

# Voya Financial

Third Quarter 2015 Investor Presentation

November 4, 2015

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# 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,” “projected”, “target,” and other words and terms of similar meaning in connection with a discussion of future operating or financial performance. In particular, our 2018 Adjusted ROE and Adjusted ROC targets, and all other statements about our financial targets and expectations, are forward-looking statements. 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, including those relating to the use and accreditation of captive reinsurance entities and those made pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act or the U.S. Department of Labor’s proposed rules and exemptions pertaining to the fiduciary status of providers of investment advice and (x) changes in the policies of governments and/or regulatory authorities. Factors that may cause actual results to differ from those in any forward-looking statement also include those described in “Risk Factors,” “Management’s Discussion and Analysis of Results of Operations and Financial Condition—Trends and Uncertainties” and “Business—Closed Blocks—Closed Block Variable Annuity” in our Annual Report on Form 10-K for the year ended December 31, 2014 as filed with the Securities and Exchange Commission (“SEC”) on February 27, 2015, and our Quarterly Report on Form 10-Q for the three months ended September 30, 2015, to be filed with the SEC on or before November 9, 2015.

This presentation and the remarks made orally contain certain non-GAAP financial measures. Non-GAAP measures include Operating Earnings, Adjusted Operating Earnings, Ongoing Business Adjusted Operating Earnings, Ongoing Business Adjusted Operating Return on Equity, Adjusted Operating Return on Capital, Ongoing Business Adjusted Return on Capital, Operating Margin, and 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).

# Agenda

## 1. Key Themes and Highlights

- Rod Martin, Chairman and Chief Executive Officer

## 2. Executing Our Return on Equity (ROE) / Return on Capital (ROC) Improvement Plan

- Alain Karaoglan, Chief Operating Officer and Chief Executive Officer of Retirement and Investment Solutions

## 3. Business Operating and Balance Sheet Metrics

- Ewout Steenbergen, Chief Financial Officer

# Key Themes

## *Remain On Track to Meet 2018 ROE Objectives*

- Continuing to execute on growth, margin, and capital initiatives to drive Ongoing Business ROE to 2018 target of 13.5-14.5%
- Example of execution in 3Q'15: Sale of life insurance block will improve returns of Individual Life and Ongoing Business by 10-20 basis points
- Our equity market sensitive businesses performed well even in the context of heightened volatility
- Individual Life mortality experience had unusually high severity

## *CBVA Capital Protected During Market Volatility*

- Hedge program continued to protect regulatory and rating agency capital from market movements during 3Q'15

## *Continued to Return Capital to Shareholders*

- \$481 million shares repurchased in 3Q'15, with additional \$100 million share repurchase arrangement entered into at end of September and settling in 4Q'15
- Shares outstanding reduced by approximately 17% since IPO

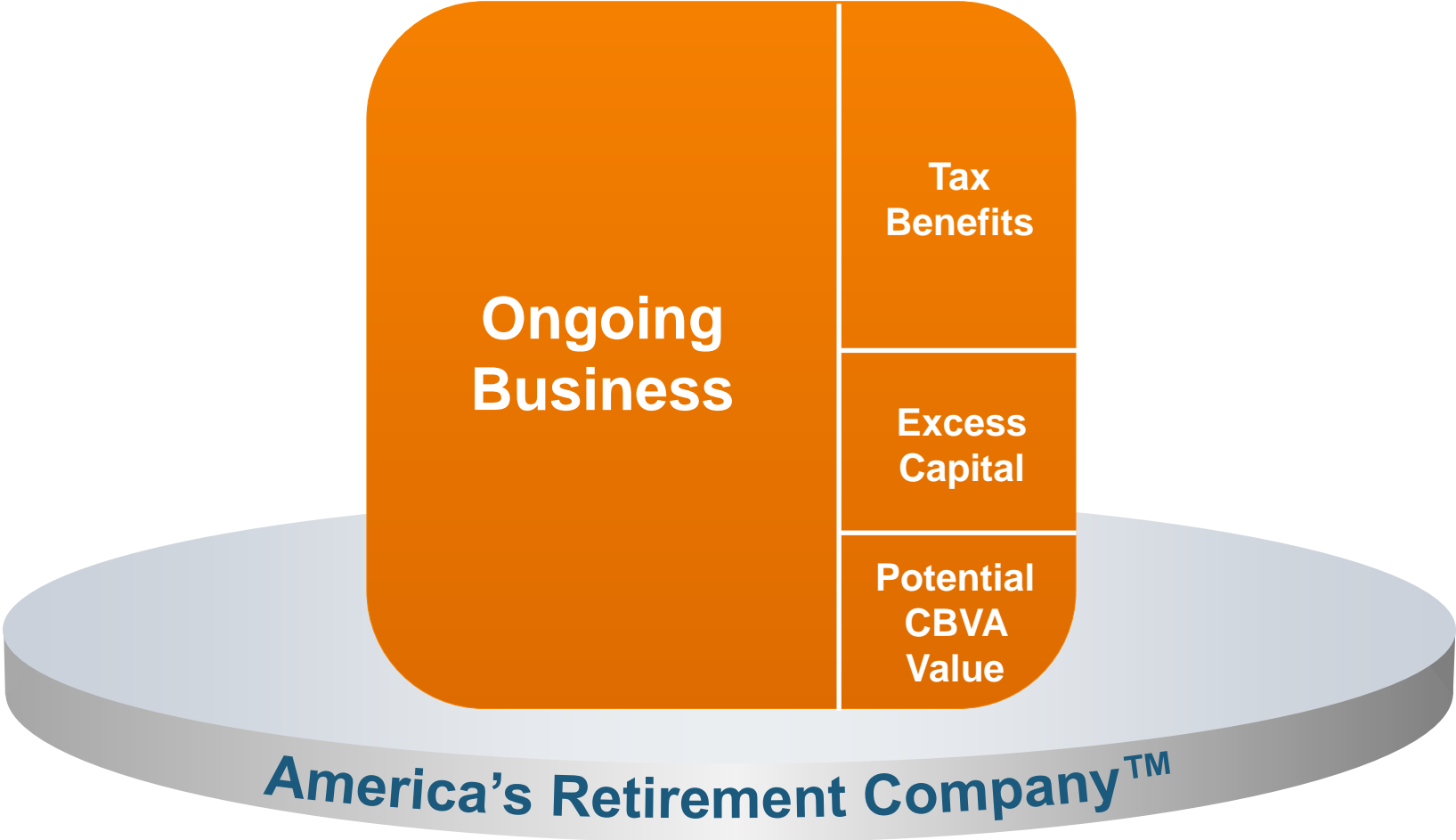
# Third Quarter 2015 Financial Highlights

<p><b>After-tax Operating Earnings<sup>1</sup></b></p>	<p><b>\$93 million or \$0.42 per diluted share</b>  <b>\$156 million or \$0.70 per diluted share excl. DAC and other intangibles unlocking</b></p>
<p><b>Net Income Available to Common Shareholders<sup>1</sup></b></p>	<p><b>\$40 million</b></p>
<p><b>Ongoing Business Adjusted Operating Earnings (pre-tax)</b></p>	<p><b>\$303 million</b></p>
<p><b>Ongoing Business TTM Adjusted Operating Return on Equity</b></p>	<p><b>12.3%, versus 12.2% for 2Q'15 TTM<sup>2</sup></b></p>

1. Voya Financial assumes a 32% tax rate for operating earnings. Net income available to common shareholders reflects the actual effective tax rate

