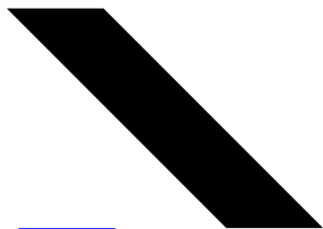


REFINITIV STREETEVENTS

# EDITED TRANSCRIPT

Q3 2024 MANULIFE FINANCIAL CORP EARNINGS CALL

EVENT DATE/TIME: November 07, 2024 / 1:00PM UTC



## CORPORATE PARTICIPANTS

- **Hung Ko** *Manulife Financial Corporation - Global Head, Investor Relations*
- **Roy Gori** *Manulife Financial Corporation - President & Chief Executive Officer*
- **Colin Simpson** *Manulife Financial Corporation - Chief Financial Officer*
- **Trevor Kreel** *Manulife Financial Corporation - Chief Investment Officer*
- **Steven Finch** *Manulife Financial Corporation - Chief Actuary*
- **Marc Costantini** *Manulife Financial Corporation - Global Head of Strategy & Inforce Management*
- **Philip Witherington** *Manulife Financial Corporation - President & Chief Executive Officer, Manulife Asia*

## CONFERENCE CALL PARTICIPANTS

- **Operator**
- **Meny Grauman** *Scotia Capital, Inc. - Analyst*
- **Tom Gallagher** *Evercore Group L.L.C. - Analyst*
- **Gabriel Dechaine** *National Bank Financial, Inc - Analyst*
- **Alex Scott** *Barclays Capital Inc. - Analyst*
- **Paul Holden** *CIBC World Markets Corp. - Analyst*
- **Mario Mendonca** *TD Securities, Inc. - Analyst*
- **Lemar Persaud** *Cormark Securities, Inc. - Analyst*
- **Phil Witherington**
- **Doug Young** *Desjardins Securities, Inc. - Analyst*
- **Tom MacKinnon** *BMO Capital Markets Corp. - Analyst*

## PRESENTATION

### Operator

Please stand by. Your meeting is about to begin. Please be advised that this conference call is being recorded.

Good morning, ladies and gentlemen, and welcome to the Manulife Financial third-quarter 2024 financial results conference call. I would now like to turn the meeting over to Mr. Ko. Please go ahead, sir.

---

### **Hung Ko** *Manulife Financial Corporation - Global Head, Investor Relations*

Thank you. Welcome to Manulife's earnings conference call to discuss our third-quarter and year-to-date 2024 financial and operating results. Our earnings materials, including the webcast live for today's call, are available on the Investor Relations section of our website at manulife.com.

Before we start, please refer to slide 2 for a caution on forward-looking statements and slide 34 where notes on the non-GAAP and other financial measures used in this presentation. Note that certain material factors or assumptions apply in making forward-looking statements, and actual results may differ materially from what is stated.

Turning to Slide 4, Roy Gori, our President & Chief Executive Officer, will begin today's presentation with a highlight of our third-quarter and year-to-date 2024's results and a strategic update. Following Roy's remarks, Colin Simpson, our Chief Financial Officer, will discuss the company's financial and operating results in more detail. After their prepared remarks, we'll move to the live Q&A portion of the call.

With that, I'd like to turn the call over to Roy Gori, our President & Chief Executive Officer. Roy?

---

## **Roy Gori Manulife Financial Corporation - President & Chief Executive Officer**

Thanks, Hung, and thank you everyone for joining us today.

Yesterday, we announced our third-quarter 2024 financial results. These strong results are a testament to the benefits of our unique business mix and geographic footprint and the tremendous momentum that we have in the franchise. We are executing on our strategy and delivering strong financial performance while making great progress towards our goal of being the Digital, Customer Leader in our industry.

In the third quarter of 2024, we delivered record financial and operating results, including core earnings, APE sales, new business CSM, new business value, our customer Net Promoter Score or NPS, and Straight Through Processing or STP. We generated significant topline growth, including 40% growth in APE sales, led by broad-based growth in Asia, which delivered record levels of APE sales, new business CSM and new business value.

I'm also very pleased with the contributions from our businesses in North America. Global WAM also delivered another strong quarter with over \$5 billion of net flows and positive contributions from each business line and geography. We've now generated positive net flows in 13 of the past 14 calendar years, and on a year-to-date basis we've delivered over \$12 billion of net flows in 2024. We generated solid core earnings growth of 4%, which was led by 17% growth in Asia and 37% growth in Global WAM. Excluding the impact of Global Minimum Taxes or GMT, core earnings growth would have been 7%. On a per-share basis, core EPS grew 7% year over year, or 11% if adjusted for the impact of GMT.

We delivered an attractive core ROE of 16.6%, demonstrating that we're on our path towards our 18%+ goal. Finally, we maintained a strong balance sheet and ample financial flexibility with a strong LICAT ratio of 137% and leverage ratio of 23.5%.

As we made clear at our Investor Day in June, Manulife is well positioned to continue delivering strong results like these and outperform peers, thanks to our unique geographic footprint and attractive business mix, our scale and ability to capture global megatrends and a clear path to deliver against our strategic priorities.

Moving to slide 7. As you can see, our disciplined execution continued to drive strong growth in key metrics on a year-to-date basis. Asia and Global WAM continue to demonstrate strong contributions to our year-to-date growth. In Asia, we have a diversified, high-quality distribution platform, and our ambition is to be the number one choice for customers. We've generated strong sales throughout the year, driven by growth across distribution channels. In Global WAM, our scale, unique footprint, and business mix, along with expense discipline is driving operating leverage, with our year-to-date core EBITDA margin up 190 basis points.

