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Daniel Kramer *JP Morgan Chase & Co*
Pablo Singzon

PRESENTATION

Operator

Welcome, and thank you for standing by. I would like to inform all participants that this call, as well as the Q&A is being recorded, and will be available to clients of JP Morgan. Parts of this conference call may also be reproduced in JP Morgan research. If you have any objections, you may disconnect at this time. This call is not intended for EEA clients that only subscribe for written research, and members of the press are not permitted on this call. If you are with the press, or are so subject to MiFID II and do not have high-touch access, please disconnect now. (Operator Instructions)

I would now like to turn the call over to Jimmy Bhullar with JP Morgan. Please proceed, sir.

Jamminder Singh Bhullar ***JP Morgan Chase & Co, Research Division - Senior Analyst***

Thanks, Stephanie. Good morning and thanks for dialing in. Also thanks to the IR team at Voya for participating in this call. To everyone that's listening, I hope your family, friends and colleagues are healthy and doing well. We've been getting a ton of questions on credit and investment portfolio. So we hope that these calls allow you to hear directly from CIOs and management teams about credit trends and how they're managing their portfolios in the current environment.

Joining us from Voya is Mike Smith who, as most of you know, is CFO of the company. We also have Matt Toms. Matt is the Chief Investment Officer of fixed income at Voya Investment Management. In terms of the format, I'll ask Matt and Mike to address a few topics to begin the call and then we'll open it for your questions. If you have any questions, Stephanie will announce instructions shortly. If you'd rather that I answer a question you have, you can e-mail it to me. The call should last about half an hour.

Stephanie, can you announce instructions for Q&A?

Operator

Absolutely.

(Operator Instructions)

Jamminder Singh Bhullar ***JP Morgan Chase & Co, Research Division - Senior Analyst***

And before we begin, Mike or Matt, would you like to make any opening comments?

Mike Smith ***Voya Financial, Inc. - Executive VP, CFO & Interim Chief Risk Officer***

Sure, Jimmy. This is Mike. Thanks, first, to all of you who've joined us today, and thanks, Jimmy, Pablo and team for organizing this for us. Obviously, as you've said, the lot of interest, broadly speaking, in the industry and our general account portfolios. With the first quarter call, we gave, I think, a pretty robust set of additional detail to help investors understand some of the underlying dynamics in the portfolio and I think showed some of the reasons that we have a fair amount of confidence in our ability to navigate through whatever's coming ahead as a result of the economic consequences of the pandemic. Really pleased to have Matt Toms with us. He is the Head of our Fixed Income team in which I have enormous confidence. We've generated more on the institutional side, really strong performance over the last decade or more in our fixed income team. And that team is the team that's responsible for also managing the General Account.

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And so I think we're in good hands. I'm really pleased to have the chance for him to share some of his views and help you understand why I have that level of confidence.

So Jimmy, thanks again. I look forward to the questions, and let's get at it. We've only got a short amount time.

Jamminder Singh Bhullar ***JP Morgan Chase & Co, Research Division - Senior Analyst***

So maybe if you could just talk overall about your views on the credit market and where you feel there's a lot of risk versus any areas that you think still present attractive risk reward.

Mike Smith ***Voya Financial, Inc. - Executive VP, CFO & Interim Chief Risk Officer***

So I'll play quarter-back for a minute, but I'm going to turn this right to Matt. That's why we brought him. So Matt, you want to take that one?

Matthew Toms ***Voya Investment Management LLC - CIO of Fixed Income and Proprietary Investments & Senior MD***

Surely. Thank you. Yes. So a lot has been done at the fiscal and monetary level. That's very important. Overall, that puts credit market in decent shape. There's -- the key -- the most important part to realize is the left tail risk has narrowed. What you're concerned about in credit investing specifically is auto correlation to where everything starts acting together, and that can hurt an overall portfolio because you don't have as many things that can go up like in an equity market.

Policy taken globally has reduced that left tail massively. You also have interest rates at a very low level. So you've moved from a fear phase into a: what are the winners and losers state. That's a very healthy environment for active investing. With interest rates held at a very low level, you're going to see those winners pushed even higher in valuation. And you'll see losers emerge. But the policy has really decreased the number of those losers. And those companies that will go bankrupt their businesses have to restructure. But really, you're in a healthy winners versus losers environment, but I would highlight that there is going to be a severe differentiation between those who are strong enough to exist and not. Where is the risk? There's risk where debt has grown. It's always the case, quick debt growth leads to pain, and you've seen a lot of that in middle market lending areas, leverage businesses and largely in the private space can create some downside. A lot of that's in private vehicles right now.

