067	\$ 7,110	\$ 154,515	\$ (17,262)	\$ 155,430

Voya Financial, Inc.

Notes to the Consolidated Financial Statements

(Dollar amounts in millions, unless otherwise stated)

Condensed Consolidating Balance Sheet (Continued)

December 31, 2018

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Liabilities and Shareholders' Equity:					
Future policy benefits	\$ —	\$ —	\$ 9,587	\$ —	\$ 9,587
Contract owner account balances	—	—	41,183	—	41,183
Payables under securities loan and repurchase agreements, including collateral held	—	—	1,366	—	1,366
Short-term debt	4	—	80	(83)	1
Long-term debt	2,763	371	17	(15)	3,136
Derivatives	39	—	125	—	164
Pension and other postretirement provisions	—	—	551	—	551
Due to subsidiaries and affiliates	1	—	2	(3)	—
Other liabilities	47	55	1,275	(2)	1,375
Liabilities related to consolidated investment entities:					
Collateralized loan obligations notes, at fair value using the fair value option	—	—	540	—	540
Other liabilities	—	—	688	—	688
Liabilities related to separate accounts	—	—	69,931	—	69,931
Liabilities held for sale	—	—	17,903	—	17,903
Total liabilities	2,854	426	143,248	(103)	146,425
Shareholders' equity:					
Total Voya Financial, Inc. shareholders' equity	8,213	6,684	10,475	(17,159)	8,213
Noncontrolling interest	—	—	792	—	792
Total shareholders' equity	8,213	6,684	11,267	(17,159)	9,005
Total liabilities and shareholders' equity	\$ 11,067	\$ 7,110	\$ 154,515	\$ (17,262)	\$ 155,430

Condensed Consolidating Statement of Operations
For the Year Ended December 31, 2019

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Revenues:					
Net investment income	\$ 39	\$ —	\$ 2,765	\$ (12)	\$ 2,792
Fee income	—	—	1,969	—	1,969
Premiums	—	—	2,273	—	2,273
Net realized capital gains (losses):					
Total other-than-temporary impairments	—	—	(65)	—	(65)
Less: Portion of other-than-temporary impairments recognized in Other comprehensive income (loss)	—	—	(1)	—	(1)
Net other-than-temporary impairments recognized in earnings	—	—	(64)	—	(64)
Other net realized capital gains (losses)	(1)	—	(101)	—	(102)
Total net realized capital gains (losses)	(1)	—	(165)	—	(166)
Other revenue	—	—	465	—	465
Income (loss) related to consolidated investment entities:					
Net investment income	—	—	143	—	143
Total revenues	38	—	7,450	(12)	7,476
Benefits and expenses:					
Policyholder benefits	—	—	2,583	—	2,583
Interest credited to contract owner account balances	—	—	1,167	—	1,167
Operating expenses	12	—	2,734	—	2,746
Net amortization of Deferred policy acquisition costs and Value of business acquired	—	—	199	—	199
Interest expense	151	29	8	(12)	176
Operating expenses related to consolidated investment entities:					
Interest expense	—	—	38	—	38
Other expense	—	—	7	—	7
Total benefits and expenses	163	29	6,736	(12)	6,916
Income (loss) from continuing operations before income taxes	(125)	(29)	714	—	560
Income tax expense (benefit)	(277)	(27)	99	—	(205)
Income (loss) from continuing operations	152	(2)	615	—	765
Income (loss) from discontinued operations, net of tax	—	(83)	(983)	—	(1,066)
Net income (loss) before equity in earnings (losses) of unconsolidated affiliates	152	(85)	(368)	—	(301)
Equity in earnings (losses) of subsidiaries, net of tax	(503)	431	—	72	—
Net income (loss)	(351)	346	(368)	72	(301)
Less: Net income (loss) attributable to noncontrolling interest	—	—	50	—	50
Net income (loss) available to Voya Financial, Inc. Less: Preferred stock dividends	(351) 28	346 —	(418) —	72 —	(351) 28
Net income (loss) available to Voya Financial, Inc.'s common shareholders	\$ (379)	\$ 346	\$ (418)	\$ 72	\$ (379)

**Condensed Consolidating Statement of Operations
For the Year Ended December 31, 2018**

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Revenues:					
Net investment income	\$ 1	\$ 1	\$ 2,676	\$ (9)	\$ 2,669
Fee income	—	—	1,982	—	1,982
Premiums	—	—	2,132	—	2,132
Net realized capital gains (losses):					
Total other-than-temporary impairments	—	—	(27)	—	(27)
Less: Portion of other-than-temporary impairments recognized in Other comprehensive income (loss)	—	—	1	—	1
Net other-than-temporary impairments recognized in earnings	—	—	(28)	—	(28)
Other net realized capital gains (losses)	—	—	(327)	—	(327)
Total net realized capital gains (losses)	—	—	(355)	—	(355)
Other revenue	(5)	—	448	—	443
Income (loss) related to consolidated investment entities:					
Net investment income	—	—	292	—	292
Total revenues	(4)	1	7,175	(9)	7,163
Benefits and expenses:					
Policyholder benefits	—	—	2,364	—	2,364
Interest credited to contract owner account balances	—	—	1,162	—	1,162
Operating expenses	11	—	2,595	—	2,606
Net amortization of Deferred policy acquisition costs and Value of business acquired	—	—	233	—	233
Interest expense	175	53	2	(9)	221
Operating expenses related to consolidated investment entities:					
Interest expense	—	—	41	—	41
Other expense	—	—	8	—	8
Total benefits and expenses	186	53	6,405	(9)	6,635
Income (loss) from continuing operations before income taxes	(190)	(52)	770	—	528
Income tax expense (benefit)	—	(24)	400	(339)	37
Income (loss) from continuing operations	(190)	(28)	370	339	491
Income (loss) from discontinued operations, net of tax	—	—	529	—	529
Net income (loss) before equity in earnings (losses) of unconsolidated affiliates	(190)	(28)	899	339	1,020
Equity in earnings (losses) of subsidiaries, net of tax	1,065	1,615	—	(2,680)	—
Net income (loss)	875	1,587	899	(2,341)	1,020
Less: Net income (loss) attributable to noncontrolling interest	—	—	145	—	145
Net income (loss) available to Voya Financial, Inc. Less: Preferred stock dividends	875	1,587	754	(2,341)	875
Net income (loss) available to Voya Financial, Inc.'s common shareholders	\$ 875	\$ 1,587	\$ 754	\$ (2,341)	\$ 875

Condensed Consolidating Statement of Operations
For the Year Ended December 31, 2017

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Revenues:					
Net investment income	\$ 33	\$ —	\$ 2,621	\$ (13)	\$ 2,641
Fee income	—	—	1,889	—	1,889
Premiums	—	—	2,097	—	2,097
Net realized capital gains (losses):					
Total other-than-temporary impairments	—	—	(29)	—	(29)
Less: Portion of other-than-temporary impairments recognized in Other comprehensive income (loss)	—	—	(9)	—	(9)
Net other-than-temporary impairments recognized in earnings	—	—	(20)	—	(20)
Other net realized capital gains (losses)	—	—	(189)	—	(189)
Total net realized capital gains (losses)	—	—	(209)	—	(209)
Other revenue	8	1	370	—	379
Income (loss) related to consolidated investment entities:					
Net investment income	—	—	432	—	432
Total revenues	41	1	7,200	(13)	7,229
Benefits and expenses:					
Policyholder benefits	—	—	2,422	—	2,422
Interest credited to contract owner account balances	—	—	1,236	—	1,236
Operating expenses	9	—	2,553	—	2,562
Net amortization of Deferred policy acquisition costs and Value of business acquired	—	—	353	—	353
Interest expense	155	37	5	(13)	184
Operating expenses related to consolidated investment entities:					
Interest expense	—	—	80	—	80
Other expense	—	—	7	—	7
Total benefits and expenses	164	37	6,656	(13)	6,844
Income (loss) from continuing operations before income taxes	(123)	(36)	544	—	385
Income tax expense (benefit)	113	3	571	—	687
Income (loss) from continuing operations	(236)	(39)	(27)	—	(302)
Income (loss) from discontinued operations, net of tax	—	—	(2,473)	—	(2,473)
Net income (loss) before equity in earnings (losses) of unconsolidated affiliates	(236)	(39)	(2,500)	—	(2,775)
Equity in earnings (losses) of subsidiaries, net of tax	(2,756)	(2,623)	—	5,379	—
Net income (loss)	(2,992)	(2,662)	(2,500)	5,379	(2,775)
Less: Net income (loss) attributable to noncontrolling interest	—	—	217	—	217
Net income (loss) available to Voya Financial, Inc. Less: Preferred stock dividends	(2,992)	(2,662)	(2,717)	5,379	(2,992)
Net income (loss) available to Voya Financial, Inc.'s common shareholders	\$ (2,992)	\$ (2,662)	\$ (2,717)	\$ 5,379	\$ (2,992)

Voya Financial, Inc.
Notes to the Consolidated Financial Statements

(Dollar amounts in millions, unless otherwise stated)

**Condensed Consolidating Statement of Comprehensive Income
For the Year Ended December 31, 2019**

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net income (loss)	\$ (351)	\$ 346	\$ (368)	\$ 72	\$ (301)
Other comprehensive income (loss), before tax:					
Unrealized gains (losses) on securities	3,013	2,290	3,013	(5,303)	3,013
Other-than-temporary impairments	3	2	3	(5)	3
Pension and other postretirement benefits liability	(4)	(2)	(4)	6	(4)
Other comprehensive income (loss), before tax	3,012	2,290	3,012	(5,302)	3,012
Income tax expense (benefit) related to items of other comprehensive income (loss)	631	479	631	(1,110)	631
Other comprehensive income (loss), after tax	2,381	1,811	2,381	(4,192)	2,381
Comprehensive income (loss)	2,030	2,157	2,013	(4,120)	2,080
Less: Comprehensive income (loss) attributable to noncontrolling interest	—	—	50	—	50
Comprehensive income (loss) attributable to Voya Financial, Inc.	<u>\$ 2,030</u>	<u>\$ 2,157</u>	<u>\$ 1,963</u>	<u>\$ (4,120)</u>	<u>\$ 2,030</u>

**Condensed Consolidating Statement of Comprehensive Income
For the Year Ended December 31, 2018**

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net income (loss)	\$ 875	\$ 1,587	\$ 899	\$ (2,341)	\$ 1,020
Other comprehensive income (loss), before tax:					
Unrealized gains (losses) on securities	(2,810)	(2,143)	(2,810)	4,953	(2,810)
Other-than-temporary impairments	32	30	32	(62)	32
Pension and other postretirement benefits liability	(11)	(2)	(11)	13	(11)
Other comprehensive income (loss), before tax	(2,789)	(2,115)	(2,789)	4,904	(2,789)
Income tax expense (benefit) related to items of other comprehensive income (loss)	(693)	(412)	(694)	1,106	(693)
Other comprehensive income (loss), after tax	(2,096)	(1,703)	(2,095)	3,798	(2,096)
Comprehensive income (loss)	(1,221)	(116)	(1,196)	1,457	(1,076)
Less: Comprehensive income (loss) attributable to noncontrolling interest	—	—	145	—	145
Comprehensive income (loss) attributable to Voya Financial, Inc.	<u>\$ (1,221)</u>	<u>\$ (116)</u>	<u>\$ (1,341)</u>	<u>\$ 1,457</u>	<u>\$ (1,221)</u>

Voya Financial, Inc.

