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MFC.TO - Q4 2024 Manulife Financial Corporation Earnings Call

EVENT DATE/TIME: FEBRUARY 20, 2025 / 1:00PM GMT

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PRESENTATION

Operator

Good morning, ladies and gentlemen. Welcome to the Manulife Financial fourth quarter 2024 results conference call. I would now like to turn the meeting over to Mr. Hung Ko. Please go ahead, Mr. Ko.

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

Thank you. Welcome to Manulife's earnings conference call to discuss our fourth quarter and full year 2024 financial and operating results. Our earnings materials, including the webcast slides 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 42 where notes on non-GAAP and other financial measures used in this presentation. Please note that certain material factors or assumptions applied in making forward-looking statements, and actual results may differ materially from what is stated.

Turning to Slide 4. We'll begin today's presentation with Roy Gori, our President and Chief Executive Officer, who will provide a highlight of our full year 2024 results and a strategic update. Following Roy's, Phil Witherington, our incoming President & Chief Executive Officer, will also provide some remarks before we hand it over to Colin Simpson, our Chief Financial Officer, who 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 and 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 fourth quarter and full year 2024 financial results. 2024 was a banner year for Manulife on many fronts, and we continued the momentum and finished the year with very strong results. During 2024, we further accelerated the growth of our highest potential businesses, led by Asia and Global WAM, which contributed to 70% of our record core earnings that exceeded \$7 billion for the first time. This is a 10 percentage-point increase since 2023.

These results were supported by strong top-line metrics with record APE sales, new business CSM, and new business value in Asia, and \$13.3 billion of net inflows generated by our Global WAM business. We also executed several milestone transactions to reshape our portfolio towards higher return and lower risk.

You'll recall that in February of 2024, we closed the largest ever LTC reinsurance transaction at attractive terms with Global Atlantic, which was instrumental in establishing an active LTC reinsurance market. And then in April, we closed the largest ever Canadian Universal Life reinsurance transaction with another highly experienced strategic partner, RGA.

This was followed by another LTC deal in less than 12 months when we announced a reinsurance transaction with RGA in November on a younger block. This deal recently closed in early January.

In addition to further validating the prudence of our reserves and assumptions, these transactions will unlock significant value for our shareholders with an expected capital release of \$2.8 billion, as well as a 0.4 percentage point accretion to our core ROE on a cumulative basis.

Moving to Slide 7. To support our strong operating momentum, we've been driving relentlessly towards our ambition of becoming the most digital, customer-centric company in our industry. Throughout 2024, we've been raising the bar for our customers and continued to enhance their experience through our digital initiatives, including the launch of a Generative AI sales tool in Asia and the implementation of the new retail wealth platform in Canada for advisors. These efforts contributed to our record high relationship NPS of 27, a 4-point increase from the prior year and an STP of 89% that has exceeded our 2025 target of 88%.

In addition, we remain focused on investing in our future by rolling out our advanced Gen AI capabilities across the company. By the end of 2024, we've launched 27 use cases into production, with another 32 in development. And as we continue to scale these use cases across all areas of our business, we've now generated over \$600 million of benefits from our digital initiatives globally in 2024, which was more than 3.5 times the level we achieved in 2023.

These successes are underpinned by continued investment in our digital capabilities. In addition to the \$1 billion we've invested prior to 2023, as mentioned at our Investor Day, we are committed to invest another \$1 billion between 2023 and 2025.

As of the end of 2024, we've deployed nearly \$600 million to improve our digital capabilities and efficiency. While we accelerate our digital transformation, we also remain disciplined in our overall expense management across the franchise and achieved an efficiency ratio of 44.8%, which is already in line with our medium-term target of below 45%.

As I've said many times before, none of these achievements would have been possible without our world-class team, who have time and time again demonstrated strong execution against our targets.

As shown on Slide 8, I'm proud to see our winning and high-performing team, together with the strong culture that we've built, recognized by many leading organizations. For the fifth consecutive year, we also achieved top-quartile employee engagement scores.

As highlighted at our Investor Day, we have a portfolio that is not only high-growth and high-return but also highly cash-generative. In 2024, our global business generated strong remittances of \$7 billion, which was a record, and we've been diligently returning capital to shareholders through dividends and share buybacks totaling over \$6 billion.

To continue this momentum, I'm pleased to note that yesterday our Board approved another 10% increase in our common share dividend. In addition, we announced yesterday the launch of a new buyback program to repurchase up to 3% of our outstanding common shares, commencing in late February 2025.

We continue to view buybacks as a good tool to deploy our capital to generate shareholder value. And based on our current share price, our share buybacks, since 2021, have generated a benefit of approximately \$3 billion as at the end of 2024.

Onto Slide 9 where you'll see a snapshot of our strong financial and operating results in 2024. We've delivered record APE sales, new business CSM, and new business value in 2024, reflecting growth of 30% and higher. In fact, we achieved our four best quarters ever for all three metrics.

Global WAM also generated another year of net inflows, and this adds to the impressive record of positive net inflows in 14 out of the last 15 years. We generated strong core EPS growth of 11%, supported by our Asia and Global WAM businesses. Excluding the impact of Global Minimum Taxes (GMT), core EPS growth would have been 14%, well above our medium-term target of 10% to 12%.

The strong earnings growth contributed to the continued expansion of our core ROE to 16.4% for the full year, which clearly demonstrates that we're well on track to deliver on our 2027 target of 18%+.