And then you've had things that were weak before, such as mall-based retailers. This isn't new, add restaurants to that list. So you've got a component that looks fragile, but you also have a consumer that looks quite strong. So we like things that are tied to the consumer. The stimulus has been heavily consumer-tied that will put a tailwind behind the consumer going forward. So look at housing, look at things like consumer finance. And credit businesses that -- where you have good coverages, good protections in the private market on the investment-grade side, should also be very well placed where you can garner a good spread and good protection. That's how we would frame the outlook.

QUESTIONS AND ANSWERS

Jamminder Singh Bhullar ***JP Morgan Chase & Co, Research Division - Senior Analyst***

And on the strength of the consumer, and we've seen that in some of the spending numbers in credit card spending data that's come out as well, how much of that do you think is being driven by just the sort of payments related to the Cares Act and then a very high unemployment benefits that, in some cases, exceed what people were making on their jobs? Which -- both of those are obviously temporary in nature. But how much of that do you think is helping inflate consumer spending versus you think there's underlying strength in that metric?

Matthew Toms ***Voya Investment Management LLC - CIO of Fixed Income and Proprietary Investments & Senior MD***

We think it's important to realize the underlying strength that came from a consumer that's been deleveraging for the last 11 years. That's super important. That's vis-a-vis a corporate base, it's been on the margin leveraging. So you've got a stronger consumer, you're 100% right. Government policy has actually topped that up pretty substantially. There's a blowback against the financial crisis "saving" of financial institutions or Wall Street. Once you've pushed down the path of saving Main Street, you're likely to stay there. So we think that, yes, there's been a lot pushed. We also think that you'll continue to see policy pushing towards the consumer until that handoff in the

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opening occurs. You're starting to see that. It will be choppy. So it's not a direct line, but ultimately, we believe the government will continue to provide enough support, extend benefits as needed to ensure the handoff, that's the playbook and they won't stop short.

Jamminder Singh Bhullar ***JP Morgan Chase & Co, Research Division - Senior Analyst***

And then on -- just relatedly on the Fed that's sort of supporting some of, at least, the higher risk assets, do you believe that the markets are benefiting from that temporarily? And if yes, are you taking advantage of the Fed support to maybe adjust your portfolio allocations or at least new money allocation?

Matthew Toms ***Voya Investment Management LLC - CIO of Fixed Income and Proprietary Investments & Senior MD***

The Fed has really supported the systemic risk. That takes the left tail off the table. We actually -- [inaudible] a bit at the Fed moving too far down the spectrum. Capital that's misdeployed is meant to be punished. And so if anything, they missed a little heavy, which is what you're probably meant to do in a global pandemic, where all countries are hurt at the same time. But it has clearly created an opportunity in anything rated investment-grade that doesn't have a meaningful risk of a downgrade to below investment grade. That is all NAIC 1s and 2s, BBB and above and high-quality mortgages.

So I wouldn't say it's a follow the Fed strategy because what they've done is take systemic tail risk off the table. They've lowered rates. That will force plenty of money in, much more than the Fed has. But again, winners and losers, steep credit curves, we don't believe that you should be picking the bottoms of CCCs and single B's right now. It's stay confident in your underwriting and your BBBs and above your NAIC 1s and 2s. So plenty of opportunity.

Jamminder Singh Bhullar ***JP Morgan Chase & Co, Research Division - Senior Analyst***

Okay. And any sort of areas that over the past year, maybe 2 years, as you were looking to invest, you've been avoiding more because of either too much competition on terms and conditions or where you felt that the risk was increasing beyond what the market was appreciated.