We delivered 12% core EPS growth on a year-to-date basis at the top end of our medium-term target range, driven by sustained strong performance in our high-growth segments, coupled with share buybacks. This is an excellent result as year-to-date core EPS would have grown 14% without the impact of GMT. Similarly, our core ROE continue to expand and improved 0.6 points year over year.

We've also delivered robust book value growth over this period with 14% growth in adjusted book value per share, a 9% growth in book value per share. It's worth noting that we've delivered this growth net of returning close to \$5 billion of capital to shareholders over the past year. We have repurchased 58 million common shares so far this year. And as a reminder, we're committed to fully executing the remaining 32 million shares of our current NCIB program, which expires in February 2025.

Based on our current share price our share buybacks have generated a benefit of more than \$2.5 billion since 2021, and we continue to view these as a good tool to generate value for shareholders.

Turning to slide 8. In addition to capitalizing on our strong operating momentum, we remain focused on execution and on investing for the future. And we continue to make progress towards our goal of being the Digital, Customer Leader in our industry. To that end, we're leveraging our advanced GenAI capabilities across the franchise. We've already launched 11 use cases into production with another 13 to be launched before year-end, and additional 16 in development.

These encompass all areas of our business and are being ambitiously scaled to maximize business value. For example, the Singapore GenAI Sales Tool that we showcased at Investor Day has achieved a successful pilot result of more than 5% higher repurchase rate. And we've since extended the tool to all agents in Singapore. We plan to further expand the tool to other markets before year-end.

We've also extended AI-powered call summarization and contract look-up tools to 15% of our North American contact center agents in the past six months. These are two significant drivers of efficiency and have already delivered a 12% reduction in average handle time so far this year. We plan to continue rapidly rolling this out globally and enhancing these capabilities to drive even greater efficiencies.

Our mission is Decisions Made Easier, Lives Made Better, and our digital priorities are all about optimizing the customer experience. Our relationship NPS score is now at an all-time high of 25, and our STP has now exceeded our 2025 target of 88%.

We also continue to invest in helping our customers' health and well-being. We held our second Longevity Symposium in Boston in October, where we gathered over 500 industry leaders, distribution partners, academics, and government officials to discuss the latest developments to help our customers live longer, healthier, better lives. This event generated overwhelming positive feedback from the participants, and preliminary results of our post-event survey saw an NPS of over 92. Our digital efforts have not only enhanced customer experience but also drove improved financial outcomes. To that end, we are well positioned to extract maximum value from our digital investments, and we're on track to exceed the \$500 million in benefits we expected to generate in 2024, representing more than 2.5 times growth from 2023.

We have a clear line of sight to generating additional value and look forward to updating you on our progress going forward. In summary, our strong execution this year is driving quality growth in new business, earnings and generating significant value for shareholders. We're delivering strong operating and customer satisfaction metrics, and we are well positioned to deliver on the ambitious, but achievable, new targets that we announced at Investor Day.

With that, I'll hand it over to Colin to review the highlights of our financial results. Colin?

---

## **Colin Simpson Manulife Financial Corporation - Chief Financial Officer**

Thanks, Roy. It has been another strong quarter for Manulife. Let me dive into a little more detail on the results before the Q&A.

I'll start with our topline on slide 10, where we delivered record levels of APE sales, new business CSM, and new business value. Our APE sales increased 40% from the prior year, reflecting very strong growth in Asia, and despite the prior year results including a large affinity market sale in Canada. Asia generated high volume across multiple markets, most notably in Hong Kong, supported by our high-quality, diversified distribution capabilities and our differentiated product offerings.

Our strong sales contributed to substantial increases in new business CSM of 47% and new business value of 39%. Global WAM saw solid net inflows of \$5.2 billion with contributions from all business lines and real strength in our Retail business. The continued strength in our topline is encouraging, particularly in our Asia and Global WAM segments, as we reshape our earnings profile towards higher return businesses.

On our core earnings results on slide 11, I'd like to call out some of the highlights of the drivers of earnings analysis presented relative to the prior year quarter. The first point to highlight is that we continued to see the benefits of growth in our insurance businesses as well as an improved change in the ECL. This was partially offset by lower investment spreads. The core net insurance service results has once again grown faster than the core net investment results and made up 48% of pre-tax core earnings in the quarter. In the bottom half of the table, you'll see that Global WAM significantly increased its contribution to pretax earnings, supported by average AUMA growth and margin expansion.

The impact of GMT on our core earnings was a \$61 million charge for the quarter, and as Roy mentioned, this reduced our core earnings growth by approximately 3 percentage points. In addition, the reinsurance transactions with Global Atlantic and RGA that

closed earlier this year, reduced core earnings by \$23 million across multiple lines of the DOE.

On to slide 12, core EPS increased 7% as we grew core earnings and continued buying back shares. If you normalize for the impact of GMT, core EPS would have grown 11% in line with our medium-term target of 10% to 12%.

Net income was higher than core earnings this quarter, with a few largely offsetting non-core items driving a modest net positive impact. Let me expand on the notable items. We reported an approximate \$100 million realized gain from the disposal of fixed income assets this quarter, which included trading activity in Mainland China, where we have seen interest rates decreasing as well as call premiums on bond pre-payments.

Our ALDA portfolio resulted in a \$167 million non-core charge. Our portfolio remains well diversified and reflects current valuations, and our experience this quarter marked a significant improvement from recent quarters with commercial real estate contributing to the majority of this charge. During the quarter, we also completed our annual review of actuarial models and assumptions or basis change, which resulted an overall reduction of \$174 million in pre-tax fulfillment cash flows, which comprised of a net \$816 million increase in OCI, partially offset by decreases in CSM and a \$199 million post-tax adverse impact to net income shown here.

Overall, the net impact from the basis change was modest and further illustrates the stability of our reserve development. More information on the actuarial review is available in the appendix of this presentation.