We've also delivered robust book value growth over the year at 15% in both adjusted book value and book value per share, while returning over \$6 billion of capital to our shareholders. And we maintain a strong balance sheet with significant financial flexibility, supported by our strong LICAT ratio of 137% and leverage ratio of 23.7%.

As I reflect on the successes that we've achieved and the momentum that we've built, I could not be proud to have led such a high-performing organization. We've transformed Manulife and positioned our franchise to reach even greater heights.

I'm going to touch on just a few of these highlights in the next slide. Over the span of seven years, we've significantly grown the earnings contribution from our highest potential businesses by 16 percentage points from 54% to 70%.

As we changed our business mix over time, we also significantly expanded our core ROE by 5.1 percentage points from 11.3% to 16.4%. From a book value perspective, we generated substantial growth of 96% or \$18.13 per share, while returning nearly \$25 billion of capital through dividends and share buybacks over this period. This includes a cumulative growth of 95% on our annual dividend per common share from \$0.82 per share to [\$1.60] per share (corrected by company after the call).

With these results as our foundation, we've delivered top-quartile total shareholder return of 137% over the last seven years. And we're set to reach even greater heights in the next phase of our journey.

While we expect to see continued macroeconomic volatility and geopolitical uncertainty in 2025, our diverse footprint and businesses, supported by our strong balance sheet and financial flexibility, position us well to navigate such environment. I'm confident that we will continue to capitalize on the strong momentum.

And as I've said before, I can't think of a better incoming CEO to lead us into the next chapter than Phil Witherington. With that, before we have Colin provide highlights on the financial results, I'd like to pass it over to Phil for a few words. Phil, over to you.

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

Thanks Roy, and good day to you all. Before I start, I'd like to recognize Roy for his exemplary leadership, including setting and delivering on our strategic priorities, steering Manulife through the pandemic, accelerating growth in our highest potential businesses globally, reshaping our portfolio and optimizing returns, as well as establishing Manulife as a digital customer leader.

These are just a few of his many contributions to transforming Manulife into the company it is today. And on a more personal note, over the course of the past decade, I've truly enjoyed working closely with Roy, and I'm very grateful for his partnership, mentorship, and friendship.

Now with the incredible foundation that we've built together under Roy's tenure as the CEO, I'm thrilled and excited by the opportunity to lead the next chapter of growth for Manulife globally and deliver on the bold ambitions that we set out at our Investor Day in June 2024.

We will continue to focus on the execution of our strategy and delivering on the Raise the Bar targets we've set ourselves. We've seen strong momentum in Asia and Global WAM, and I'm committed to continuing to invest to sustain this momentum and deliver on the compelling growth opportunity these businesses have, while maintaining our market leadership in Canada and continuing to focus on our unique offerings in the U.S. to provide differentiated solutions to the financial and life-stage needs of our customers.

We will also continue to invest in advancing our digital and customer leadership priorities, which will further improve our customer service capabilities, enhance our efficiency, and contribute to the delivery of our growth ambitions.

Meanwhile, and until May 8, I have three key priorities. First, I will be laser-focused on executing in Asia to deliver high-quality sustainable growth; second, selecting and transitioning a successor to lead our Asia segment, and I look forward to sharing more on that with you in due course; lastly, executing a seamless transition with Roy, providing for continued momentum for Manulife.

I'm excited for the future for Manulife. We have strong foundations and a roadmap to deliver on our ambitious yet achievable targets, and I truly believe that we're well positioned to build on our momentum to reach even greater heights and continue to generate shareholder value.

And finally, I'd like to take a moment to thank our business partners and other stakeholders around the world, as well as our global leadership team and every single one of our over 37,000 employees for the support that you've extended. I'm very much looking forward to working with you even more closely in this next chapter for Manulife. And 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, Phil, and welcome back to Canada. As I reflect on 2024, I'm proud of what we've achieved and the momentum we've built over the course of a fantastic year at Manulife. Let me dive into more detail on the fourth quarter results before the Q&A.

Starting with our new business metrics on Slide 13, once again we delivered very strong growth of over 30% across APE sales, new business CSM, and new business value. Our APE sales increased 42% from the prior year with contributions from all our segments led by the continued momentum in Asia with broad-based growth across the region.

Our strong sales also drove substantial increases in new business CSM and new business value of 32% and 31%, respectively. Global WAM delivered another quarter of positive net flows of \$1.2 billion with solid contributions from our institutional and retail businesses.

It's been a tremendous year for our top-line growth, particularly in our Asia and Global WAM segments, which bodes well for the continued earnings growth for these higher return businesses. It was a record year and quarter for our core earnings. On Slide 14, 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 note is that the continued growth in our insurance businesses has contributed to higher insurance service results, but that was partially offset by the impacts from the two reinsurance transactions completed in 2024. Also contributing to the increase was the net favorable insurance experience across all segments, which notably improved year-over-year.

Moving down on the DOE table, you will see that Global WAM once again generated strong growth, the fifth consecutive quarter of 20%+ growth in pre-tax core earnings, and it's now the second largest contributor to core earnings. The impact of GMT on our core earnings was a \$57 million charge for the quarter, which dampened our core earnings growth by approximately 3 percentage points.

Onto Slide 15, core EPS increased 9% year-on-year as we grew core earnings and continued buying back shares. The growth would have been 13%, which is above our medium-term target range of 10% to 12%, if normalized for the impact of GMT.

