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PRESENTATION

Mario Mendonca - *TD Securities - Analyst*

Good afternoon, everyone. Thank you for joining us. In the room and on the line today, we've got in-person, Roy Gori. The concept behind this discussion really is Roy's retirement. So there -- I'm going to focus some of my questions or many of my questions on that decision, the decision to retire, but I would encourage those in the room and I'll check my email once in a while. If someone wants to email me a question, I think, you know what my email address is. I'll go into other topics as well.

Roy, the first thing I want to get into is we really do have to acknowledge the round trip the stock has had in the last 17 years. I brought it up on one of the conference calls. Not everybody will remember this. And maybe this is just a sign of how long I've been around the stock. But in 2007, late in the year before the financial crisis, Manulife had hit something like $44-ish -- $45 and it took 17 years, 7.5 of which under your watch to get back to that $45. So I mean, you can look at that in two ways. You can say it's a -- that was a long time or? Congratulations, you're there. No sooner, I'll take the second--

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

Take the second.

Mario Mendonca - *TD Securities - Analyst*

No sooner did you get there that you announced your retirement. And so I think one of the bigger questions on the street is why now? Yeah, why now? A little early it seems.

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

Yeah. Well, good afternoon everyone. It's great to see you all here in-person. Hi to you folks on online as well? I think that's clearly the obvious question that is on most people's minds, why decide to retire now? And the honest truth is firstly, I've been working for 40 years. I've worked for two companies; I worked for Citibank and for Manulife and Manulife's stay was 10 years, 2.5 years in the Asia CEO role and then more recently, about 7, 7.5 years, it'll be 8 years by the time I actually retire from the position as CEO.

And when I came into the role as the CEO, my mandate was very clear and that was to drive the transformation of the company and Mario, you and I spoke about that very early in my tenure and that transformation was about really taking the company which was a very risky business that had low returns and was very sensitive to market movements to being a company that had more sustainable quality results that could be delivered consistently quarter in quarter out without huge volatility and a huge variance between core and reported.

At the same time, we needed to digitize our business. We needed to get rid of legacy businesses. We needed to shore up capital and so on. So the very first thing I did with my leadership team was to establish what our journey of transformation was going to look like and establish targets for that transformation journey. And we set the five priorities and targets for each of those priority areas.

So what I knew back then was that the three ingredients that I wanted to retire -- the three conditions that I wanted to be present when I retired was A, having completed the transformation that I set out to achieve. That was certainly one. B, having strong momentum behind our performance so that we could continue to deliver good performance and deliver that in a sustainable way. And the third one was having a great leadership team in place that could again continue to deliver great results and take our business to a new level.

I personally think that a lot of CEOs don't know when the right time is to retire. I think they stay on for the wrong reasons. Sometimes that's power, sometimes that's money. I'm not wired that way. And I felt that the conditions that I really wanted to be in place were achieved. Quite frankly, the last real key piece in the puzzle for me was completing that LTC transaction in December of 2023. And with that done, I felt that we'd really largely achieved the transformation.

There are always going to be pieces that are going to be outstanding and that you'd still want to do. But we'd achieved largely what we set out to achieve. So that's when I really had the conversation with the Board. They spent a couple of months trying to convince me to change my mind. And then the next ask from the Board was, can you give us some time? And I said, absolutely, I want this to happen in a way that's actually great for the company.

So the short answer is that I felt really that we had achieved what we set out to achieve and the company was in good shape to continue that success momentum and for that to be sustainable, and that was the real trigger point for me to decide to hand the reins.

QUESTIONS AND ANSWERS

Mario Mendonca - *TD Securities - Analyst*

I'm going to keep this along the lines of an exit interview for a bit longer and we'll get into other things. One of the typical things that you ask when someone's leaving is, were there -- it's a two-part question. Were there any big regrets things that you could have done that didn't happen? And maybe perhaps what you're most proud of? What was the most -- the biggest accomplishment?

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

Not a lot of regrets. Again, I feel really proud of what the team has achieved over the last 7.5, 8 years. And we've really put a lot of hard work into tackling some of the big issues. We've freed up $12 billion worth of capital, that $12 billion worth of capital was generating a return of approximately 5%. Our ROE went from 11% to 16%-plus. Our high performing businesses now represent 70% of our earnings, Asia 44%. Our MPS score was plus 1, now, plus 25. So I feel really good about the agenda.

If there's -- I sort of -- I was asked the question at our global leadership team meeting recently. Was there anything that I would have done differently? Not a lot. But, I'd love for us to have been further along the digital journey. I really think that the digital aspect of our business is going to be the key to success. And I feel good about the progress that we've made, but we still have more work to do. And that's an area that I know the team's going to be focused on in terms of really driving further improvement and a lot more effort.

Mario Mendonca - *TD Securities - Analyst*

In terms of being the things -- I mean, there's plenty to be proud of. Would the insurance transactions be part of that story?

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

There's a lot of key highlights to point to that make me very proud. Actually, the one thing that I would say makes me most proud is the culture. I think that there are a lot of aspects of what any company does that can actually be copied by the competitors. We can launch new products, we can develop new technology platforms, and it's important to be three steps ahead of the competition. Hopefully, 1.5 years, 2 years ahead of the competition in relation to those aspects.

But I think it's really difficult to change or to copy the culture of an organization. And the culture is what drives sustainable success. And I feel proud of the culture we've created. And the culture -- the word culture is a big word and it feels a little bit warm and fuzzy. But what I really mean by culture is A, having awesome people, really top-quality people, the best people in the industry. And I think as an executive leadership team and as a global leadership team and in even more broadly, when I think about the leaders that are really running our company, I would stack up our team against the best. And I would say, I think we've got really top-quality folks that not only are very capable but that know how to work together really well.