Notes to the Consolidated Financial Statements

(Dollar amounts in millions, unless otherwise stated)

**Condensed Consolidating Statement of Comprehensive Income
For the Year Ended December 31, 2017**

	<u>Parent Issuer</u>	<u>Subsidiary Guarantor</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Consolidating Adjustments</u>	<u>Consolidated</u>
Net income (loss)	\$ (2,992)	\$ (2,662)	\$ (2,500)	\$ 5,379	\$ (2,775)
Other comprehensive income (loss), before tax:					
Unrealized gains (losses) on securities	1,191	813	1,191	(2,004)	1,191
Other-than-temporary impairments	(2)	(5)	(2)	7	(2)
Pension and other postretirement benefits liability	(15)	(3)	(15)	18	(15)
Other comprehensive income (loss), before tax	1,174	805	1,174	(1,979)	1,174
Income tax expense (benefit) related to items of other comprehensive income (loss).	364	258	364	(622)	364
Other comprehensive income (loss), after tax	810	547	810	(1,357)	810
Comprehensive income (loss).	(2,182)	(2,115)	(1,690)	4,022	(1,965)
Less: Comprehensive income (loss) attributable to noncontrolling interest	—	—	217	—	217
Comprehensive income (loss) attributable to Voya Financial, Inc.	<u>\$ (2,182)</u>	<u>\$ (2,115)</u>	<u>\$ (1,907)</u>	<u>\$ 4,022</u>	<u>\$ (2,182)</u>

**Condensed Consolidating Statement of Cash Flows
For the Year Ended December 31, 2019**

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net cash (used in) provided by operating activities	\$ (110)	\$ 445	\$ 1,430	\$ (455)	\$ 1,310
Cash Flows from Investing Activities:					
Proceeds from the sale, maturity, disposal or redemption of:					
Fixed maturities	—	—	6,423	—	6,423
Equity securities	156	—	7	—	163
Mortgage loans on real estate	—	—	1,153	—	1,153
Limited partnerships/corporations	—	—	205	—	205
Acquisition of:					
Fixed maturities	(5)	—	(6,450)	—	(6,455)
Equity securities	(35)	—	(20)	—	(55)
Mortgage loans on real estate	—	—	(760)	—	(760)
Limited partnerships/corporations	(4)	—	(399)	—	(403)
Short-term investments, net	—	—	58	—	58
Derivatives, net	—	—	(29)	—	(29)
Sales from consolidated investment entities	—	—	586	—	586
Purchases within consolidated investment entities	—	—	(1,385)	—	(1,385)
Maturity (issuance) of short-term intercompany loans, net	(85)	—	(65)	150	—
Return of capital contributions and dividends from subsidiaries	1,064	437	—	(1,501)	—
Capital contributions to subsidiaries	(3)	(57)	—	60	—
Collateral received (delivered), net	—	—	(95)	—	(95)
Other, net	—	—	(35)	—	(35)
Net cash used in investing activities - discontinued operations	—	(128)	(498)	—	(626)
Net cash provided by (used in) investing activities	1,088	252	(1,304)	(1,291)	(1,255)

Condensed Consolidating Statement of Cash Flows (Continued)
For the Year Ended December 31, 2019

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Cash Flows from Financing Activities:					
Deposits received for investment contracts	—	—	4,383	—	4,383
Maturities and withdrawals from investment contracts	—	—	(5,180)	—	(5,180)
Settlements on deposit contracts	—	—	(8)	—	(8)
Repayment of debt with maturities of more than three months	(106)	—	(7)	—	(113)
Net (repayments of) proceeds from short-term intercompany loans	65	87	(1)	(151)	—
Return of capital contributions and dividends to parent	—	(786)	(1,171)	1,957	—
Contributions of capital from parent	—	—	60	(60)	—
Borrowings of consolidated investment entities	—	—	1,106	—	1,106
Repayments of borrowings of consolidated investment entities	—	—	(903)	—	(903)
Contributions from (distributions to) participants in consolidated investment entities	—	—	715	—	715
Proceeds from issuance of common stock, net	3	—	—	—	3
Proceeds from issuance of preferred stock, net	293	—	—	—	293
Share-based compensation	(22)	—	—	—	(22)
Common stock acquired - Share repurchase	(1,136)	—	—	—	(1,136)
Dividends paid on common stock	(44)	—	—	—	(44)
Dividends paid on preferred stock	(28)	—	—	—	(28)
Net cash provided by financing activities - discontinued operations	—	—	813	—	813
Net cash (used in) provided by financing activities	(975)	(699)	(193)	1,746	(121)
Net increase (decrease) in cash and cash equivalents	3	(2)	(67)	—	(66)
Cash and cash equivalents, beginning of period	209	2	1,327	—	1,538
Cash and cash equivalents, end of period	212	—	1,260	—	1,472
Less: Cash and cash equivalents of discontinued operations, end of period	—	—	291	—	291
Cash and cash equivalents of continuing operations, end of period	<u>\$ 212</u>	<u>\$ —</u>	<u>\$ 969</u>	<u>\$ —</u>	<u>\$ 1,181</u>

**Condensed Consolidating Statement of Cash Flows
For the Year Ended December 31, 2018**

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net cash (used in) provided by operating activities	\$ (27)	\$ 311	\$ 1,978	\$ (394)	\$ 1,868
Cash Flows from Investing Activities:					
Proceeds from the sale, maturity, disposal or redemption of:					
Fixed maturities	—	—	6,419	—	6,419
Equity securities, available-for-sale	34	—	118	—	152
Mortgage loans on real estate	—	—	895	—	895
Limited partnerships/corporations	—	—	318	—	318
Acquisition of:					
Fixed maturities	—	—	(7,513)	—	(7,513)
Equity securities, available-for-sale	(36)	—	(21)	—	(57)
Mortgage loans on real estate	—	—	(643)	—	(643)
Limited partnerships/corporations	—	—	(318)	—	(318)
Short-term investments, net.	212	—	61	—	273
Derivatives, net	—	—	72	—	72
Sales from consolidated investment entities	—	—	1,365	—	1,365
Purchases within consolidated investment entities	—	—	(994)	—	(994)
Maturity (issuance) of short-term intercompany loans, net.	111	—	414	(525)	—
Return of capital contributions and dividends from subsidiaries	1,155	151	—	(1,306)	—
Capital contributions to subsidiaries	(55)	(55)	—	110	—
Collateral (delivered) received, net	—	—	(28)	—	(28)
Other, net	(13)	1	3	—	(9)
Net cash provided by (used in) investing activities - discontinued operations	—	331	(545)	—	(214)
Net cash provided by (used in) investing activities	1,408	428	(397)	(1,721)	(282)

Condensed Consolidating Statement of Cash Flows (Continued)
For the Year Ended December 31, 2018

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Cash Flows from Financing Activities:					
Deposits received for investment contracts	—	—	4,884	—	4,884
Maturities and withdrawals from investment contracts	—	—	(4,799)	—	(4,799)
Settlements on deposit contracts	—	—	(10)	—	(10)
Proceeds from issuance of debt with maturities of more than three months	350	—	(62)	—	288
Repayment of debt with maturities of more than three months	(623)	(87)	33	—	(677)
Debt issuance costs	(6)	—	—	—	(6)
Net (repayments of) proceeds from short-term intercompany loans	(414)	(68)	(43)	525	—
Return of capital contributions and dividends to parent	—	(638)	(1,062)	1,700	—
Contributions of capital from parent	—	55	55	(110)	—
Borrowings of consolidated investment entities	—	—	773	—	773
Repayments of borrowings of consolidated investment entities	—	—	(656)	—	(656)
Contributions from (distributions to) participants in consolidated investment entities	—	—	(166)	—	(166)
Proceeds from issuance of common stock, net	3	—	—	—	3
Proceeds from issuance of preferred stock, net	319	—	—	—	319
Share-based compensation	(14)	—	—	—	(14)
Common stock acquired - Share repurchase	(1,025)	—	—	—	(1,025)
Dividends paid on common stock	(6)	—	—	—	(6)
Net cash used in financing activities - discontinued operations	—	—	(672)	—	(672)
Net cash (used in) provided by financing activities	(1,416)	(738)	(1,725)	2,115	(1,764)
Net (decrease) increase in cash and cash equivalents	(35)	1	(144)	—	(178)
Cash and cash equivalents, beginning of period	244	1	1,471	—	1,716
Cash and cash equivalents, end of period	209	2	1,327	—	1,538
Less: Cash and cash equivalents of discontinued operations, end of period	—	—	301	—	301
Cash and cash equivalents of continuing operations, end of period	<u>\$ 209</u>	<u>\$ 2</u>	<u>\$ 1,026</u>	<u>\$ —</u>	<u>\$ 1,237</u>