Now, let me expand on the notable non-core items for the quarter. First, lower-than-expected public equity returns during the quarter resulted in a \$113 million charge. We also reported a charge of \$97 million in our ALDA portfolio, driven by lower-than-expected return on commercial real estate investments. While still below our expected long-term rate of return, we saw sequential improvement in returns.

As an update, we've completed the sale of all the portfolios related to the two reinsurance transactions that, in aggregate, are valued at slightly above the most recent fair value. This is a testament to the strength of our well-diversified portfolio and our up-to-date valuations.

I would also note that we reported a restructuring charge of \$52 million, mostly in Global WAM, which is a part of our continued focus on expense efficiency. The vast majority of this charge relates to severance and should result in an improved efficiency ratio going forward.

Moving to the segment results, starting with Slide 16. Our Asia segment continued to generate substantial growth in both top and bottom-line metrics. APE sales increased by 63% from the prior quarter, driven by broad-based growth across the region, led by Hong Kong, which saw growth across all sales channels. We also delivered strong growth in new business CSM and NBV of 38% and 37%, respectively. And we delivered 16% core earnings growth in Asia, mainly driven by the continued business growth momentum.

Onto our Global WAM results on Slide 17, we maintained our momentum in Global WAM with an increase of 34% in core earnings. This strong growth was supported by higher average third-party AUMA crossing the \$1 trillion mark during the fourth quarter for the first time, performance fees from CQS, and continued focus on managing expenses, as well as certain non-recurring tax true-ups and benefits of approximately \$23 million.

Net inflows were \$1.2 billion for the quarter, with positive flows from our institutional business driven by fixed income and equity mandates, as well as our retail business, benefiting from strong equity markets and investor demand. These are moderated by net outflows from our retirement business due to pension plan redemptions. We continue to generate positive operating leverage through core EBITDA margin expansion of 290 basis points from the prior year quarter to 28.6%.

Bringing you over to Canada on Slide 18, which also delivered strong results during the quarter. APE sales increased 4% from the prior year quarter, driven by higher participating life insurance and segregated fund sales, but partially offset by low sales in Group Insurance, which also modestly impacted NBV growth. Canada generated strong growth in core earnings at 11%, primarily driven by more favorable insurance experience overall, as well as business growth in our Group Insurance business.

Moving to Slide 19 on our U.S. segment's results. In the U.S., we continue to see an increase in demand for our accumulation of insurance products from affluent customers, which drove up APE sales by 7% and contributed to the growth in new business value of 17%.

The higher sales volume also contributed to our new business CSM, but it was more than offset by the impacts of product mix and higher interest rates, resulting in a modest 5% decline year-over-year. Core earnings decreased 16% from the prior year quarter, as a result of lower investment spreads and earnings foregone due to the Global Atlantic reinsurance transaction as well as the net impact of the basis change.

Moving on to cash generation and capital allocation on Slide 20. Back in our Investor Day in June 2024, we introduced a new cumulative remittance target of \$22 billion+ by 2027. We started off this journey strong, generating record remittances of \$7 billion in 2024. This result benefited from

capital optimization initiatives, including our first LTC reinsurance transaction with Global Atlantic as well as strong cash generation from our underlying businesses. As a reminder, we expect 60% to 70% of core earnings to materialize as cash remittances on a go-forward basis.

On the back of this strong cash and capital generating capability, we returned over \$6 billion to shareholders in 2024 through dividends and share buybacks. As Roy mentioned, we will initiate a new buyback program in late February 2025 to repurchase up to 3% of our outstanding common shares. This includes returning the \$800 million of capital expected to be freed up as part of the LTC reinsurance transaction announced with RGA in November 2024. In addition, our Board has approved a 10% increase in our quarterly common share dividend, continuing the trend of increasing dividends to our shareholders.

We will maintain our disciplined capital allocation approach, investing in our attractive new business opportunities, systems and capabilities, as well as maintaining an attractive dividend payout ratio. We will continue to look for inorganic growth where it makes sense and use share buybacks as part of our capital optimization activity.

Bringing it to our balance sheet, and you can see our book value growth on Slide 21. We grew our adjusted book value per share by 15% from the prior year to \$37.02, even after returning over \$6 billion of capital to shareholders, as I mentioned earlier. Our LICAT capital ratio has remained stable over the quarter at 137%, and our financial leverage ratio of 23.7% remains below our 25% medium-term target.

Changes in the LICAT guideline, mostly relating to the revised guidance for segregated funds, are effective January 1, 2025. We expect the impact of these changes to be modest, reducing our LICAT ratio by approximately 1 percentage point.

Moving to Slide 22, which summarizes how we're tracking against our 2027 and medium-term targets. In addition to the strong remittances and core EPS growth I mentioned earlier, we expanded our core ROE by 0.5 percentage point in 2024 to 16.4%, which reflects our strong business performance and disciplined capital allocation.

And with our continued expense discipline limiting core expense growth at 5%, together with higher pre-tax core earnings growth, we reduced our expense efficiency ratio to 44.8%, achieving our medium-term target of less than 45%.

Our CSM balance growth was below our target range on a constant exchange rate basis, but the continued strong growth momentum in our top-line results, which contributed to organic CSM growth of 6% in 2024 and 10% annualized in the fourth quarter alone, gives me confidence that we will achieve our target over the medium term.

And finally, on Slide 23, we wanted to show you a snapshot of the progress we made on our core ROE, including our segments' results, demonstrating that we're well on our way to achieving our 18%+ target by 2027.