Matthew Toms ***Voya Investment Management LLC - CIO of Fixed Income and Proprietary Investments & Senior MD***

Yes. We've been very delicate with moving into the middle market lending, mezzanine lending area. A lot of new dollars have flown in there and a lot of them are tied to private equity businesses where there's some fantastic underwriting on the desk side, and some of it's been a little bit too fast in our opinion. So that's an area where we have capabilities but it's a very, very small amount of what we invest. A vast majority of our private credit is investment grade private credit and the C 1's and 2's. The below investment grade, we've been cautious on, and there could be an opportunity coming ahead on the flip side of that. The other side on the commercial real estate side get a lot of press. What you're looking for there is where you've had too much supply or price distortion. And generally speaking, while there's an ongoing retail pain point that everyone's read about for many years, where there's been overbuilding in large city Grade A multifamily property. Prices are up, supply is up. That combination is probably underappreciated. Also the agencies that help money into that segment, it's an area we've been avoiding, and we think that's an example of an area within the commercial real estate that can be hurt but that doesn't mean all commercial real estate has that same degree of a headwind.

Jamminder Singh Bhullar ***JP Morgan Chase & Co, Research Division - Senior Analyst***

Okay. And then if I look at your fixed income portfolio, obviously, a majority, almost95% is investment-grade, but you do have a decent allocation and a higher allocation than others to BBB securities where there's been a lot of concern about maybe grade inflation on the product rating agencies and higher leverage on incorporations. What's your confidence in your BBB portfolio? And then also just your overall view of the BBB category because that's a place where a lot of investors feel that the underlying credit quality might not be as good as it's been traditionally.

Matthew Toms ***Voya Investment Management LLC - CIO of Fixed Income and Proprietary Investments & Senior MD***

I'd point folks to page 23 in one of the additional disclosures that Mike referenced in the investor presentation for the second quarter. I wanted to break that down. So I think it gives some really good numbers on the size of the BBB portfolio. Ultimately, we are very comfortable with the BBB space. At a high level, it's correct to say that more companies are in the BBB category. That said, the existence more BBB's companies doesn't necessarily change how they will be treated from a rating standpoint. So why are there more there? Rates are low. U.S. consumers de-levered with low rates, corporate borrowers have actually, generally, increased leverage. That moves more

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single A into the BBB category. But it's important to differentiate between large mega-cap companies, like an AT&T, Verizon and others, that may have moved into a BBB category, but still have tens of billions of dollars of market cap, plenty of financial flexibility and is likely to act like a middle market manufacturer may have acted over the last 20 years.

So yes, it's grown. But I think it's very important that you can still underwrite very sound names within the space. And particularly within private credit, you'll see the breakout on Page 23 of the supplement. Private credit where you can underwrite management have covenants and provide downside protection historically has proven a great way to get extra income in the BBB space. So yes, it's worth noting, but B) it's really a game of security selection. They're not all created equal, and there's plenty of opportunity in BBB in today's world.

Jamminder Singh Bhullar ***JP Morgan Chase & Co, Research Division - Senior Analyst***

And just for the benefit of those who are listening, you're pointing to Page 23 of the 1Q earnings presentation, correct?

Matthew Toms ***Voya Investment Management LLC - CIO of Fixed Income and Proprietary Investments & Senior MD***

That's correct. There's a few extra disclosures that I think folks will find useful.

Jamminder Singh Bhullar ***JP Morgan Chase & Co, Research Division - Senior Analyst***

Yes. Yes. And then, Mike, since you're on, any sort of comments or update on the closing of the Individual Life sale?

Mike Smith ***Voya Financial, Inc. - Executive VP, CFO & Interim Chief Risk Officer***

The update is we're continuing to track for a third quarter close. I think the conversations with the regulators continue to be constructive. And I think we feel good about our progress there. We are in the final stages of executing our plan on standing up of the new company. Just to remind everyone, we've done this before with the sale of the Annuity business. So we've got over 300 current Voya employees who'll be going over to Resolution to get that running. We have most of the structure in place for the ongoing transition services. So that's all pretty much ready to go. And then the other side continues to be very -- the Resolution team continues to be very engaged, very committed to seeing this through. I think we all have the right incentives and alignment to closing this and closing it as soon as we can.

So continue to believe third quarter is very doable.

Jamminder Singh Bhullar ***JP Morgan Chase & Co, Research Division - Senior Analyst***

And is your internal view of the time line, has it been pushed back a little bit because regulators in many parts of the world either were -- not everybody was coming to the office or the offices were closed. And so everything sort of potentially been pushed back a little bit. Is it possible...

Mike Smith ***Voya Financial, Inc. - Executive VP, CFO & Interim Chief Risk Officer***

Go ahead. Jimmy, finish your question, sorry.