But then it's also having the infrastructure in place, the cultural infrastructure to drive accountability, to review performance, to assess the competitors and understand where they've done very well and to want to learn from them. So I think those processes that help ensure that we deliver quality results on a quarterly basis are also embedded in our culture. And the way we think there's no arrogance that we think we know all the answers to all the questions.

If we see that our competitors have done something really well, we're going to say, damn, that was good. How do we copy that as quickly as we can? And if we've done things that are better than them, how do we drive that even further and faster? So there's, I think, a sense of humility and a desire to improve that underpins, I think, some of the performance that we've driven and I think that will continue to drive sustainable quality results.

Mario Mendonca - *TD Securities - Analyst*

I'm going to digress for just a moment before I go to questions. One -- over the years, many years, in fact, watching CEOs, both banks, insurers, P&C companies. One of the things that I thought -- that I've observed is critical to the success of the company is if everybody on that senior executive team and below totally buys into the CEO strategy and really puts their shoulder behind whatever goal that CEO has and there's no backbiting and everybody's pushing in the same direction. It was my observation because I know a lot of people at Manulife on the senior executive team, but that's what Manulife built. Everybody was pushing for the same thing and I think that's a big reason why it all worked out.

But often that happens because of the personality of the CEO that the CEOs have the right personality that everybody wants them to succeed. Help me understand like how does Phil's personality, will Phil exhibit -- drive that same devotion from the senior team?

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

Yeah. Well, firstly, your comment is very generous and its kind, I appreciate that, Mario. And I think we do have a culture where our executive leadership team is all in and we debate things vigorously. So no one is prevented from sharing a perspective. That's contrary to anyone else's perspective. And you did -- I'll correct one thing that you said. You said that the team rallies behind the strategy that the leader sets. I would maybe disagree a little bit with that and I would say that the team rallies around the strategy that we collectively set.

So I don't think that I own the strategy and I'm all omnipotent in terms of thinking about all of the things that we need to do. I think the first ingredient in trying to drive that alignment is actually making sure that you're not the person saying this is what we're doing, everyone salute the flag. It's about saying, hey, we've got to be bold. What does bold look like and getting everyone to stack hands and actually decide that. It's a lot easier for folks to rally to something that they've actually crafted and created than someone else actually crafting that for them.

And I think that's what we've actually created as a leadership team. That requires awesome people. Goes back to my earlier comment. If you've got a bunch of lacky that aren't very capable, you'll get a lot of yes people, but you got to hire the best. And again, I would say that we've got an awesome group of people that have got a lot of capability and are willing to disagree. But then at the end of the day when we have to make a decision to move on, everyone's going to stack hands and put everything against actually delivering against that goal.

To your question about Phil, I've worked for Phil for the 10 years that I've been with Manulife. First when I was in Asia as the CEO of our business there. He was my CFO. And when I came to Canada, he became the CFO of the franchise globally. So he's been lockstep with me in terms of the entire journey and he's been a key partner with the transformation that we've driven.

So I expect that he will be very similarly focused on driving that team spirit because he's been a big part of that outcome and his style is very much in sync with that. So I have every confidence and the teams rallied already when the announcement was made, everyone said that was the obvious choice. So no one was surprised that it was Phil and everyone's rallied behind him and we'll rally behind his leadership.

Mario Mendonca - *TD Securities - Analyst*

One of the most typical things that happens at our Canadian banks. When a CEO -- a new CEO is announced, you get three or four departures, right? So I'm waiting but so far we haven't seen any departures. No, but it's very common among our banks. You'll see people bail the moment -- there's announcement. Let's drive into one other thing.

One of the first conversations I had after your announcement that you were retiring was they just had this Investor Day in Hong Kong, 18%-plus target ROE, big lofty targets, not just the ROE target, but everything else return to capital. And Roy's not going to be there to declare mission accomplished. How do we get comfortable that everybody -- that's everybody's target at Manulife, not Roy's.

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

It goes back to what I said earlier and that is that when we set strategy as a company, it's not Roy's strategy or Roy's targets. When we do set goals and targets and ambition as we did in 2017 when we charted the course to '25, we've done that as an executive leadership team and we've rallied together and actually that includes getting the broader global leadership team involved and ultimately, that involves getting the Board to sign up to them.

And more purposefully because I knew that this was going to be coming, I put even more effort to ensure that the team felt really strong ownership. And at the Investor Day, you were there and you saw that we had our leaders get up and present the targets for each of their segments and how they were going to go from where we are in 2023, '24, to '27. And we got to a level of granularity with the targets that gave I hope everyone confidence that this isn't just the top of house kind of target, this is the target that we've actually cascaded and have been very granular against.

So actually I feel very good about the targets that we've collectively set. I think putting them on the table was also really very important because it now clearly articulates exactly what we're going to be doing between now and 2027. And it's also to the point that I was making earlier a very clear and easy way for stakeholders, be it shareholders and analysts to actually hold us accountable. And we've always welcomed that. We've always said, hold us accountable to the targets that we set. And if you think that they're very ambitious, as quite frankly, many said, our 2017 targets that we established were, hold us accountable. And when we don't get there, then you should take us to account for that.

But we've got a lot of conviction that we can achieve the targets that we established at our Investor Day. We believe that we will get to a ROE of 18%-plus. We've got $22 billion worth of cash remittances that we actually believe we can actually bring to the top of the house. And we reaffirmed our core earnings per share target of 10% to 12% as well as a new efficiency target. So we feel really very good about those targets. And that for me actually makes this next chapter a little bit easier because that's what we've established, that is what the goals will be for the company.

Now, will there be some strategic pivots and changes? There should be. What I try to do every year is to reassess together with the leadership team where we need to pivot our strategy. I'm not expecting wholesale changes, but I believe that Phil will with the leadership team look at quite rightly whether there needs to be any pivots. Pivots might be accelerating certain aspects of our strategy or maybe slowing certain other aspects but it's not going to be a massive change from what we've already articulated and the team is very committed to the targets that we set out at Investor Day.