This concludes our prepared remarks. Before we move to the Q&A session, I would like to remind each participant to adhere to a limit of two questions, including follow-ups, and to re-queue if they have additional questions. Operator, we will now open the call to questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Meny Grauman, Scotia Capital.

Meny Grauman - Scotia Capital - Analyst

Hi, good morning. Wanted to ask about ALDA. That drag is definitely shrinking, including in Q4. And I just wanted to better understand what drove that. Is that primarily PE, or is there some dynamic on the real estate side? What's the key driver for the improvement in the quarter there?

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

Hi, Meny, it's Trevor. Thanks for the question. So yes, obviously, happy to see the better ALDA experience for the quarter, consistent with our expectations for a steady improvement over time. The main driver of the non-core loss was, again, real estate. Return was largely flat with small declines in external appraisals, offset by income. The remaining classes were a mix of gains and losses with infrastructure quite strong and private equity much better than Q3, to your point, supported by some lumpy gains.

I think in terms of the outlook, we do expect a broad improvement across the portfolio, but do expect office real estate to continue to underperform for a period. So the path will, to some degree, be dependent on the economic environment, but we do expect a continued improvement.

Meny Grauman - *Scotia Capital - Analyst*

Just as a follow-up, if office continues to underperform, is it still realistic? Could we still see positive experience next year? Or would that preclude that outcome?

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

Yeah. Thanks for the follow-up. I think we're still reasonably comfortable that we'll get back to our long-term assumptions around the middle of this year. It is, as I said, subject to the economic environment. But while office has been a little bit challenged, industrial and multifamily has actually performed quite well. And so we remain confident.

Operator

Gabriel Dechaine, National Bank Financial.

Gabriel Dechaine - *National Bank Financial - Analyst*

Good morning. Just want to ask about the Asia segment. Good quarter, good year, both in terms of profit growth and sales. I'm just wondering about the outlook though from two perspectives here.

First, it seems like there was a substantial boost just as a result of the actuarial assumption review in 2023. So your risk adjustment rate went down this year, but your CSM amortization went up. The net of the two is positive. So next year 2025, we're going to be apples-to-apples, so that tailwind won't be there to the same degree.

And then on the Global Minimum Tax, I assume you're applying it as if it was effective across all your regions. And it hasn't been adopted, I don't think, in all of your Asia footprint. So, if it were to be adopted and applied to all of your Asia footprint, what would the impact be on profits here? I expect the GMT impact is mostly in Asia, and that's just more of a geographic segmentation standpoint. It wouldn't change your consolidated performance, would it?

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

Thank you for the question, Gabriel. I'll start on the first question on outlook and probably touch briefly on GMT, but I'll hand over to Colin to elaborate on that. 2024 has certainly been a strong year for Asia. Tremendous business momentum absolutely continued into the fourth quarter, with 37% growth in new business value. And that's high-quality growth, as Colin said in his remarks, coming from all of our distribution channels. We've seen strong double-digit growth across agency, bancassurance as well as third-party channels, including broker. We've made very notable investments in Asia, and we walked through some of those as part of Investor Day in June. It's notable that Hong Kong and Singapore continue to

emerge strongly as regional wealth management and financial services hubs. And that's part of what's driving the growth. But the growth is broad-based. We've seen seven markets growing double-digits year-on-year in the fourth quarter.

But you were specifically asking about outlook. And you talked about the methodology change that was put in place a year ago. I do want to highlight that of the 27% core earnings growth that we have seen in 2024, the component that came from the methodology change was in the order of 10%. So the majority of the growth we're seeing is from normal activity. And that's a combination of the higher CSM build from higher sales, continued disciplined expense management, and notably, improvements in policyholder experience that I believe are sustainable. Q4 is an interesting benchmark when it comes to earnings growth. There is no distortion in Q4 from the methodology change. It's been a full year since that methodology change happened. And so, the 16% core earnings growth is sustainable.

Now on GMT, I will hand over to Colin, but I just want to highlight that during 2024 when we did start providing for GMT, we provided for all markets where we would expect GMT to bite. So all markets where the average tax rate was below 15%. The top-up tax was recognized in the Corporate and Other segment. But I'll hand over to Colin to elaborate on that.

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

Hi, Gabe. Phill is absolutely right. Not all the countries enacted in 2024. So we kept the charge of the Corporate segment. Once Hong Kong enacts, and they are enacting, in 2025, we will incur the tax where it is earned.

As far as how much it comes from Asia, out of the \$57 million, 80% came from Asia. And we would expect that to be a good run rate going forward. So you can use that for your models. I will say that is shared between both our insurance and our asset management segments.

Gabriel Dechaine - *National Bank Financial - Analyst*

So the numbers, as we see them, consolidated, it's the GMT is in effect. And next year if it's applied to the segments, it's just a geographic issue.

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

That's right. We'll push it down from the center into each business.

Gabriel Dechaine - *National Bank Financial - Analyst*

Right. And the last question, is this Roy's last call?

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

It is not, Gabriel. Thank you for asking.

Gabriel Dechaine - *National Bank Financial - Analyst*

I'll save my best wishes for next quarter then.

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

I'll look forward to that.

Operator

Alex Scott, Barclays.

Alex Scott - Barclays - Analyst

Good morning. First one I had for you was on GWAM. And just interested if you could talk about the margins in the business. And I think when you take out some of the more one-time in nature things we talked about, the margins looked really strong this quarter. And I know markets are up, so it sort of makes sense. But I just wanted to see if you could add any additional color around expense-disciplined margins and what we should anticipate going forward there?