Bringing you to our book value on slide 13. You can see we grew our adjusted book value per share by 14% from the prior year quarter to \$34.97, even after returning nearly \$5 billion of capital to shareholders via dividends and our NCIB program over the past year. It's worth reiterating that we expected a much steadier growth in adjusted book value under IFRS 17, and you can see from this chart that this is playing out.

Now we'll cover the segment view of our results in the next few slides, starting with Asia on slide 14. Our Asia segment generated strong growth in both top- and bottom-line metrics. APE sales increased by 64% from the prior-year quarter, driven by growth across most markets, led by Hong Kong, which saw growth across all sales channels, including from both MCV and domestic customers. The overall increase in sales contributed to 45% and 55% growth in our value metrics, new business CSM and NBV, respectively.

Our three topline metrics highlighted here reached record levels for the quarter. We delivered 17% core earnings growth in Asia as we benefited from higher expected earnings on insurance contracts and higher expected investment earnings, with notable growth from our largest in-force business, Hong Kong. These results demonstrate why we showcased Asia at our Investor Day in June.

Moving over to Global WAM's results on slide 15. It really was a fantastic quarter for Global WAM, delivering record core earnings for the quarter with growth of 37% supported by higher average AUMA along with favourable tax true-ups and tax benefits of approximately \$70 million.

Even excluding the impact of these tax items, the segment still generated record core earnings for the third quarter. We reported \$5.2 billion of net inflows for the quarter with positive flows across all business lines and regions. Notably, we generated strong net inflows in our Retail business, benefiting from strong equity markets, which helped drive investor demand. And we saw advisor growth in our Canada wealth business. We continued to generate positive operating leverage, driving another quarter of core EBITDA margin expansion, which increased 90 basis points from the prior year to 27.8%.

Bringing you over to Canada on slide 16, we delivered solid results across our insurance businesses during the quarter. APE sales decreased 20% from the prior year quarter, but this was attributable to the non-recurrence of the large affinity markets sale in the same quarter last year. Excluding this, we generated strong sales growth of 27%, driven by higher retail sales in Individual Insurance, mid- and large-case sales in Group Insurance, and segregated fund sales in our Annuities business.

Core earnings grew modestly in Canada, primarily driven by business growth in Group Insurance, neutral ECL experience compared with the charge in the prior year, but this was mostly offset by positive, though less favourable claims experience in our Group Insurance business.

On to slide 17, which shows our US segment's results. In the US, we saw a rebound in demand for our accumulation insurance products from affluent customers, which drove up APE sales and contributed to the growth in new business CSM and new business value. Core earnings decreased 8% from the prior year quarter as a lower charge in the ECL and more favourable claims experience in our US life business was more than offset by lower investment spreads, lower earnings from the Global Atlantic reinsurance transaction that closed earlier this year, as well as the net impact of the basis change.

Let's now move to our balance sheet on slide 18. In the third quarter, our LICAT ratio remained strong at 137%, which was \$23 billion above the Supervisory Target Ratio. Our financial leverage ratio reduced further and continues to provide ample financial

flexibility at 23.5% or 23%, including the impact of the announced redemption of subordinated debentures. This puts us comfortably below our target ratio of 25%. During the third quarter, we accelerated the pace of our share buybacks, and together with dividends, we returned close to \$1.7 billion of capital to shareholders. Our accelerated share buyback pace is reflective of our intention to fully execute our current NCIB program of 90 million shares as we announced last quarter. And as Roy mentioned, as at October 31, there remained approximately 32 million shares capacity until the expiry of the program in February 2025.

And finally, moving to slide 19, which summarizes how we're tracking against our 2027 and medium-term targets. As you can see from our year-to-date results, we are showing momentum towards our new core ROE target with an attractive 16.3% reflecting strong business performance and disciplined capital allocation. The discrete quarter's ROE was 16.6%.

And we are continuing to deliver on our remaining medium-term targets, which includes expense efficiency, where our disciplined expense management, together with core earnings growth has brought our year-to-date ratio down to 45%, in line with our target.

This concludes our prepared remarks. (Event Instructions) Operator, we will now open the call to questions.

---

## QUESTIONS AND ANSWERS

### Operator

(Operator instructions) Meny Grauman, Scotiabank.

---

### Meny Grauman Scotia Capital, Inc. - Analyst

Hi, good morning. A question on ALDA, whether this is an inflection point for your PE portfolio. Obviously, you mentioned the moderating impact from commercial real estate, but you didn't talk about PE, so just wondering what the outlook is there based on what you saw in Q3.

---

### Trevor Kreel Manulife Financial Corporation - Chief Investment Officer

Hi, Meny. Thanks for the question. It's Trevor. So obviously, very happy to see the strong ALDA performance in the quarter. Still a little bit below target but as you know, that I think substantially better than we've seen recently and actually the best over the last nine quarters. The main driver of the loss, as Colin mentioned, was real estate. The experience was actually similar to Q2 and just really reflected a flat performance for the asset class.

In terms of the remaining classes which I think was your question, it was really a mix of gains and losses. Infrastructure was substantially better than it had been in Q2, and private equity as well was also materially better than in the second quarter. In terms of the outlook, it's obviously difficult to say, we do expect, I think, a continued improvement in, I think, the overall portfolio and private equity as well. We do still think that we will get back to our long-term assumptions around the middle of 2025. And so I remain confident in the long-term performance of the strategy and the portfolio.

---

### Meny Grauman Scotia Capital, Inc. - Analyst

Thanks. And then maybe, just another question, maybe for Roy. We saw the stock react quite favourably to the US election yesterday. Just wondering from your perspective how you see the impact of -- from the US election across your business. Sometimes we get questions about, people trying to think through the impact for your Asia business specifically, but more broadly, if you have any thoughts on that.