Condensed Consolidating Statement of Cash Flows
For the Year Ended December 31, 2017

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net cash (used in) provided by operating activities	\$ (18)	\$ 138	\$ 1,694	\$ (232)	\$ 1,582
Cash Flows from Investing Activities:					
Proceeds from the sale, maturity, disposal or redemption of:					
Fixed maturities	—	—	7,001	—	7,001
Equity securities, available-for-sale	25	—	29	—	54
Mortgage loans on real estate	—	—	851	—	851
Limited partnerships/corporations	—	—	211	—	211
Acquisition of:					
Fixed maturities	—	—	(6,445)	—	(6,445)
Equity securities, available-for-sale	(34)	—	(11)	—	(45)
Mortgage loans on real estate	—	—	(1,478)	—	(1,478)
Limited partnerships/corporations	—	—	(302)	—	(302)
Short-term investments, net	—	—	(28)	—	(28)
Derivatives, net	—	—	203	—	203
Sales from consolidated investment entities	—	—	2,047	—	2,047
Purchases within consolidated investment entities	—	—	(2,036)	—	(2,036)
Issuance of intercompany loans with maturities more than three months	(34)	—	—	34	—
Maturity of intercompany loans with maturities more than three months	34	—	—	(34)	—
Maturity (issuance) of short-term intercompany loans, net	87	—	(408)	321	—
Return of capital contributions and dividends from subsidiaries	1,020	1,024	—	(2,044)	—
Capital contributions to subsidiaries	(467)	(47)	—	514	—
Collateral (delivered) received, net	—	—	(205)	—	(205)
Other, net	—	—	5	—	5
Net cash used in investing activities - discontinued operations	—	—	(2,261)	—	(2,261)
Net cash provided by (used in) investing activities	631	977	(2,827)	(1,209)	(2,428)

Condensed Consolidating Statement of Cash Flows (Continued)
For the Year Ended December 31, 2017

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Cash Flows from Financing Activities:					
Deposits received for investment contracts	—	—	3,593	—	3,593
Maturities and withdrawals from investment contracts	—	—	(4,763)	—	(4,763)
Proceeds from issuance of debt with maturities of more than three months	399	—	(61)	—	338
Repayment of debt with maturities of more than three months	(494)	—	33	—	(461)
Debt issuance costs	(3)	—	—	—	(3)
Repayments of intercompany loans with maturities of more than three months	—	—	(34)	34	—
Proceeds of intercompany loans with maturities of more than three months	—	—	34	(34)	—
Net proceeds from (repayments of) short-term intercompany loans	408	(143)	56	(321)	—
Return of capital contributions and dividends to parent	—	(1,020)	(1,256)	2,276	—
Contributions of capital from parent	—	47	467	(514)	—
Borrowings of consolidated investment entities	—	—	967	—	967
Repayments of borrowings of consolidated investment entities	—	—	(804)	—	(804)
Contributions from (distributions to) participants in consolidated investment entities	—	—	449	—	449
Proceeds from issuance of common stock, net	3	—	—	—	3
Share-based compensation	(8)	—	—	—	(8)
Common stock acquired - Share repurchase	(923)	—	—	—	(923)
Dividends paid on common stock	(8)	—	—	—	(8)
Net cash provided by financing activities - discontinued operations	—	—	1,271	—	1,271
Net cash (used in) provided by financing activities	(626)	(1,116)	(48)	1,441	(349)
Net decrease in cash and cash equivalents	(13)	(1)	(1,181)	—	(1,195)
Cash and cash equivalents, beginning of period	257	2	2,652	—	2,911
Cash and cash equivalents, end of period	244	1	1,471	—	1,716
Less: Cash and cash equivalents of discontinued operations, end of period	—	—	862	—	862
Cash and cash equivalents of continuing operations, end of period	<u>\$ 244</u>	<u>\$ 1</u>	<u>\$ 609</u>	<u>\$ —</u>	<u>\$ 854</u>

24. Selected Consolidated Unaudited Quarterly Financial Data

The unaudited quarterly results of operations for 2019 and 2018 are summarized in the table below:

	Three Months Ended,			
	March 31,	June 30,	September 30,	December 31,
	(\$ in millions, except per share amounts)			
2019				
Total revenues	\$ 1,822	\$ 1,969	\$ 1,875	\$ 1,810
Total benefits and expenses	1,720	1,726	1,726	1,744
Income (loss) from continuing operations before income taxes . .	102	243	149	66
Income (loss) from discontinued operations, net of tax	(20)	42	(4)	(1,084)
Net income (loss)	73	252	140	(766)
Less: Net income (loss) attributable to noncontrolling interest. . .	(1)	26	19	6
Net income (loss) available to Voya Financial, Inc.	74	226	121	(772)
Less: Preferred stock dividends.	10	—	14	4
Net income (loss) available to Voya Financial, Inc.'s common shareholders	64	226	107	(776)
Earnings Per Share				
Basic				
Income (loss) from continuing operations available to Voya Financial, Inc.'s common shareholders	\$ 0.57	\$ 1.27	\$ 0.80	\$ 2.29
Income (loss) from discontinued operations, net of taxes available to Voya Financial, Inc.'s common shareholders.	\$ (0.14)	\$ 0.29	\$ (0.03)	\$ (8.06)
Income (loss) available to Voya Financial, Inc.'s common shareholders.	\$ 0.44	\$ 1.57	\$ 0.77	\$ (5.76)
Diluted				
Income (loss) from continuing operations available to Voya Financial, Inc.'s common shareholders	\$ 0.56	\$ 1.22	\$ 0.77	\$ 2.17
Income (loss) from discontinued operations, net of taxes available to Voya Financial, Inc.'s common shareholders.	\$ (0.13)	\$ 0.28	\$ (0.03)	\$ (7.62)
Income (loss) available to Voya Financial, Inc.'s common shareholders.	\$ 0.42	\$ 1.51	\$ 0.74	\$ (5.45)

Voya Financial, Inc.

Notes to the Consolidated Financial Statements

(Dollar amounts in millions, unless otherwise stated)

	Three Months Ended,			
	March 31,	June 30,	September 30,	December 31,
	(\$ in millions, except per share amounts)			
2018				
Total revenues	\$ 1,661	\$ 1,761	\$ 1,890	\$ 1,851
Total benefits and expenses	1,653	1,596	1,661	1,725
Income (loss) from continuing operations before income taxes	8	165	229	126
Income (loss) from discontinued operations, net of tax	440	92	(32)	29
Net income (loss)	446	229	168	177
Less: Net income (loss) attributable to noncontrolling interest.	—	62	26	57
Net income (loss) available to Voya Financial, Inc.	446	167	142	120
Less: Preferred stock dividends.	—	—	—	—
Net income (loss) available to Voya Financial, Inc.'s common shareholders	446	167	142	120
Earnings Per Share				
Basic				
Income (loss) from continuing operations available to Voya Financial, Inc.'s common shareholders	\$ 0.03	\$ 0.45	\$ 1.09	\$ 0.60
Income (loss) from discontinued operations, net of taxes available to Voya Financial, Inc.'s common shareholders.	\$ 2.56	\$ 0.55	\$ (0.20)	\$ 0.18
Income (loss) available to Voya Financial, Inc.'s common shareholders	\$ 2.59	\$ 1.00	\$ 0.89	\$ 0.78
Diluted				
Income (loss) from continuing operations available to Voya Financial, Inc.'s common shareholders	\$ 0.03	\$ 0.43	\$ 1.06	\$ 0.58
Income (loss) from discontinued operations, net of taxes available to Voya Financial, Inc.'s common shareholders.	\$ 2.47	\$ 0.53	\$ (0.19)	\$ 0.18
Income (loss) available to Voya Financial, Inc.'s common shareholders	\$ 2.50	\$ 0.96	\$ 0.87	\$ 0.76

Voya Financial, Inc.
Schedule I

Summary of Investments Other than Investments in Affiliates
As of December 31, 2019
(In millions)

Type of Investments	Cost	Fair Value	Amount Shown on Consolidated Balance Sheet
Fixed maturities:			
U.S. Treasuries	\$ 1,074	\$ 1,382	\$ 1,382
U.S. Government agencies and authorities	74	95	95
State, municipalities, and political subdivisions	1,220	1,323	1,323
U.S. corporate public securities	12,980	14,938	14,938
U.S. corporate private securities	5,568	6,035	6,035
Foreign corporate public securities and foreign governments ⁽¹⁾	3,887	4,341	4,341
Foreign corporate private securities ⁽¹⁾	4,545	4,831	4,831
Residential mortgage-backed securities	4,999	5,204	5,204
Commercial mortgage-backed securities	3,402	3,574	3,574
Other asset-backed securities	2,058	2,055	2,055
Total fixed maturities, including securities pledged	<u>39,807</u>	<u>43,778</u>	<u>43,778</u>
Equity securities, available-for-sale	196	196	196
Short-term investments	68	68	68
Mortgage loans on real estate	6,878	7,262	6,878
Policy loans	776	776	776
Limited partnerships/corporations	1,290	1,290	1,290
Derivatives	34	316	316
Other investments	385	456	385
Total investments	<u>\$ 49,434</u>	<u>\$ 54,142</u>	<u>\$ 53,687</u>

⁽¹⁾ Primarily U.S. dollar denominated.