Mario Mendonca - *TD Securities - Analyst*

I've had the good fortune of meeting with you and Phil plenty of times over the last many years, and so I got to know Phil and I have my own views on how Phil is going to be different from you. But can you share how is Phil different from Roy outwardly?

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

Yeah, look, I think every one of us is different in terms of our style and our approach. I think in terms of where we're similar, Phil, is as brutally focused on execution and accountability as I am. So that's one thing that we absolutely share a common passion for. We collectively have run business reviews with our segments, very diligently over the last eight years and he certainly believes and buys that, that accountability and the process around that is important.

And he also is a big believer in being bold and setting bold targets and making sure that we set standards for our company and for our people that are really, really very ambitious. Phil's communication style is different to mine. And I think that actually endears him to people in different ways. So I think, there's nuances and none of that necessarily means better or worse. Each of us are different and I think that's actually a good thing.

Mario Mendonca - *TD Securities - Analyst*

I'm going to go to the either to -- I'll check my email once in a while, but also to anybody in the audience in a moment. But before we do just, I'm going to finish up my exit interview questions. The last one of the exit interview questions is the advice you would offer to Phil going forward.

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

So the advice that, firstly, I don't think Phil needs a lot of advice. So I think he's a very strong executive and he -- again, I've got every confidence. And again, one of the reasons why I chose to retire when I did was that I was very confident that we had a leader that could lead the company and we wouldn't skip a beat and to be perfectly frank, I think he's not going to just continue momentum, I think he's going to take the business to a new level of performance, quite frankly that we haven't seen. And that's why we're very optimistic.

In terms of advice, I think one of the things that I've said to Phil is that organizations that have been successful. And this is true for Manulife. We've had a great run. I think we've delivered really good performance. Our operating results are good and our share price has reflected that, that makes you feel good. And I think when large organizations actually achieve success, there can be a tendency for the organization to become complacent. And to say, well, what we're doing is working. Let's just keep doing what we're currently doing.

And my advice to him is to not let that complacency set in to constantly agitate for, we've got bigger mountains to climb. And I think that's -- it's something that I've observed that many organizations suffer from when they are successful. They can get complacent and they can keep doing the things that they've always done and don't get me wrong. I'm proud of what we've done. But what we've done in the last 10 years has got us here and it's not going to get us to where we need to get in the next 10 years.

And that's going to require again that reimagining of our business as an example, GenAI. GenAI is going to change completely the way we do business. GenAI is not just a -- how do you get 5% efficiency out of your workforce? It's an opportunity to reimagine every aspect of what we do and how we do it. And the inertia in organizations will be, oh, it's a nice funky tool. How do we try to drive a 5% expense safe? So the challenge for Phil, given that we've been successful is how to really agitate for that. One of the opportunities that I had when I came in was that I could create a burning platform.

We had a lot of broken things, so I could easily create a burning platform for our transformation agenda to tell people that we got to do things radically differently and it was pretty compelling that argument. Successful organizations struggle with change. And I think that's something that Phil will have to embark on. I've got every confidence that he's going to be really good at doing that. And I think the company back to the culture point is really ready to embrace that, but that's going to be one of the challenges that I think he'll have to tackle head on.

Mario Mendonca - *TD Securities - Analyst*

Is there anyone in the audience? Oh, sorry. Vanessa, please. We'll go to Vanessa from RBC.

Vanessa - *RBC - Analyst*

Thanks, Roy.

Just going back to one of the things you mentioned is the three conditions you had to retire. I think the big one being just the completion of the transformation. And this might be a question for Phil down the road and he was very much a part of that transformation. But as you and the Board were looking at succession planning and Phil was selected, how do you envision maybe like Phil's -- like, what would be like the successful conditions that you would look for under his leadership?

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

It's a great question and that is to be fair -- a question better asked of him. But I would say that the first measure of success is our Investor Day targets. That is the very clear game plan for us that we articulated this year, we all stacked hands on was what we believe success needed to look like by 2027. So the very tangible targets that we established at our Investor Day are the first set of targets that Phil needs to ensure that we as an organization deliver.

I've taken very seriously that when we make a commitment, that we deliver against it and Phil's wired exactly the same way and those targets are clearly front and center, we need to deliver that and we need to do that in a consistent way, quarter in quarter out. So that's the first part of the agenda.

I think the other part of the agenda beyond the financial results and the targets that we articulated in Investor Day is going back to the point that I made earlier. I think we're at -- where we had this opportunity with technology and in particular GenAI to really reimagine our business. And I would say that if you're imagining things from a longer than three-year horizon, i.e., five to seven years, I think there's a tremendous opportunity to really reimagine our business and the way we operate and that will come with opportunities from a P&L perspective, cost and revenues. And we're doing a lot of great use cases as it relates to GenAI, which are delivering some promising results.

Actually, one of the consulting firms came out and ranked us number one in the insurance sector in terms of how advanced we are with GenAI. But I think we really have to nail that. If three years from now, we could have established ourselves as the leader and as a result transformed our business, I think that's going to be a key measure of success for us.

Mario Mendonca - *TD Securities - Analyst*

I'm going to get into a question first and I'll go back to the answer in a moment. Again, having watched Manulife's evolve over the years, there was a period there when the company was acquisitive, there was the deals in Asia. What was that distribution, DB?

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

DBS.

Mario Mendonca - *TD Securities - Analyst*

DBS, yeah, I should remember that, DBS. That was a few years back, DBS. There was, of course, Hancock, which was not as good as DBS. And then you've gone through this incredible shrinking period, which is probably the right thing to do. Does Manulife still have the institutional memory and the muscle to do a deal or have you lost that because you haven't done it so long?