2. Excluding items not expected to recur at the same levels

# Key Sources of Value



# Agenda

## 1. Key Themes and Highlights

- Rod Martin, Chairman and Chief Executive Officer

## 2. Executing Our Return on Equity (ROE) / Return on Capital (ROC) Improvement Plan

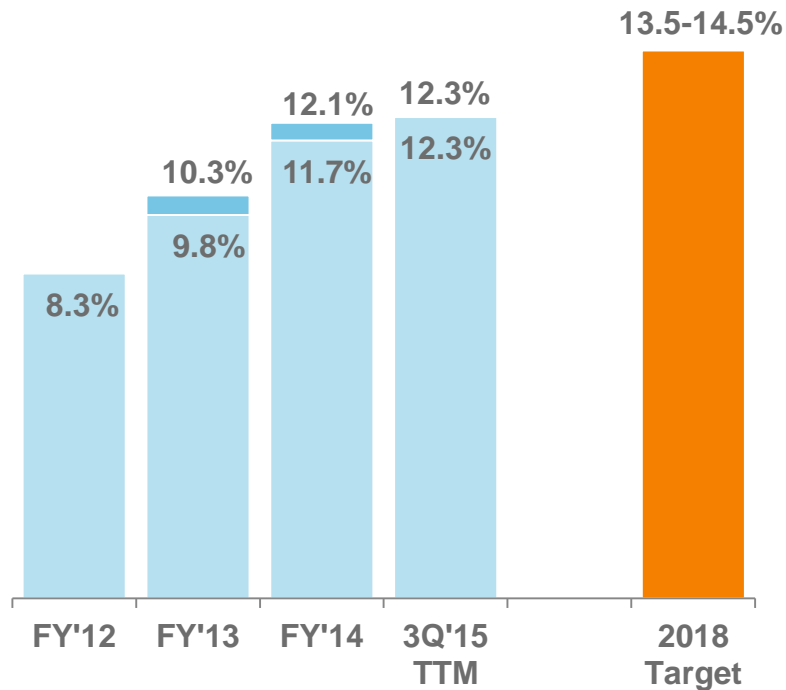
- Alain Karaoglan, Chief Operating Officer and Chief Executive Officer of Retirement and Investment Solutions

## 3. Business Operating and Balance Sheet Metrics

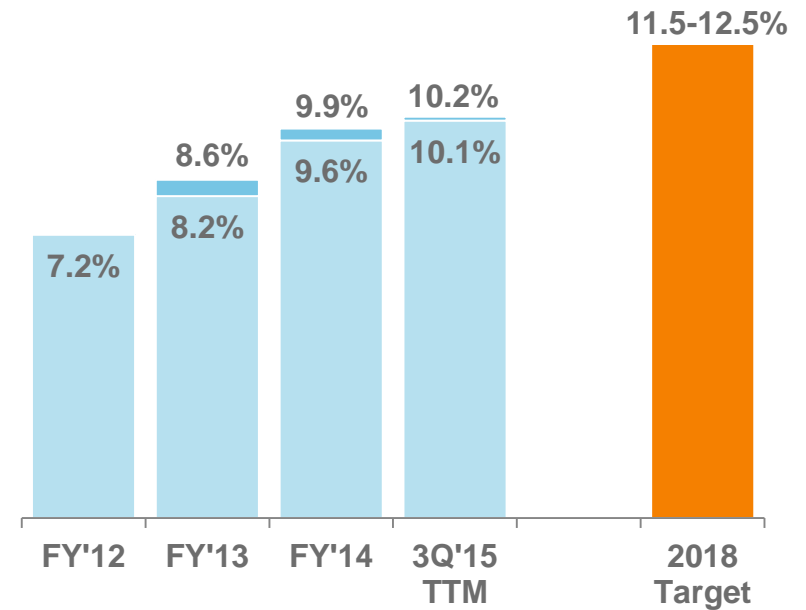
- Ewout Steenbergen, Chief Financial Officer

# Ongoing Business Adjusted Operating Return on Equity and Return on Capital Tracking to Target

## Ongoing Business<sup>1</sup> Adjusted Operating ROE<sup>2</sup>



## Ongoing Business<sup>1</sup> Adjusted Operating ROC<sup>3</sup>



■ Items we do not expect to recur at the same levels

- Ongoing Business includes Retirement, Annuities, Investment Management, Individual Life, and Employee Benefits segments
- Ongoing Business adjusted operating earnings is calculated using the operating earnings (loss) before income taxes for the Ongoing Business, excluding DAC/VOBA unlocking, the impact of portfolio restructuring in 2012, the gain associated with a Lehman Brothers bankruptcy settlement in 2013, the loss recognized as a result of marking low income housing tax credit partnerships to the sales price associated with their disposition in 2013, and the gain on a reinsurance recapture in 2014. Ongoing Business adjusted operating ROE is then calculated by dividing the after-tax adjusted operating earnings (loss) (using a pro forma effective tax rate of 32% effective with 1Q'15 and 35% for all prior periods and applying a pro forma allocation of interest expense) by the average capital allocated to the Ongoing Business reflecting an allocation of pro forma debt. Assumes debt-to-capital ratio of 25% for all periods presented, a weighted average pre-tax interest rate of 5.5% for all periods prior to the third quarter of 2013, during which the Company completed its recapitalization initiatives, and the actual weighted average pre-tax interest rate for all periods starting with the third quarter of 2013
- We calculate Ongoing Business adjusted operating return on capital by dividing Ongoing Business adjusted operating earnings before interest and after income taxes by average capital allocated to the Ongoing Business

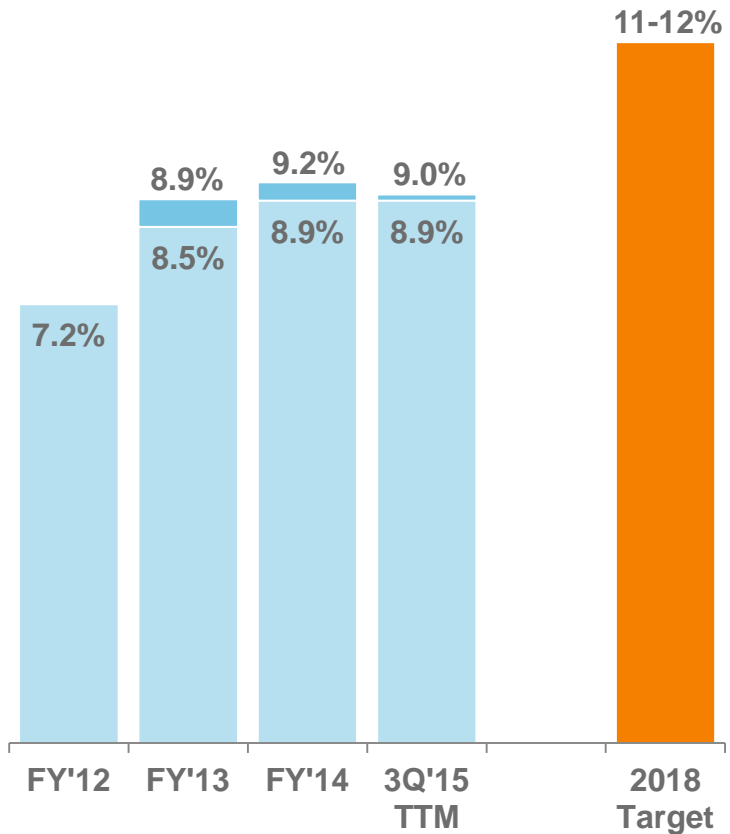
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# Retirement – Leading Franchise Driving Long-Term Growth and Returns

## Adjusted Operating ROC



■ Items that we do not expect to recur at the same levels

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## Growth Initiatives

- Enhance distribution and market reach
- Leverage cross-market relationships
- Advance retirement focused solutions

## Margin Initiatives

- Target clients that align with our value proposition
- Further technology capabilities
- Continue managing in-force block

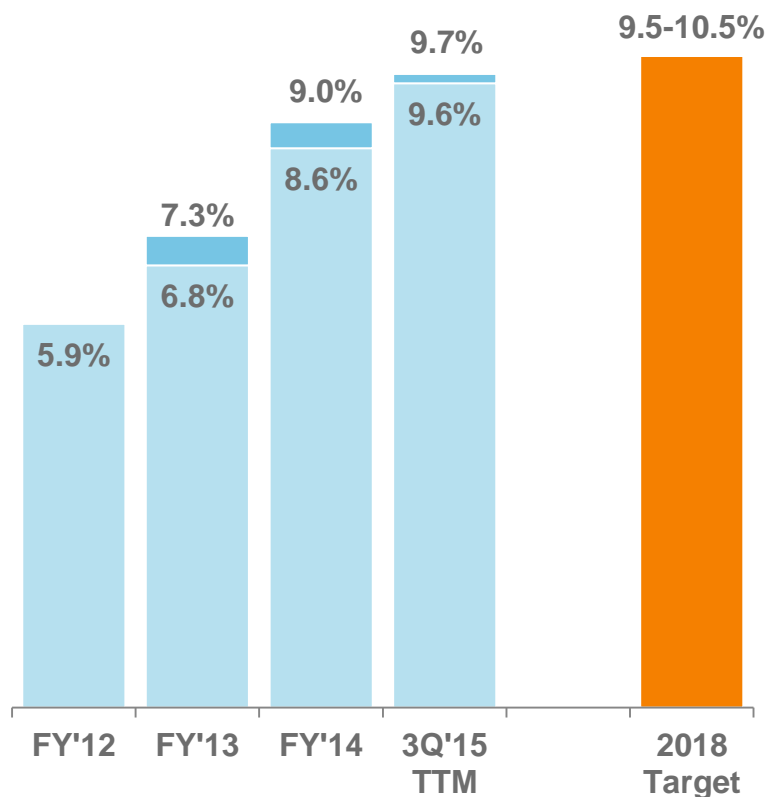
## Examples of Execution

- ✓ On track to achieve 20% year over year increase in Corporate Markets sales and service team
- ✓ Enabled digital and mobile plan enrollment using myOrangeMoney to show effect on future income
- ✓ Rolled out enhanced peer comparison tool, driving increased savings rates of plan participants
- ✓ Introduced enhanced plan sponsor website providing holistic measure of plan participants' retirement readiness



