

# Voya Financial

Second Quarter 2018 Investor Presentation

August 2, 2018

# Forward-Looking and Other Cautionary Statements

This presentation and the remarks made orally contain forward-looking statements. 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, such as those relating to Federal taxation, state insurance regulations and NAIC regulations and guidelines, (x) changes in the policies of governments and/or regulatory authorities, and (xi) our ability to successfully manage the separation of Venerable, including the transaction services, 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 – Trends and Uncertainties” in our Annual Report on Form 10-K for the year ended December 31, 2017 as filed with the Securities and Exchange Commission (“SEC”) on February 23, 2018, and our Quarterly Report on Form 10-Q for the three months ended June 30, 2018, to be filed with the SEC on or before August 8, 2018.

This presentation and the remarks made orally contain certain non-GAAP financial measures. Non-GAAP measures include Adjusted Operating Earnings, Adjusted Operating Return on Capital, Adjusted Operating Margin, and Adjusted debt-to-capital ratio. Information regarding these and other non-GAAP financial measures, including reconciliations to the most directly comparable GAAP financial measures, is provided in our quarterly earnings press releases and in our quarterly investor supplements, all of which are available at the Investor Relations section of Voya Financial’s website at [investors.voya.com](http://investors.voya.com).

## 1. Key Themes and Strategic Priorities

- Rod Martin, Chairman and Chief Executive Officer

## 2. Business Segment Performance and Financial Highlights

- Mike Smith, Chief Financial Officer

# Key Themes

## *Earnings Tracking to Target*

- ❑ Adjusted operating earnings grew 20% year-over-year (excluding DAC/VOBA and other intangibles unlocking)
- ❑ Retirement and Employee Benefits grew at top quartile returns
- ❑ Retirement achieved record quarterly earnings in 2Q'18

## *Building on Track Record of Execution*

- ❑ Closed CBVA and Annuities sale
  - ❑ Significantly reduced market and insurance risks
- ❑ On track to achieve \$110-\$130 million of expense saves by 2Q'19
- ❑ Progressing on capital and growth initiatives

## *Capital Position is Strong*

- ❑ Excess capital of \$699 million as of 6/30/18
- ❑ Completed \$500 million of share repurchases in 2Q'18, bringing 1H'18 total to \$1 billion
- ❑ Plan to repurchase \$500 million of shares in 2H'18

# Continued Progress on Executing 2018 Priorities

## CBVA & Annuities Transaction

- ✓ Carved out businesses were divested from Voya
- ✓ Obtained regulatory approval
- ✓ Closed on June 1, 2018

## Cost Savings

- ✓ Generate \$110 - \$130 million of annual cost savings within 12 months of transaction closing
  - ✓ Consolidate IT platforms
  - ✓ Migrate to cloud environment
  - ✓ Streamline operations through process digitization
  - ✓ Simplify organization

## Capital Initiatives

- ✓ Completed \$1 billion of share repurchases<sup>1</sup> by the end of 2Q'18
- ☐ Reduce outstanding debt by \$300 million<sup>2</sup> (post-transaction close)
- ✓ Deploy capital released from CBVA and Annuities transaction
  - ✓ Repurchase additional \$500 million of shares by the end of 2H'18

## Growth

- ✓ Increase number of firms and advisors selling Retirement solutions
- ✓ Expand institutional channel in Investment Management
- ✓ Enhance Employee Benefits voluntary coverage offerings
- ✓ Deepen cross-enterprise partnership across Retirement, Investment Management, and Employee Benefits

✓ denotes priority completed

✓ denotes priority in progress

1. Included \$500 million of accelerated share repurchase program entered in 4Q'17. \$500 million of share repurchases completed in 2Q'18.

2. The planned debt reduction is in addition to the \$350 million hybrid note issued in January 2018 to repay maturing debt.

# Recent Enterprise Accomplishments



Named one of *Fortune's* World's Most Admired Companies in the Securities and Asset Management Industry



Fifth consecutive year as one of the World's Most Ethical Companies



Joined first industry-neutral Bloomberg Gender-Equality Index



Employer of the Year: Champion Award



Named Employer of the Year: Champion Award and a Best Place to Work for Disability Inclusion for the 2018 Disability Equality Index



Named one of the 2018 finalists for the Corporate Community Impact Award



## FTSE4Good

Joined the FTSE4Good Index for meeting globally-recognized ESG practices

# Agenda

## 1. Key Themes and Strategic Priorities

- Rod Martin, Chairman and Chief Executive Officer

## 2. Business Segment Performance and Financial Highlights

- Mike Smith, Chief Financial Officer

# Second Quarter 2018 Results – Financial Highlights

## After-tax Adjusted Operating Earnings<sup>1</sup>

**\$195 million  
or  
\$1.13 per diluted  
share**

### Includes:

2Q'18

□ Deferred acquisition costs and value of business acquired (“DAC/VOBA”) and other intangibles unlocking	\$(0.13)
□ Prepayment fees and alternative income above long-term expectations	\$0.06

## Net Income Available to Common Shareholders<sup>2</sup>

**\$166 million**

### Includes:

2Q'18

□ Discontinued operations	\$28 M
□ Adjusted operating earnings	\$195 M
□ Net realized gains and other	\$(57) M

1. The Adjusted operating effective tax rate is based on the actual income tax expense for the current period related to Income (loss) from continuing operations, less estimated taxes on non-operating items assuming a 21% corporate tax rate and other non-operating impacts such as those related to restructuring and the Tax Cuts and Jobs Act. Voya assumes a 21% tax rate on all components of Adjusted operating earnings described as “after-tax.”

