Voya Financial, Inc.

Voya Retirement Insurance and Annuity Co.

Credit Summary Report | June 2021

State of Domicile:	Connecticut	**Ratings as of:**	June 2021
Holding Company:	Voya Financial, Inc.	**Moody's:**	A2/Stable Outlook
Type:	Stock	**S & P:**	A+/Stable Outlook
Incorporated:	1976	**Fitch:**	A/Stable Outlook

Voya Financial, Inc., now a publicly traded insurance company, is the former U.S. insurance segment of the Dutch financial services company ING. As part of a restructuring plan approved by the European Commission, ING had agreed to separate its banking and insurance operations businesses. In May 2013, ING U.S. completed its initial public offering (IPO) under the new branded name, Voya Financial. Since the IPO ING has gradually sold down shares of Voya to the public and directly to the company with the final 19% stake sold in March 2015. Voya also completed its recapitalization plan bringing several debt offerings to the unsecured debt market where it continues to maintain strong presence. Voya Financial's key operating subsidiaries are Voya Retirement Insurance and Annuity Company, ReliaStar Life Insurance Company, and ReliaStar Life Insurance Company of New York.

Voya Financial business comprises of three key business segments: Retirement (Wealth Solutions), Investment Management, and Employee Benefits (Health Solutions). During 12 months ended 03/31/2021 Retirement/Wealth Solutions contributed 60% of adjusted operating earnings before income taxes, followed by Investment Management at 22% and Employee Benefits/Health Solutions at 19% of earnings. Voya's Wealth Solutions business is a top-five provider of retirement products and services in the U.S. Voya has a leading market position in retirement services market with a focus on K-12 and higher education markets. Investment Management segment includes the multi-channel, multi-platform active asset manager for institutions and individuals. Employee Benefits segments was repositioned to focus on lower-capital, higher-return businesses. Voya has a strong competitive position in the U.S. with a well-established distribution network, strong capital adequacy and financial flexibility. As part of the company's de-risking efforts in order to strengthen its regulatory capital position, Voya has narrowed its focus to simpler and lower cost employee benefits and retirement products, while de-emphasizing low return and capital intensive businesses. The core areas of focus for the U.S. insurance business include client retention, expense management, good asset quality, consistent core earnings generation and maintaining strong statutory capital levels.

In June 2018 Voya sold its closed block variable, fixed and fixed indexed annuities to a group of investors, including Apollo Global Management, Athene, Crestview Partners and Reverence Capital Partners. The transactions allowed Voya to focus on its higher-growth and less capital-intensive retirement, investment management and employee benefits businesses. In the transaction, Voya divested Voya Insurance and Annuity Company (VIAC), which was acquired by Venerable Holdings, Inc., a newly formed investment vehicle owned by a consortium of investors led by Apollo, Crestview and Reverence. Voya retained a 9.9% equity stake in Venerable. Venerable holds substantially all of the variable annuities in Voya's closed block variable annuity segment with account values of $35 bn. In addition, Voya sold via reinsurance to Athene Holding $19 bn of its fixed and fixed indexed annuities, representing most of Voya's fixed and fixed indexed annuities in force. Voya Investment Management continues to manage Venerable's assets for at least five years and will also manage the funds platform associated with variable annuities.

In January 2021, Voya completed the sale of its individual life insurance business and certain other blocks, including Security Life of Denver Insurance Company to Resolution Life U.S. Holdings, private equity-backed insurance group. The transaction resulted in $633 mn net GAAP loss on sale and freed up to $1.4 bn of capital for Voya. The company's pivot away from the individual life insurance market aligns with its strategic focus on higher-growth, higher-return, capital-light businesses, centered on workplace and institutional clients.

Since its IPO in May 2013, Voya continued to reposition the company as one of the top retirement product providers in the U.S. and made solid progress operationally. With the sale of Individual Life business, Voya was able to reduce interest rate, credit and adverse mortality exposures and now operates simpler businesses fully focused on growth. Full-year 2020 normalized adjusted operating earnings were $635 mn after tax, compared with $619 mn in full-year 2019. Higher normalized adjusted operating earnings in Investment Management and Employee Benefits, as well as a lower loss in Corporate, more than offset lower normalized adjusted operating earnings in Retirement. For the full-year 2020 Retirement segment reported that full-service recurring deposits increased 6.9% y/y to $11.1 bn while total full-service net inflows were $1.6 bn. Investment Management segment reported $8.4 billion in positive net flows (excluding divested annuities and sub-advisor replacements) in 2020 driven by strength of Institutional asset management and investment performance. Employee Benefits segment reported annualized in-force premiums of $2.3 bn, up 6.7% y/y reflecting growth in the voluntary business. During 1Q21 Voya reported adjusted operating earnings after tax of $223 mn, nearly doubled y/y primarily due to higher investment income from alternative investments, as well as higher fee revenue in Wealth Solutions, partially offset by lower earnings in Health Solutions due to higher COVID-19 related claims.