Voya Financial, Inc.
Schedule II

Condensed Financial Information of Parent
Balance Sheets

December 31, 2019 and 2018

(In millions, except share and per share data)

	As of December 31,	
	2019	2018
Assets		
Investments:		
Fixed maturities, available-for-sale, at fair value (amortized cost of \$5 as of 2019 and \$0 as of 2018)	\$ 5	\$ —
Equity securities, at fair value (amortized cost of \$0 as of 2019 and \$99 as of 2018)	—	99
Limited partnerships/corporations	4	—
Derivatives	49	39
Investments in subsidiaries	11,003	10,099
Total investments	11,061	10,237
Cash and cash equivalents	212	209
Short-term investments under securities loan agreements, including collateral delivered.	11	11
Loans to subsidiaries and affiliates	164	79
Due from subsidiaries and affiliates	2	2
Deferred income taxes	816	553
Other assets	7	13
Total assets	\$ 12,273	\$ 11,104
Liabilities and Shareholders' Equity		
Short-term debt	\$ 69	\$ 4
Long-term debt	2,669	2,763
Derivatives	50	39
Due to subsidiaries and affiliates	4	1
Current income taxes	28	37
Other liabilities	45	47
Total liabilities	2,865	2,891
Shareholders' equity:		
Preferred stock (\$0.01 par value per share; \$625 and \$325 aggregate liquidation preference as of 2019 and 2018, respectively)	—	—
Common stock (\$0.01 par value per share; 900,000,000 shares authorized; 140,726,677 and 272,431,745 shares issued as of 2019 and 2018, respectively; 132,325,790 and 150,978,184 shares outstanding as of 2019 and 2018, respectively).	2	3
Treasury stock (at cost; 8,400,887 and 121,453,561 shares as of 2019 and 2018, respectively).	(460)	(4,981)
Additional paid-in capital	11,184	24,316
Accumulated other comprehensive income (loss)	3,331	607
Retained earnings (deficit):		
Unappropriated	(4,649)	(11,732)
Total Voya Financial, Inc. shareholders' equity	9,408	8,213
Total liabilities and shareholders' equity	\$ 12,273	\$ 11,104

The accompanying notes are an integral part of this Condensed Financial Information.

Voya Financial, Inc.
Schedule II

Condensed Financial Information of Parent
Statements of Operations
For the Years Ended December 31, 2019, 2018 and 2017
(In millions)

	Year Ended December 31,		
	2019	2018	2017
Revenues:			
Net investment income	\$ 39	\$ 1	\$ 33
Net realized capital gains (losses)	(1)	—	—
Other revenue	—	(5)	8
Total revenues	<u>38</u>	<u>(4)</u>	<u>41</u>
Expenses:			
Interest expense	151	175	155
Other expenses	12	11	9
Total expenses	<u>163</u>	<u>186</u>	<u>164</u>
Income (loss) before income taxes and equity in earnings (losses) of subsidiaries	(125)	(190)	(123)
Income tax expense (benefit)	(277)	—	113
Net income (loss) before equity in earnings (losses) of subsidiaries	152	(190)	(236)
Equity in earnings (losses) of subsidiaries, net of tax	(503)	1,065	(2,756)
Net income (loss) available to Voya Financial, Inc.	(351)	875	(2,992)
Less: Preferred stock dividends	28	—	—
Net income (loss) available to Voya Financial, Inc.'s common shareholders	<u>\$ (379)</u>	<u>\$ 875</u>	<u>\$ (2,992)</u>

The accompanying notes are an integral part of this Condensed Financial Information.

Voya Financial, Inc.
Schedule II

Condensed Financial Information of Parent
Statements of Comprehensive Income
For the Years Ended December 31, 2019, 2018 and 2017
(In millions)

	Year Ended December 31,		
	2019	2018	2017
Net income (loss) available to Voya Financial, Inc.	\$ (351)	\$ 875	\$ (2,992)
Other comprehensive income (loss), after tax	2,381	(2,096)	810
Comprehensive income (loss) attributable to Voya Financial, Inc.	\$ 2,030	\$ (1,221)	\$ (2,182)

The accompanying notes are an integral part of this Condensed Financial Information.

Voya Financial, Inc.
Schedule II

Condensed Financial Information of Parent
Statements of Cash Flows
For the Years Ended December 31, 2019, 2018 and 2017
(In millions)

	Year Ended December 31,		
	2019	2018	2017
Cash Flows from Operating Activities:			
Net income (loss) available to Voya Financial, Inc.	\$ (351)	\$ 875	\$ (2,992)
Adjustments to reconcile Net income (loss) available to Voya Financial, Inc. to Net cash used in operating activities:			
Equity in (earnings) losses of subsidiaries	503	(1,065)	2,756
Dividends from subsidiaries	—	52	73
Deferred income tax expense (benefit)	(263)	25	131
Net realized capital losses	1	—	—
Share-based compensation	12	3	—
Change in:			
Other receivables and asset accruals	(10)	40	32
Due from subsidiaries and affiliates	—	—	1
Due to subsidiaries and affiliates	3	—	1
Other payables and accruals	(24)	(3)	(18)
Other, net	19	46	(2)
Net cash used in operating activities	(110)	(27)	(18)
Cash Flows from Investing Activities:			
Proceeds from the sale, maturity, disposal or redemption of equity securities	156	34	25
Acquisition of:			
Fixed maturities	(5)	—	—
Equity securities	(35)	(36)	(34)
Limited partnerships/corporations	(4)	—	—
Short-term investments, net	—	212	—
Issuance of intercompany loans with maturities more than three months	—	—	(34)
Maturity of intercompany loans issued to subsidiaries with maturities more than three months	—	—	34
Maturity (issuance) of short-term intercompany loans, net	(85)	111	87
Return of capital contributions and dividends from subsidiaries	1,064	1,155	1,020
Capital contributions to subsidiaries	(3)	(55)	(467)
Other, net	—	(13)	—
Net cash provided by investing activities	1,088	1,408	631

The accompanying notes are an integral part of this Condensed Financial Information.

Voya Financial, Inc.
Schedule II

Condensed Financial Information of Parent
Statements of Cash Flows (Continued)
For the Years Ended December 31, 2019, 2018 and 2017
(In millions)

	Year Ended December 31,		
	2019	2018	2017
Cash Flows from Financing Activities:			
Proceeds from issuance of debt with maturities of more than three months	—	350	399
Repayment of debt with maturities of more than three months	(106)	(623)	(494)
Debt issuance costs	—	(6)	(3)
Net proceeds from (repayments of) short-term loans to subsidiaries	65	(414)	408
Proceeds from issuance of common stock, net	3	3	3
Proceeds from issuance of preferred stock, net	293	319	—
Share-based compensation	(22)	(14)	(8)
Common stock acquired - Share repurchase	(1,136)	(1,025)	(923)
Dividends paid on common stock	(44)	(6)	(8)
Dividends paid on preferred stock	(28)	—	—
Net cash used in financing activities	(975)	(1,416)	(626)
Net increase (decrease) in cash and cash equivalents	3	(35)	(13)
Cash and cash equivalents, beginning of period	209	244	257
Cash and cash equivalents, end of period	<u>\$ 212</u>	<u>\$ 209</u>	<u>\$ 244</u>
Supplemental cash flow information:			
Income taxes paid (received), net	\$ (128)	\$ 1	\$ (154)
Interest paid	136	152	138

The accompanying notes are an integral part of this Condensed Financial Information.

Voya Financial, Inc.
Schedule II
Notes to Condensed Financial Information of Parent
(Dollar amounts in millions, unless otherwise stated)

1. Business and Basis of Presentation

The condensed financial information of Voya Financial, Inc. should be read in conjunction with the consolidated financial statements of Voya Financial, Inc. and its subsidiaries (collectively the "Company") and the notes thereto (the "Consolidated Financial Statements").

The accompanying financial information reflects the results of operations, financial position and cash flows for Voya Financial, Inc. The financial information is in conformity with accounting principles generally accepted in the United States, which require management to adopt accounting policies and make certain estimates and assumptions. Investments in subsidiaries are accounted for using the equity method of accounting.

2. Loans to Subsidiaries

Voya Financial, Inc. maintains reciprocal loan agreements with subsidiaries to facilitate unanticipated short-term cash requirements that arise in the ordinary course of business.

The following table summarizes the carrying value of Voya Financial, Inc.'s loans to subsidiaries for the periods indicated:

Subsidiaries	Rate	Maturity Date	As of December 31,	
			2019	2018
Voya Alternative Asset Management LLC	0.02%	12/30/2019	\$ —	\$ 2
Voya Custom Investments LLC	2.80%	01/30/2020	1	—
Voya Capital	2.60%	01/07/2020	9	4
Voya Investment Management, LLC	2.80%	01/24/2020	53	51
Voya Payroll Management, Inc.	2.53%	01/02/2020	7	6
Voya Holdings Inc.	2.68%	01/10/2020	30	—
Voya Holdings Inc.	2.78%	01/30/2020	57	—
Security Life of Denver International Limited	2.53%	01/02/2020	—	16
Voya Services Company	2.53%	01/02/2020	7	—
Total			\$ 164	\$ 79

Interest income earned on loans to subsidiaries was \$6, \$5 and \$8 for the years ended December 31, 2019, 2018 and 2017, respectively. Interest income is included in Net investment income in the Condensed Statements of Operations.

3. Financing Agreements

Debt Securities

The following table summarizes Voya Financial, Inc.'s short-term debt borrowings for the periods indicated:

	As of December 31,	
	2019	2018
Intercompany financing - Subsidiaries	\$ 69	\$ 4
Total	\$ 69	\$ 4

Intercompany financing

Under the reciprocal loan agreements with subsidiaries, interest is charged at the prevailing market interest rate for similar third-party borrowings for securities.

As of December 31, 2019 and 2018, Voya Financial, Inc. was in compliance with its debt covenants.

Voya Financial, Inc.
Schedule II
Notes to Condensed Financial Information of Parent
(Dollar amounts in millions, unless otherwise stated)

See *Financing Agreements* Note to these Consolidated Financial Statements for further information regarding long-term debt and the five-year maturities of long-term debt.

Credit Facilities

Voya Financial, Inc. uses credit facilities to provide collateral required primarily under its affiliated reinsurance transactions with captive insurance subsidiaries. As of December 31, 2019, unsecured and uncommitted credit facilities totaled \$425, and unsecured and committed facilities totaled \$4.5 billion. Voya Financial, Inc. additionally has \$10 of secured facilities. Of the aggregate \$5.0 billion capacity available, Voya Financial, Inc. utilized \$3.8 billion in credit facilities outstanding as of December 31, 2019. Total fees associated with credit facilities in 2019, 2018 and 2017 totaled \$32, \$28 and \$39, respectively.

Guarantees

In the normal course of business, Voya Financial, Inc. enters into indemnification agreements with financial institutions that issue surety bonds on behalf of Voya Financial, Inc. or its subsidiaries in connection with litigation matters.