Jamminder Singh Bhullar ***JP Morgan Chase & Co, Research Division - Senior Analyst***

So my point was, is it possible that it gets delayed or you're still comfortable that there was enough of a cushion built in your initial guidance that it will still be within that.

Mike Smith ***Voya Financial, Inc. - Executive VP, CFO & Interim Chief Risk Officer***

I'd give a shout out to the regulators to say that they've been really done a very nice job of operating in this new environment. So I think they've continued to be very engaged. I was honestly a little bit worried as we moved into it because I just didn't know what their capabilities are and their capabilities have been impressive. So I would say not really any meaningful delay as a consequence of that, I'd say we're very much on the time line that I would have we expected us to be on.

Jamminder Singh Bhullar ***JP Morgan Chase & Co, Research Division - Senior Analyst***

Stephanie, could you go to the lines for questions?

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Operator

We have a question from the line of Daniel Kramer.

Daniel Kramer ***JP Morgan Chase & Co***

Just on your structural security exposure, which is a bit high. I wanted to get a sense of how you feel the quality is different in how the structures and the subordination compare to the sort of '08 to 2010 time period?

Mike Smith ***Voya Financial, Inc. - Executive VP, CFO & Interim Chief Risk Officer***

Matt, go ahead and take that one, please.

Matthew Toms ***Voya Investment Management LLC - CIO of Fixed Income and Proprietary Investments & Senior MD***

Yes, fantastic. So within structure, it's important to note that we do have a good amount of that within the agency mortgage component. That's a prepayment strategy based upon agency mortgages again. So it's a strategy that is not tied to credit markets, it can provide a really nice diversification versus credit markets. That's different than a good number of peers that don't have that component. And we think it's a differentiator that's very attractive and presides protection on the downside. It's actually over the last 10 years, generated a return of 11% and was actually positive in the first quarter. So again, a way to have a prepayment strategy in securitized that's less credit-sensitive is a great diversifier. We love that lack of correlation to credit in the portfolio, and that's certainly helped over many years, and it's helped in today's environment. More broadly, if you look at the quality of the securitized exposure, obviously, the agency mortgages component is tied to AAA government guaranteed. When you broaden into the CLO component and CMBS exposure, again, you're going to see a very high-quality skew.

So we're happy to have diversified portfolio, not as reliant on corporate credit. Again, happy to have that private credit, commercial real estate and securitize to diversify that. Diversification being key in protecting the downside. I'll reference that investor presentation from Q1, one more time on Page 21, we provided a lot more detail on our CLO exposures. And if you look at that grid, you'll see 95% of the CLO Holdings in the single line above rated category, NAIC 1. So very high-quality skew. We view it as a very good way to get exposure to a more diversified set of issuers in the market. And we believe it will continue to perform very well through this environment. I would differentiate from when you go down the spector, you've got steep credit curves in securitized space. And the equity and subordinated tranches should be pricing at more of a discount given the uncertainty. But the amount of subordination in the structures in CMBS and CLO and other securitized really protect you when you're in the single lane above, and that's where we've been heavily focused.

Jamminder Singh Bhullar ***JP Morgan Chase & Co, Research Division - Senior Analyst***

And on CLOs, you participate in that market, both as an investor, but then also in your investment portfolio, that's an asset class that you manage. How is the current environment affecting activity as it relates to your asset management business? And then also just your appetite for the asset class.

Matthew Toms ***Voya Investment Management LLC - CIO of Fixed Income and Proprietary Investments & Senior MD***

Yes. So it's a good question because the CLO machine is a very important part of the senior bank loan market construct, making up over 50% of issuance or demand for bank loans, as you know. Meaningful participant there. We've done deals this year. We've been doing multiple deals a year, 4 to 5 deals a year over multiple years. And that market is still open. It's obviously challenged, that uncertainty with the tail component of the market has clogged the pipes a bit. I think investors have seen that open up over the last few weeks. You are seeing deals get done. I think it's fair to say that the pace and the size will not be what it was for the entire market. So as a major market participant there, we think -- we view ourselves as very much a Tier 1 issuer. We're a manager with very high-quality support and long-term relationships.