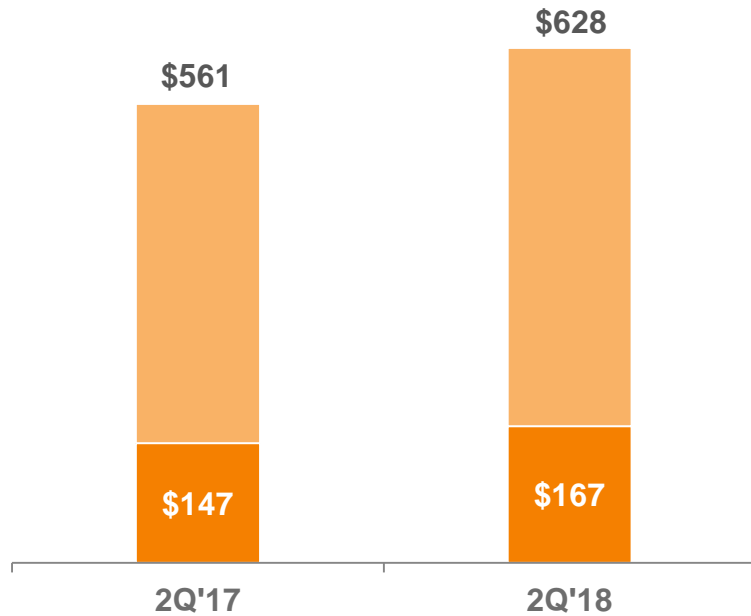
2. Presented on an after-tax, post-DAC basis.



# Retirement – Leading Franchise Driving Long-Term Growth and Improving Returns

## Adjusted Operating Earnings (\$ millions)<sup>1</sup>

■ Current Quarter ■ TTM



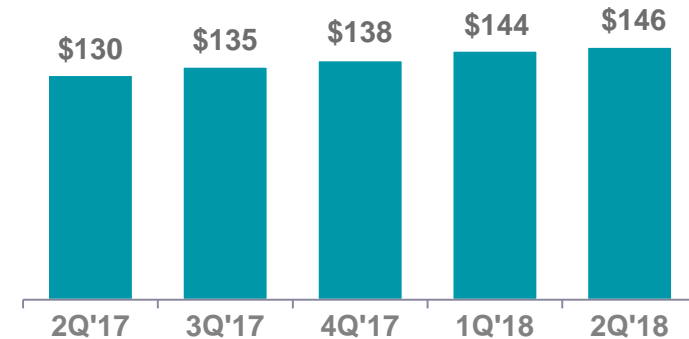
Includes prepayment and alternative income above/(below) expectations<sup>2</sup> of:

■ TTM

Adjusted Operating ROC, TTM

	2Q'17	2Q'18
Includes prepayment and alternative income above/(below) expectations <sup>2</sup> of:	\$(2) M	\$6 M
■ TTM	\$24 M	\$23 M
Adjusted Operating ROC, TTM	9.6%	12.0%

## AUM (\$ billions)<sup>3</sup>



## Net Flows (\$ millions)

	2Q'17	3Q'17	4Q'17	1Q'18	2Q'18
Full Service	\$914	\$924	\$(27)	\$47	\$127
Stable Value and PRT	(559)	227	(416)	(341)	(260)
Retail Wealth Management	(75)	(60)	(33)	(68)	(1)
<b>Total Net Flows</b>	<b>\$280</b>	<b>\$1,091</b>	<b>\$(476)</b>	<b>\$(362)</b>	<b>\$(134)</b>