# Annuities – Expanding Product Range and Distribution Reach

## Adjusted Operating ROC



■ Items that we do not expect to recur at the same levels

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## Growth Initiatives

- Expand product line
- Grow less capital-intensive investment only products
- Expand FIA distribution to growing institutional markets

## Margin Initiatives

- Continue managing credited rates / investment spread
- Continue running off Annual Reset / Multi-Year Guarantee Annuity block

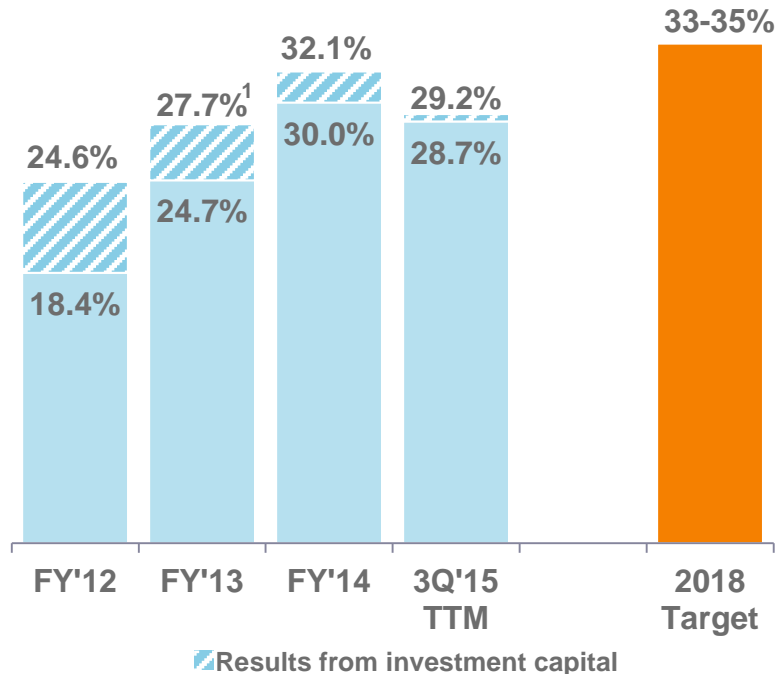
## Examples of Execution

- ✓ Our emphasis on spread strategies drove 50% sequential sales increase of flagship FIA product
- ✓ Launched volatility control crediting strategy
- ✓ Expanding our presence within growing bank distribution channel



# Investment Management – Scalable Platform Leveraging Broad Capabilities and Long-term Investment Performance

## Operating Margin



## Growth Initiatives

- ❑ Further develop channel-specific investment offerings and product extensions leveraging broad investment capabilities and strong performance
- ❑ Advance the development of cross-enterprise retirement solutions
- ❑ Enhance sales force and infrastructure productivity

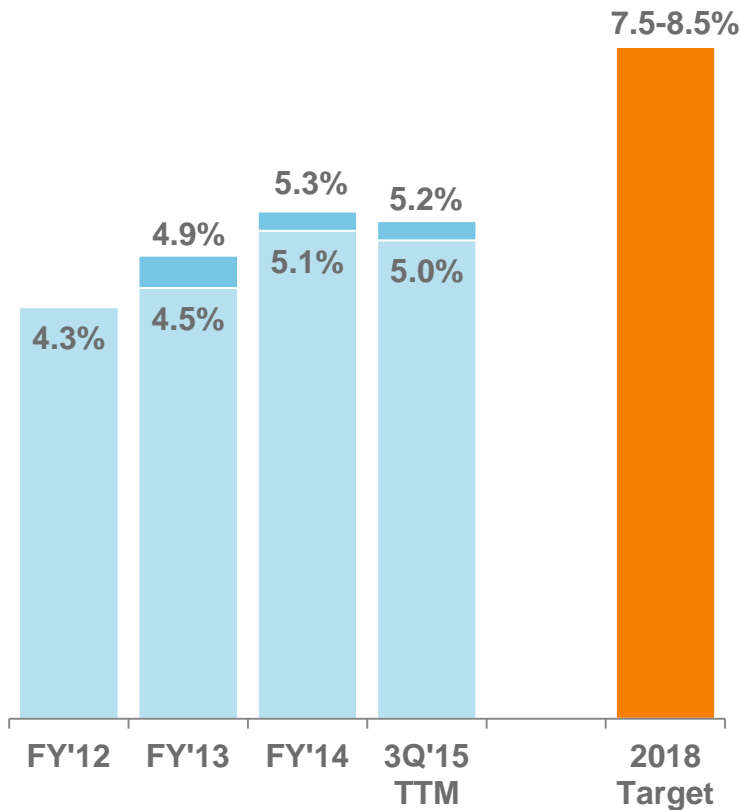
## Examples of Execution

- ✓ 72%, 85%, and 81% of assets managed by Voya outperformed benchmark or peer median returns as of 3Q'15 on a 3-year, 5-year, and 10-year basis, respectively<sup>2,3</sup>
- ✓ Early success in distributing broad investment capabilities and solutions to insurance company clients
- ✓ Launched Credit Opportunities Fund developed with leading pension consultant
- ✓ Closed two collateralized loan obligation transactions in the quarter

1. Excludes gain from Lehman Recovery  
 2. 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  
 3. Asset breakdown of 3-year, 5-year, and 10-year outperformance, respectively, is as follows: 91%, 92%, and 71% for fixed income; 41%, 72%, and 89% for equities; 94%, 94%, and 82% for MASS

# Individual Life – Repositioning Through In-Force Actions and Aligned Distribution Model

## Adjusted Operating ROC



■ Items that we do not expect to recur at the same levels

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## Margin Initiatives

- Manage non-guaranteed elements
- Reduce redundant reserve financing cost
- Digitize operational processes

## Capital Initiatives

- Further reduce capital usage

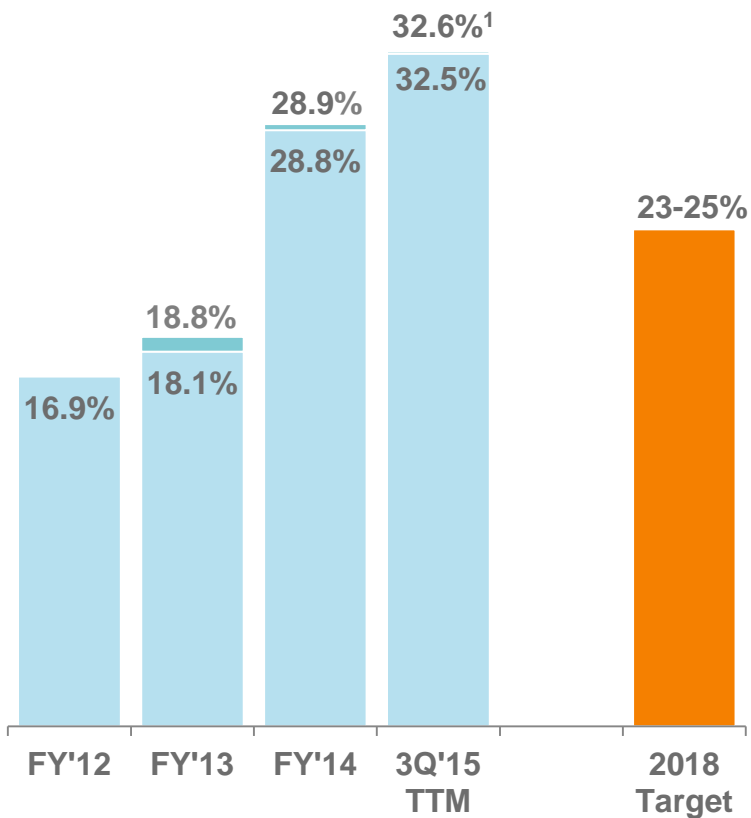
## Examples of Execution

- ✓ Additional reinsurance transaction will improve ROC by approximately 10-20 bps for both Individual Life and Ongoing Business
- ✓ New long-term LOC facility agreement to replace an existing facility; will reduce financing costs in future periods
- ✓ 3Q'15 Indexed sales increased to \$18 million (a 14% year-over-year increase)