Paul Lorentz - Manulife Financial Corporation - President & Chief Executive Officer, Manulife Investment Management

Thanks, Alex. Thanks for recognizing the strong results and the margin, and as Colin mentioned in his slides, there is some really strong momentum in the business. And while there were some one-time tax items, it is our fifth consecutive quarter of over 20% growth on a pre-tax earnings basis.

And that's really driven by just the fundamentals of the business. We have a great diversified franchise. We've got access to higher-margin geographies and product lines. And we've got some really good momentum from a top-line perspective.

And kind of looking forward, I guess, if you actually look at this year, you've seen the combination of not just strong markets but strong top-line growth and really strong disciplined expense management. We do expect that to continue. We did take some actions this quarter that will generate run rate savings going forward. And that's a nice tailwind for us to kind of keep the momentum of disciplined growth on the expense line.

But when we couple that with just the strong top-line growth that we're seeing. And if you just look at our business, I guess one of the things that differentiates us is about 50% of our core earnings come from outside the U.S. About two thirds of that come from outside of Retail, both Retirement and Institutional tend to be longer-term focused. So, they don't have the same volatility.

And if you look at our global retirement business, this year we surpassed \$1 billion in core earnings for that business. And if you look at the earnings power of that business per dollar of AUM relative to some of our peers, it's driving some fantastic margins and results on a more diversified platform.

So we feel really good about the outlook. We think our ability to continue to drive strong top-line growth and positive net flows will continue over the long term. And with the management team continuing to focus on expenses, we would expect that to continue over time.

Alex Scott - Barclays - Analyst

Follow-up question is on the P&C, the catastrophe reinsurance operations that you guys have. Can you talk about your exposure to the California wildfires? And even beyond, like what we might see next quarter if there is anything.

Could you talk about how this maybe changes the risk profile of your aggregate exposure going into hurricane season just because we're only a couple of months into the year and some of these aggregates are already pretty filled up.

And I think some of the primaries that I cover look like they will attach at some point in this year, even in the normal hurricane season. So I'd just be interested in if it changes the profile of sort of the P&L exposure you all have there?

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

Thanks for your questions. So, you've got a couple of questions embedded there. The first, I'll start by saying that when you see wildfires and natural catastrophes like that, our heart goes out to, obviously, everybody affected, and it's terrible to see. So, that being said, we do have a P&C retro business. And our exposure to the wildfires and events such as that has a limit of about US\$90 million.

I would say we don't have reporting. Obviously, we are a retrocessionaire, right? So, it's got to go through a fair bit of reporting before it gets to us. But based on the industry estimates that are coming out in terms of insured losses, we would expect our exposure to these wildfires to be less than half of that US\$90 million limit. And as we get more reporting through Q1, we'll obviously reflect all of this in our Q1 financials when we close our books in a couple of months.

So your broader question about our exposure to hurricane season, I would go back to -- obviously, Ian was a big hurricane, and we are affected. But I would say, if you look at the past two years, we adjusted our underwriting very strongly. We increased our attachment points. We tightened our pricing. We adjusted terms and conditions across our portfolio. And you saw the benefit of that coming in 2023 and 2024. And the actual exposure that we saw to Ian in the final assets, which is not complete yet, was much lower than what we had reserved for back in 2022. So positive developments, and you saw some of that in Q4 filter through.

The key renewal season is behind us already. It's Jan 1, 2025. And I would tell you that our approach to that renewal season was very much in line with what I just mentioned about the last couple of years. And we feel good about our portfolio.

Having said so, we take volatility out of people's balance sheets when there's catastrophes that exceed \$50+ billion. So if there's such an event coming up later in 2025, which is highly unknown and it depends a lot as well where it hits, then our portfolio may be affected.

But the last thing I'll leave you with is that when you look through the course of time and cycles, this business has by far exceeded 20% or 25% return on capital. So, we're quite proud, and it provides a lot of very hard cash every year, year in, year out when we do well. So thank you.

Operator

Paul Holden, CIBC.

Paul Holden - *CIBC - Analyst*

Good morning. I want to ask a question on earnings on surplus in the Corporate segment, it increased quite a bit quarter-over-quarter, so maybe you can address the drivers of that. And maybe more importantly, a lot of movements in interest rates across geographies, and what that implies for earnings and surplus going forward? Thank you.

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

Thanks, Paul. So we invest our surplus long, so you would expect a very stable results on our earnings on surplus. However, as you pointed out, we did actually see some increase. It's \$20 million year-on-year and \$37 million quarter-on-quarter.

A couple of issues going on. One is currency has had a favorable impact. We do hold some of our surplus in U.S. dollars. And the second issue is just as part of normal course business, we did have some fund rebalancing and that created a positive contribution, which is one-off for the quarter. But if you look at the ongoing run rates, I would take the average of the past four quarters as a good forward-looking estimate for earnings on surplus.

To my first point on investing surplus quite long, it does mean we're fairly immune from movements in the short-term rate. And so you wouldn't expect a lot of variability in our earnings on surplus. In fact, if the yield curve moved down by 50 basis points, we would only have a \$25 million to \$30 million impact on earnings on surplus. So you can expect a fairly stable number in this line going forward.