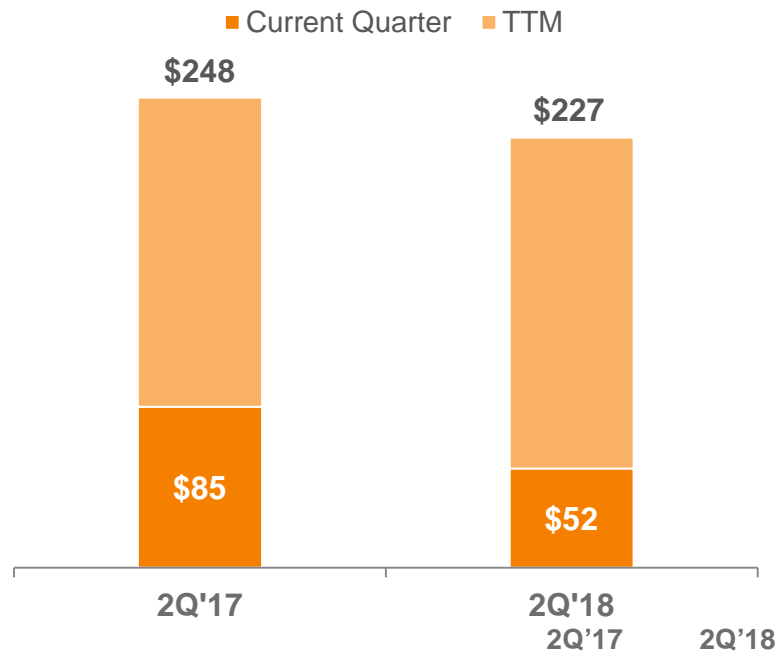
## Key Initiatives

- Simplify client experience and ease of doing business
- Strengthen partnership with Investment Management
- Expand distribution partners and deepen distribution partnerships

1. Excludes DAC unlocking and 2016 Lehman Bankruptcy/LIHTC Loss (net of DAC). Adjusted Operating Earnings is a non-GAAP measure. Information regarding this non-GAAP financial measure, and a reconciliation to most comparable U.S. GAAP measure, is provided in the "Reconciliations" section of the Quarterly Investor Supplement.  
 2. Prepayment and alternative income above/(below) expectations are pre-tax and pre-DAC.  
 3. Excludes Recordkeeping: Beginning with 1Q'18 includes retained Investment-Only products reallocated from Corporate.

# Investment Management – Continued Strong Performance Across Multiple Investment Platforms and Distribution Channels

## Adjusted Operating Earnings (\$ millions)<sup>1</sup>



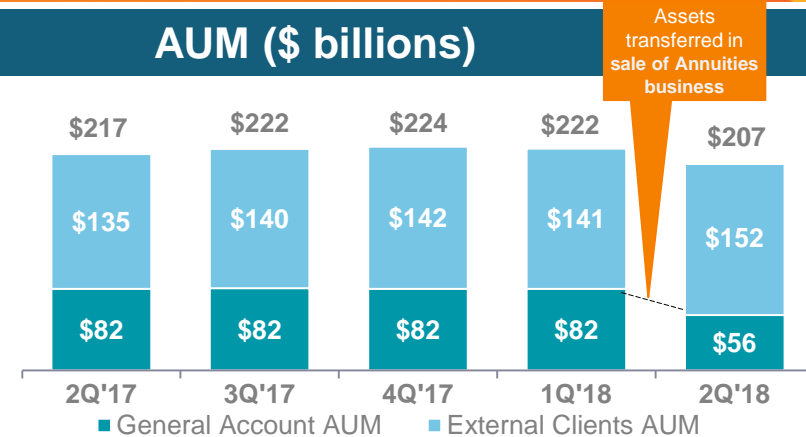
Includes prepayment and alternative income above/(below) expectations<sup>2</sup> of: \$30 M    \$(1) M

□ TTM    \$38 M    \$6 M

Adjusted Operating Margin, TTM    34.2%    31.8%

□ excl. investment capital, TTM    28.7%    28.9%

## AUM (\$ billions)



### Net Flows

	2Q'17	3Q'17	4Q'17	1Q'18	2Q'18
IM Sourced	\$2.4	\$1.2	\$0.8	\$0.1	\$1.2
Affiliate Sourced	(0.5)	0.4	(0.5)	(0.5)	(0.4)
IM VA	(0.7)	(0.9)	(1.4)	(0.7)	(0.6)
<b>Total Net Flows<sup>3</sup></b>	<b>\$1.2</b>	<b>\$0.7</b>	<b>\$(1.1)</b>	<b>\$(1.2)</b>	<b>\$0.1</b>

## Key Initiatives

- Focus institutional distribution on consultant recommended strategies with strong performance<sup>4</sup>
- Leverage data analytics and segmentation to improve sales
- Improve operating efficiency

1. Excludes DAC unlocking and 2016 Lehman Bankruptcy/LIHTC Loss (net of DAC). Adjusted Operating Earnings is a non-GAAP measure. Information regarding this non-GAAP financial measure, and a reconciliation to most comparable U.S. GAAP measure, is provided in the "Reconciliations" section of the Quarterly Investor Supplement.