# Employee Benefits – High Return and Capital Generation Business

## Adjusted Operating ROC



■ Items that we do not expect to recur at the same levels

1. 3Q'15 TTM ROC excluding items not expected to recur at the same levels is 32.6%, reflecting lower prepayment and alternative income relative to plan

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## Growth Initiatives

- ❑ Expand into Mid-Market
- ❑ Grow private exchange participation
- ❑ Leverage Stop Loss market position

## Examples of Execution

- ✓ Enhanced customer experience by adding digital capabilities including:
  - Online claims submission
  - Streamlined enrollment process



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# 3Q'15 Business Segment Drivers

## 3Q'15 Commentary

<i>Retirement</i>	<ul style="list-style-type: none"> <li>Fee-based margin affected by market volatility and recent case exits; administrative expenses sequentially declined</li> <li>Prepayments and alternative income: in line with plan</li> </ul>
<i>Annuities</i>	<ul style="list-style-type: none"> <li>Underwriting income results benefitted from \$12 million (post-DAC) reserve adjustment</li> <li>Prepayments and alternative income: \$1 million (post-DAC) below plan</li> </ul>
<i>Investment Management</i>	<ul style="list-style-type: none"> <li>Fee-based margin affected by market volatility and lower net flows; administrative expenses sequentially declined</li> <li>Alternative income: \$5 million (post-DAC) below plan</li> </ul>
<i>Individual Life</i>	<ul style="list-style-type: none"> <li>Unfavorable mortality due to severity</li> <li>Prepayments and alternative income: \$1 million (post-DAC) below plan</li> </ul>
<i>Employee Benefits</i>	<ul style="list-style-type: none"> <li>Loss ratio for Stop Loss continued to be favorable</li> <li>Prepayments and alternative income: \$1 million (post-DAC) below plan</li> </ul>
<i>Corporate</i>	<ul style="list-style-type: none"> <li>Includes \$32 million of the planned \$350 million incremental investment spend</li> </ul>

## Additional Items

<i>Corporate</i>	<ul style="list-style-type: none"> <li>Expect to incur \$25-35 million of the planned \$350 million incremental investment spend in 4Q'15</li> </ul>
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# Annual Assumptions Review had Modest Ongoing Business and CBVA Impact

- Main drivers of assumption updates
  - 25 bps reduction in long-term risk free rate
  - Asset and unit cost updates
  - Valuation model adjustments

Effects of Assumptions and Model Updates (\$ million)			
	Ongoing Business	CBVA	
		Policyholder Behavior <sup>3</sup>	Other <sup>4</sup>
GAAP Pre-Tax Gain / (Loss) <sup>1</sup>	\$(82)	\$(43)	\$(43)
Statutory Reserve <sup>2</sup> Decrease / (Increase)	\$65	\$8	\$13

Note: Assumption changes were implemented in 3Q'15 and measured as of 7/1/2015

1. Ongoing Business represents operating results
2. Statutory reserve result is preliminary
3. Incorporates lapse, annuitization, withdrawal benefit utilization, and partial withdrawals
4. Incorporates mortality, projection model inputs, and nonperformance risk

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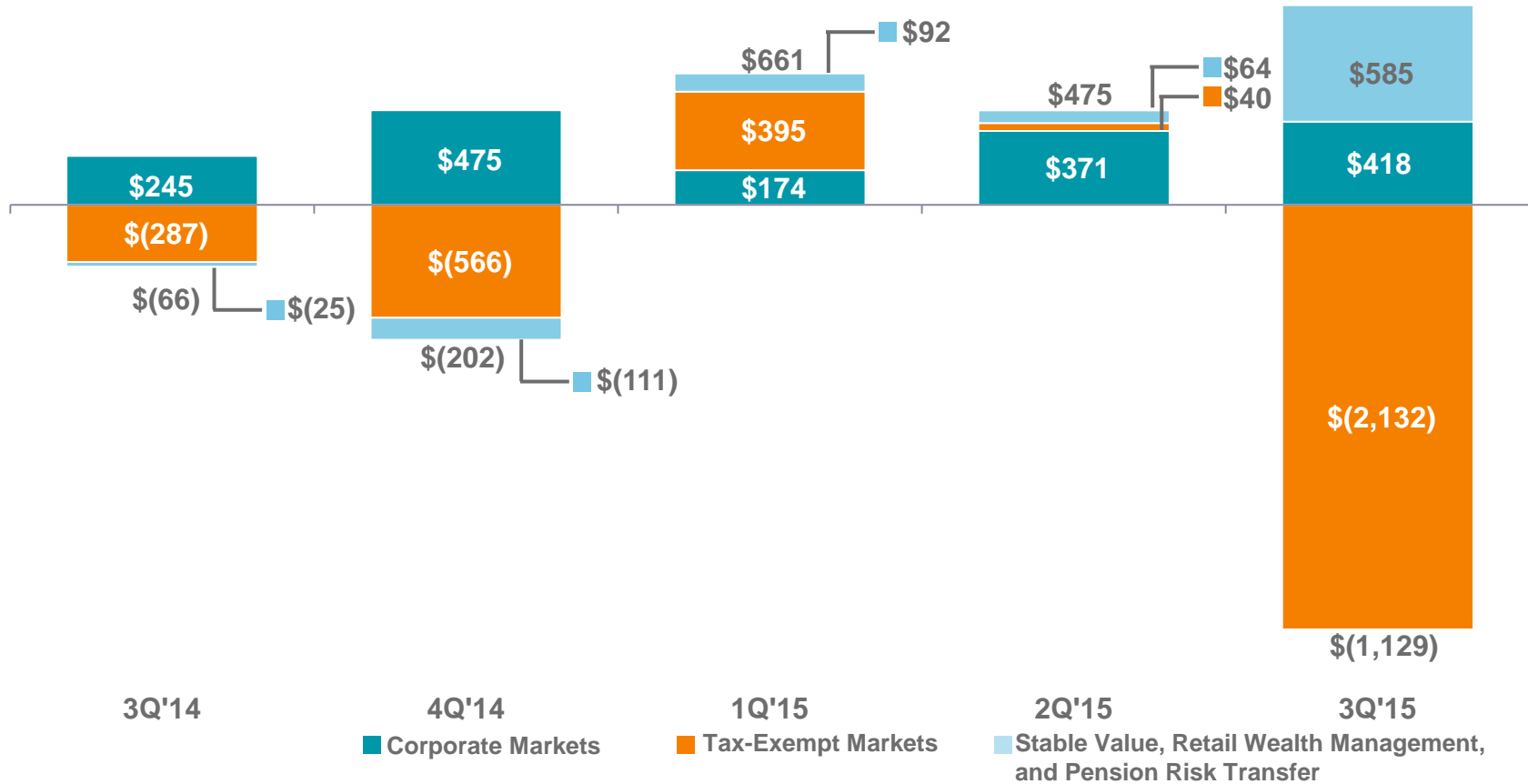




# Retirement Corporate Markets and Pension Risk Transfer Inflows Offset by Expected Outflows in Tax-Exempt Markets

## Retirement Net Flows<sup>1</sup>

(\$ million)