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

Yeah, I think we do. I think what we've built is an appreciation for the fact that it's easy to transact. It's harder to deliver on the benefits that a transaction is promising. And to be frank, a lot of the seven-year tenure has actually been cleaning up some bad acquisitions and some bad deals. So we have that really well ingrained in our brain and that is that, we have to be very robust and diligent when it comes to M&A.

Now, the good news is this. We have freed up a lot of capital and we're in a very strong capital position. We have $10 billion in excess of our upper operating range, $22 billion in excess of the supervisory minimum. That puts us in a great position. By the way, part of that is diluting our ROE. But we have been very thoughtful around how to use our excess capital. We've been very thoughtful around buying back shares. We think that that's been a way to create value for our shareholders. Obviously, dividends are going to be a keyway through which we're going to allocate our capital.

And now that we're in a strong capital position that we've got our operating machine running really well, I think we've got much more appetite to consider M&A but it's considered M&A through a very judicious light. And that is where we have confidence that we can actually deliver really good returns and not have it actually dilute returns in the long run.

So yes, I think we've got strong corporate muscle around executing M&A, our preference is the bolt-on type of M&A which are smaller chunks where we have got a greater degree of confidence and probability. Would we rule out transformative M&A that is much bigger. We wouldn't rule it out but I would say the bar is so much higher in terms of what we would look to deliver out of that transformative M&A to actually deliver it.

The other thing that I think is going in our favor, which is maybe a little bit different to many of our competitors is that we don't need M&A to deliver against the targets that we've established at our Investor Day. Delivering 10% to 12% earnings per share, delivering the cash that we've articulated. The efficiency doesn't require M&A, that is a really healthy and luxurious position to actually be in, to not have to do M&A, to deliver targets that we think are actually not only very good, but actually would impress the market and create more upside in our share price. So the luxury is that if we actually have opportunities to do M&A that are going to be accretive, then we will do them, but we'll do it when we've got a high degree of confidence. And we are continuously buying back shares as we have, which is again, another way to create a lot of value.

Mario Mendonca - *TD Securities - Analyst*

Yeah. Does it feel different buying back at 1.9 times a book versus buying at 1.3? Like when you run the numbers, does that feel good?

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

It feels good because when I do my sums and I -- maybe I can ask you the question. When I look at our ROE target of 18%, I think we've got a lot of upside in our share price. So I think I was asked that question actually two years ago. Geez, we've seen an appreciation in your stock price. Is it still good value? And the answer at the time was yes, we think so. We've created a lot of value for shareholders through the share buybacks that we've done over the last seven years.

I think that dial forward three years from now and I would imagine that our share price will be significantly higher than it is today when we deliver against the 18% target, then I think we'll look back at the shares that we're buying back as again very accretive to value.

Mario Mendonca - *TD Securities - Analyst*

Anything from the audience before I can go on to something else? Yeah, please.

Unidentified Participant

Thanks, Roy. So Phil's going to be vacating a pretty important role in Asia coming over here. How much input do you have in the new person there? And do you envision it being someone internal, external? Maybe if you can talk about the discussions there, including timeline and when that role will be filled?

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

Yeah, that's a great question. And Phil's number one priority is to find his replacement in Asia. And we've been very clear, unlike many other CEO transitions where the CEO elect will come in as a Deputy for a period of time, we've not done that and that's been very purposeful for us. And I've told my executive leadership team and the GLT, my global leadership team, that up until May 9, I'm the CEO and again, don't expect to run any slower than we've run. We're going to be as focused on delivery and execution as we've always been. And that's on me.

Obviously, I'm going to be transitioning with Phil and he's going to be a big part of the conversation that I'm having. But one of the most important priorities that we have between now and then is to fill that role because it's an incredibly important part of our business and our future success. So it is a great job. In my opinion, I've done that job. I think it's one of the best jobs that there is going. We've got an incredible platform there. So being very thoughtful around selecting that person will be front and center.

The second priority that Phil has is to continue the momentum that we've got in Asia. We've had a great run. Our business is really humming. We're driving great progress in terms of our sales metrics and our earnings metrics. And we can't miss a beat, we can't stop that momentum. And that's again, going to be a key priority for him. I can't probably tell you more about what the candidates look like. But I can tell you that that's a really important decision. And of course, I'll be providing some thought -- some of my thoughts to Phil to consider in relation to the candidates that he's assessing, it's going to have to be his decision, of course. And I'll obviously offer my thoughts and advice.

Mario Mendonca - *TD Securities - Analyst*

Is that candidate likely to be internal?

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

I couldn't say. I really can't say. I'd say that, we have the luxury of having folks internally that could do the job. But this is a really important role and I think it would be unwise for us to just limit the search to just internal candidates. I think we should make this as robust as we can to ensure that we've got the best possible person. But we're in the luxurious position of having internal candidates that could do the job.

Unidentified Participant

(technical difficulty)

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

That's our goal, that's our goal. But again, if it was a month later to get the right person, that would be a better outcome than rushing it to meet a deadline. So the most important priority in terms of filling that role is getting the best person for that position, which is again, as you highlight very critical to our future success.

Mario Mendonca - *TD Securities - Analyst*

And what are that? What is that person's real skill set? What are you really looking for there?

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

It's someone that understands Asia. Again, I think those of you who understand Asia very well know that it's not one homogeneous group, it's a very different collection of markets and countries that operate very differently. So having a very deep understanding of the markets, Asia, our business, and the industry will be front and center. And also someone that can appreciate where the industry is going.

As I said earlier, traditionally, the industry has been very agency led. We've seen an evolution towards bank assurance, towards brokers and digital. We've been one of the leaders there. A lot of our peers are still very much an agency-led model. We're much diversified in terms of our channels and we're a more diversified business from the countries that we actually operate in.