2. Prepayment and alternative income above/(below) expectations are pre-tax and pre-DAC.

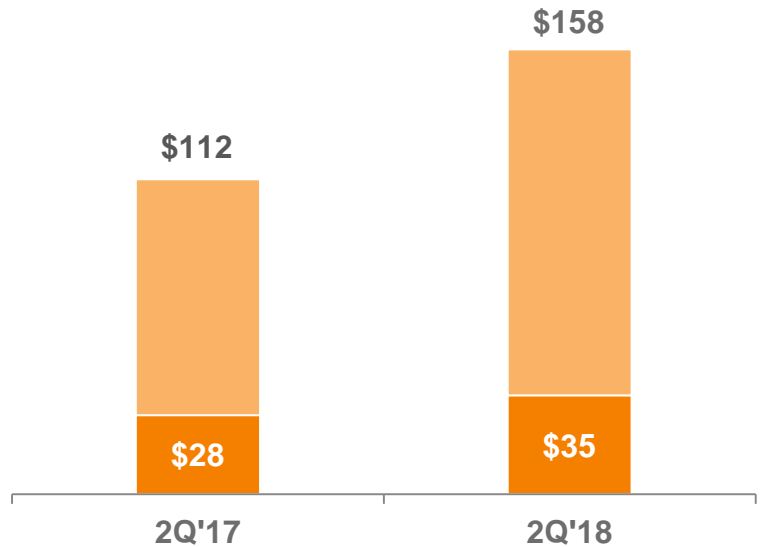
3. Excludes \$857 million of net inflows from sub-advisor replacements in 3Q 2017.

4. Metrics presented measure each investment product based on (i) rank above the median of its peer category within Morningstar (mutual funds) or eVestment (institutional composites) for unconstrained and fully-active investment products; or (ii) outperformance against its benchmark index for "index-like", rules-based, risk-constrained, or client-specific investment products. Asset breakdown of 3-year and 5-year outperformance, respectively, is as follows: 98% and 93% for fixed income; 49% and 40% for equities; 68% and 100% for MASS.

# Employee Benefits – High Return and Capital Generation Business

## Adjusted Operating Earnings (\$ millions)<sup>1</sup>

■ Current Quarter ■ TTM



Includes prepayment and alternative income above/(below) expectations<sup>2</sup> of:

■ TTM

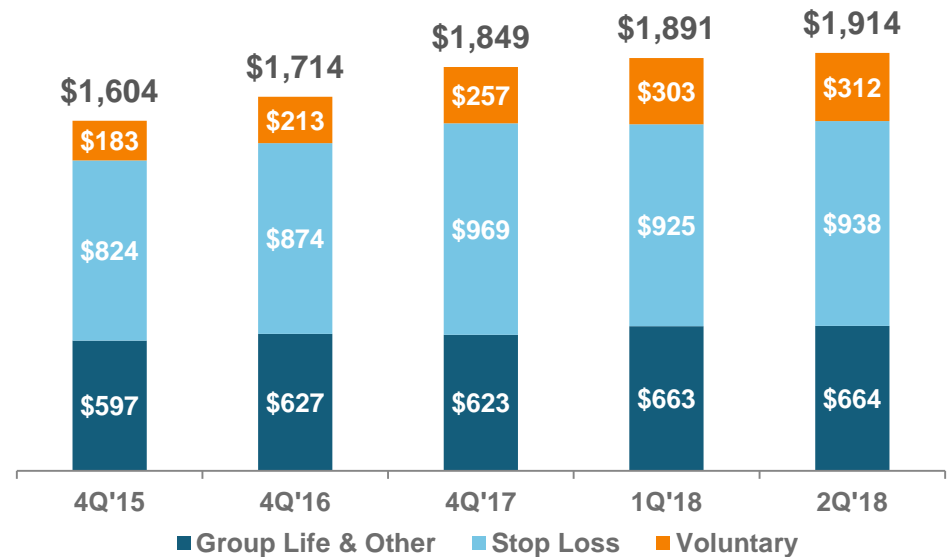
	2Q'17	2Q'18
Includes prepayment and alternative income above/(below) expectations <sup>2</sup> of:	\$0 M	\$1 M
■ TTM	\$3 M	\$3 M

	2Q'17	2Q'18
Adjusted Operating ROC, TTM	20.8%	29.0%

### Loss Ratios:

■ Stop Loss	85.6%	81.7%
■ Group Life	70.5%	81.5%

## Annualized In-Force Premiums (\$ millions)



## Key Initiatives

- Enhance Employee Benefits voluntary coverage offerings
- Return loss ratio for Stop Loss to 77-80%
- Improve digital and analytical tools to drive greater ease of doing business