---

### Roy Gori Manulife Financial Corporation - President & Chief Executive Officer

Yeah. Morning, Meny. Look, at a very macro level, I would say that we don't really see that the US election would be a major factor on our performance or our business and as really a large function of the fact that we are very diversified business across three broad

geographies, which has really helped us weather a whole lot of different weathers and storms.

If you look at yesterday's market reaction, obviously, the US dollar reacted very positively and we saw equities rally. They are positives. But we wouldn't be banking those as big wins that we should be celebrating.

We think that we're going to see a little bit of volatility off the back of the announcement but that will normalize. And really, the underlying performance of the business that you see come through in our Q3 results, we expect to show the resilience of our business for not only the rest of the year but for the following year.

---

## Operator

Tom Gallagher, Evercore ISI.

---

### **Tom Gallagher Evercore Group L.L.C. - Analyst**

Morning. I had a few questions on the actuarial review. Given the SGUL charge, would you expect a related US statutory impact and would you expect this to impact your remittance plans for 2025?

And I guess the same question in reverse for Asia, does the positive release of any cash flow impact when you think about Asian cash flows?

---

### **Steven Finch Manulife Financial Corporation - Chief Actuary**

Sure, Tom. Thanks. It's Steve here. So, with respect to the review, the impact in the US, we do not expect any negative impact -- immediate impact on remittances. There's no impact on the RBC ratio. It remains very strong and does not impact our remittance for 2025.

I'd say, overall, the results of the review don't have an impact in terms of our commitment to the new target remittances that we set out at Investor Day. So yeah, no significant impact there at all.

---

### **Tom Gallagher Evercore Group L.L.C. - Analyst**

Great. And then, I guess, my follow-up is does taking this sizable reserve addition on SGUL make it more affordable when you think about considering potential risk transfers? Is that a risk in a block that you are considering?

---

### **Marc Costantini Manulife Financial Corporation - Global Head of Strategy & Inforce Management**

Hey. Good morning, Tom. It's Marc Costantini here. Thanks for the question. I guess, I'll start by saying that if you look at our track record of execution on our legacy businesses and optimizing, I think you will see a very strong track record of execution there in delivering value to our shareholders. And I think, last time we took a look at it, it was over \$11 billion over the last number of years. And most notably, obviously, the last couple of transactions over the last 12 months, which were very favourable in solidifying our balance sheet.

So having said that, we'll never talk about ongoing transactions until they take place but we will look to continue to manage and actively manage the legacy portfolio as we move forward. Obviously, we have a focus on some of these US liabilities you mentioned, including LTC as well, so more to come as we work through all those files. But I would say the basis change itself does not necessarily impact because any buy or counterpart would factor in some of the current experience. So, what Steve alluded to earlier does not necessarily impact how we would approach transacting on a block like this. So thanks.

---

## Operator

Gabriel Dechaine, National Bank Financial.

---

**Gabriel Dechaine National Bank Financial, Inc - Analyst**

Hi. Good morning. Similar line of questioning, I guess, but more on the Asia business. I saw there were some negative experiences there, insurance experience. I assume that's lapse related. And when I read the actuarial review details, it says you did strengthen reserves for lapse in the US and in Asia, but not like the Vietnam stuff, that's been a problem in the past. A, is that kind of dealt with now? And B, do you think that the actions you took this quarter will simmer down those lapse trends in the P&L?

---

**Philip Witherington Manulife Financial Corporation - President & Chief Executive Officer, Manulife Asia**

Thanks, Gabriel. This is Phil. Maybe I'll make a start on that Asia question and hand over to Steve to supplement. What you see in the drivers of earnings analysis in terms of experience, an 18 US dollar charge, I would say that's within the range of normal variability quarter to quarter in policyholder experience. When you look at it on a year-to-date basis, it's a negative \$6 million. So, there are positives, there are negatives, and it will move around from quarter to quarter. There were a couple of larger claims this quarter relating to some of the high-net-worth business across our high-net-worth markets. But nothing beyond that that I would particularly highlight.

You referenced Vietnam. I think it's important to note that some of the headwinds that we had seen from an experience perspective in Vietnam flowing through the CSM in prior quarters, that's now normalized substantially less and you can see an approximately neutral experience in the CSM for Asia.

Steve, is there anything you'd like to supplement?

---

**Steven Finch Manulife Financial Corporation - Chief Actuary**

Yeah. I would just add a little bit, Phil, that, particularly the point on Vietnam, if you look at prior year, that was driving the negative experience. And as we said, we expected normalization there, and that's what we've seen in the quarter, which Phil highlighted.

---

**Gabriel Dechaine National Bank Financial, Inc - Analyst**

Okay. Thanks. And my next question also -- connecting dots here, but just so I understand that the reinsurance assumption, you're assuming higher costs for old age mortality reinsurance in the future, and that's where there was a reserve strengthening? That's the gist of it?

---

**Steven Finch Manulife Financial Corporation - Chief Actuary**

Yeah. Thanks, Gabe. And maybe I'll start with reminding people that the point at Colin said. And so overall, the assumption review was a release of reserves of about \$174 million. Moving on to the item that you're asking about specifically, yeah, so as part of our review, the reinsurance and risk adjustment review, we recalibrated our risk adjustment in North America to a similar approach to what we did in Asia the prior year. And we also updated our reinsurance reserves. It was a regular review that we did and really updated to reflect -- true up our current views on current market conditions. And it was -- as you know, it's on older mortality reinsurance.

---

**Gabriel Dechaine National Bank Financial, Inc - Analyst**

I guess, my point on this is not to belabour the details of the actuarial review. There's a lot of moving pieces but if reinsurers are charging more for old age mortality risk, does that maybe suggest that there is more demand for products that benefit from higher mortality in legacy business like long-term care? Does that make any sense at all that because that trend's happening, it might actually enhance the appeal of your long-term care legacy block and make them easier to transact?