Voya Financial, Inc. provides credit support to its Roaring River IV, LLC ("Roaring River IV") captive reinsurance subsidiary through a surplus maintenance agreement with a third-party bank in connection with a financing arrangement involving \$565 of statutory reserves which matures December 31, 2028. The reimbursement agreement requires Voya Financial, Inc. to cause capital to be maintained in Roaring River IV Holding LLC, the intermediate holding company of Roaring River IV, and in Roaring River IV. These amounts will vary over time based on a percentage of Roaring River IV in force life insurance. Upon closing the transaction, we expect to unwind this financing arrangement, and this guarantee will therefore terminate.

In addition, Voya Financial, Inc. provides guarantees to certain of its subsidiaries to support various business requirements:

- Under the Buyer Facility Agreement put into place by Hannover Re, Voya Financial, Inc. and SLDI have contingent reimbursement obligations and Voya Financial, Inc. has guarantee obligations, up to the full \$2.9 billion principal amount of the note and one \$600 letter of credit issued pursuant to the agreement, if SLD or SLDI were to direct the sale or liquidation of the note other than as permitted by the Buyer Facility Agreement, or fail to return reinsurance collateral (including the note) upon termination of the Buyer Facility Agreement or as otherwise required by the Buyer Facility Agreement. In addition, Voya Financial, Inc. has agreed to indemnify Hannover Re for any losses it incurs in the event that SLD or SLDI were to exercise offset rights unrelated to the Hannover Re block. We expect to restructure this guarantee arrangement in connection with the Individual Life Transaction.
- Voya Financial, Inc. has also entered into a corporate guarantee agreement with a third-party ceding insurer where it guarantees the reinsurance obligations of its subsidiary, SLD, assumed under a reinsurance agreement with the third-party cedent for the amount of the statutory reserves assumed by SLD. The current amount of reserves outstanding as of December 31, 2019 is \$13. We expect to restructure this guarantee arrangement in connection with the Individual Life Transaction.
- Voya Financial, Inc. guarantees the obligations of Voya Holdings under the \$13 principal amount of 8.42% Series B Capital Securities due April 1, 2027 (the "Equitable Notes"), and provides a back-to-back guarantee to ING Group in respect of its guarantee of \$358 combined principal amount of Aetna Notes.
- Voya Financial, Inc. and Voya Holdings provide a guarantee to certain Voya insurance subsidiaries of VIAC's payment obligations to those subsidiaries under certain VIAC surplus notes held by those subsidiaries. The agreement provides for Voya and Voya Holdings to reimburse the applicable subsidiary to the extent that any interest on, principal of, or any redemption payment with respect to such surplus note is unpaid by VIAC on its scheduled date of payment.

There were no assets or liabilities recognized by Voya Financial, Inc. as of December 31, 2019 and 2018 in relation to these intercompany indemnifications, guarantees or support agreements. As of December 31, 2019 and 2018, no circumstances existed in which Voya Financial, Inc. was required to currently perform under these arrangements.

4. Returns of Capital and Dividends

Voya Financial, Inc. received returns of capital and dividends from the following subsidiaries for the periods indicated:

	Years Ended December 31,		
	2019	2018	2017
Voya Holdings Inc. ⁽¹⁾	\$ 786	\$ 708	\$ 1,020
Security Life of Denver International Ltd.	228	425	—
Security Life of Denver Insurance Company	—	52	73
Voya Financial Products Company, Inc.	—	12	—
Voya Services Company ⁽²⁾	50	85	—
Total	\$ 1,064	\$ 1,282	\$ 1,093

⁽¹⁾ The year ended December 31, 2018 included \$70 of non-cash activities.

⁽²⁾ The year ended December 31, 2018 included \$5 of non-cash activities.

5. Income Taxes

As of December 31, 2019 and 2018, Voya Financial, Inc. held deferred tax assets related to loss and credit carryforwards, some of which have not been realized by its subsidiaries but have been reimbursed to the subsidiaries by Voya Financial, Inc. pursuant to the intercompany tax sharing agreement. The total deferred tax assets were primarily comprised of federal net operating loss, state net operating loss and credit carryforwards.

Valuation allowances have been applied to these deferred tax assets as of December 31, 2019 and 2018. Character, amount and estimated expiration date of the carryforwards and the related allowances are disclosed in the *Income Taxes* Note to the Consolidated Financial Statements.

As of December 31, 2019 and 2018, Voya Financial, Inc. has recognized deferred tax assets of \$816 and \$553, respectively, primarily related to federal net operating loss carryforwards in 2018 and 2019.

Tax Sharing Agreement

Voya Financial, Inc. has entered into a federal tax sharing agreement with members of an affiliated group as defined in Section 1504 of the Internal Revenue Code of 1986, as amended. The agreement provides for the manner of calculation and the amounts/timing of the payments between the parties as well as other related matters in connection with the filing of consolidated federal income tax returns. The federal tax sharing agreement provides that Voya Financial, Inc. will pay its subsidiaries for the tax benefits of ordinary and capital losses only in the event that the consolidated tax group actually uses the tax benefit of losses generated.

Voya Financial, Inc. has also entered into a state tax sharing agreement with each of the specific subsidiaries that are parties to the agreement. The state tax agreement applies to situations in which Voya Financial, Inc. and all or some of the subsidiaries join in the filing of a state or local franchise, income tax, or other tax return on a consolidated, combined or unitary basis.

Voya Financial, Inc.
Schedule III

Supplementary Insurance Information
As of December 31, 2019 and 2018
(In millions)

Segment	DAC and VOBA	Future Policy Benefits and Contract Owner Account Balances	Unearned Premiums ⁽¹⁾
<u>2019</u>			
Retirement	\$ 667	\$ 34,008	\$ —
Investment Management	—	—	—
Employee Benefits	117	2,133	(1)
Corporate	1,442	14,727	—
Total	<u>\$ 2,226</u>	<u>\$ 50,868</u>	<u>\$ (1)</u>
<u>2018</u>			
Retirement	\$ 1,271	\$ 34,064	\$ —
Investment Management	1	—	—
Employee Benefits	99	2,109	(1)
Corporate	1,602	14,597	—
Total	<u>\$ 2,973</u>	<u>\$ 50,770</u>	<u>\$ (1)</u>

⁽¹⁾ Represents unearned premiums associated with short-duration products of the Company's accident and health business.

Voya Financial, Inc.
Schedule III

Supplementary Insurance Information
Years Ended December 31, 2019, 2018 and 2017
(In millions)

Segment	Net Investment Income ⁽¹⁾⁽²⁾	Premiums and Fee Income ⁽¹⁾⁽²⁾	Interest Credited and Other Benefits to Contract Owners	Amortization of DAC and VOBA	Other Operating Expenses ⁽¹⁾⁽²⁾	Premiums Written (Excluding Life)
2019						
Retirement	\$ 2,029	\$ 881	\$ 1,067	\$ 96	\$ 1,373	\$ —
Investment Management	12	641	—	4	565	—
Employee Benefits	112	1,920	1,405	16	406	1,361
Corporate	639	800	1,278	83	402	—
Total	<u>\$ 2,792</u>	<u>\$ 4,242</u>	<u>\$ 3,750</u>	<u>\$ 199</u>	<u>\$ 2,746</u>	<u>\$ 1,361</u>
2018						
Retirement	\$ 1,971	\$ 879	\$ 908	\$ 117	\$ 1,284	\$ —
Investment Management	(27)	663	—	3	555	—
Employee Benefits	113	1,741	1,317	17	356	1,187
Corporate	612	831	1,301	96	411	—
Total	<u>\$ 2,669</u>	<u>\$ 4,114</u>	<u>\$ 3,526</u>	<u>\$ 233</u>	<u>\$ 2,606</u>	<u>\$ 1,187</u>
2017						
Retirement	\$ 1,918	\$ 750	\$ 1,043	\$ 238	\$ 1,140	\$ —
Investment Management	(33)	675	—	3	558	—
Employee Benefits	108	1,663	1,293	11	336	1,155
Corporate	648	898	1,322	101	528	—
Total	<u>\$ 2,641</u>	<u>\$ 3,986</u>	<u>\$ 3,658</u>	<u>\$ 353</u>	<u>\$ 2,562</u>	<u>\$ 1,155</u>

⁽¹⁾ Includes the elimination of certain intersegment revenues and expenses, primarily consisting of asset-based management and administration fees, which have been charged by Investment Management and eliminated in Corporate.

⁽²⁾ Includes the elimination of intercompany transactions between the Company and its consolidated investment entities, primarily the elimination of the Company's management fees expensed by the funds, recorded as operating revenues before the Company's consolidation of its consolidated investment entities and eliminated in the Investment Management segment.

Voya Financial, Inc.
Schedule IV
Reinsurance
Years Ended December 31, 2019, 2018 and 2017
(In millions)

	<u>Gross</u>	<u>Ceded</u>	<u>Assumed</u>	<u>Net</u>	Percentage of Assumed to Net
<u>2019</u>					
Life insurance in force	\$ 648,765	\$ 245,164	\$ 8,377	\$ 411,978	2.0%
Premiums:					
Life insurance	\$ 1,246	\$ 1,151	\$ 826	\$ 921	89.7%
Accident and health insurance	1,452	162	1	1,291	0.1%
Annuity contracts	61	—	—	61	—%
Total premiums	<u>\$ 2,759</u>	<u>\$ 1,313</u>	<u>\$ 827</u>	<u>\$ 2,273</u>	36.4%
<u>2018</u>					
Life insurance in force	\$ 686,814	\$ 256,619	\$ 9,034	\$ 439,229	2.1%
Premiums:					
Life insurance	\$ 1,262	\$ 1,288	\$ 955	\$ 929	102.8%
Accident and health insurance	1,275	138	1	1,138	0.1%
Annuity contracts	65	—	—	65	—%
Total premiums	<u>\$ 2,602</u>	<u>\$ 1,426</u>	<u>\$ 956</u>	<u>\$ 2,132</u>	44.8%
<u>2017</u>					
Life insurance in force	\$ 690,790	\$ 258,456	\$ 7,750	\$ 440,084	1.8%
Premiums:					
Life insurance	\$ 1,271	\$ 1,510	\$ 1,151	\$ 912	126.2%
Accident and health insurance	1,051	142	1	910	0.1%
Annuity contracts	275	—	—	275	—%
Total premiums	<u>\$ 2,597</u>	<u>\$ 1,652</u>	<u>\$ 1,152</u>	<u>\$ 2,097</u>	54.9%

*Less than \$1.