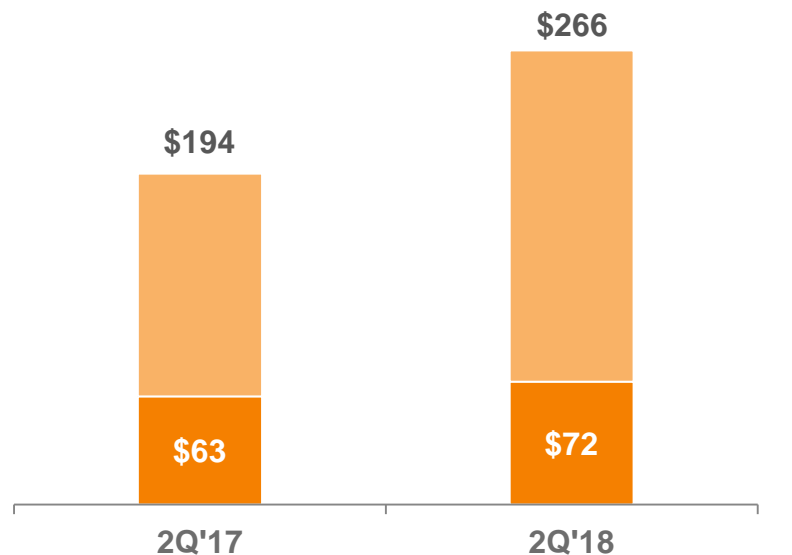
1. Excludes DAC unlocking and 2016 Lehman Bankruptcy/LIHTC Loss (net of DAC). Adjusted Operating Earnings is a non-GAAP measure. Information regarding this non-GAAP financial measure, and a reconciliation to most comparable U.S. GAAP measure, is provided in the "Reconciliations" section of the Quarterly Investor Supplement.

2. Prepayment and alternative income above/(below) expectations are pre-tax and pre-DAC.

# Individual Life – Improved Mortality

## Adjusted Operating Earnings (\$ millions)<sup>1</sup>

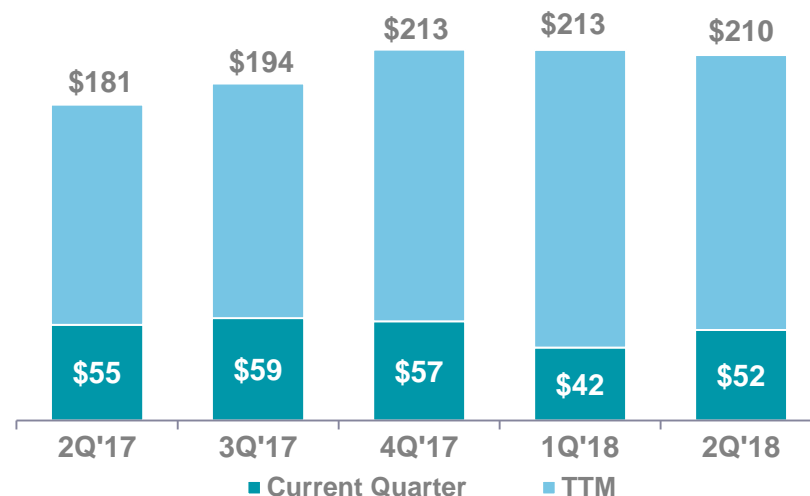
■ Current Quarter ■ TTM



Includes prepayment and alternative income above/(below) expectations<sup>2</sup> of:

	2Q'17	2Q'18
□ TTM	\$7 M	\$13 M
Adjusted Operating ROC, TTM	7.5%	10.6%

## Net Underwriting Gain (\$ millions)



## Key Initiatives

- Progressing on Individual Life strategic review
- Continued sale of low capital intensive products at or above targeted returns

1. Excludes DAC unlocking and 2016 Lehman Bankruptcy/LIHTC Loss (net of DAC). Adjusted Operating Earnings is a non-GAAP measure. Information regarding this non-GAAP financial measure, and a reconciliation to most comparable U.S. GAAP measure, is provided in the "Reconciliations" section of the Quarterly Investor Supplement.

2. Prepayment and alternative income above/(below) expectations are pre-tax and pre-DAC.

# Adjusted Operating EPS Considerations

## 2Q'18 Financial Results

Reported 2Q'18 Adjusted Operating EPS <sup>1</sup>	\$1.13
<b>Includes:</b>	
▪ DAC/VOBA and other intangibles unlocking	\$(0.13)
▪ Prepayment fees and alternative income above long-term expectations	\$0.06

## 3Q'18 Considerations<sup>2</sup>

### Potential Beneficial Items:

▪ Share repurchases	<b>In progress</b>
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### Potential Offsetting Items:

▪ Individual Life mortality expected to normalize	\$0.05
▪ Higher Corporate operating losses <sup>3</sup>	\$0.03

1. Adjusted operating EPS is a non-GAAP measure.

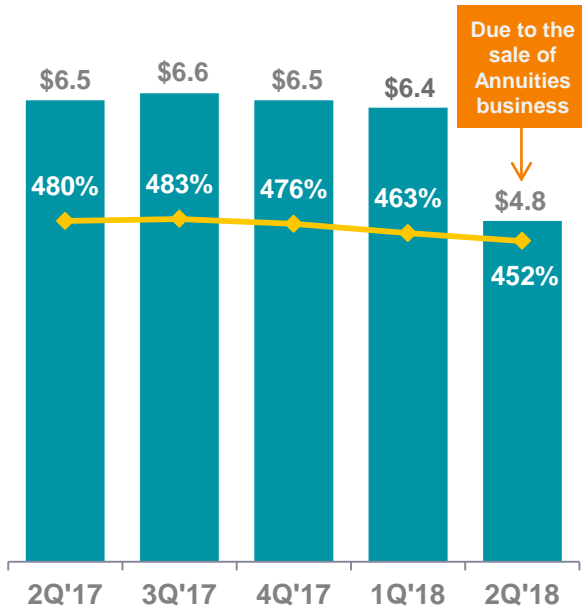
2. List of considerations not intended to be exhaustive. Does not factor items such as business growth, equity market and interest rate movements. The impact of share repurchases will be dependent on market conditions.