## **Steven Finch Manulife Financial Corporation - Chief Actuary**

I'll start, and I'll hand it over to Marc and that just sort of re-emphasize what you said is we have seen -- and you saw through the pandemic that we had fantastic offsets between mortality and longevity. So, when mortality is really low, we see gains in life, we see losses in LTC and vice versa, but Marc, you can add.

---

## **Marc Costantini Manulife Financial Corporation - Global Head of Strategy & Inforce Management**

Steve, you alluded to the strong point I was going to make is that we have a natural balance in our portfolio. And as we look to transact on any type of business, the counterparties obviously factor that in as well. And it's -- we try to aim and have achieved win-win outcomes for both ourselves and the counterparties, which is the strength of the execution of this team and our counterparts.

---

## **Operator**

Alex Scott, Barclays Capital.

---

## **Alex Scott Barclays Capital Inc. - Analyst**

Hi. Good morning. First of all, I'll ask on the sales in Hong Kong. I was just hoping you could unpack some of the success you're having in both the domestic market and elsewhere. Thank you.

---

## **Philip Witherington Manulife Financial Corporation - President & Chief Executive Officer, Manulife Asia**

Great. Thank you, Alex. Good morning. This is Phil. It has been a fantastic quarter in many respects across Asia, including sales, as you highlighted. And Hong Kong has been an important part of that, as have other markets, and I'll comment on that in a moment.

But in Hong Kong, we're seeing an 83% increase in new business value. That is a record level of NBV in Hong Kong. And we're seeing strong growth, as Colin said in his remarks, across all of our distribution channels, agency, bank, and broker, but notably as well, strong demand from both the domestic customer segment in Hong Kong, which is our core business in Hong Kong, the majority of our business, as well as the Mainland Chinese visitors customer segment, which is growing and reflecting the investments that we have made in MCV -- the MCV segment in order to, deliberate actions in order to increase our market share there. Although, it does remain the -- it's not the majority of our business, the domestic segment is.

Now what's driving the demand in Hong Kong is a combination of things. One is we are seeing favourable macro conditions and that is, in particular, driving customer interest and demand in saving solutions. And that's coincided with the fact that in the quarter across Asia and in Hong Kong, we have taken certain management actions that include -- earlier this year, we launched a new competitive participating savings product, so the timing of that has worked well with the favourable macro conditions. We've also held a brand campaign across the region. And in Hong Kong, it's been -- the third quarter is when we hold our annual sales campaign within our agency channel.

So a lot of good things have happened at the same time. Now of course, there can be variability quarter to quarter in sales levels. But I think the direction of travel is clear that we are growing and fulfilling a greater share of customer needs. And I think that's consistent with the thesis that we had articulated at our Investor Day in June.

And just to emphasize, we're not only seeing growth in Hong Kong. We've seen similar levels of growth in NBV across Japan, Singapore, strong growth in the Philippines, Indonesia, and other markets across Asia, including Mainland China.

---

## **Alex Scott Barclays Capital Inc. - Analyst**

That's really helpful. And the follow-up, I wanted to come back to the conversation around the actuarial impacts, and I know it's overall net favourable. I guess, on the CSM margin, specifically, was a bit unfavourable overall, and I think it was noted in the presentation that it was a net neutral impact on earnings. I would think the US segment probably has a headwind, and I just wanted

to see if you could help us out with how to think through the impact on go-forward earnings in US and sort of where there's offset in Asia, if there's a little in Canada, and just how to think about the mix and how it's changing here?

---

**Steven Finch Manulife Financial Corporation - Chief Actuary**

Sure, Alex. It's Steve. Yeah, so the way the basis change works under IFRS 17 is we calculate the change in reserves, and then, we have to record it in different places in our financial statements. And as you note, there was a reduction in the CSM, a reduction in the US, and that was partially offset by an increase in Asia.

So you're right in terms of -- we expect a neutral impact overall in run-rate core earnings. And you're absolutely right, we'll see a reduction in the US, offset by an increase in Asia. So overall, roughly neutral.

---

**Alex Scott Barclays Capital Inc. - Analyst**

Got it. But any way to think about like how much US comes down, I guess, is the crux of what I was wondering.

---

**Steven Finch Manulife Financial Corporation - Chief Actuary**

Yeah, broadly speaking, think of CAD15 million a quarter, roughly, post-tax.

---

**Operator**

Paul Holden, CIBC Capital Markets.

---

**Paul Holden CIBC World Markets Corp. - Analyst**

Thanks. Good morning. Another question related to the ACMA update. I guess on the lapse assumption change, you highlighted that you changed sort of, let's call it, near- to medium-term assumptions only and left the terminal lapse assumption unchanged.

So I guess first part of the question, like why not change the terminal assumptions? Maybe you can explain that. And then two, if you had changed the terminal assumption by a similar magnitude to the change in near- to medium-term lapse, how big would that impact be relative to the \$620 million charge you took? Thank you.

---

**Steven Finch Manulife Financial Corporation - Chief Actuary**

Yeah. Thanks, Paul. And just a bit of context, so our US lapse rates, and all of our assumptions get trued up regularly. We were fully up to date heading into COVID. And then, we -- you'll recall, we saw disconnects in lapse rates as we got into COVID across multiple product lines. In most of those product lines, including Canada UL, seg funds, lapse rates have reverted back to pre-pandemic levels. But in the US, we've seen some trend back but not in all products. So, part of this review was prudently, we reflected the experience that we're seeing post-COVID, including those trends. And we looked closely at -- we've got additional data in the ultimate. And the simple answer is the data confirm that we're comfortable. We do not need to change the ultimate lapse rates. We had already strengthened those materially in prior reviews.

Your question about a little bit theoretical in terms, I don't have that handy in terms of what an assumption change would have done. In our annual disclosures, there are sensitivities provided on lapse rates. But I would tell you the data confirmed we don't need to change those assumptions.