Voya Financial, Inc.
Schedule V

Valuation and Qualifying Accounts
Years Ended December 31, 2019, 2018 and 2017
(In millions)

	<u>Balance at January 1,</u>	<u>Charged to Costs and Expenses</u>	<u>Write-offs/ Payments/ Other</u>	<u>Balance at December 31,</u>
<u>2019</u>				
Valuation allowance on deferred tax assets	\$ 638	\$ (250) ⁽¹⁾	\$ —	\$ 388
Allowance for losses on commercial mortgage loans . . .	2	(1)	—	1
<u>2018</u>				
Valuation allowance on deferred tax assets	\$ 653	\$ (15)	\$ —	\$ 638
Allowance for losses on commercial mortgage loans . . .	3	(1)	—	2
<u>2017</u>				
Valuation allowance on deferred tax assets	\$ 964	\$ (311) ⁽¹⁾	\$ —	\$ 653
Allowance for losses on commercial mortgage loans . . .	3	—	—	3

(1) Refer to the Income Taxes Note to the accompanying Consolidated Financial Statements for more information.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company carried out an evaluation, under the supervision and with the participation of its management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended ("Exchange Act")) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company's current disclosure controls and procedures are effective in ensuring that material information relating to the Company required to be disclosed in the Company's periodic filings with the U.S. Securities and Exchange Commission ("SEC") is made known to them in a timely manner.

Management's Annual Report on Internal Control Over Financial Reporting

Management of Voya Financial, Inc. and subsidiaries is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) for the Company. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements of the Company in accordance with U.S. generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles and that receipts and expenditures are being made only in accordance with authorizations of the Company's management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2019 pertaining to financial reporting in accordance with the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In the opinion of management, Voya Financial, Inc. has maintained effective internal control over financial reporting as of December 31, 2019.

Attestation Report of the Company's Registered Public Accounting Firm

The Company's independent registered public accounting firm, Ernst & Young LLP, has issued their attestation report on management's internal control over financial reporting which is set forth below.

Changes in Internal Control Over Financial Reporting

There were no changes to the Company's internal control over financial reporting as defined in Exchange Act Rule 13a-15(f) during the quarter ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Voya Financial, Inc.

Opinion on Internal Control over Financial Reporting

We have audited Voya Financial, Inc.'s internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Voya Financial, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of Voya Financial, Inc. as of December 31, 2019 and 2018, and the related consolidated statements of operations, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and schedules and our report dated February 21, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP
Boston, Massachusetts
February 21, 2020

PART III

Item 10. Directors, Executive Officers, and Corporate Governance

The information required by this Item is omitted pursuant to General Instruction G to Form 10-K. Such information is incorporated by reference from the definitive Proxy Statement relating to the Company's 2020 Annual Meeting of Shareholders, which will be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

Item 11. Executive Compensation

The information required by this Item is omitted pursuant to General Instruction G to Form 10-K. Such information is incorporated by reference from the definitive Proxy Statement relating to the Company's 2020 Annual Meeting of Shareholders, which will be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table provides information as of December 31, 2019, regarding securities authorized for issuance under our equity compensation plans. All outstanding awards relate to our Common Stock. For additional information about our equity compensation plans, see the *Share-based Incentive Compensation Plans* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K.

<i>(shares in millions)</i>	<u>2019 Omnibus Plan⁽²⁾</u>	<u>2014 Omnibus Plan</u>	<u>2013 Omnibus Plan</u>
Authorized for issuance	11.8	17.8	7.7
Issued and reserved for issuance of outstanding:			
RSUs	— *	5.9	3.1
RSUs - Deal incentive awards	—	—	2.0
PSU awards ⁽¹⁾	—	4.4	2.3
Stock options	—	4.0	—
Shares available for issuance	<u>11.8</u>	<u>3.5</u>	<u>0.3</u>

*Less than 0.1

⁽¹⁾ PSUs awarded under the Omnibus Plans entitle recipients to receive, upon vesting, a number of shares of common stock that ranges from 0% to 150% of the number of PSUs awarded, depending on the level of achievement of the specified performance conditions.

⁽²⁾ The 2019 Omnibus Plan provides for 11,700,000 shares of common stock to be available for issuance as equity-based compensation awards, subject to other provisions of the plan for replacement of shares and adjustments. Under the plan, if any award or any award outstanding as of May 23, 2019 that was granted under the Voya Financial, Inc. 2014 Omnibus Plan is forfeited, expires, terminates or lapses, then the shares will be available for grant under the 2019 Omnibus Plan.

The information required by this Item is omitted pursuant to General Instruction G to Form 10-K. Such information is incorporated by reference to the definitive Proxy Statement relating to the Company's 2020 Annual Meeting of Shareholders, which will be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item is omitted pursuant to General Instruction G to Form 10-K. Such information is incorporated by reference from the definitive Proxy Statement relating to the Company's 2020 Annual Meeting of Shareholders, which will be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

Item 14. Principal Accounting Fees and Services

The information required by this Item is omitted pursuant to General Instruction G to Form 10-K. Such information is incorporated by reference from the definitive Proxy Statement relating to the Company's 2020 Annual Meeting of Shareholders, which will be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

Part IV

Item 15. Exhibits, Financial Statement Schedules

a. Documents filed as part of this report

1. Financial Statements (See Item 8. Financial Statements and Supplementary Data)

- Consolidated Balance Sheets
- Consolidated Statements of Operations
- Consolidated Statements of Comprehensive Income
- Consolidated Statements of Changes in Shareholders' Equity
- Consolidated Statements of Cash Flows
- Notes to Consolidated Financial Statements
- Independent Auditor's Report

2. Schedule I - Summary of Investments Other than Investments in Affiliates

Schedule II - Condensed Financial Information of Parent

Schedule III - Supplementary Insurance Information

Schedule IV - Reinsurance

Schedule V - Valuation and Qualifying Accounts

All other provisions for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

3. Exhibits

Voya Financial, Inc.

Exhibit Index

Exhibit No.	Description of Exhibit
2.1	Master Transaction Agreement by and among Voya Financial, Inc., VA Capital Company LLC and Athene Holding Ltd., Dated as of December 20, 2017 (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K (File No. 001-35897) filed on December 21, 2017)
2.2*	Master Transaction Agreement by and between Voya Financial, Inc., and Resolution Life U.S. Holdings Inc. dated as of December 18, 2019
3.1	Amended and Restated Certificate of Incorporation of Voya Financial, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-3 (File No. 333-196883) filed on June 18, 2014)
3.2	Amended and Restated By -Laws of Voya Financial, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 001-35897) filed on May 7, 2013)
3.3	Certificate of Designations with respect to the Series A Preferred Stock of the Company, dated September 12, 2018 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 001-35897) filed on September 12, 2018)
3.4	Certificate of Designations with respect to the Series B Preferred Stock of the Company, dated June 17, 2019 (incorporated by reference to Exhibit 3.3 to the Company's Registration Statement on Form 8-A (File No. 001-35897) filed June 17, 2019)
4.01	Form of Common Stock Certificate (incorporated by reference to Exhibit 4.2 to Amendment No. 4 to the Company's Registration Statement on Form S-1 (File No. 333-184847), filed on April 16, 2013)
4.02	Indenture, dated as of July 13, 2012, among ING U.S., Inc., Lion Connecticut Holdings Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 10.1 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
4.03	First Supplemental Indenture, dated as of July 13, 2012, among ING U.S., Inc., Lion Connecticut Holdings Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 10.2 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
4.04	Second Supplemental Indenture, dated as of February 11, 2013, among ING U.S., Inc., Lion Connecticut Holdings Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 10.74 to the Company's Amendment No. 2 to Registration Statement on Form S-1 (File No. 333-184847) filed on March 19, 2013)
4.05	Third Supplemental Indenture, dated as of July 26, 2013, among ING U.S., Inc., Lion Connecticut Holdings Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 10.01 to the Company's Current Report on Form 8-K (File No. 001-35897) filed on July 26, 2013)
4.06	Fifth Supplemental Indenture, dated as of June 13, 2016, among Voya Financial, Inc., Voya Holdings Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K (File No. 001-35897) filed on June 14, 2016)
4.07	Sixth Supplemental Indenture, dated as of June 13, 2016, among Voya Financial, Inc., Voya Holdings Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K (File No. 001-35897) filed on June 14, 2016)
4.08	Seventh Supplemental Indenture, dated as of July 5, 2017, by and among Voya Financial, Inc., Voya Holdings Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K (File No. 001-35897) filed on July 5, 2017)
4.09	Junior Subordinated Indenture, dated as of May 16, 2013, among ING U.S., Inc., Lion Connecticut Holdings Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 10.15 to the Company's Quarterly Report on Form 10-Q (File No. 001-35897) filed on May 23, 2013)
4.10	First Supplemental Indenture, dated as of May 16, 2013, among ING U.S., Inc., Lion Connecticut Holdings Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 10.16 to the Company's Quarterly Report on Form 10-Q (File No. 001-35897) filed on May 23, 2013)
4.11	Second Supplemental Indenture, dated as of January 23, 2018, among Voya Financial, Inc., Voya Holdings Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K (File No. 001-35897) filed on January 23, 2018)
4.12*	Description of Securities of the Registrant
10.01	Warrant Agreement, dated as of May 7, 2013, among ING U.S., Inc., Computershare Inc. and Computershare Trust Company, N.A. (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K (File No. 001-35897) filed on May 7, 2013)