3. Higher corporate operating losses includes a \$10 million reserve refinement in 2Q'18 that is not expected to recur, partially offset by additional cost savings.

# Capital Position is Strong

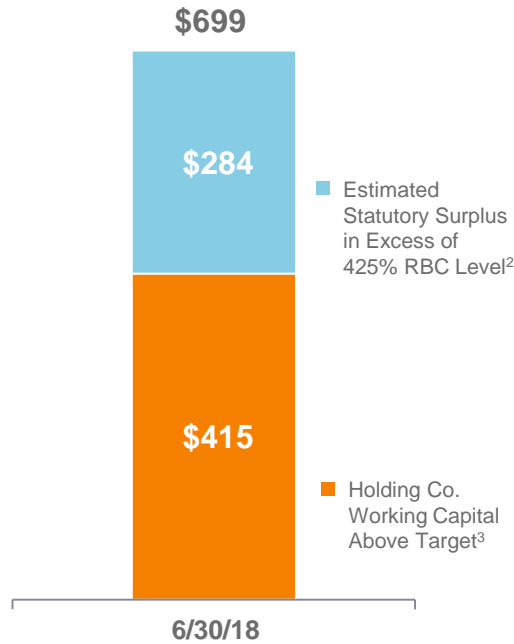
## Statutory Total Adjusted Capital and Estimated Combined RBC Ratio<sup>1</sup>

Target: **425%**



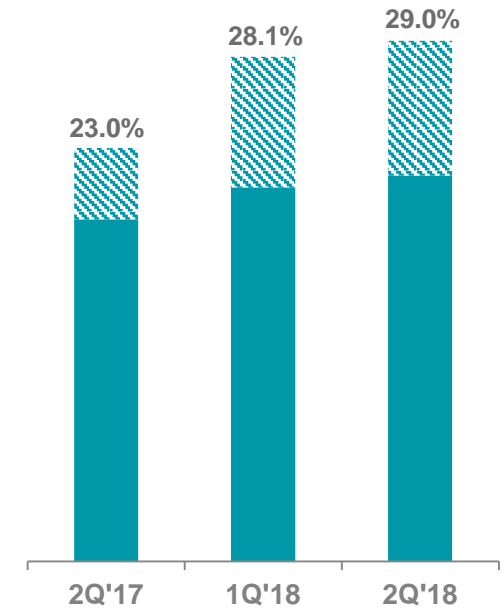
■ Stat. Total Adj. Capital (\$ billions)  
 ◆ Estimated Combined RBC Ratio