When the whole market ebbs, we'll ebb with it. But again, we like our position in that market and believe it will come back. Where you've seen that issuance diverted to is into the high-yield market where you're still financing those companies, but through a different angle. So the high-yield corporate market has been the beneficiary of that issuance, and it's provided more opportunities there.

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Jamminder Singh Bhullar ***JP Morgan Chase & Co, Research Division - Senior Analyst***

Okay. Maybe just over a bigger picture question as well. Just on your overall economic outlook, how do you feel the credit markets will behave over the next, let's say, a couple of years? And how does that -- do you think the recession and/or investment losses will be more severe than in 2008 and 2010 or not? Or don't know yet given how -- and depends on how COVID unfolds?

Matthew Toms ***Voya Investment Management LLC - CIO of Fixed Income and Proprietary Investments & Senior MD***

Ultimately, it depends a bit on how COVID unfolds. What we do know, however, is that a lot of debt has been issued and a lot of fiscal money has been spent. The good news is the only excess spending that really existed coming into this is proven by how quickly things have bounced back, was that of the public sector. So there were not major imbalances like you had heading into the financial crisis. And you didn't have weaknesses in the financial system. So you have a consumer that's been deleveraging for 10 years, who has been taken care of by the government and who stands ready to probably increase their savings rates. So that is a really strong pillar for a consumption-based economy.

On the flip side, you're going to have more winners and losers on the corporate side because you'll have people who issued debt to get to the other side of the COVID strain. What we forecast is a swift bounce in economic growth, but then you're likely to return to a choppy growth environment that may prove frustrating, but again, durable because that consumer base continues to behave in a very diligent manner. That's good news for long-term investors. It may frustrate some with the speed of the terminal growth rate as we get beyond COVID, but that's a great environment for fixed income investing, where you don't get paid to benefit from the highs and the lows. That's what we view likely a lingering array of default in the corporate space where you have to make sure you're underwriting your portfolio well. But that's very manageable, at least the credit risk is not the fear. What you're concerned about is that systemic risk when you get a bigger unwind.

Jamminder Singh Bhullar ***JP Morgan Chase & Co, Research Division - Senior Analyst***

Okay. Stephanie, could you go to the next question from the line?

Operator

The next question is from the line of Pablo Singzon.

Pablo Singzon

So the first one I had is, if you look at your portfolio, about 20% of it is in non-U.S. investments. Now these are mostly dollar-denominated, so you're not taking currency risk. But could you talk about the assets and geographies you're exposed with there? And how is your assessment of COVID risks for these assets different versus U.S.-focused assets?

Matthew Toms ***Voya Investment Management LLC - CIO of Fixed Income and Proprietary Investments & Senior MD***

Mike, I'll take that one, if that's all right.

Mike Smith ***Voya Financial, Inc. - Executive VP, CFO & Interim Chief Risk Officer***

Yes, please. Yes.

Matthew Toms ***Voya Investment Management LLC - CIO of Fixed Income and Proprietary Investments & Senior MD***

Yes. So the vast majority of those holdings are in corporate bonds. And so when you invest in investment-grade public corporate bond, you will have an array of issuers from around the world, multinational issuers that their geography, it doesn't necessarily matter that much. If you think of the Daimlers of the world and other global entities. When you look at where that's coming from, of the non-U.S. / Canada, which is the majority of the exposure, it's a diversified array of countries, 60 countries beyond that. So you're diversified and the largest 2 would be Great Britain and Australia.

And really, the way we view that risk is, in most cases, you're taking the typical industry risk in a globalized economy that you are in U.S.-based entities that just may be in a global competitor. So I wouldn't say that we have a notable amount of concern due to the geography of any of those issuers. It's more tied to what component do you have consumer cyclicals or transportation or energy in that global economy, much less an issue of where it resides because that's in global developed markets, by and large.

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Mike Smith ***Voya Financial, Inc. - Executive VP, CFO & Interim Chief Risk Officer***

And maybe I'd just tack-on for Pablo. And just to put it in context of some of the other disclosures we've made, we shared stress results with the first quarter call and certainly, as we went CUSIP by CUSIP, the country of origin, to the extent it matters, was part of the analysis that led us to that. So I mean I think Matt's hit it exactly right. It's far more important to worry about the sector than it is, particularly with the European and other well-developed organizations.