But I think we also have to keep imagining what the future of our industry looks like. That's true globally, but it's certainly true in Asia. And I think the willingness of the Asian consumer to embrace digital has been phenomenal. And I think that's a tremendous opportunity for us that we're actually quite excited about when we think about the Asia opportunity. Obviously couple that with the growth of the middle-class in Asia, coupled with the low penetrations in the markets that we operate in. We're continuing to see that as an exciting business for growth but also for how we can differentiate ourselves versus our peers who perhaps don't have the strong presence in Asia that we have.

Mario Mendonca - *TD Securities - Analyst*

For as long as I can remember, Manulife has talked, not just Manulife but insurance companies generally have talked about this enormous opportunity and promise of Asia. And I feel like it's true. We now see it, we're seeing it firsthand. Talk about that runway, like how much longer does this super growth run out in Asia?

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

I don't think it's going to run out at all. Again, if you look at the Asia demographics, you've got 2 billion people that are in the middle class, that's growing to 3 billion in the next decade. Penetration rates are literally a fraction of developed markets. And you're seeing that governments are realizing that the sector has a much more important role to play in terms of actually protecting them so that they don't have to support their population with social programs. So we actually have seen that evolution and the growth opportunity only accelerate. And I think that's an exciting opportunity. So I think Asia is going to continue to grow at probably triple the pace of the rest of the world from a growth and from a penetration perspective.

And again, being a top three leader, a pan-Asian player puts us in a very unique position and a player that's at scale, you can't operate in Asia without scale. But also if you're not a top three player, then you're really not that significant. Having -- again, that was one of the big surprises for me when I joined Manulife. Just to see how strong our brand was in Asia was really a pleasant surprise. We had this incredible brand that was so well received by customers, by regulators, by stakeholders, partners, and that was a phenomenal platform for us to really embark on the journey of transformation that we achieved in Asia, which took us from number six to number three in the period of three, four years.

Mario Mendonca - *TD Securities - Analyst*

And can you talk about China specifically? I understand how the model works. You expand it to different cities, different regions, you try to make those profitable. Where does China stand right now in terms of profitability and what's the outlook there?

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

Yeah, so China is again a very attractive and important market for us. Penetration rates in general are very low. And again, you see the growth of the middle class in China that is very tremendous. If you actually take a step back, China represents actually a very small share of our total earnings and our total sales, but it's a growing share and it's again an important part of our total makeup for Asia. You can't win in Asia without having a presence in China. And we have a strong presence and we've operated there for a long period of time.

So we feel really good about the China growth opportunity. It's a market that again, we know very well. We've got a great partner, JV partner that we operate with. And we're quite optimistic about how that market will continue to evolve. But again, one thing that we're very focused on is not growing necessarily in one market only, having a business that's actually diverse and has multiple legs to the stool, so to speak is an important part of how we view success. It's not just about growth for growth's sake. It's about having a diversified business.

Mario Mendonca - *TD Securities - Analyst*

Now, there are plenty of other countries in Asia that Manulife is not in. And every once in a while, we hear some speculation that Manulife would look beyond where you're currently at. Does that seem plausible over the next five years or so that Manulife could go to other countries in Asia?

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

We're really pleased with the footprint that we have. So the presence that we have in the markets that we have actually is where we see the most excitement from a perspective of growth and opportunity. And there's more than enough growth opportunity within the markets that we operate in to fulfill all of our ambition. The one market that I think we've maybe considered a little bit more recently is India, that's a marketplace that we've perhaps gone back and forth a little bit more about. 10 years ago, we didn't think it was an attractive marketplace, 5 years ago, we didn't think it was an attractive marketplace and the reasons for that were A, the ownership rules were very limiting and very restrictive and that has changed. So that's a positive.

The profitability of the marketplace was not very attractive and that seems to be improving. It's not fantastic but it's improving. So we would assess India, and that would be a market that we would be open minded to but to be perfectly frank, we don't believe that we need to expand to any other markets that we currently have to achieve the ambition that we have for Asia.

Mario Mendonca - *TD Securities - Analyst*

And India would have to be a JV.

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

It would have to be a JV, and we currently have a JV on the wealth and asset management side. We have a partnership with Mahindra, which is a great partnership and actually it's a great business for us.

Mario Mendonca - *TD Securities - Analyst*

You need a different partner if you want to expand into insurance and other products.

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

We would need to have a JV partner.

Mario Mendonca - *TD Securities - Analyst*

Okay. I want to switch over to Japan. I remember, well, when Manulife made that, Daihyaku that was a big deal and then I haven't heard much of it. I thought that was maybe the beginning of something special, just speak to Japan. Is that still a priority for Manulife?

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

It is, and the question that I used to get about four or five years ago was why are you in Japan?

Mario Mendonca - *TD Securities - Analyst*

And I still hear that.

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

Yeah. And what we said then was that we love the Japan market. We're not trying to be all things to everyone. We play in a very specific niche in Japan. It's a very profitable niche. It's where we see the more affluent customers and where they typically would want products that are foreign currency denominated. We still play in the local currency, but we're not trying to provide all products.

And that allows us to actually deliver really good value for our shareholders, but also actually create value for our customers as well. And the beauty of having a business in Japan is that it allows us to have scale across Asia-Pacific. Japan will share costs of our regional office, and when we launch new technology platforms, we're able to spread that cost and benefit from the scale. So that means that we can compete more aggressively in the Vietnams and the Indonesias of the world. So it plays a really important role just from a capability and from a scale perspective.

But the business has also been performing really well on a standalone basis. This year has been a great year for us in terms of the Japan results. We're really pleased with that momentum and the progress. More recently, we've seen a lot of new interest in Japan. So there's -- and again, I think that may be a function of, I guess, the sophistication of the market, but also the yield curve looking a little bit more positive and optimistic. So there's a lot more interest in Japan than there ever has been but we actually -- we like the business quite a lot and it actually helps us with our total portfolio dynamics and also from a scale perspective.

Mario Mendonca - *TD Securities - Analyst*

Can you give us any update on what's going on with Hong Kong in the regulatory framework? There was some -- there was a distribution issue there. Maybe just remind us of what the issues are and hasn't been resolved.

