Voya Financial, Inc.

Voya Retirement Insurance and Annuity Co.

Credit Summary Report | March 2020

State of Domicile:	Connecticut	**Ratings as of:**	March 2020
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, Inc. is a holding company for several direct and indirect life insurance subsidiaries. Voya Financial is the direct owner of Security Life of Denver Insurance Company and Voya Holdings Inc., an intermediate holding company. Voya Holdings Inc. is the direct parent of Voya Retirement Insurance and Annuity Company.

Voya Financial business comprises of three key business segments: Retirement, Investment Management, and Employee Benefits. In 2019 Retirement contributed 49% of revenues, followed by Employee Benefits at 37%, Investment Management at 12% and Corporate at 2%. Voya's Retirement Solutions business is the #2 provider of defined contribution plans in the U.S. and #1 defined contribution recordkeeper. 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 October 2018, Voya announced that it would cease new individual life insurance sales while retaining in-force block of individual life policies. In 4Q19 Voya announced the sale of Individual Life and certain legacy annuities business to Resolution Life US for $1.25 bn with the sale expected to close in 3Q20. 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.

In December 2017 Voya announced agreement to sell is closed block variable, fixed and fixed indexed annuities to a group of investors, including Apollo Global Management, Athene, Crestview Partners and Reverence Capital Partners. Series of transactions closed in June 2018. 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.

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 2019 normalized adjusted operating earnings were $619 mn after tax, compared with $600 mn in full-year 2018. Higher adjusted earnings in Employee Benefits and Corporate were partially offset by lower earnings in Retirement. Full-year adjusted operating earnings were $514 mn in 2019 compared to $560 mn in 2018. For the full-year 2019 Retirement segment reported that full-service recurring deposits increased 10.7% to $10.3 bn compared with full-year 2018, while total full-service net inflows were $2.1 bn. Investment Management reported institutional net inflows of $2.7 bn for full-year 2019. Employee Benefits grew in-force premiums 10.3% compared with the prior-year period and reported total aggregate loss ratio of 70.2% in 2019, 230 bps improvement y/y.

As of 12/31/2019 Voya had GAAP assets of $169 bn and shareholders' equity of $10.2 bn. As of 12/31/19 Voya had total assets under management and administration of $603 billion. Financial leverage (adjusted Debt/Capital ex. AOCI) was 30%, close to long-term target of 30%. At YE2019 consolidated Risk-Based Capital ratio was 489% (CAL) and statutory total adjusted capital was $5.1 bn. Voya targets RBC ratio of 400% allowing the company to return excess capital to shareholders. Full-year 2019 share repurchases totaled $1.1 bn. As of FY2019 Voya had $896 mn 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 12/31/19 Voya Financial had $212 mn of cash 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 expires in May 2024 and was undrawn as of YE2019.

Voya's investment portfolio was $54 bn as of 12/31/19 with 74% in fixed maturities investments. Average rating of fixed income investments was A with 95% of the portfolio rated 1 or 2 based on NAIC ratings. Nearly 68% of the fixed maturities securities portfolio was in corporate private and public securities of domestic and foreign issuers. 12.8% of the total investment portfolio was in commercial mortgage loans, well diversified geographically and by property type. As of YE2019 commercial mortgage loan portfolio had LTV of 61.5%, debt service coverage of 2.3x and very low loss rates. Commercial mortgage loans by property type were as follows: Retail 27.3%, Industrial 23.8%, Apartments 26.1%, Office 14.5%, Hotel 2.7%, Other 5.6%. 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 12.6% of the fixed maturities portfolio with the majority in agency securities. Commercial mortgage-backed securities were 8.5% and other asset-backed securities were 5.2% of the fixed maturities securities portfolio. Given the unprecedented nature of the COVID-19 pandemic, we believe that credit losses and securities impairments will likely start emerging in 2020 in the investment portfolio.

Environmental, Social and Governance (ESG):

- Received several awards, including highest-ranked financial services company on Barron's list of 2020 100 Most Sustainable Companies.
- Member of the Bloomberg Gender-Equality Index.
- Named to Fortune's list of the 2020 World's Most Admired Companies.

Strengths:

- Strong competitive position in the U.S. retirement market.
- Lower risk profile due to the exit from or scale back of higher risk/capital intensive businesses, including closed block variable annuity sale.

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.
- Exposure to low interest rates.
- Potential for credit losses/impairments in the investment portfolio due to COVID-19.
- Shareholder-friendly financial policy constraining regulatory capital.

Key Statistics – Voya Retirement Insurance & Annuity Co.

($ millions)	2019	2018	2017	2016	2015
Total Assets without Separate Account	32,880	32,295	30,730	30,430	27,547
Separate Account Assets	79,368	68,032	73,813	62,730	59,667
Total Assets	112,248	100,327	104,543	93,160	87,214
Capital & Surplus	2,005	2,000	1,793	1,959	2,030
Net Gain from Operations before Tax	408	431	274	336	450
Net Realized Capital Gains (Losses)	(31)	(19)	(36)	0	(61)
Net Income	325	377	195	266	317
Return on Average Assets (Stat.)	0.30%	0.36%	0.19%	0.30%	0.36%
Return on Average Equity (Stat.)	16.80%	19.85%	10.41%	13.33%	15.78%
RBA Ratio (ACL)	998.76%	978.16%	904.86%	966.75%	967.82%

Sources: Company Reports and Statutory Filings