Pablo Singzon

Okay. That makes sense. And then second question I had was for you, Mike, actually. So are there any provisions in the Resolution deal that would require Voya to pay for any investment losses or credit migration that might occur in the transfer industry portfolio after the close?

Mike Smith ***Voya Financial, Inc. - Executive VP, CFO & Interim Chief Risk Officer***

After the close? No. Certainly, while we have the assets on our books and there's, particularly impairments. I mean, that would be an impact to us. We're not really seeing a whole lot there, in terms of the ongoing portfolio to be transferred and to the extent there is migration that can have at the margin kind of effects of in terms of which assets do or don't get transferred depending on bucket limits and so on. But broadly speaking, the only impacts are up until the point where we actually closed the transaction. After that, it is entirely on the Resolution side.

Jamminder Singh Bhullar ***JP Morgan Chase & Co, Research Division - Senior Analyst***

And Matt you mentioned your stresses. What are the areas of your portfolio you think are the most vulnerable, either to actual loss, or just ratings migration.

Matthew Toms ***Voya Investment Management LLC - CIO of Fixed Income and Proprietary Investments & Senior MD***

Yes, I'll start and then maybe hand it to Mike. Ultimately, it's those things that had an inherent weakness and I kind of referenced this early on. What's most directly impacted by COVID immediately, and you can identify that pretty quickly. And they're generally pretty small exposures as far as you think about the tiny sliver of our CRE portfolio that's in hotels, 2% in the disclosure we put out in the first quarter. You can identify those and see what the pain point is in the near term and the long-term and pretty easily determine if you think you have concerns or not. So I'd say that as we step back and look at the portfolio, again, that preponderance, 90-plus percent in investment-grade territory, you have resilient structures. When we step back, we're looking at migration risk much more than loss. So for the 2-part question of loss, I think you're much more concerned about rating migration trends. And the ability to underwrite that in a portfolio is made much easier by the government actions that have taken the tail risk scenario off the table. So I'd frame it in that way. Naturally, in the corporate arena, you can have rating agencies that can be a bit more aggressive. You've had energy price volatility, clearly. We have reduced our energy holdings over time. But again, energy price volatility is not new. Negative prices may be new, but you didn't stay there, and you have had a big bounce.

So once you take the tail element out of this and the tail isn't completely gone, but it's narrowed substantially, it turns into an in investment challenge that is normal and is a game of idiosyncratic underwriting, and it really becomes bond by bond and less of a correlation issue

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Mike Smith ***Voya Financial, Inc. - Executive VP, CFO & Interim Chief Risk Officer***

Look, the majority of the impact in each of the stress cases is certainly migration. It's 75% to 80% of the capital impact. And the majority of that comes from corporate credit. I think in the more severe scenario, there's a little bit -- proportionately a larger share coming from the commercial mortgage space, but it is predominantly migrations moving down from NAIC 2 to 3 or below. And just, again, for those who haven't looked at it closely, the 2 scenarios were a moderate case, which yielded about a $300 million impact to excess capital over 12 months. The second case, the more severe case was $600 million of impact to excess capital.

And to just frame that, the downgrades that we anticipated in the first case were 70% of the peak experience we've seen over the last 20 years, which you should think of as the period '01 to '03. And then in the second case, more severe case, it was actually 15% higher than what you would have experienced. But we did not just take the '01 to '03 experience or the Great Financial Crisis experience and just transport that into the current environment. We were very focused on identifying our exposures to those industries and sectors that are

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particularly subject to the pain that's coming today, which is very different. As Matt alluded to earlier, from the broad financial sector weakness that we had coming into, for example, the GFC.

Jamminder Singh Bhullar ***JP Morgan Chase & Co, Research Division - Senior Analyst***

Okay. And then we haven't spoken about the commercial mortgage loan book, but maybe if you could just talk about your views of your exposure and just the commercial mortgage loan market overall. I think if I look at your portfolio, you got minimal exposure to hotels, a little bit of office exposure, but how do you see that book? And any sort of -- anything that you could give us in terms of quantification of forbearance requests and what you have seen recently.

Mike Smith ***Voya Financial, Inc. - Executive VP, CFO & Interim Chief Risk Officer***

Jimmy, maybe I'll start and particularly on the forbearance request, and then I'll ask Matt to fill in some color on the underlying philosophy and properties. But where we are now is, as of the end of May, we had about 7% we've granted forbearance.