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

Paul, the only thing I'd add to Colin's comments is that the surplus bond portfolio for us today is about \$40 billion, and the average yield is about 2.85% on that portfolio. And as we've talked about in the past, higher rates are a positive tailwind to our business. And if you look at US treasuries at the moment, 30-year U.S. Treasury is around 4.8%. As that portfolio matures and we reinvest those maturities, that will be certainly a tailwind so long as rates continue to stay elevated. And that's something that obviously will continue to flow through our results.

Paul Holden - *CIBC - Analyst*

That extra color is helpful. Then, of that \$40 billion, roughly how much would be U.S. dollars?

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

It's roughly about a quarter to one-third, Paul.

Paul Holden - *CIBC - Analyst*

Thank you. Second question is related to the Asia business. As you're probably aware, one of your competitors took a fairly sizable write-down in Vietnam. Now, Manulife has obviously been exposed to challenging industry conditions. So maybe you can walk us through your review of the Vietnamese business and why Manulife did not take a similar write-down?

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

Thank you for the question. And I think it's important to note that Manulife in Vietnam is one of the leading life insurers in the market and without doubt a scale player with a very large in-force portfolio. And that strong in-force portfolio and those strong roots does make us resilient to changes that may arise in the regulatory environment and macro environment that can impact sales from quarter to quarter, year on year.

With respect to your specific question on intangible assets that are capitalized for bancassurance partnerships, our approach for all bancassurance partnerships, and this is true across the region, is very much to take a partnership approach whereby our interests are aligned with our bank partners. And we routinely build in protections for ourselves, such that there are financial clawbacks or other protections, in the event of sales falling below targets.

And one of those common protection is an automatic extension of the term of an agreement if sales fall below our agreed business plans. So, taking into account those protections as well as our expectations for the future, we have reviewed the recoverability of our intangible assets. And our conclusion is that our intangible assets are recoverable.

And I think it's really important to note that the strength of our distribution across all of our channels does position us well to capture the rebound from Vietnam that I believe is inevitable. It's been a tough couple of years, but the market shows substantial promise over the medium term, in line with the rest of the ASEAN markets.

Paul Holden - CIBC - Analyst

So I just have to quickly then follow up. Have any of your bancassurance agreements that been extended in Vietnam?

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

What we've actually done, to be very transparent, over the course of the fourth quarter is that we mutually agreed to exit one of our bancassurance partnerships in Vietnam. And that mutual agreement to exit, combined with the protections that we had built into our agreement, resulted in us recovering substantially all of our unamortized intangible asset relating to that agreement.

Operator

Doug Young, Desjardin Capital Markets.

Doug Young - Desjardins Securities - Analyst

Good morning. On the \$7 billion remittances, I think Colin mentioned there was a positive impact from the reinsurance transactions. I apologize if it's somewhere in your details here, but can you quantify what the impact was from the reinsurance deals?

Colin Simpson - Manulife Financial Corporation - Chief Financial Officer

We took \$750 million from the reinsurance transaction through into remittances, and that \$750 million is relative to the \$1.2 billion that we set at the time of the transaction. So you can expect a bit more coming from that LTC transaction.

Doug Young - Desjardins Securities - Analyst

I know it's one year into your four-year plan of getting to \$22 billion in cumulative, but it looks like you're well ahead of plan. Is that what we should be taking away from this in terms of the remittances? Or was 2024 just an abnormally really good year?

Colin Simpson - Manulife Financial Corporation - Chief Financial Officer

It's a combination of both, Doug. \$7 billion into a \$22 billion four-year target is a great start, and we're really pleased with the remittances. Certainly, the LTC one-off remittance wasn't a surprise when we set the target. But we've had some good tailwinds from markets, and a lot of that comes through the center, I talked about our surplus account. And so interest does have an impact on the surplus of the center. But we've also been working on some optimization activity. We took a dividend out of our P&C business. We had tax settlement, which we recorded last year, and so the cash earnings of that was received.

So all those come together to create a little bit of a one-off in the sense and you'll see that. But going forward, you would expect 60% to 70% of our earnings to come through as remittances, and that's largely because we're a really cash-generative business with a great asset management contribution.

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

Doug, when we highlighted remittances at our Investor Day, it was very specifically focused on highlighting the power of the organic capital generation of the franchise. And as well, the strong remittability of that cash generation. So we thought that target was an important one.

And obviously, getting off the bat in the first year with a very strong start is something we're very proud of, but we also think that will continue. Like all of the other targets that we established at Investor Day, our goal is to not just achieve them, but to exceed them. This is a good starting point for that one.

Doug Young - *Desjardins Securities - Analyst*

And just one another follow-up on the remittance. That 60% to 70%, that's on core?

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

That's right.

Doug Young - *Desjardins Securities - Analyst*

Second, expected investment earnings were low this quarter, and I know there's so many things that go into that. And modeling that is really tough. But what drove it down if there's one or two things, and then is this a new run rate that we should be thinking about in terms of expected investment earnings?

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

Thanks for the question. In terms of expected investment spread, you're right, I think we would normally expect us to grow as our balance sheet grows, and you see this happening in Asia right fairly consistently. In terms of the total company, the year-over-year decline is largely driven by the reinsurance transactions in the U.S. and Canada as well as the U.S. basis change.

The quarter-over-quarter decline was largely driven by some ALDA sales in the U.S. We did some sales in anticipation of the recent agreement with RGA, and so that obviously had an impact as well. So I think quarter to quarter, to your point, there is some variability, but we do think that Q4 is an appropriate base to model total company quarterly expected investment spread going forward.