---

**Paul Holden CIBC World Markets Corp. - Analyst**

Okay. I'm assuming based on the duration of the product though, there are probably a little bit more sensitivity to the terminal lapse assumption. Is that fair?

---

### **Steven Finch Manulife Financial Corporation - Chief Actuary**

There is but a little bit. But remember, we -- about half the changes on guaranteed UL. We stopped writing that business well over 10 years ago. So we're into that -- getting into that ultimate period.

---

### **Paul Holden CIBC World Markets Corp. - Analyst**

Okay. Got it. Thank you. That's helpful.

And then for Phil, I want to circle back to you to Hong Kong sales. A little bit of a challenge here, just given how strong it was in the quarter, like I looked historically going back a long way and this quarter really stands out. So, I guess the question is how sustainable or not, sort of, is this as a run rate number? I don't expect you to quantify it for me. But maybe any kind of guidance on what we should expect going forward relative to the really strong Q3 result in Hong Kong?

---

### **Philip Witherington Manulife Financial Corporation - President & Chief Executive Officer, Manulife Asia**

Thanks, Paul. This is Phil. You're right. It's been a really strong quarter, and a lot of things have gone well, as I referenced earlier. The timing of the management actions we had taken with, I suppose, a favourable macro conditions. And specifically, there, I'm thinking about the fact that interest rates, short-term interest rates turned over the course of the last few months and that has prompted customers to think more long term rather than short term in terms of our strategy.

So while we are in that interest rates downward cycle, I think that is a tailwind in terms of consumer sentiment. I think it's really important to note that while there can be variability in sales from quarter to quarter, what's very clear from our results is that we're generating value and the CSM accretion that we're seeing and when you look at the CSM balance year on year, it's up 10%. That supports stable earnings growth in the quarters and years to come. And that really is our focus.

In terms of sustainability, I do expect stable growth in new business from our exclusive channels, agency, and bank. For our third-party channels and notably, broker, that can vary from quarter to quarter, and we'll call that out as and when it happens.

---

### **Roy Gori Manulife Financial Corporation - President & Chief Executive Officer**

Paul, I just wanted to add a couple of comments to Phil's, which I think were excellent summaries. The quarter was really solid for sales in Asia -- quite frankly, across the entire business. But our year-to-date results are also really very strong. And that's what gives me a lot of confidence the momentum that we've got across our franchise. And I think that's particularly exciting for me about our Asia momentum is that it's not any one particular market in isolation or any one particular channel. So we're seeing, as I think Phil noted, good broad-based growth across our channels, whether that's banker, agency, broker, and affiliated. But we're also seeing our markets across Asia also performing really well. So that momentum, I think, bodes well.

But again, I'd caution folks to not expect in our 30% to 40% growth in sales across all of those metrics on an ongoing basis. We've got a good baseline here. We think that momentum is our friend, but obviously, we wouldn't expect 30% growth every quarter.

---

### **Paul Holden CIBC World Markets Corp. - Analyst**

Got it. I agree, the diversification is a positive, Phil. Thank you.

---

### **Operator**

Mario Mendonca, TD Securities.

### **Mario Mendonca TD Securities, Inc. - Analyst**

Good morning. Roy, can I take you back a few years. It was November 2007, so 17 years ago almost to the day, that Manulife was a \$43 stock. So, it's back there today, and when I look at how you got there is a great combination of growth and wealth in Asia, but also the company has been shrinking for some time now as you reinsure books and buy back stock.

So when you meet your Board and you speak to your executive team, how do you think about the next five years or so? Is it more of the same, like focused on what you're good at wealth, Asia, buy back stock when you can? Or is the company going to become a little more ambitious in its growth outlook? How would you describe that?

---

### **Roy Gori Manulife Financial Corporation - President & Chief Executive Officer**

Yeah. Good morning, Mario. Thanks for the question.

I think you're absolutely right. When we looked at our performance over a number of years and certainly looking back to where we were pre-global financial crisis, we really had to appreciate that for us to succeed in the long run, we needed sustainable growth but also quality growth.

So in 2018, when we established our transformation agenda, we said that we clearly want to improve our returns, reduce our risk and volatility, and then also focus much more on customer and digital. And the progress that we've made is something that we're very proud of, but we think that we've really transformed the company in terms of fixing some of the things that were less strong. But at the same time, we feel like we've built a platform for sustainable future growth.

And whilst Asia and GWAM are tremendous platforms -- and I think quite frankly, if you stack up our businesses, both Asia and GWAM across many of our competitors, we would be quite enviable. But it's not just Asia and GWAM that really drives our success. I think we've got a really solid business in the US that provides great remittances, great returns on our new businesses we highlighted at our Investor Day, and our Canada business, where we are a strong leader across individual insurance as well as group benefits really positions us well.

So to get to the crux of your question, in terms of ambition, at our Investor Day, we declared quite an ambitious agenda for where we want to go. And our 10% to 12% earnings per share growth target is what we reaffirmed. We believe we got the footprint to continue to deliver that. Our 18% plus ROE, we think, is quite ambitious but very achievable.

So, I think with a lot of the hard yards to basically fix our platform and transform our business, we think that we've largely completed that chapter. And now the next chapter is all about building on that platform and accelerating our growth momentum, so that it can be sustainable and continuous.

---

### **Mario Mendonca TD Securities, Inc. - Analyst**

So that's helpful. Let me push this a little further. What I'm getting at is, does this company -- like are you content with everything you've got now and there's no need to add the capabilities and distribution through consolidation, through acquisitions, through M&A? You just don't see a need for that because the business got so much runway anyway. Is that right?