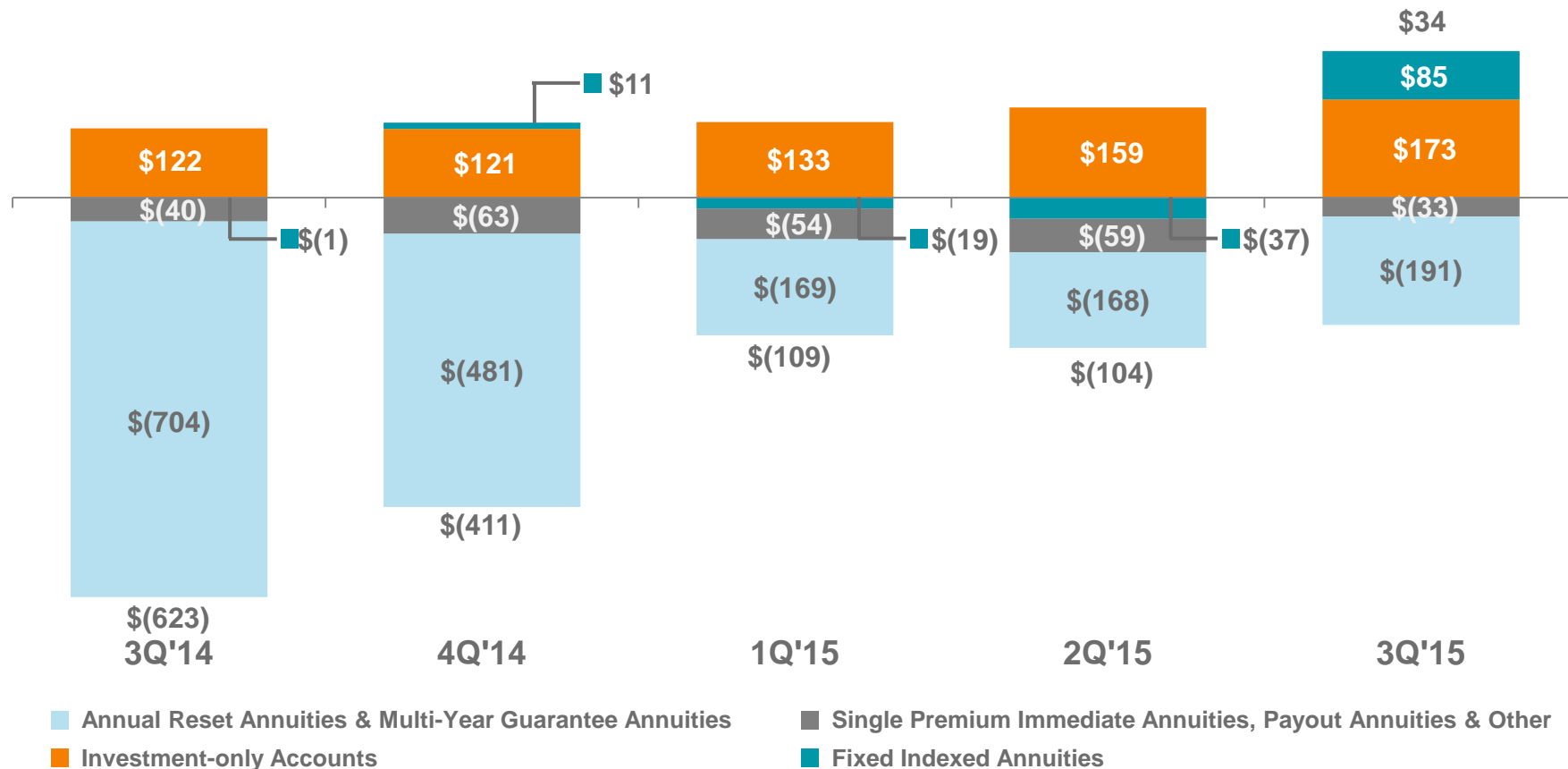


1. Excludes Recordkeeping

# Annuities Flows Supported by Growth in Investment-Only Accounts and Fixed Indexed Annuities, While Running off Less Profitable Business

## Annuities Net Flows<sup>1</sup>

(\$ million)

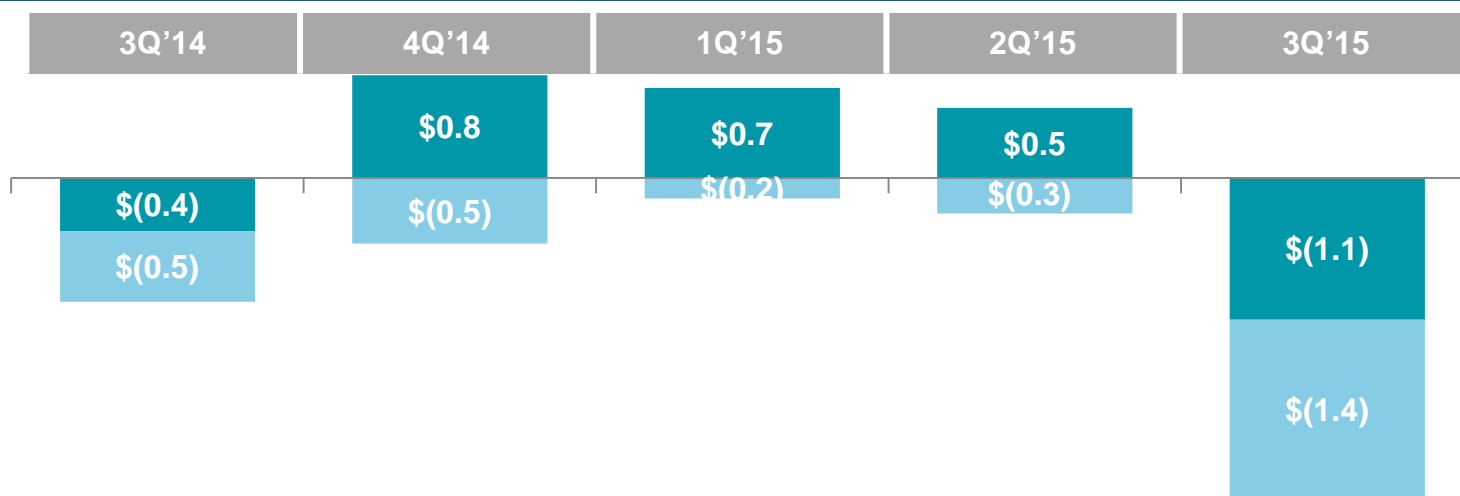


1. Annual reset (AR) / Multi-year guarantee annuities (MYGA) are in run-off

# Investment Management Outflows in 3Q'15 Driven by Client Portfolio Reallocations and Retirement Tax-Exempt Non-Renewals

## Investment Management Third-Party Net Flows<sup>1</sup>

(\$ billion)



<b>Sub-Advisor Replacements</b>	\$2.1	\$0.8	\$0.0	\$0.0	\$1.4
<b>Investment Management VA Net Flows</b>	\$(1.0)	\$(1.2)	\$(0.8)	\$(1.0)	\$(0.8) <sup>2</sup>
<b>Total</b>	\$0.2	\$(0.2)	\$(0.3)	\$(0.8)	\$(1.9)

 Investment Management Sourced

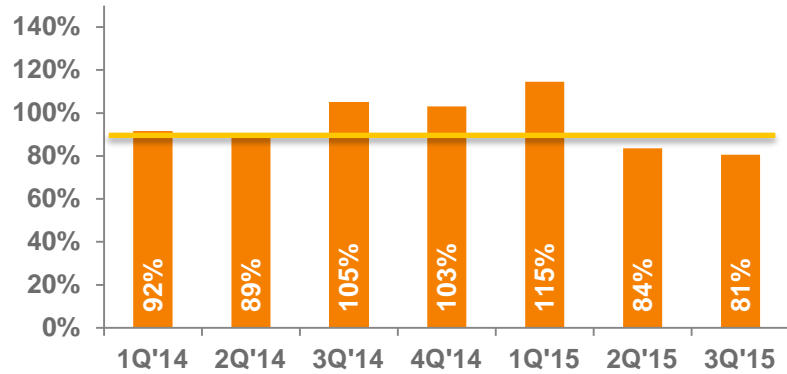
 Affiliate Sourced

1. Excludes General Account and pension risk transfer

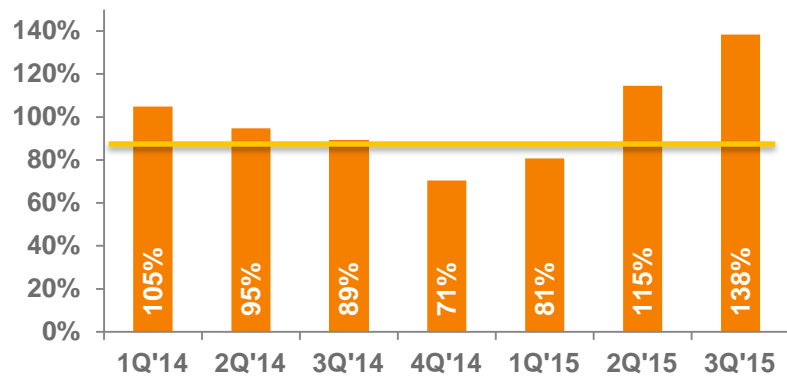
2. Total Closed Block Variable Annuity net flows were \$(1.0) billion in 3Q'15, of which \$(0.8) billion were managed by Investment Management