As of 03/31/2021 Voya had GAAP assets of $163 bn and shareholders' equity of $9 bn. As of 03/31/21 Voya had total assets under management and administration of $729 billion. Financial leverage (adjusted Debt/Capital excl. AOCI) was 33%, higher than long-term target of 30%. Voya reiterated its plans to retire $600-800 mn of debt in 2021, as it retired $75 mn of debt in 1Q21. At YE2020 consolidated Risk-Based Capital ratio was 510% and statutory total adjusted capital was $4.2 bn. Voya targets RBC ratio of 400% allowing the company to return excess capital to shareholders. During 1Q21 Voya repurchased $235 mn of shares and expects to repurchase $1 bn of shares in 2021. As of 03/31/2021 Voya had $1.6 bn of capital above the company's holding company liquidity target of $200 mn and estimated statutory surplus in excess of a 400% RBC target level. As of 03/31/21 Voya Financial had $437 mn of cash and short-term securities at the holding company, in line with the management's target of holding $200 mn as a liquidity buffer. Voya also maintained a $500 mn senior unsecured credit facility which was undrawn as of 1Q21. Voya also has $500 mn off-balance sheet contingent capital facility, Pre-capitalized trust securities (P-CAPS) maturing in 2025.

Voya's general account investment portfolio was $39 bn as of 03/31/21 with 81% in fixed maturity investments. 94% of fixed maturity investments were rated 1 or 2 based on NAIC ratings. 52% of the investment portfolio was in corporate private and public securities of domestic and foreign issuers, 25% was in securitized products, 14% was in commercial mortgage loans, 4% in equity/alternatives, 2% municipal securities, 2% in short-term securities and 1% policy loans. As of 1Q21 commercial mortgage loan portfolio had LTV of 46%, debt service coverage of 2.2x and was well diversified geographically and by property type. Commercial mortgage loans by property type were as follows: Retail 23%, Industrial 19%, Apartments 27%, Office 16%, Self Storage 8%, Hotel 2%, Other 5%. While Voya has significantly reduced holdings of structured assets since the financial crisis, it has higher than peers holdings of structured securities. Residential mortgage-backed securities represented 13% of the fixed maturities portfolio. Commercial mortgage-backed securities were 10% and other asset-backed securities were 5.5% of the fixed maturities securities portfolio. As of 1Q21 Voya disclosed that 11% of its investment portfolio was exposed to the pandemic with the following industry exposure: 51% energy, 12% retail, 13% metals, 9% airlines and aircraft leasing, 7% automotive, 4% airports, 3% restaurants and 1% lodging.

Environmental, Social and Governance (ESG):

- Voya is rated A by MSCI with rating reflecting the company's strong overall governance structure, particularly its board and pay practices. According to MSCI: "Voya has a majority independent board which may aid in strong oversight of management. Voya continues to be a signatory to the UN Principles for Responsible Investment and proactively engages with its investee companies on sustainability issues. However, the company seems to trail better-performing peers in adopting leading investment principles into its investment process. Human capital management initiatives of Voya appear to be limited. Unlike better-performing peers, the company lacks annual engagement surveys, which can gauge workforce morale."
- Received several awards, including highest-ranked financial services company on Barron's list of 2021 100 Most Sustainable Companies.
- Named one of the World's Most Ethical Companies for the eighth consecutive year, by Ethisphere.

- Member of the Bloomberg Gender-Equality Index.
- Named to Fortune's list of the 2021 Best Workplaces in Financial Services and Insurance.

Strengths:

- Strong competitive position in the U.S. retirement and employee benefits markets.
- Lower risk profile due to the exit from or scale back of higher risk/capital intensive businesses, including closed block variable annuity and retail life insurance sale.
- Strong capital adequacy and solid financial flexibility.

Weaknesses:

- Limited business diversity with significant concentration in pension products and greater reliance on highly competitive fee-based businesses with lower margins.
- Exposure to the U.S. equity market from pension businesses.
- Shareholder-friendly financial policy constraining regulatory capital.

Key Statistics – Voya Retirement Insurance & Annuity Co.

($ millions)	2020	2019	2018	2017	2016
Total Assets without Separate Account	34,024	32,880	32,295	30,730	30,430
Separate Account Assets	88,216	79,368	68,032	73,813	62,730
Total Assets	122,240	112,248	100,327	104,543	93,160
Capital & Surplus	2,040	2,005	2,000	1,793	1,959
Net Gain from Operations before Tax	370	408	431	274	336
Net Realized Capital Gains (Losses)	-73	-31	-19	-36	0
Net Income	299	325	377	195	266
Return on Average Assets (Stat.)	0.27%	0.30%	0.36%	0.19%	0.30%
Return on Average Equity (Stat.)	15.06%	16.80%	19.85%	10.41%	13.33%
RBA Ratio (ACL)	1035.04%	998.76%	978.16%	904.86%	966.75%

Sources: Company Reports and Statutory Filings

The following provides a simplified example of the cumulative effect of management fees on investment performance: An annual management fee of 0.80% applied over a five-year period to a $100 million portfolio with an annualized gross return of 10% would reduce the value of the portfolio from $161,051,000 to $154,783,041. The actual investment advisory fees incurred by clients may vary depending on account size, structure, cash flow and other account-specific factors. Mellon's standard fees are shown in Part 2A of its Form ADV.

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