## Excess Capital<sup>2</sup> (millions)



## Debt-to-Capital Ratio<sup>4</sup>

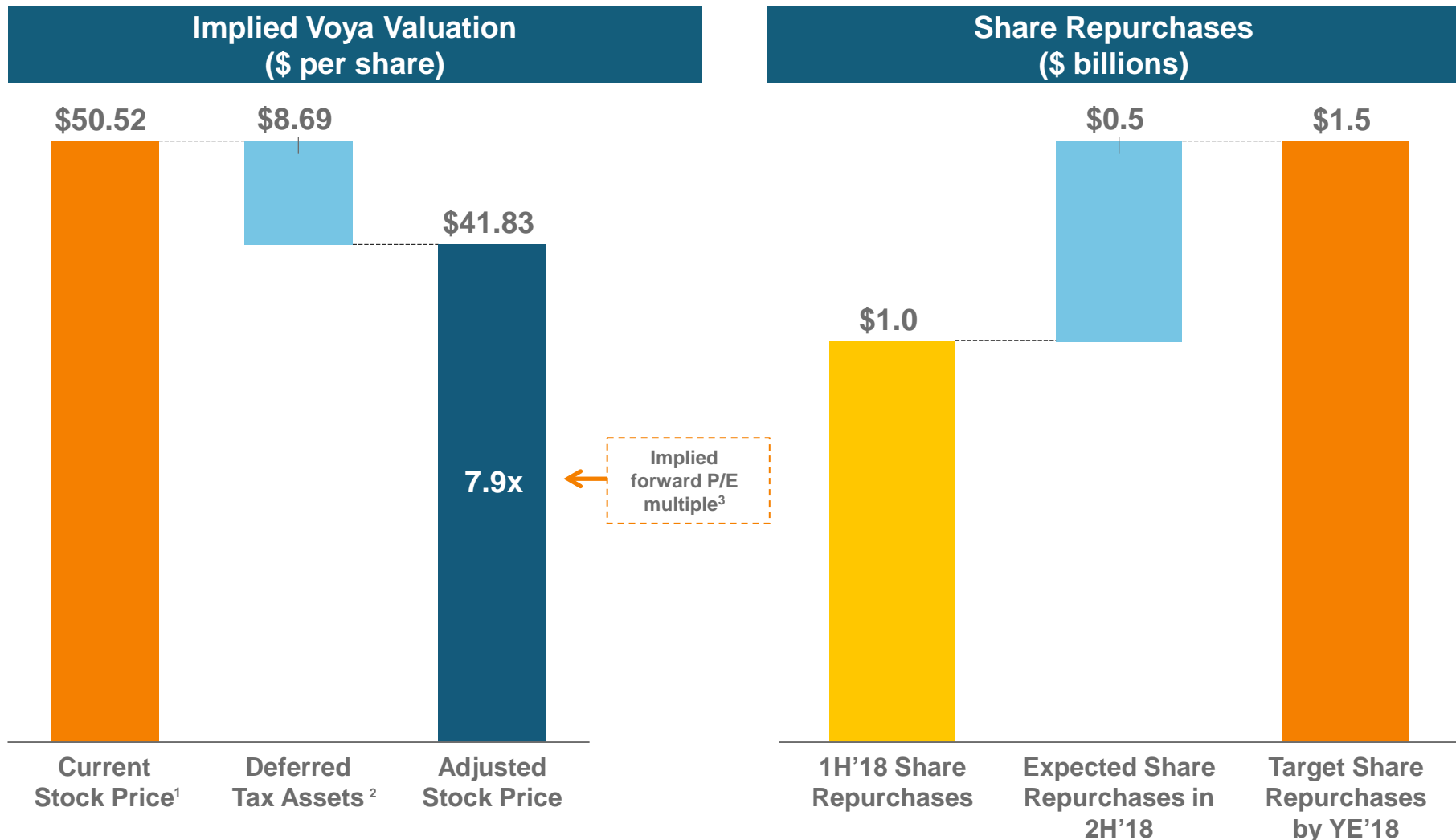
Target: **30%**



▨ Subordinated Debt    ■ Senior Debt

1. Estimated combined RBC ratio primarily for our four principal U.S. insurance subsidiaries.
2. Target of 12-month holding company liquidity represents \$200 million; holding company liquidity includes cash, cash equivalents, and short-term investments; holding company is defined as Voya Financial Inc. and Voya Holdings Inc.
3. Includes \$90 million of loans to subsidiaries considered short-term investments.
4. Ratio is based on U.S. GAAP capital (adjusted to exclude minority interest and AOCI) and 25% equity treatment afforded to subordinated debt.

# Attractive Valuation with Share Repurchases on Track for 2018



1. Price as of 7/31/18.

2. Present value of deferred tax assets as disclosed in 4Q'17 Voya Financial Analyst Presentation; Shares outstanding per 2Q'18 Investor Supplement.

3. FY'19 consensus per FactSet, as of 7/31/18.

# Helping Americans Get Ready to Retire Better

- 1 Earnings Tracking to Target
- 2 Building on Track Record of Execution
- 3 Capital Position is Strong





# Appendix

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# Reconciliation of 2Q'18 Adjusted Operating Earnings to Net Income

(\$ million; all figures are after-tax)



1. The Adjusted operating effective tax rate is based on the actual income tax expense for the current period related to Income (loss) from continuing operations, less estimated taxes on non-operating items assuming a 21% corporate tax rate and other non-operating impacts such as those related to restructuring and the Tax Cuts and Jobs Act. Voya assumes a 21% tax rate on all components of Adjusted operating earnings described as "after-tax."
2. Other, after-tax consists of net guaranteed benefit hedging gains (losses) and related charges and adjustments; income (loss) from business exited; immediate recognition of net actuarial gains (losses) related to pension and other post retirement benefit obligations and gains (losses) from plan amendments and curtailments; expenses associated with the rebranding of Voya Financial from ING U.S.; and restructuring expenses (severance, lease write-offs, etc.).
3. Other Tax-Related consists of tax items for continuing operations that are not reflected in Adjusted Operating Earnings, Net Realized Gains (Losses) or Other, such as tax items related to restructuring and the Tax Cuts and Jobs Act.