# Individual Life 3Q'15 Results Impacted by Elevated Mortality

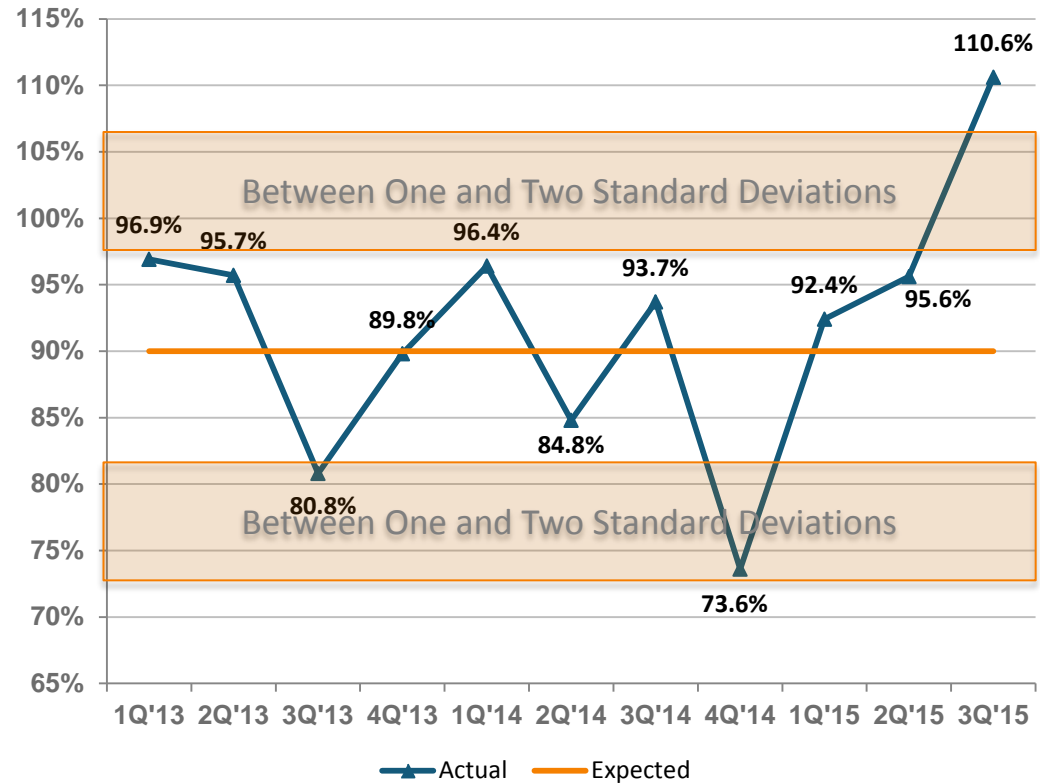
## Actual-to-Expected Frequency



## Actual-to-Expected Severity



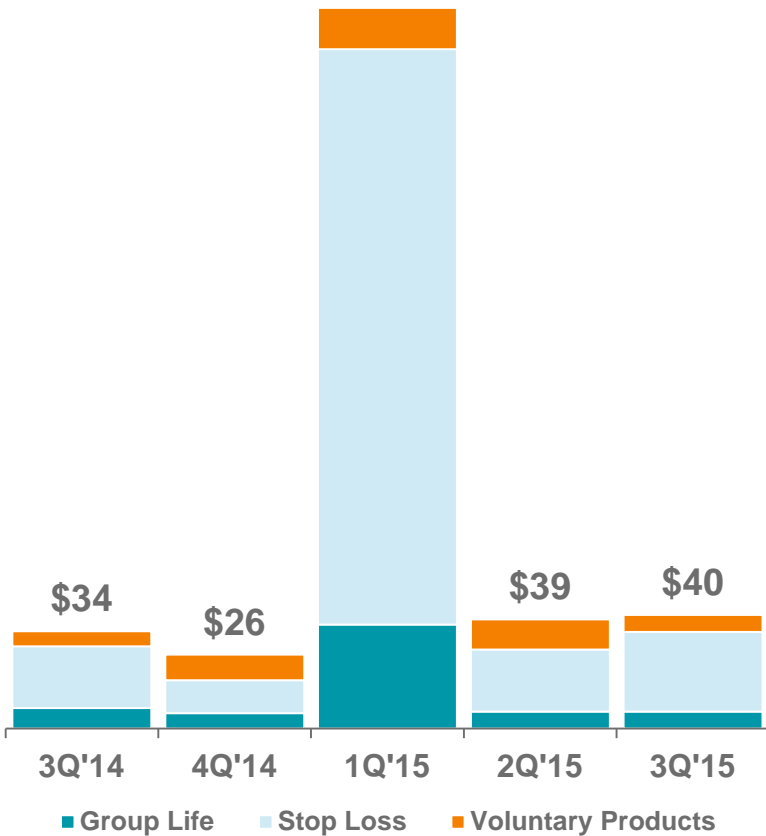
## Actual-to-Expected Mortality



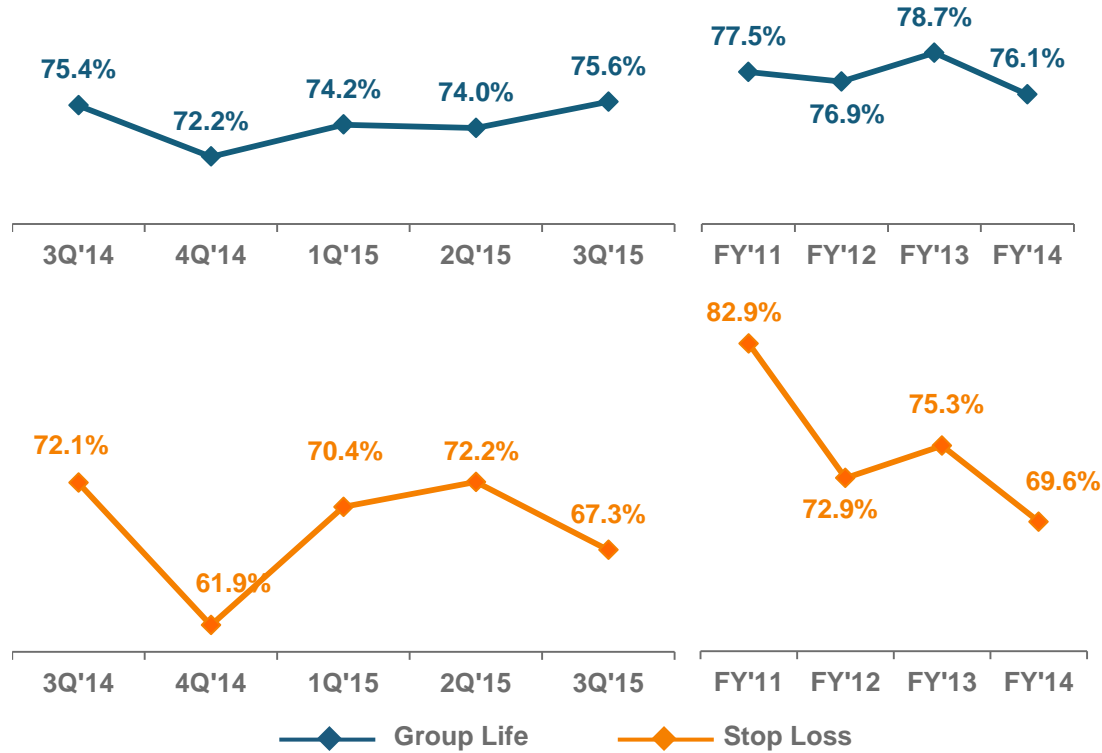
# Employee Benefits Loss Ratios for Group Life and Stop Loss Remained Favorable