Operator

Mario Mendonca, TD Securities.

Mario Mendonca - *TD Securities - Analyst*

Good morning. Phil, so this might be best for you. In response to that first question from Gabriel, we talked about Asian growth. And there was a little more going on in Asia than just the CSM allocation that Gabe referred to – there was just a lower tax rate, there was an allocation of investment income into Asia as well.

So when you think about 2025, have you provided an outlook for growth as you have in the past for Asia? Is it still something around that 15% growth rate? And if so, does that contemplate the significant increase in the tax rate we'd expect in Asia in 2025?

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

Thanks, Mario. When I think about the outlook from a core earnings perspective for Asia, I do expect mid-teens to be the sustainable rate of growth. That's consistent with the message we have provided at Investor Day. And there's nothing for me to believe that 2025 would be any different to that medium-term expectation.

Now in terms of the impact of Global Minimum Tax, that sort of mid-teens growth rate would be normalizing for the impact of Global Minimum Tax. But as Colin referenced earlier, we had already taken the charge that we would expect to incur in 2024 from the Canadian overlay of Global Minimum Tax.

So when we look at the allocation of that comparative down to our segments, operating segments, both Asia and GWAM, that distortion which should be removed when you look at the comparative year on year. And I'd expect to see sort of the mid-teens earnings growth.

It's really important under IFRS 17, and this is one of the reasons I like the earnings basis under IFRS 17. Regardless of variability in sales that can happen from quarter to quarter and year to year, I do expect earnings to be stable and growing.

And I think that's important in the context of some of the trends we're seeing in Asia, which is the emergence of new or newer distribution channels, a stronger relevance of third-party channels, broker channels to supplement our traditional agency channels and bancassurance channels.

And I think that's relevant because broker third-party channels does have the potential to be more variable to factors such as the competitive environment as well as regulatory changes. And if I look at our overall distribution mix across the region, about one-third is coming from agency, one-third is coming from bank assurance, and one-third is coming from third-party channels.

Mario Mendonca - *TD Securities - Analyst*

Just as a quick follow-up. Do you anticipate -- I know it's hard to do this, but do you anticipate any changes in 2025 related to CSM, allocation of investment income into a segment like Asia or Wealth Management from other segments?

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

There's nothing that I'm aware of, Mario, that we anticipate on changing in 2025.

Operator

Lamar Prasad, Cormark.

Lamar Prasad - *Cormark Securities - Analyst*

Yeah, thanks. One quick question here just on the tax rate. What's the core tax rate we should assume for 2025? And do you foresee more of these tax gains in because two quarters in a row now?

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

Hi Lamar, it's Colin here. Yeah, when we set the new tax range of 17% to 23%, we did that because we expected GMT to add 2 to 3 percentage points to our historic 15% to 20% range. So, what we're finding now, and GMT is relatively new, is that there are some permanent differences we can apply to the pretax income before we apply the GMT charge.

So that is pushing our tax rate down towards more the 15% rate, which is below the 17% to 23% that we guided you to. Of course, also more earnings coming out of Hong Kong is helpful for the overall effective tax rate, and we see that continuing.

So we're going to continue seeing how GMT goes for the next few quarters and come back to you if our guidance changes. At the moment, we don't have any update for you, but there's no reason to believe that the 15% is a one-off effective tax rate.

Lamar Prasad - *Cormark Securities - Analyst*

Okay. That's helpful, and then my more fulsome question here. Just credit loss is very low this quarter, kind of as expected, just given the timing of the end of Q4, but obviously, as we start this year, there's all these talks about the impacts of tariffs and increased macroeconomic volatility.

So I'm just wondering, can you talk to us about what we should expect as we look forward into Q1, like could there perhaps be a bigger Stage 1 and 2 build, as we look forward into Q1.

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

Yeah. Thanks for the question, Lamar. I'll start, and then I'll hand it to Trevor. And you're right, the macroeconomic environment continues to be volatile, I would say that '24 was a year of macroeconomic volatility, and we are, therefore, not expecting '25 to be any different.

There's a lot of discussion around trade wars and what the impact of that will be. Trade wars are not good for anyone. Obviously, there will be an impact to GDP, inflation and unemployment, but it's hard to predict how that's going to unfold.

What I would say, is that I believe we are really well positioned to navigate a challenging environment in '25 as we did in '24. You could see from our results that we were able to deliver record earnings and sales despite the volatility in the uncertain markets. We've done a lot over the last seven years to reduce our sensitivity to market movements, significantly reducing our equity market sensitivity as well as our interest rate sensitivity.

But obviously, we're not going to be immune to any of the negative impacts that you see from unemployment and inflation creeping up. But again, I would say that our portfolio really positions us well to navigate that from a relative perspective, which is a source of strength that, quite honestly, I think has come through in our 2024 results for not only Q4, but the full year. But Trevor, you might want to elaborate a little bit more on credit in particular?

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

Yeah. Thanks, Roy. Thanks, Lamar. Thanks for the question. So, I would basically reiterate what Roy said, I think we've had strong credit experience for many years. The portfolio remains 96% investment grade, but credit losses are, by their nature, variable and lumpy. So, it wouldn't be a surprise to see some quarterly volatility depending on how this all actually plays out. I think to your question around Q1, it's probably too early to say, and so we would stick with the guidance that our \$30 million to \$50 million a quarter remains an appropriate through-the-cycle run rate to use in your modeling.