Exhibit No.	Description of Exhibit
10.02	Amendment No. 1 to Warrant Agreement, dated as of May 22, 2017, among Voya Financial, Inc., ING Groep, N.V. and Computershare Inc. (incorporated by reference to Exhibit 4.16 to the Company's Registration Statement on Form S-3 (No. 333-218956) filed on June 23, 2017)
10.03	Amendment No. 2 to Warrant Agreement, dated as of November 10, 2017, among Voya Financial, ING Groep, N.V. and Computershare Inc. (incorporated by reference to Exhibit 10.05 to the Company's Annual Report on Form 10-K (File No. 001-35897) filed on February 23, 2018)
10.04	Indenture, dated as of August 1, 1993, between Aetna Life and Casualty Company and State Street Bank and Trust Company of Connecticut, National Association, as trustee (incorporated by reference to Exhibit 10.4 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.05	First Indenture Supplement, dated as of August 1, 1996 between Aetna Services, Inc. (F/K/A Aetna Life and Casualty Company) and State Street Bank and Trust Company of Connecticut, National Association, as trustee (incorporated by reference to Exhibit 10.5 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.06	Second Indenture Supplement, dated as of October 30, 2000, among Aetna Services, Inc. (F/K/A Aetna Life and Casualty Company), Aetna Inc. and State Street Bank and Trust Company of Connecticut, National Association, as trustee (incorporated by reference to Exhibit 10.6 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.07	Third Indenture Supplement, dated as of December 13, 2000, among Aetna, Inc., ING Groep N.V. and State Street Bank and Trust Company of Connecticut, National Association, as trustee (incorporated by reference to Exhibit 10.7 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.08	Indenture, dated as of July 1, 1996, among Aetna Life and Casualty Company, Aetna, Inc. and State Street Bank and Trust Company of Connecticut, National Association, as trustee (incorporated by reference to Exhibit 10.8 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.09	First Indenture Supplement dated as of October 30, 2000 among Aetna Services, Inc. (F/K/A Aetna Life and Casualty Company), Aetna Inc. and State Street Bank and Trust Company of Connecticut, National Association, as trustee (incorporated by reference to Exhibit 10.9 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.10	Second Indenture Supplement dated as of December 13, 2000, between Lion Connecticut Holdings, Inc. (as successor to Aetna, Inc., Aetna Services, Inc. and Aetna Life and Casualty Company) and State Street Bank and Trust Company of Connecticut, National Association, as trustee (incorporated by reference to Exhibit 10.10 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.11	Term Loan Agreement, dated as of April 20, 2012, among Bank of America, N.A. and the other parties thereto (incorporated by reference to Exhibit 10.12 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.12	Third Amended and Restated Revolving Credit Agreement dated as of November 2019, among Voya Financial, Inc., Bank of America N.A. and the other parties thereto (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (File No. 001-35897) filed on November 6, 2019)
10.13	Deposit Agreement, dated as of May 15, 2000 between the Federal Home Loan Bank of Topeka and Security Life of Denver Insurance Company (incorporated by reference to Exhibit 10.16 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.14	Advance, Pledge and Security Agreement, dated as of August 30, 2004, by and between the Federal Home Loan Bank of Topeka and Security Life of Denver Insurance Company (incorporated by reference to Exhibit 10.17 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.15	Amended and Restated Institutional Custody Agreement, dated as of May 12, 2004, by and between Security Life of Denver Insurance Company and the Federal Home Loan Bank of Topeka (incorporated by reference to Exhibit 10.18 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.16	Account Control Agreement, dated as of February 8, 2018, by and between Voya Retirement Insurance and Annuity Company, Federal Home Loan Bank of Boston, and The Bank of New York Mellon (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the Quarter Ended March 31, 2018 (File No. 001-35897) filed on May 2, 2018)

Exhibit No.	Description of Exhibit
10.17	Advances, Collateral Pledge and Security Agreement, dated as of February 8, 2018, by and between Voya Retirement Insurance and Annuity Company and the Federal Home Loan Bank of Boston (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the Quarter Ended March 31, 2018 (File No. 001-35897) filed on May 2, 2018)
10.18	Master Asset Purchase Agreement, dated as of January 22, 2009, by and among Scottish Re Group Limited, Scottish Holdings, Inc., Scottish Re (U.S.), Inc., Scottish Re Life (Bermuda) Limited, Scottish Re (Dublin) Limited, Hannover Life Reassurance Company of America, Hannover Life Reassurance (Ireland) Limited, Security Life of Denver Insurance Company, Security Life of Denver International Limited (incorporated by reference to Exhibit 10.19 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.19	Reinsurance Agreement, effective as of January 1, 2009, between Security Life of Denver Insurance Company and Hannover Life Reassurance Company of America (incorporated by reference to Exhibit 10.20 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.20	Reinsurance Agreement, effective as of July 1, 2011, between Security Life of Denver International Limited and Hannover Life Reassurance (Ireland) Limited (incorporated by reference to Exhibit 10.21 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.21	Reinsurance Agreement, effective as of July 1, 2011, between Security Life of Denver International Limited and Hannover Life Reassurance (Ireland) Limited (incorporated by reference to Exhibit 10.22 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.22	Reinsurance Agreement, effective as of July 1, 2011, between Security Life of Denver International Limited and Hannover Life Reassurance (Ireland) Limited (incorporated by reference to Exhibit 10.23 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.23	Coinsurance Agreement, dated as of October 1, 1998, between Aetna Life Insurance and Annuity Company and The Lincoln National Life Insurance Company (incorporated by reference to Exhibit 10.24 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.24	Modified Coinsurance Agreement, dated as of October 1, 1998, between Aetna Life Insurance and Annuity Company and The Lincoln National Life Insurance Company (incorporated by reference to Exhibit 10.25 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.25	Coinsurance Agreement, dated as of October 1, 1998, between Aetna Life Insurance and Annuity Company and Lincoln Life & Annuity Company of New York (incorporated by reference to Exhibit 10.26 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.26	Amendment No. 1 to Coinsurance Agreement, effective March 1, 2007 between ING Life Insurance and Annuity Company (F/K/A Aetna Life Insurance and Annuity Company) and Lincoln Life & Annuity Company of New York (incorporated by reference to Exhibit 10.27 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.27	Modified Coinsurance Agreement, dated as of October 1, 1998, between Aetna Life Insurance and Annuity Company and Lincoln Life & Annuity Company of New York (incorporated by reference to Exhibit 10.28 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.28	Tax Sharing Agreement by and between ING America Insurance Holdings, Inc. and various subsidiaries with respect to federal taxes (incorporated by reference to Exhibit 10.30 to the Company's Amendment No. 2 to Registration Statement on Form S-1 (File No. 333-184847) filed on March 19, 2013)
10.29	Tax Sharing Agreement by and between ING America Insurance Holdings, Inc. and various subsidiaries with respect to state taxes (incorporated by reference to Exhibit 10.31 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.30	Equity Administration Agreement between ING U.S., Inc. and ING Groep N.V. dated as of May 7, 2013 (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (File No. 001-35897) filed on May 7, 2013)
10.31	Master Claim Agreement, dated April 17, 2012, between ING Groep N.V., ING America Insurance Holdings, Inc. and ING Insurance Eurasia N.V. (incorporated by reference to Exhibit 10.35 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333- 184847) filed on January 23, 2013)
10.32	Form of Director Indemnification Agreement (incorporated by reference to Exhibit 10.37 to the Company's Amendment No. 3 to Registration Statement on Form S-1 (File No. 333-184847) filed on April 5, 2013)
10.33	Employment Agreement, dated December 11, 2014, of Rodney O. Martin, Jr. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-35897) filed on December 16, 2014)

Exhibit No.	Description of Exhibit
10.34+	Amended Agreement with Rodney O. Martin, Jr., dated September 18, 2017 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-35897) filed on September 21, 2017)
10.35+	Amendment Agreement with Rodney O. Martin, Jr. dated September 27, 2018 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (File No. 001-35897) filed on November 1, 2018)
10.36+	ING Group Incentive Compensation Plan (incorporated by reference to Exhibit 10.52 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.37+	Form of ING Group Grant of Deferred Shares (incorporated by reference to Exhibit 10.55 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.38+	ING Group Long-Term Equity Ownership Plan (incorporated by reference to Exhibit 10.56 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.39+	Form of ING Group Long-Term Equity Ownership Plan Grant (incorporated by reference to Exhibit 10.57 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.40+	ING Group Standard Share Option Plan (incorporated by reference to Exhibit 10.58 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013).
10.41+	ING Americas Supplemental Executive Retirement Plan (Amended/Restated December 2011) (incorporated by reference to Exhibit 10.59 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.42+	Amended and Restated Voya Retirement Plan, effective January 1, 2018 (incorporated by reference to Exhibit 10.45 to the Company's Annual Report on Form 10-K (File No. 001-35897) filed on February 22, 2019)
10.43*+	Voya Deferred Compensation Savings Plan, Amended and Restated Effective as of January 1, 2020
10.44+	ING Americas Severance Pay Plan (As Amended and Restated Effective as of January 1, 2008) (incorporated by reference to Exhibit 10.63 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.45+	Amendment No. 1 to ING Americas Severance Pay Plan (Amended/Restated October 1, 2008) (incorporated by reference to Exhibit 10.64 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.46+	Amendment No. 2 to ING Americas Severance Pay Plan (Amended/Restated June 22, 2009) (incorporated by reference to Exhibit 10.65 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.47+	Amendment No. 3 to ING Americas Severance Pay Plan (Amended/Restated October 1, 2009) (incorporated by reference to Exhibit 10.66 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.48+	Amendment No. 4 to ING Americas Severance Pay Plan (Amended/Restated December 1, 2010) (incorporated by reference to Exhibit 10.67 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.49+	Form of Voya Financial, Inc. Severance Plan for Senior Managers (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (File No. 001-35897) filed on May 5, 2016)
10.50+	ING Investment Management—Retention Participation Plan (incorporated by reference to Exhibit 10.68 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.51+	ING Investment Management, LLC Annual Incentive Plan (incorporated by reference to Exhibit 10.69 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.52+	ING Investment Management—Deferred Compensation Plan (incorporated by reference to Exhibit 10.70 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.53+	ING Americas Insurance Holdings, Inc. Equity Compensation Plan (incorporated by reference to Exhibit 10.71 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.54+	ING Directors' Pension Scheme (incorporated by reference to Exhibit 10.72 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.55+	Form of ING U.S., Inc. 2013 Omnibus Employee Incentive Plan (incorporated by reference to Exhibit 10.79 to the Company's Amendment No. 4 to Registration Statement on Form S-1 (File No. 333-184847) filed on April 16, 2013)