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

Yeah, Hong Kong is a very sophisticated market. And again, we're a strong player there. We're a leader. And what we've seen in Hong Kong as is the case in most other markets, not just in Asia, quite frankly, even here, we've seen regulatory changes and tweaks from time to time. But there was some interest in how certain products were being sold and in particular, you've got the Mainland Chinese visitor that is an important sector and segment of the Hong Kong market.

Now, for us, it's never been the majority of our market. We've always felt that focusing on the domestic Hong Kong consumer is the most important priority for us. But this is still an important sector and we believe that we can actually play in that space and we have played in that space. And without getting into too much detail, there have been some players that have maybe flirted with some of the rules in terms of the way products were sold. We've held a very high bar in terms of the standards that we hold for ourselves. And for us, MCV business represents a much smaller share of our total sales. So again, there's been a little bit more scrutiny around some of the broker sales and in particular, the MCV broker sales. And again in most cases, we look at that and say that's actually a good thing because we think the standards need to be high so that we see quality sales.

Mario Mendonca - *TD Securities - Analyst*

And so far from the two big players in Canada, Manulife and Sun Life, I just don't see the two of you being implicated in any way like that's -- does that sound reasonable?

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

Correct.

Mario Mendonca - *TD Securities - Analyst*

Okay, so let's move on to -- I'm going to finish up with Asia real quick unless someone wants to jump in. What I wanted to get into just to clean up with the Asia is the place is growing, but it's also changing. And I try sometimes to think through what will a successful insurance company or company look like in Asia over the next five years? How do you have to change to adapt to changes in Asia?

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

And the short answer is digital. That's the short answer. I mean, again, the agency of 15 years ago -- the Asia of 15 years ago for our industry was just an agency-led business where the insurer who had the most agents basically won. And we've evolved from that to one where now we've got multiple distribution channels. We've got, as I said earlier, bank assurance. We've got brokers now. We've got financial advisors and we've got direct digital plays.

So a much more diversified Asia exists today and you can't win in Asia just by winning in agency. It's an important channel. It's the largest channel and you have to be good at it. You cannot do well in agency, but it's not sufficient to just win in agency. So part A of what the successful business in Asia looks like is that it's a much more diversified business and that you can actually engage with customers in the way that they want to engage with you. Not just say this is the way we operate and you'll have to come to us through this method.

But the second big aspect is that the Asian consumer, as I said, earlier is very keen to interact more digitally. And that's true, not just for the non-agent channels, but it's actually absolutely true for the agent channels. So no longer do you have a business where the agent would sit down with a customer, fill out a 38-page application form and then send it into head office, realize that one field was missing and that goes back to the customer and so on and so forth.

So the engagement model now is much, much more digital. But there's still a lot of opportunity to further digitize our businesses. We've done a lot to remove cash from the way we operate. In the past 10 years, a lot of payments were through cash in branches and we've digitized a lot of that. We hardly take any cash at all. In fact, we may not take any at this point in time. I haven't checked recently, but it's negligible.

But consumers are really willing to embrace digital, and that's a tremendous opportunity for us to create a better experience for them, but also to take out a lot of friction and cost. So I think the opportunity is to really take that to another level. And I do think that GenAI is tremendous.

Just give you one example. We've got a pilot going in Singapore at the moment, which is where we're using GenAI to support our agents. And the typical agent will have a customer base of say 200, 300 people, but they would typically talk to 10% or 20% of those customers and they won't talk to the others. And they're very thoughtful around who to talk to or who to select. They know who are the most likely to provide, a second sale or provide a referral.

Now with GenAI, we've been able to actually enable the agent to actually communicate with the other 180 customers that they have in their portfolio and to look at what the customers are actually doing on social media, look at their interaction that they've had with us, understand their current financial needs analysis, and then recommend a product or an engagement opportunity. So digitizing that and putting that on the pallet for the agent to basically check and then send it out to that 180 population of customers has been a phenomenal uplift for us. We've seen an increase in the productivity and the sales of our agents just through using these tools. And we've only rolled that out in Singapore. We're now rolling that out across Asia. So I really think that the operating model of the future is one that's going to be significantly more digital than it is today.

Mario Mendonca - *TD Securities - Analyst*

When I think of a company that's growing this quickly in any region, Asia, I often think are the systems, the controls, the regulatory, like the people, do you have the people to control this growth? Because companies, banks, insurers get in trouble when they grow too quickly when they don't have the infrastructure to support it. How do you really get confident you've got the people?

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

Mario, that's a great question. And I think that's one of the biggest risks that exists when you look to a business that's growing actually very rapidly. And one of the things that I think we've done really very well is we've created a global operating model. So we have global functions. Be it actuarial under Steve Finch, be it compliance under Sören Seitz, CFO et cetera, risk management.

So we have global functions that A, will ensure that they are looking at the control compliance, risk governance processes that are in place in each of our markets and that we have that external perspective in, but also allows us to leverage the best practices that we see across each of the different markets and ensure that they apply in the markets that we operate in.

Now, is that a guarantee that we'll never have a hiccup and a problem. No, but I think our global expertise in our global operating model actually puts us in a strong position to ensure that we've got a really strong and robust focus around risk controls, compliance. And I would say it goes back to the point earlier around the culture of the company, what's really critical is that you're not just growing for the growth's sake that you're viewing sustainable growth as a keyway that you're going to operate and a keyway that you're going to measure your leaders. If you're going to reward your leaders just for growth and not take into consideration the sustainability of that growth and the quality of that growth. I think you can get yourself in all sorts of trouble.

Mario Mendonca - *TD Securities - Analyst*

So what could go wrong in Asia though? It can't be all roses. Like what's the risk there? Is it macro related?