## Sales<sup>1</sup> (\$ million)

\$254



## Loss Ratios (%)

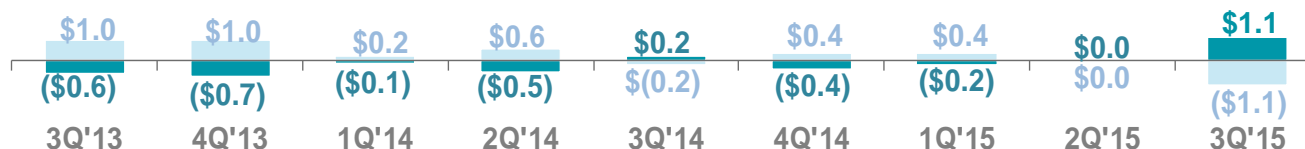


1. Refer to the 3Q'15 Quarterly Investor Supplement for sales figures by product

# Active Hedge Program in Closed Block Variable Annuity

## Change in Statutory Reserves Relative to Hedge Resources (\$ billion)

- Equity impacts (increase) decrease in stat reserve liability
- Equity impacts increase (decrease) in hedge resources



Net Impact (\$ billion)								
\$0.4	\$0.3	\$0.1	\$0.1	\$0.0	\$0.0	\$0.2	\$0.0	\$0.0

## 3Q'15 Results

- Estimated available resources of \$6.3 billion
- Living Benefit NAR of \$5.8 billion
- Net Flows of (\$1.0) billion, annualized 10.2% of beginning of period assets

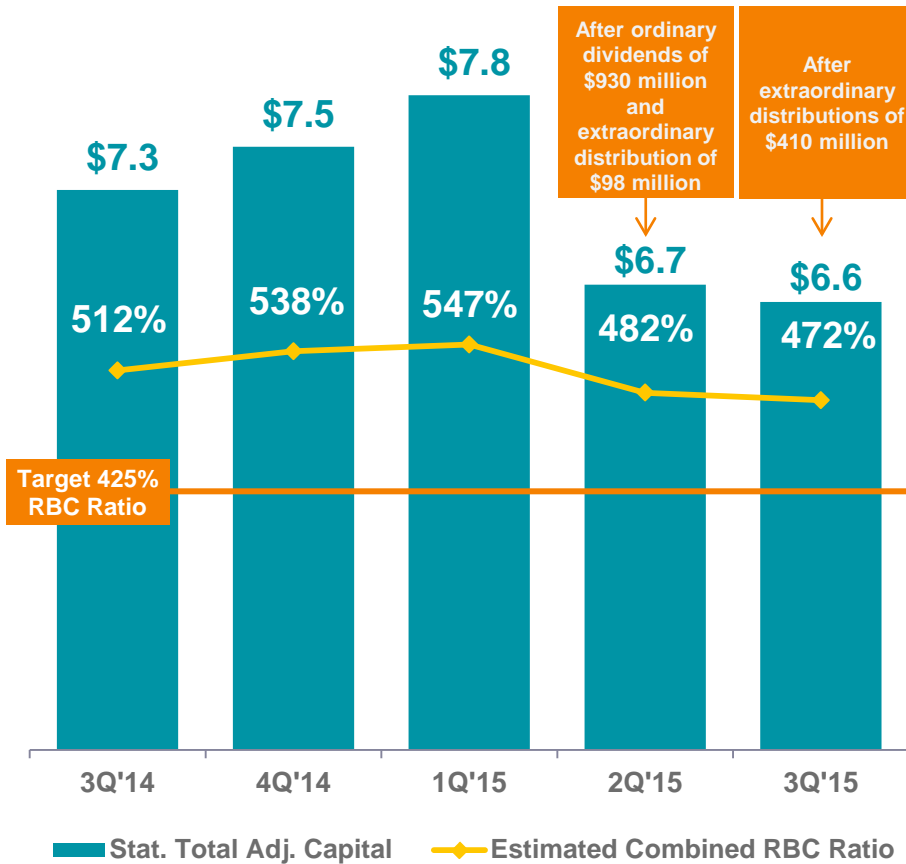
## Preliminary Impact to Regulatory Capital and Earnings<sup>1,2</sup> (\$ million)

Net Impact (increase / (decrease))	Equity Market (S&P 500)						Interest Rates	
	-25%	-15%	-5%	5%	15%	25%	-1%	1%
Regulatory Capital	0	0	0	150	600	950	200	(50)
U.S. GAAP Earnings Before Income Taxes	500	300	50	(150)	(300)	(450)	(450)	300

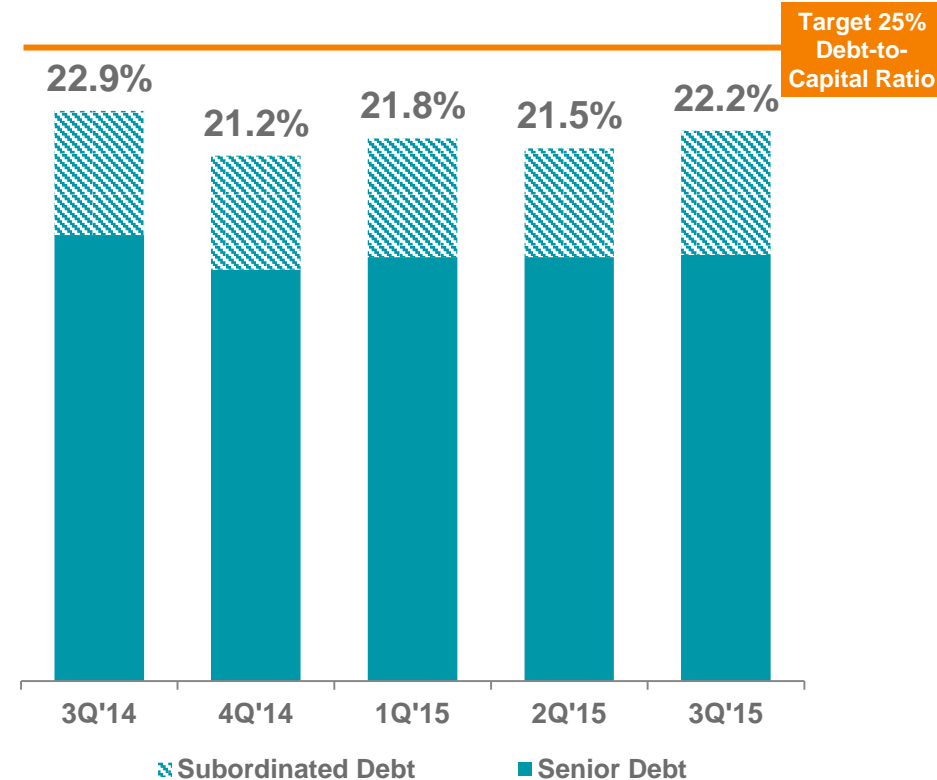
- These sensitivities illustrate the estimated impact of the indicated shocks beginning on the first market trading day following September 30, 2015, and give effect to dynamic rebalancing over the course of the shock event. This reflects the hedging we had in place at the close of business on September 30, 2015 in light of our determination of risk tolerance and available collateral at that time, which may change from time to time. The estimates of equity market shocks reflect a shock to all equity markets, domestic and global, of the same magnitude
- Actual results will differ due to issues such as basis risk, variance in market volatility versus what is assumed, combined effects of interest rates and equities, rebalancing of hedges in the future, or the effects of time and other variations from assumptions. Additionally, estimated sensitivities vary over time as the market and closed book of business evolve or if assumptions or methodologies that affect sensitivities are refined

# Estimated Combined RBC Ratio<sup>1</sup> and Leverage Ratio Better Than Target

Statutory Total Adjusted Capital (\$ billion) and Estimated Combined RBC Ratio<sup>1</sup>



Debt to Total Capital Ratio ex. Minority Interest and AOCI<sup>2</sup>



1. Estimated combined RBC ratio primarily for our four principal U.S. insurance subsidiaries

2. Ratio is based on U.S. GAAP capital (adjusted to exclude minority interest and AOCI) and ignores the 100% and 25% equity treatment afforded to subordinated debt by S&P and Moody's, respectively

# Excess Capital Deployed Primarily to Repurchase Shares

## Holding Company Liquidity<sup>1,2</sup> (\$ million)

\$555

\$450 Liquidity Target

9/30/15

## Excess Capital (\$ million)

\$753

\$648

\$105

- Estimated Statutory Surplus in Excess of 425% RBC Level
- Holding Co. Working Capital Above Target<sup>2</sup>