---

### **Roy Gori Manulife Financial Corporation - President & Chief Executive Officer**

What I would say is that we are very pleased with our platform. We don't think that we're lacking any key components that are going to allow us to deliver on the ambition that we have -- certainly, the ambition that we established at our Investor Day.

However, and I think this is the crux of where you're getting to in your question, we're in a very, very strong capital position. We've got \$10 billion of capital in excess of our upper operating range. our leverage ratio now is that an all-time -- well, almost an all-time low, certainly, for many, many years at 23%+.

So, we have at our disposal the opportunity to look at M&A. And clearly, we will transact if we see opportunities that allow us to continue to expand our capabilities, but at the same time, give us further scale. But we're going to be very disciplined there, Mario. You've seen as much as I have, a whole lot of not-so-great M&A in our industry, and we certainly don't want to do that.

So yes, we are well capitalized, we believe that we can execute on M&A. We think that there are some key areas that would certainly be complementary to our business, but we're certainly not desperate, and we're going to be very disciplined.

---

## Operator

Lemar Persaud, Cormark Securities Inc.

---

## Lemar Persaud *Cormark Securities, Inc. - Analyst*

Well, hopefully, two relatively quick modeling questions for me. Just there's a sharp drop in the impact of new business on the consolidated DOE. It looks like this is related to a lower charge from Asia. Is this really because of the change in sales mix in the quarter? I guess lower sales of onerous contract products. Is this something we can expect going forward?

---

## Phil Witherington

Lemar, this is Phil. Thanks for the question. Given that it's driven by Asia, let me take that and ask Steve whether he would like to supplement.

So, you have seen a lowering of the impact of new business in the drivers of earnings analysis. And a reminder that this reflects a couple of things. It reflects what we call onerous losses as well as any acquisition expense variance. And so in the third quarter, that's fallen to \$7 million, and it's been at a run rate of around \$20 million negative in prior quarters. And a couple of things happening there, one is that as part of the basis change, the expense loadings were updated and that's had a favourable impact on this line, as well as it's been a particularly strong new business quarter. And when we have strong volumes, that reduces the expense per unit and has a favourable impact on this line item.

At \$7 million, this is USD7 million, I think that's at the low end of the range of what you would typically expect. And it will vary from quarter to quarter, but Steve, is there anything that you'd like to supplement there?

---

## Steven Finch *Manulife Financial Corporation - Chief Actuary*

I'd just add that this has been an area of focus since we started reporting under IFRS 17. It's an opportunity we directly see improvement in margins coming through this line. So, it has been an area of focus.

---

## Lemar Persaud *Cormark Securities, Inc. - Analyst*

Okay. That's helpful. And then just my next question here, I'm looking at the negative impact of the reinsurance transactions, so RGA and Global. Looks like those are lower again this quarter. Can you guys talk about what's driving that? and should we think of the negative impact of that being less than originally anticipated?

---

## Colin Simpson *Manulife Financial Corporation - Chief Financial Officer*

Yeah. Thanks, Lemar. It's Colin here. So, when you look at the \$23 million negative impact, there's a couple of things factoring in here. Not completely sold on the ALDA -- completed the sale of the ALDA associated with the transactions, but almost there. There's a few things associated with experience that come into play on a one-off basis. But when you strip those out, the run rate, the quarterly run rate is bang in line with the annual guidance that we gave, which was \$130 million for Global Atlantic and \$50 million for the RGA transaction in Canada.

---

## Operator

Doug Young, Desjardins Capital Markets.

---

**Doug Young Desjardins Securities, Inc. - Analyst**

Hi. Good morning. Steve, maybe just back to you. US long-term care insurance, I think, there was negative experience this quarter in both the P&L and the CSM. Can you talk a bit about what drove this? Because not too long ago, they were kind of offset neutral, and I think the last two quarters, it's been net negative and just wondering if it's the same as last quarter. How material is this? Is this a trend that's developing that we should keep an eye on?

---

**Steven Finch Manulife Financial Corporation - Chief Actuary**

Sure, Doug. Thanks. Yeah, maybe I'll take a step back and just sort of remind people that if we look at the LTC experience over the last many years. So, if we go back to even 2017, the LTC experience has been slightly positive, even if you include the gains that we booked through COVID.

So in this quarter, the LTC did generate a loss. It was really driven by -- we saw very low mortality and that impacted the life business in terms of claims gains going through the P&L, and LTC, we saw losses. It was at a very low level of mortality, and as I noted earlier we saw that during the pandemic this kind of dynamic. We also saw, as we had in previous quarters, higher costs for those on claim. We don't see this one quarter of experience as a trend. It's what I would say is normal variability.

---

**Doug Young Desjardins Securities, Inc. - Analyst**

Was it the same last quarter or is this a new mortality?

---

**Steven Finch Manulife Financial Corporation - Chief Actuary**

No, the mortality was a very noticeable difference just this quarter.

---

**Doug Young Desjardins Securities, Inc. - Analyst**

Okay. And then maybe, Phil, just on Asia, on Hong Kong. In particular, I mean, new business value, CSM -- new business CSM growth was strong but new business value margins are down over the last year and it's been a steady decline. And just is this mix that's going through? Is this not just product mix but distribution mix? Is the goal really just to drive sales and drive earnings growth and focus maybe less on the margins going forward? Just trying to get a sense of how to think about that.

---

**Philip Witherington Manulife Financial Corporation - President & Chief Executive Officer, Manulife Asia**

Doug, thanks for the questions. It's a good question. This is Phil.

Our overall margin for Asia in the third quarter was 39%, and that's down 3 percentage points year on year and down 5 percentage points quarter on quarter. As you highlight in your question, Hong Kong is the driver of that. We've seen a margin in Hong Kong, 42% in Q3, and we would typically see in Hong Kong a margin of about 60%.