# Growth Initiatives in 2Q'18

	2018 Growth Metrics	2018 Results
Retirement	<ul style="list-style-type: none"> <li>Small/Mid Corporate: Deposits +5% to +10%</li> </ul>	<ul style="list-style-type: none"> <li>2Q'18: -8% y-o-y</li> <li>YTD'18: -9% y-o-y</li> </ul>
	<ul style="list-style-type: none"> <li>Tax-exempt: Deposits 0% to +5%</li> </ul>	<ul style="list-style-type: none"> <li>2Q'18: +6% y-o-y</li> <li>YTD'18: -11% y-o-y</li> </ul>
Investment Management	<ul style="list-style-type: none"> <li>Institutional: Sales -5% to 0%</li> </ul>	<ul style="list-style-type: none"> <li>2Q'18: -23% y-o-y</li> <li>YTD'18: -21% y-o-y</li> </ul>
	<ul style="list-style-type: none"> <li>Retail Intermediary: Sales 0% to +5%</li> </ul>	<ul style="list-style-type: none"> <li>2Q'18: +16% y-o-y</li> <li>YTD'18: +17% y-o-y</li> </ul>
	<ul style="list-style-type: none"> <li>Affiliate Sourced: Sales 0% to +5%</li> </ul>	<ul style="list-style-type: none"> <li>2Q'18: +4% y-o-y</li> <li>YTD'18: -4% y-o-y</li> </ul>
Employee Benefits	<ul style="list-style-type: none"> <li>In-force premiums: 0% to +5%</li> </ul>	<ul style="list-style-type: none"> <li>2Q'18: +2% y-o-y</li> <li>YTD'18: +2% y-o-y</li> </ul>

# Seasonality of Financial Items

	1Q	2Q	3Q	4Q
Retirement	<ul style="list-style-type: none"> <li>Corporate Markets tends to have the highest recurring deposits</li> <li>Withdrawals also tend to increase</li> </ul>		<ul style="list-style-type: none"> <li>Education Tax-Exempt Markets typically see lowest recurring deposits</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Markets typically see highest transfer / single deposits</li> <li>Withdrawals also tend to increase</li> <li>Recurring deposits in Corporate Markets tend to be lower</li> </ul>
Investment Management				<ul style="list-style-type: none"> <li>Performance fees tend to be highest</li> </ul>
Employee Benefits	<ul style="list-style-type: none"> <li>Group Life loss ratio tends to be highest</li> <li>Sales tend to be the highest</li> </ul>		<ul style="list-style-type: none"> <li>Sales tend to be second highest</li> </ul>	
Individual Life	<ul style="list-style-type: none"> <li>Net underwriting income tends to be highest in 1Q and 4Q</li> </ul>			<ul style="list-style-type: none"> <li>Indexed Universal Life sales tend to be highest</li> <li>Net underwriting income tends to be highest in 1Q and 4Q</li> </ul>
All Segments	<ul style="list-style-type: none"> <li>Payroll taxes and long-term incentive awards tend to be highest and steadily decline over remaining quarters</li> <li>Other annual expenses are concentrated in 1Q</li> </ul>			

# Analyst Modeling Considerations

<i>Prepayment Income and Alternative Income</i>	<ul style="list-style-type: none"> <li>Long-term prepayment income expectation in 2018 (pre-tax, pre-DAC): \$8 million for Retirement; \$3 million for Individual Life</li> <li>Approximately 9% annual long-term expected returns (pre-tax, pre-DAC) for alternative income</li> </ul>	
<i>Retirement</i>	<ul style="list-style-type: none"> <li>Full-service net flows in 2H'18 expected to be in-line with 2H'17</li> <li>Overall net outflows in 2H'18 of approximately \$(600)-(800) million</li> </ul>	
<i>Investment Management</i>	<ul style="list-style-type: none"> <li>Reduction in pre-tax, annualized earnings on assets transferred of approximately \$35 million from sale of CBVA and Annuities</li> <li>2018 performance fees expected to return to normalized levels (approximately \$10 million earnings impact relative to 2017)</li> <li>Operating margin expected to decline in 3Q'18 due to full impact of transaction</li> </ul>	
<i>Employee Benefits</i>	<ul style="list-style-type: none"> <li>Stop Loss and Group Life loss ratios underwritten to an annual range of 77-80%</li> </ul>	
<i>Individual Life</i>	<ul style="list-style-type: none"> <li>Expected annual combined net underwriting income and intangibles amortization of \$185 million +/- \$20 million for 2018 based on normal mortality; seasonally higher in 1Q and 4Q</li> </ul>	
<i>Corporate</i>	<ul style="list-style-type: none"> <li>Estimated \$(60)-(70) million operating loss in 3Q'18</li> </ul>	
<i>Tax Rate</i>	<ul style="list-style-type: none"> <li>16%-19% effective tax rate on adjusted operating earnings for 2018</li> </ul>	
<i>Warrants</i>	<ul style="list-style-type: none"> <li>Warrants representing 26 million of underlying Voya shares are outstanding, which can be exercised at \$48.75 strike price and will expire 5/7/2023</li> </ul>	
	<b>Warrants Sensitivity</b>	
	<i>Average Share Price</i>	<i>Additional Shares Factoring into EPS (in millions)</i>
	\$50.00	0.7
	55.00	3.0
60.00	4.9	
65.00	6.5	

Note: Green font denotes change from 1Q'18.



**VOYA**<sup>®</sup>  
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