Exhibit No.	Description of Exhibit
10.56+	Voya Financial, Inc. Amended and Restated 2013 Omnibus Non-Employee Director Incentive Plan (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q (File No. 001-35897) filed on August 7, 2014)
10.57*+	Form of Award Agreement under the Voya Financial, Inc. Amended and Restated 2013 Omnibus Non-Employee Director Incentive Plan
10.58	Master Outsourcing Services Agreement between ING North America Insurance Corporation and Milliman, Inc. dated as of June 2, 2014 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 2, 2014)
10.59+	Voya Financial, Inc. 2014 Omnibus Employee Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q (File No. 001-35897) filed on August 7, 2014)
10.60+	Voya Financial, Inc. 2019 Omnibus Employee Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (File No. 001-35897) filed on August 9, 2019)
10.61+	Form of 2017 Award Agreement under the Voya Financial, Inc. 2014 Omnibus Employee Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (File No. 001-35897) filed May 3, 2017)
10.62+	Form of Chief Executive Officer 2017 Award Agreement under the Voya Financial, Inc. 2014 Omnibus Employee Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q (File No. 001-35897) filed May 3, 2017)
10.63*+	Form of 2018 Award Agreement under the Voya Financial, Inc. 2014 Omnibus Employee Incentive Plan
10.64*+	Form of Chief Executive Officer 2018 Award Agreement under the Voya Financial, Inc. 2014 Omnibus Employee Incentive plan
10.65	Hannover Re Buyer Facility Agreement Dated as of September 24, 2015 Among Security Life of Denver International Limited, Voya Financial, Inc., Hannover Life Reassurance Company of America, Hannover Re (Ireland) Limited and Hannover Rück SE (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (File No. 001-35897) filed on November 6, 2015)
10.66+	Offer Letter of Charles P. Nelson, dated April 7, 2015 (incorporated by reference to Exhibit 10.102 to the Company's Annual Report on Form 10-K (File No. 001-35897) filed on February 25, 2016)
10.67+	Offer Letter of Christine Hurtsellers, dated September 24, 2004 (incorporated by reference to Exhibit 10.98 to the Company's Annual Report on Form 10-K (File No. 001-35897) filed on February 23, 2017)
10.68+	Promotion and Compensation Memorandum of Christine Hurtsellers, dated February 12, 2009 (incorporated by reference to Exhibit 10.99 to the Company's Annual Report on Form 10-K (File No. 001-35897) filed on February 23, 2017)
10.69**	Master Agreement for Outsourced Services between Voya Services Company and Cognizant Worldwide Limited dated as of July 31, 2017 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q (File No. 001-35897) filed on November 1, 2017)
10.70*+	Offer Letter of Margaret Parent, dated July 18, 2016
21.1*	List of Subsidiaries of Voya Financial, Inc.
23.1*	Consent of Ernst & Young LLP
24.1	Power of Attorney (included on signature pages)
31.1*	Rule 13a-14(a)/15d-14(a) Certification of Rodney O. Martin, Chief Executive Officer
31.2*	Rule 13a-14(a)/15d-14(a) Certification of Michael S. Smith, Chief Financial Officer
32.1*	Section 1350 Certification of Rodney O. Martin, Chief Executive Officer
32.2*	Section 1350 Certification of Michael S. Smith, Chief Financial Officer
101.INS*	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	XBRL Taxonomy Extension Schema
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase
101.DEF*	XBRL Taxonomy Extension Definition Linkbase
101.LAB*	XBRL Taxonomy Extension Label Linkbase
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase

* Filed herewith.

+ This exhibit is a management contract or compensatory plan or arrangement

** Confidential portions of this exhibit have been omitted and filed separately with the SEC pursuant to a request for confidential treatment

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

February 21, 2020
(Date)

Voya Financial, Inc.
(Registrant)

By: /s/

Michael S. Smith
Michael S. Smith
Executive Vice President and
Chief Financial Officer
(Duly Authorized Officer and Principal Financial Officer)

POWER OF ATTORNEY

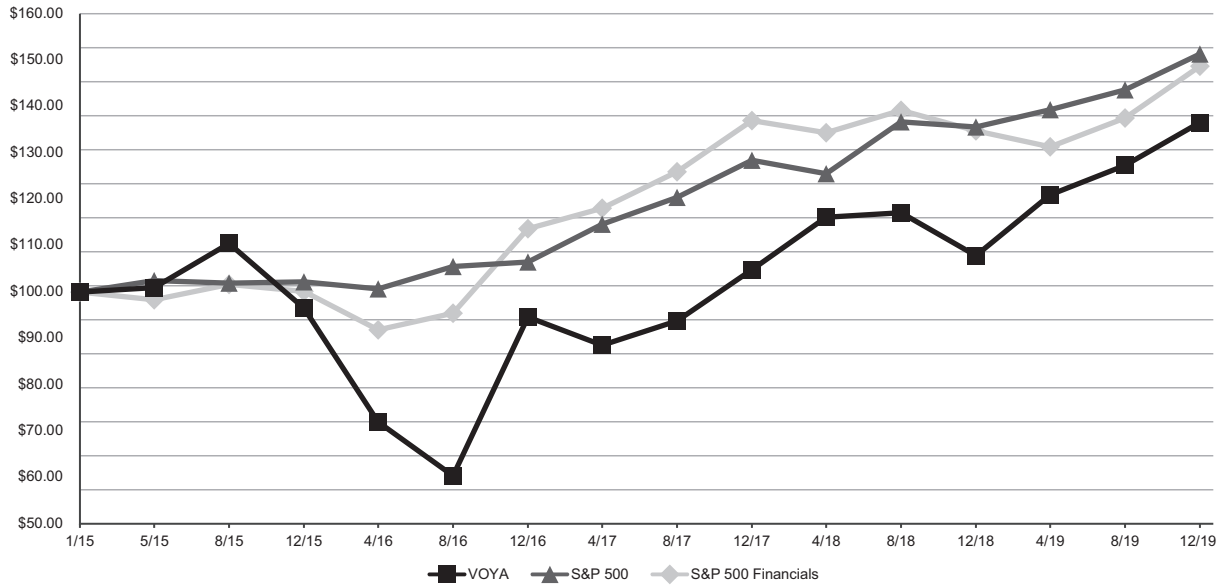
KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature below constitutes and appoints Rodney O. Martin, Jr., Michael S. Smith and Larry N. Port as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign this Annual Report on Form 10-K, and all amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
<u>/s/ Rodney O. Martin, Jr.</u> Rodney O. Martin, Jr.	Chairman and Chief Executive Officer(<i>Principal Executive Officer</i>)	February 21, 2020
<u>/s/ Lynne Biggar</u> Lynne Biggar	Director	February 21, 2020
<u>/s/ Jane P. Chwick</u> Jane P. Chwick	Director	February 21, 2020
<u>/s/ Kathleen DeRose</u> Kathleen DeRose	Director	February 21, 2020
<u>/s/ Ruth Ann M. Gillis</u> Ruth Ann M. Gillis	Director	February 21, 2020
<u>/s/ J. Barry Griswell</u> J. Barry Griswell	Director	February 21, 2020
<u>/s/ Byron H. Pollitt, Jr.</u> Byron H. Pollitt, Jr.	Director	February 21, 2020
<u>/s/ Joseph V. Tripodi</u> Joseph V. Tripodi	Director	February 21, 2020
<u>/s/ David Zwiener</u> David Zwiener	Director	February 21, 2020
<u>/s/ Michael S. Smith</u> Michael S. Smith	Chief Financial Officer (<i>Principal Financial Officer</i>)	February 21, 2020
<u>/s/ C. Landon Cobb, Jr.</u> C. Landon Cobb, Jr.	Chief Accounting Officer (<i>Principal Accounting Officer</i>)	February 21, 2020

Performance Graph

The following graph compares an investment in the Company's common stock from January 1, 2015 through December 31, 2019, against (i) an investment in the S&P 500 index and (ii) an investment in the S&P 500 Financials Index. The graph assumes \$100 was invested on January 1, 2015 in the Company's common stock, the S&P 500 index, and the S&P 500 financials index, as applicable, and that dividends were reinvested on the date of payment without deduction of any commissions. The performance shown in the graph represents past performance and should not be considered an indication of future performance.



Availability of Further Information

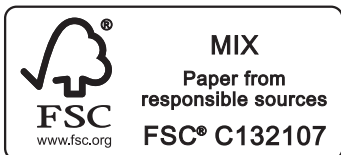
Voya Financial, Inc. will provide, without charge, a copy of its 2019 Annual Report on Form 10-K upon the written request of any shareholder. Such requests shall be directed to the Office of the Corporate Secretary, Voya Financial, Inc., 230 Park Avenue, New York, New York 10169.

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Forward-Looking and Other Cautionary Statements

This annual report 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, (iii) the frequency and severity of insured loss events, (iv) the effects of natural or man-made disasters, including pandemic events, (v) mortality and morbidity levels, (vi) persistency and lapse levels, (vii) interest rates, (viii) currency exchange rates, (ix) general competitive factors, (x) changes in laws and regulations, such as those relating to Federal taxation, state insurance regulations and NAIC regulations and guidelines, (xi) changes in the policies of governments and/or regulatory authorities, and (xii) our ability to successfully manage the separation of our individual life and legacy variable annuities businesses on the expected timeline and economic terms. Factors that may cause actual results to differ from those in any forward-looking statement also include those described under “Risk Factors” and “Management’s Discussion and Analysis of Results of Operations and Financial Condition (“MD&A”) – Trends and Uncertainties” in our Annual Report on Form 10-K for the year ended Dec. 31, 2019, which the Company filed with the Securities and Exchange Commission on Feb. 21, 2020.

Voya Financial
230 Park Avenue
New York, NY 10169
voya.com



PLAN | INVEST | PROTECT

VOYA
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