As many of you will recall, on the first quarter call, we reported that we had requests for forbearance on about 20% of the portfolio. We ultimately expect we'll be somewhere between 7% and 10% of the portfolio will be granted. There was a flood there right as the economic impacts were becoming clear and in terms of flood of forbearance requests. I think as we've sorted through it, there's been a recognition that many of the borrowers didn't need forbearance. They had plenty of adequate cash. Many of the borrowers themselves recognize that as the events were unfolding, they really didn't need the forbearance themselves or they concluded that what it would take to get us agree to enter into that kind of arrangement was more than they were willing to entertain.

Look, forbearance is a tool. It's something that we've used. It is -- obviously, it's -- the volumes right now are higher than normal, but we've used it in the past. We'll continue in the future. I mean, ultimately, what we're trying to aim at is generating a situation where the borrower can have a successful outcome on the property, and we'll get paid our interest and principal back. So it's one of many tools that we've used. We have our own workout team, very experienced, very busy right now, but I think demonstrated substantially over the years that we can generate really strong returns in the commercial mortgage space, if managed well. And Matt, maybe you could just fill in what whatever other color you might want to share.

Matthew Toms ***Voya Investment Management LLC - CIO of Fixed Income and Proprietary Investments & Senior MD***

Yes. I'd say that we've always viewed the space and that ties that historical loss number being so low, 4 basis points from 2001 to 2019. We view it as a way to add incremental income to the portfolio and underwrite very cautiously. So again, I'll just reference the additional exposure in the investor presentation on Page 10. The LTV ratio of 46%, debt to service coverage at 2.3x.

When you think about this portfolio and you look at the skew between CM1s and CM2s at 83% CM1s. It's a high-quality portfolio. Are there going to be some strains in the commercial real estate market? Of course. But we've underwritten a portfolio to return par and a nice income stream, and that's been proven over time, and it's very diversified.

Again, within retail, we've mentioned this a lot. It's not heavy mall based. We're looking towards much more need-driven grocery-anchored retail and power centers and districts that even if people are ordering groceries, they're coming from that store, for example, right? And we've underwritten what we believe to be a durable portfolio over time. And we believe that will see its way through. So while forbearance will come through, we want to help those borrowers get to the other side of this global pandemic. Ultimately, we feel very comfortable in our collateral value.

Jamminder Singh Bhullar ***JP Morgan Chase & Co, Research Division - Senior Analyst***

Do you have any views on offices as an asset class going forward, given sort of work from home type environments and conditions that many companies seem to be favoring more going forward?

Matthew Toms ***Voya Investment Management LLC - CIO of Fixed Income and Proprietary Investments & Senior MD***

Mike, maybe I'll start. There's a heavy debate. You're seeing 2 sides of the debate of -- there are certainly going to be some industries and some locales. Obviously, you think New York and the need for public transportation and other major cities, you could have some natural headwinds. There's also -- and there are some industries to where working from home can work quite well. There's others that I think

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you'll actually have a bigger demand for people in new types of space with more space to protect against potential further pandemics in the years to come, months and years to come.

So I think there's 2 sides of the story. It's ultimately winners and losers. We don't think the world will permanently work from home, but some businesses will or will have the flexibility to. So again, it's really, as real estate always is property by property, we tend to be -- over time, we've found much more value away from the mega issue in New York or San Fran or DC massive building. We can find much more value in a diversified array of office across the country. You get paid better. And we're not so big that we need $100 million, $200 million, $500 million loans, like some of the larger insurance companies. And that serves us very well as we look forward as well. So I think it's a balanced view on what's needed to be seen, but I think it will be fought on a property-by-property basis. Mike, would you add anything to that?

Mike Smith ***Voya Financial, Inc. - Executive VP, CFO & Interim Chief Risk Officer***

No, I think you covered it well. I think it's still early in the cycle to know. And as you said, it's easy to make broad generalizations about asset categories. I think just like we said with BBB's. Not every BBB is grade equal. I think the same is going to be true of office space. It's going to be very dependent on locale, tenants, property type. I think those will be the criteria that ultimately determine where the better bets were and where those that aren't going to pay off.