9/30/15

## Share Repurchases (\$ million)

\$631

\$128

Includes \$100 million share repurchase arrangement entered in September

\$581

\$100<sup>3</sup>

\$481

\$170

1Q'15

2Q'15

3Q'15

9/30/15

■ Share repurchases

■ Remaining share authorization

1. Target of 24-month holding company liquidity represents \$450 million; holding company liquidity includes cash, cash equivalents, and short-term investments
2. Includes \$21 million of loans to subsidiaries considered short-term investments
3. Voya had not taken delivery of shares repurchased under the arrangement as of September 30, 2015

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# Helping Americans Get Ready to Retire Better

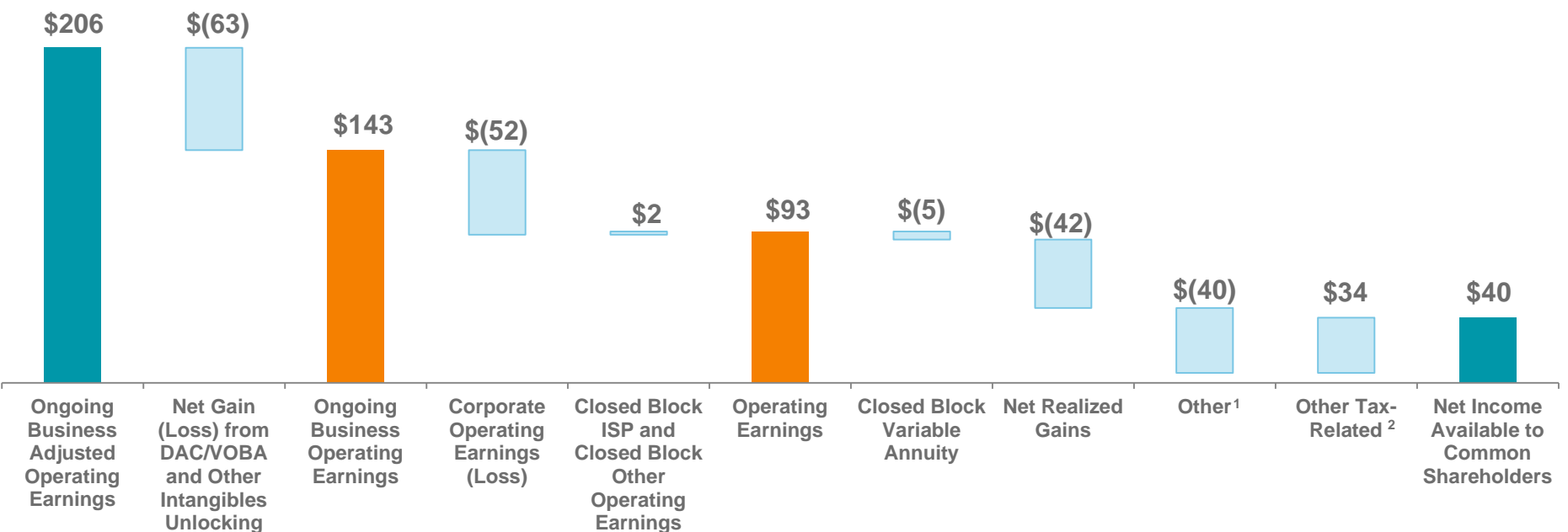
- 1** Evolve to Deliver More Customer Value
- 2** Focus on Growth and Further ROE Improvement
- 3** Realize Sources of Financial Value



# Appendix

# Reconciliation of 3Q'15 Ongoing Business Adjusted Operating Earnings to Net Income

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



1. Other, after-tax consists of net guaranteed benefit hedging gains (losses) and related charges and adjustments; income (loss) from business exited; expenses associated with the rebranding of Voya Financial from ING U.S.; income (loss) on early extinguishment of debt and restructuring expenses (severance, lease write-offs, etc.)

2. Other Tax-Related is the difference between the actual tax rate for the quarter and the pro forma effective tax rates used to calculate the after-tax items in the reconciliation above. We assume a 32% tax rate for operating earnings and a 35% tax rate for all non-operating items

# Diversified Drivers of Operating Revenue

## Net Underwriting Gain (Loss) and Other Revenue

Primarily consists of difference between premiums or fees charged for insurance risks and incurred benefits

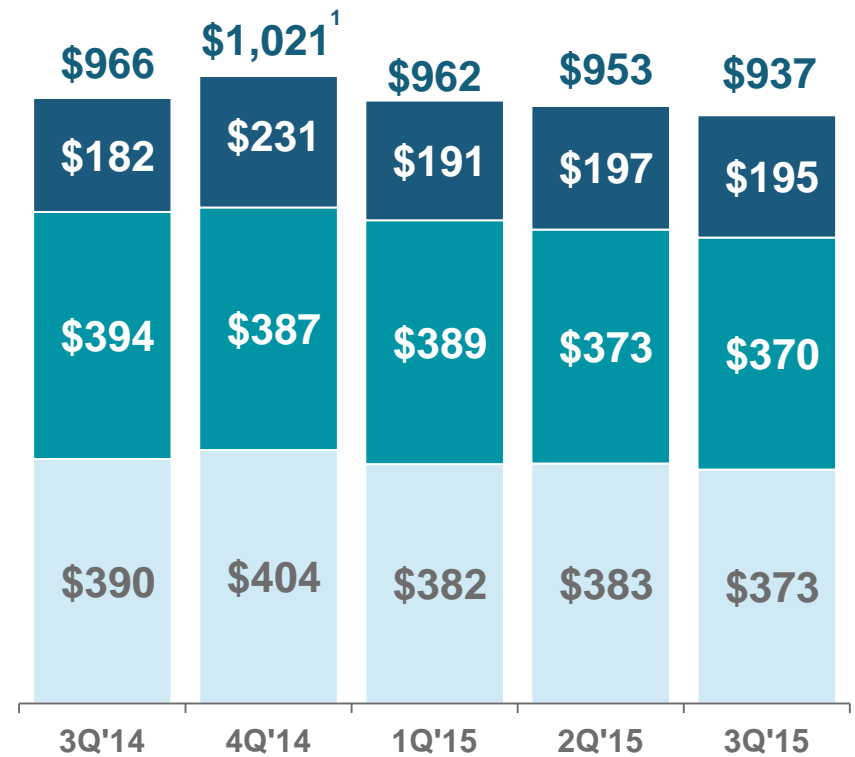
## Investment Spread and Other Investment Income

Primarily consists of spread between yield and credited interest and investment income on capital supporting the business

## Fee-Based Margin

Primarily consists of fees on AUM and AUA

## Ongoing Business Sources of Revenue (\$ millions)



1. Excludes gain on a reinsurance recapture

# 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 sees lowest recurring deposits</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Markets typically sees highest transfer / single deposits</li> <li>Withdrawals also tend to increase</li> <li>Recurring deposits in Corporate Markets may be lower</li> </ul>
Investment Management	<ul style="list-style-type: none"> <li>Performance fees tend to be lowest</li> <li>Investment capital results tend to be lowest</li> </ul>			<ul style="list-style-type: none"> <li>Performance fees tend to be highest</li> </ul>
Individual Life				<ul style="list-style-type: none"> <li>Universal Life sales 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>	
All Segments	<ul style="list-style-type: none"> <li>Payroll taxes tend to be highest and steadily decline over remaining quarters</li> <li>Other annual expenses are concentrated</li> </ul>			

Note: Annuities does not have any segment-specific seasonal financial items

# Analyst Modeling Considerations

<i>Prepayment Income</i>	\$12 million per quarter for Ongoing Business in 2015 (pre-tax, pre-DAC): \$6 million for Retirement; \$4 million for Annuities; \$2 million for Individual Life
<i>Alternative Income</i>	Approximately 9% annual long-term expected returns (pre-tax, pre-DAC)
<i>Employee Benefits</i>	Stop Loss and Group Life loss ratios underwritten to an annual range of 77 – 80%
<i>Tax Rate</i>	32% effective tax rate on operating earnings
<i>Corporate</i>	Incremental investment expense of \$350 million to be reported in Corporate through 2017 and in Ongoing Business segments in 2018; \$25 - 35 million expected to be incurred in 4Q'15
<i>Ongoing 2015 ROE</i>	Full year ROE expected higher than 2014 <sup>1</sup>
<i>Retirement 2015 ROC</i>	Full year ROC expected to be flat with 2014 <sup>1</sup>

1. Excluding items not expected to recur at the same level



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