So what's going on there is that, as I referenced earlier, we are seeing consumer demand for savings solutions. And while we're seeing growth in both savings and health and protection solutions, the growth in savings has outpaced health and protection in the quarter. And that has given rise to an overall margin decline. However, the absolute value that's generated has been strongly accretive, and you see the 80% increase in -- 83% increase in NBV in Hong Kong.

Now to your point on whether we're just driving sales or whether we are managing to value, we are absolutely managing to value. And that will be achieved through a combination of sales volume growth as well as margin. And one thing we spoke about at our recent Investor Day was our ambition for margins, on average across Asia, and we spoke to a 50% ambition. That remains valid now as it did back in June. So, it will vary from quarter to quarter, but overall, it's been a very strong NBV generation in the third

quarter.

Thanks for the question, Doug.

---

### **Doug Young Desjardins Securities, Inc. - Analyst**

And then, just maybe a follow-up, while I have you, Phil. Asia other core earnings dropped versus Q2 and Q1. What region drove that? And is there anything in particular to note in Asia other?

---

### **Philip Witherington Manulife Financial Corporation - President & Chief Executive Officer, Manulife Asia**

So Asia other -- so year on year, Asia other is up 9% core earnings, but there is some variability quarter on quarter. What I would highlight with Asia other, this is a collection of smaller markets with less mature in-force portfolio. So, you will see some variation between quarters. Nothing in particular that I would like to call out on that, but just expect in those smaller markets variability quarter to quarter.

---

### **Operator**

Tom MacKinnon, BMO Capital Markets.

---

### **Tom MacKinnon BMO Capital Markets Corp. - Analyst**

Yeah, thanks and good morning. First question just on the CSM hit in the US. Was any of that -- was it primarily SGUL? Was any of that related to any new business that you're writing? Was any related to Vitality or any other kind of new business that you actually are still writing in the US?

---

### **Steven Finch Manulife Financial Corporation - Chief Actuary**

Yeah. Thanks, Tom. It's Steve and just a reminder for people of where we book the basis change is in the financial statements because I'll come back to your CSM. So, the financial-related items or discount rates go through OCI. Then the rest of our non-economic assumptions go through CSM. And if the CSM is depleted, it goes through P&L.

So in terms of the US, the CSM move, that was really driven in part by the update to the lapse assumptions and the net impact of the risk adjustment and reinsurance reviews. It primarily related to older business, not on new business, not on Vitality.

---

### **Tom MacKinnon BMO Capital Markets Corp. - Analyst**

Okay. Good, and follow-up questions with respect to the line that you have expected investment earnings. I kind of think of that as being the yield on your invested asset portfolio, including the ALDA, less the impact of the discount rate movements as well. So, you think that thing has been generally kind of stable and would grow to some extent as your assets -- as your invested assets grow. That was certainly the case we saw in 2023, but in 2024, we haven't seen this number really grow. I assume some of is due to the fact that you transacted and that business has left the company through some of those reinsurance transactions. But how should we be looking at that number when we go forward now? Should that kind of just not grow at the same level as the expected insurance earnings?

---

### **Colin Simpson Manulife Financial Corporation - Chief Financial Officer**

Hey, Tom. It's Colin here. I'll give Steve a break and answer this one.

When you look at the year-on-year growth and -- well, reduction in expected investment spreads, it's \$43 million. And you're right, we would expect this line to grow with the growth in our business, and you can actually see this in the Asia number. Asia is up \$29 million, but really when you start looking at the US and Canada, you see declines, and the declines are for the reasons you mentioned.

Canada is clearly with the RGA transaction. So, when you look at the US, that's where we've seen the biggest decline, USD54 million year on year and USD24 million quarter on quarter. The two obvious ones are: the transaction with Global Atlantic, and actually the basis change has impacted this number going forward.

The other item relates to a collection of small items that add up, but one of the examples of that is just the composition of assets backing our guaranteed fund. The important point and this is really getting to the crux of your question is I would use the third-quarter number as a good basis from which to go from here, but you would expect this to grow with growth in our earnings.

---

**Tom MacKinnon BMO Capital Markets Corp. - Analyst**

Okay. So, once we lap the impact of that -- of the reinsurance transactions you did, we would -- in Canada, we should expect that number to sort of start to grow almost consistent with what we would see growth in earnings or expected insurance earnings for those segments. Is that right?

---

**Colin Simpson Manulife Financial Corporation - Chief Financial Officer**

Yeah, I wouldn't consider it too much of a lapping impact. As soon as the assets leave the organization as they do with the transaction, then you should see lower expected investment earnings from those assets backing, that used to back, the reinsurance liabilities.

---

**Operator**

Thank you. We have no further questions registered at this time. I would now like to turn the meeting back over to Mr. Ko.

---

**Hung Ko Manulife Financial Corporation - Global Head, Investor Relations**

Thank you, Operator. We'll be available after the call, if there are any follow-up questions. Have a good day, everyone.

---

**Operator**

Thank you. The conference has now ended. Please disconnect your lines at this time, and we thank you for your participation.

---



## DISCLAIMER

The London Stock Exchange Group and its affiliates (collectively, "LSEG") reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes. No content may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of LSEG. The content shall not be used for any unlawful or unauthorized purposes. LSEG does not guarantee the accuracy, completeness, timeliness or availability of the content. LSEG is not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the content. In no event shall LSEG be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the content even if advised of the possibility of such damages.

In the conference calls upon which Summaries are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

LSEG assumes no obligation to update the content following publication in any form or format. The content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. LSEG does not act as a fiduciary or an investment advisor except where registered as such.

THE INFORMATION CONTAINED IN TRANSCRIPT SUMMARIES REFLECTS LSEG'S SUBJECTIVE CONDENSED PARAPHRASE OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES LSEG OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY SUMMARY. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

Copyright ©2024 LSEG. All Rights Reserved.