Jamminder Singh Bhullar ***JP Morgan Chase & Co, Research Division - Senior Analyst***

And just relatedly, Mike, it seems like from your call that your -- from -- in terms of most parts of the company, you've adopted fairly well to this environment. Have you learned anything that would maybe either result in cost savings going forward, whether it's less use of real estate or any other expenses that you could save on versus maybe you need to spend more on technology or other things. So anything that will change and have implications for your financials, like a few years out for -- that you've learnt from the current environment?

Mike Smith ***Voya Financial, Inc. - Executive VP, CFO & Interim Chief Risk Officer***

Yes. Great question. And one, we're still kind of wrestling with right now. It's clear we're learning some things. We're learning that working from home is probably a more doable than many of us thought for more people. And now whether that becomes a full time, 100%, that we move a huge portion of our workforce or if we adopt more flexible approach, that's certainly something we're thinking about. We're being mindful of footprint, but we don't have any near-term leases expiring or anything of the sort where there's an obvious value capture to think through. Our current buildings are all in longer term leases.

And so footprint reduction is not necessarily going to translate into a significant, immediate cost save. But we'll be mindful of that as we're thinking about our footprint going forward. And then I think the other thing we're learning is that operating virtually via teleconference and reducing travel, certainly within our company, but also, to some extent, with the clients to some degree and then service calls. I think the -- socially, we're all going -- we're all becoming more comfortable with that kind of interaction, and I think that will enable us to modify travel to some extent. But I think in both cases, these aren't expense items that are going to meaningfully move the needle. I think they're helpful. They allow us to become more efficient over time. And then we'll have a choice to make of, do we use that to broaden margins? Or do we use that to continue to invest in growth and grow the pie while maintaining margins. I think those are the kind of operating decisions that we've -- we're pretty good at. And I think we expect to continue to really focus on those kind of choices.

Jamminder Singh Bhullar ***JP Morgan Chase & Co, Research Division - Senior Analyst***

Stephanie, are there any questions on the line? Maybe not. I'll ask a last 1 since we're actually over the initial time we thought this would last. So on share buybacks, you bought back more stock than most people had assumed in 1Q, but then you suspended activity. And most companies have done the same as well, although there are some that are saying that we're going to take advantage of the stock price being depressed and maybe stay proactive. So where are you in terms of trying to preserve capital, given the uncertainty versus maybe kind of take advantage of the decline in the stock price?

Mike Smith ***Voya Financial, Inc. - Executive VP, CFO & Interim Chief Risk Officer***

Well, the current position is, as we said in the call that we paused after a very active first quarter. We had signaled a total share buyback of $1 billion-plus for 2020 as our target. I think there's still very much a path to that visible to us. I think we entered the second quarter

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with a significant amount of excess capital at $600 million. I think as we talked about the capital sensitivities. I think as we continue to watch rating agency activity, as we continue to watch the development of the economy and any credit concerns that we'll continue to have better visibility to. I think we'll relate our capital position plus the capital we generated during the course of the quarter as well as the expected conclusion of the Life Transaction and the amount of capital that will generate. So there'll be opportunities certainly, after the close, to think potentially very differently about what we want to do, but that is not to preclude the possibility that we could take some action in even the very near term. I think we're watching the developments. I'd say, broadly speaking, in line with where we thought we'd be, to the extent that they're not -- they're probably more toward the favorable side than the unfavorable side, but it's early and it will be chunky.

So we'll be having ongoing discussions as we have over the last 7 years of when is the right time to make the choice to re-engage in the market. We've repurchased, and many of you are probably tired of hearing me say, but we've repurchased 6.4 billion since IPO. I think our focus on capital return is evident and nothing in the current environment, other than reacting to the stimulus we're seeing, there is no change in our philosophy around that. I think we're still very focused on delivering shareholder value. Capital management has been and will continue to be a key tool for us.

So I think we were just being prudent. And there was a lot we didn't know in April and even early May. We know more now. I think we're getting increasing visibility. We'll exercise good judgment. I'm confident of that.

Jamminder Singh Bhullar ***JP Morgan Chase & Co, Research Division - Senior Analyst***

Okay. And then with that, I guess we could end the call. Thanks, Mike and Matt, and thank you, everyone, for dialing in. Have a good day. Take care.

Mike Smith ***Voya Financial, Inc. - Executive VP, CFO & Interim Chief Risk Officer***

Thank you all.

Operator

That concludes today's conference call. Enjoy the rest of your day.

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