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

Yeah, look, I think the big challenge at the moment is there's uncertainty from a geopolitical perspective. I think the real big unknown now is how does the global geopolitical environment play out? I think that's as big a risk quite honestly for Asia as it is for Canada and other markets where we've seen recently. So there's this period of uncertainty right now and this is not necessarily just affecting the life insurance sector. I think it's affecting all sectors and that is how does the world normalize in terms of how it will operate and how countries will engage with each other?

I think there's a lot of fear and uncertainty there. I'm actually quite optimistic that we're going to be able to navigate that environment reasonably well, but that's an unknown. I think the other big unknown that exists at the moment is that we have central banks still trying to normalize monetary policy and to tackle inflation. We haven't seen that story completely come to fruition.

Central banks are still trying to navigate managing inflation and unemployment growth whilst using rates to keep that in check. I don't think we know where that story lands, but we're getting more clarity on that. And I think that's going to be still an unknown and we're going to see some movements in rates, equity markets, and even currency until we see a little bit more clarity in terms of how that's going to play out.

Mario Mendonca - *TD Securities - Analyst*

Let's flip over to wealth management now. Another big part of the business that's -- it's part of Manulife's promise for the future. What's interesting about Manulife's wealth management business that makes it quite different from others is you're generating solid positive net flows, but the margins aren't quite there yet and there are others with very strong mature margins, but can't seem to bring a dollar in. How does Manulife thread that needle and do both?

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

So I'd much rather my thicker cards than the other because I think we have a path to seeing the margin improve and the path for us is through scale. What makes us unique is that we have a business that has three business lines. We have an institutional business, a retail business, and a retirement business. And the retirement business, you can think of it actually in a very similar way to the way that you think about a life insurance business. It's an annuity business that continues to generate returns over a long period of time.

And the other beauty with our business is that we don't just have those three business lines. We have those three business lines across three broad geographies. You can count Europe as a fourth but the US, Canada, and Asia and we're therefore not just a single, trick pony where you're just relying on US equities to drive success. And therefore, if markets do well, you're going to get more fees and if markets don't, you're not the other.

The other headwind of the US equity business is that you're constantly seeing fee compression as folks move away from active to passive. And that's still true for us, but it's one slither of our business. It's the retail US business and that's not the full story for us. We've got a phenomenal retail business here in Canada. We've got a great business in Asia. And we're not seeing compression in spreads in Canada and in Asia. In fact, we're offsetting any compression in spreads through growth in those other markets where the margins are actually quite attractive.

And again, back to the story earlier. In Asia, in particular, there's a lot of runway for growth and for opportunity in terms of growing our retail business. And we again have a very unique opportunity in Asia that many of the asset managers that we compete with would kill for.

And that is A, we got a great brand. We've got great bank assurance partners that are selling our life insurance products that therefore gives us the opportunity to actually put our wealth products on their platform. A lot of sales that are done in Asia are actually through the banks' platforms. So we've got great partnerships. DBS is an example, Standard Chartered where we can actually get our product on their platform.

That's certainly a plus. The other big plus is we've got 100,000 agents that are selling, in many cases, index-linked products which rely on those mutual fund wrappers, which again, we can use our products to feed into that opportunity and that growth. So actually, we feel quite good about the opportunity. To your point, our margins are still lower, but we're seeing that constantly improve and it's coming from the scale that we're actually getting and the growth opportunity that we have across our footprint is actually very attractive.

Mario Mendonca - *TD Securities - Analyst*

So the wealth business doesn't need a deal to get to that. You see the runway there.

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

We see a lot of organic runway. But when I think about deploying capital, I would definitely think that our wealth and asset management business. If we could do those bolt-ons that I talked about earlier, that would be the space that we would focus on together with probably some of the Asia opportunities that we mentioned earlier. We did the deal with the CQS recently. That was a great example of a very reasonably priced bolt-on where we can take the capabilities that they had and then bring to the party all of our distribution and our brand, which they quite frankly didn't have. So it's a perfect example of one plus one equals three.

Mario Mendonca - *TD Securities - Analyst*

Remind us what their skill set is.

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

So it's more of a private fixed income play.

Mario Mendonca - *TD Securities - Analyst*

Let's think about how big wealth and Asia combined will be to this company in the next five years. When do we call Manulife an Asian and wealth management company?

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

Asia today and when I say Asia, that's Asia insurance and wealth management currently represents 44% of our business. We put the big goal out there that we get to 50%. We're not a mile away. When I took on the job, it would have been in the low-30s%. So we're already up to 44%.

Mario Mendonca - *TD Securities - Analyst*

That's Asia, including the wealth segment.

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

Yeah.

Mario Mendonca - *TD Securities - Analyst*

The Asian wealth segment--

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

The Asian wealth segment, right. So Asia 44% today, we see the path to getting to 50% as imminent. And then when you take our wealth management business total, it represents about 20%. That should be a much higher share of our business. Now, a piece of that is Asia. So I don't want to double count that, but Asia and wealth is already a very significant share of our (multiple speakers)--

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Mario Mendonca - *TD Securities - Analyst*

--through 50% (multiple speakers)--

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

Oh much, much (multiple speakers)--

Mario Mendonca - *TD Securities - Analyst*

--the numbers (multiple speakers)--

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

--much, much higher than 50%. And it will continue to grow and be a bigger share of our total franchise. So I think that certainly is the glide path.

Mario Mendonca - *TD Securities - Analyst*

Investors and maybe I'm partly to blame for this. We're not comfortable. I know I'm not comfortable doing this some of the parts thing. I've never liked doing that. Is that something you talk about internally that you want to discuss Manulife in that context. This is an Asian company. It's a wealth management company. Sun tries that a fair bit. We've resisted so far. What's your thinking on that?