Lamar Prasad - *Cormark Securities - Analyst*

Thank you.

Operator

Tom Mackinnon, BMO Capital Markets.

Tom Mackinnon - *BMO Capital Markets - Analyst*

Yeah, thanks. Good morning. First question just for Colin here, I think you said the \$7 billion remittances included \$750 million from the Global Atlantic reinsurance transaction. How much did it include from the Canadian universal life reinsurance transaction that you did in 2024?

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

Tom. So, we take a fairly conservative approach to remittance definition in Canada because we operate our liquidity out of our MLI entity where that transaction emanated. So the short answer is we didn't include any -- there was no contribution to remittances from the Canadian Universal Life transaction.

Tom Mackinnon - *BMO Capital Markets - Analyst*

Okay, thanks. Even though there was \$800 million in potential capital release, it wasn't reflected in that \$7 billion remittance then. Is that right?

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

It was capital relief, but not surplus creation.

Tom Mackinnon - *BMO Capital Markets - Analyst*

Okay. Great. Thanks for that and second question is with respect to improved insurance experience. How sustainable is it? Phil made the comments earlier in the call that he sees improvement there in Asia as being sustainable.

Maybe we can have Canada and the US, talk about sustainability of the good insurance experience that we saw in the fourth quarter. A little bit of color on that and what we should be thinking about going forward for that. Thanks.

Steven Finch - *Manulife Financial Corporation - Chief Actuary*

Sure, Tom. It's Steve. Thanks for the question, and first off, we were very pleased with the experience that we saw in the quarter. Positive experience both through the P&L and CSM in every insurance segment.

So strong results overall. In terms of maybe some of the drivers in terms of why we've seen the improved experience. Phil noted sustainability of the improvement in Asia: we had in the first half of the year and prior year some ongoing headwinds from Vietnam persistency, which we expected to normalize, and it has. Over the past couple of quarters, we've been overall neutral in Vietnam experience, so that is sustainable.

And then US Life, that was another source of headwinds from the lapse experience and as you recall, we had strengthened our lapse assumptions in the US in Q3. And we've seen, as expected, a material improvement in ongoing experience from that.

In the quarter, we did have a release of P&C provisions, which we would not expect to be an ongoing event, that was about just over \$45 million in the quarter. And then in Canada, we've seen ongoing, it varies a bit quarter to quarter, but very strong experience in our Canadian Group Benefits in the long-term disability business.

We've got a very, very strong team that oversees the claims and cautious in terms of calling ongoing performance, but the team continues to do a very good job. So that's really the big picture.

Tom Mackinnon - *BMO Capital Markets - Analyst*

Okay. Thanks. And if I could just squeeze one more in, the 3% NCIB. I think the RGA deal, the loss of earnings there is \$70 million, that would be about one-third of that 3% NCIB. I think you have used term "business as usual share buybacks". And maybe you can provide us what that might

necessarily mean and how we should be thinking about share buybacks going forward, especially the good cash and capital generation that you're seeing?

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

Yeah. Thanks, Tom. You're right, buybacks had been a key part of our strategy over many years, and we've created a lot of shareholder value through the buybacks. In fact, since 2021, we've deployed about \$8.8 billion towards buybacks, and that's generated an economic benefit of approximately \$3 billion.

In 2024, we bought back \$3.5 billion, and we've always committed, through the transactions that we've done, to deploy the excess capital that we've generated towards buybacks at a minimum, and we've continued to do that.

And in '25, we've just announced up to 3% repurchase of outstanding common shares. And you're right, about one-third of that is the RGA transaction and the rest of that, approximately 2% is what we would say is the incremental. I don't know if I'd use the word BAU because it assumes that it's a given every year, but the strong capital generation of the franchise and the strong remittability really does talk to the fact that we have this effective tool to create shareholder value, whilst maintaining very strong capital ratios.

Our LICAT ratio at 137% means that we've got \$24 billion of capital in excess of our supervisory target and more than \$10 billion above our internal operating range. And that's despite the buyback. So yes, we are very positive about the fact that we can continue to deploy capital towards buybacks whilst maintaining significant financial flexibility.

Tom Mackinnon - *BMO Capital Markets - Analyst*

Okay thanks.

Operator

Lamar Prasad, Cormark.

Lamar Prasad - *Cormark Securities - Analyst*

Yeah. I appreciate you taking my follow-up. Just in response to the answer to Tom's question on insurance experience here. I appreciate it's a very tough question to answer, but I may try it anyways. Based on your response, it sounds like we should expect positive experience moving forward. Is that fair?

If I exclude Q4 and look at the average experience over the past two years, it was pretty much dead neutral. So, should we be modeling out positive experience moving forward? Is that kind of the takeaway there?

Steven Finch - *Manulife Financial Corporation - Chief Actuary*

Thanks, Lamar. I'd be cautious to promise a positive experience on a run rate basis. If you look at the past two quarters after the assumption update and you back out the P&C benefit that we got in Q4, we're roughly neutral, slight positive.

So I'm really giving you my sort of expectations that it's running pretty close to expectations with variability by business. And the caveat that we're in the very large case market in the US on mortality, so you'll expect variations. But I look at that last half of the year as roughly neutral as a good run rate.

Lamar Prasad - *Cormark Securities - Analyst*

Appreciate it. Thank you.

Operator

There are no further questions registered at this time. I'd like to turn the meeting back over to Mr. Ko.

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

Thank you, operator. We will 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.

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