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

We've resisted too. Actually, we try not to spend a lot of time talking about TSR or the share price. I think, if you get the fundamentals right and if you execute well, then that is an outcome that will actually come. But we do think that not all dollars are equal. So if you deploy a dollar of capital, the return that you get is if you get a $2 return on $1 of capital, it's not the same. If you get it from Asia, Wealth and Asset Management, Canada, or the US. So that is just an honest reality. And therefore, when we think about capital and expenses being a rare resource, we think about that and we're very thoughtful around how we actually deploy that.

Having said that we've made it much more compelling to invest in Canada and in the US. We've improved the returns significantly. And again, we showed it at Investor Day, what the lifetime return on capital is for $1 that we invest in our US business and our Canadian business and it's very attractive and it's a return on equity of north of 20%.

So it's not as though investing in those businesses don't make sense, they make a lot of sense. And the good news is we're not constrained in terms of deploying capital or our expenses and having a diversified business we think is a source of strength. So what that's really done for us is actually force us to drive greater profitability and returns out of our other segments.

And in the Canada business, we're really very proud of the business that we have here. We're a leader in this marketplace. We're at scale and there's still a lot of opportunity and it's a very profitable marketplace. And in the US, we're not trying to be all things to everyone. We play in a very niche space. We've got a competitive and differentiated offering through Vitality that really there is no competitor for. So that's again another great way that we can deploy capital.

Mario Mendonca - *TD Securities - Analyst*

And for a while though there were folks talking about Manulife, divesting of the US business, divesting of Hancock, reflecting back on that now, how do you feel the US is positioned for the future?

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

We feel great about the US. Again, if we had divested Hancock, we would have done it where the multiple on our long-term care business would have been a fraction of what we were actually recently traded at. So we would have destroyed a lot of value if we'd executed against that strategy that many actually called for.

And for us, it was never a question of, should we divest our business? It was, how do we make investing in the US a really compelling argument and to the credit of Brooks and Brooks' predecessor, we've really done a lot of hard work. We've driven great efficiency. It's one of our most efficient businesses.

Great efficiency, great return on the capital that we deploy there, and a great differentiation strategy versus the competition through what we do with Vitality. So it's a great business for us. We feel really good about it, but are we going to compete in all product categories in the US? We're not, we're going to be very thoughtful around that and rightfully so.

Mario Mendonca - *TD Securities - Analyst*

Yeah, the market got really excited about the reinsurance deals. I remember distinctly the variable annuity deal that generated $1 billion of capital. But yet the market didn't care about that. For some reason that one didn't capture everybody's attention. But the December '23 reinsurance deal did and then this other one reaffirms that. Do you think you've now demonstrated to the street that there's value in these blocks of business? And you don't need to do another reinsurance deal to prove that or are you still at it?

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

I think your observation is spot on, Mario, and I think there was a tipping point for us. And I think the tipping point finally was that LTC transaction in December of 2023. And I think, the VA transaction we transacted at a very attractive multiple, it was a great a release of capital (multiple speakers)--

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Mario Mendonca - *TD Securities - Analyst*

--(multiple speakers) gain--

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

Great gain and I think it was another proof point that our reserves are strong and solid and credible, but there's still the outstanding question that I had, people would say to me at the time we did the VA transaction, it's a great transaction, but I just can't come to the Manulife party because I'm just nervous about this LTC thing. And in many cases, they'd honestly say to me, I just don't get it and I'm worried that I have to invest too much time to try to get it to actually be comfortable with investing.

And I think we eliminated that issue with the transaction that we executed in December. And I think we hopefully put it really to bed with this follow-up transaction that we did on a younger block that had different risk profile. And I think through all of that divestiture, I think we've been able to demonstrate a lot of credibility with our reserving and that's where there was some uncertainty and some fear as to whether there was something that could go bump in the night. What would happen with Manulife? And I think we've been able to prove that.

So, yes, going forward is the argument for further transactions as compelling as it was, not really. But if there are ways that we can create value through any further divestitures, we definitely look at them, but I don't see the burning platform that we have had certainly for the last seven years and that we -- I think finally we're able to execute. But I still feel that even completing that second transaction, all we've done is basically deal with some of that legacy historical issue. When I think about what we articulated in Investor Day, I think the upside from this point is still very, very significant.

Mario Mendonca - *TD Securities - Analyst*

So there's only a couple of minutes left. So I want to finish with something a little different. In this time period that I've had covering Manulife - I call it infiltrated Manulife. That's what I call it. So I know people all through Manulife. I'm having dinner with a guy who's in your strategy department. I'm not going to name any of these people. Guy who I play golf with a guy who's in your wealth business. And these are -- they're not -- they're never going to be in your GL, global leadership, team meetings. But these are important people at Manulife. I mean, they're part of what makes Manulife work. Like what's the big message to those folks? The folks that below the senior executive team, all the guys I know and the guys I hang out with, what's your message to them on your way out?

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

Well, my message, the first message to them is a thank you. We wouldn't have achieved any of what we've achieved over the last eight years if it wasn't for all of those people that have executed phenomenally against the agenda that we articulated. Yes, we set the direction and the strategy and prioritized how we're going to focus. But we've got 40,000 people that have worked their tails off for the last seven, eight years transforming our company. And we would never have been in the position that we are today if it wasn't for those folks.

So the first message is, is to thank them. The second message to them is the best is still ahead of us. I feel very optimistic about where this company is going. And we are so perfectly positioned to capitalize on this incredible foundation that we've got and the great results that we've achieved to take the business to a completely new level. And we're going to need people like that to really help us execute against that agenda and to have the same level of passion and intensity that they've demonstrated to the next chapter, which I think is very exciting.

Mario Mendonca - *TD Securities - Analyst*

Folks are proud. They're proud to work at Manulife now.

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

You're going to give me some names.

Mario Mendonca - *TD Securities - Analyst*

No, I don't think I will but people are proud. Thank you for doing this. I appreciate it.

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

Thank you.

Mario Mendonca - *TD Securities - Analyst*

Thank you for joining us. Thanks very much.

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

Thank you folks.