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## PRESENTATION

### Operator

Good morning, ladies and gentlemen. Welcome to the Manulife Financial first quarter 2025 financial results conference call. I would now like to turn the meeting over to Mr. Hung Ko. Please go ahead, sir.

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

Thank you. Welcome to Manulife's earnings conference call to discuss our first quarter 2025 financial and operating results. Our earnings materials, including webcast slides for today's call, are available on the investor relations section of our website at [manulife.com](http://manulife.com).

Before we start, please refer to Slide 2 for a caution on forward-looking statements and Slide 34 for notes on non-GAAP and other financial measures used in this presentation. Please note that certain material factors or assumptions are applied in making these 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 first quarter of 2025 results and our strategic update. Following Roy, Colin Simpson, our Chief Financial Officer, will discuss the Company's financial and operating results in more detail, before we hand it back over to Roy for closing remarks. After the prepared remarks, we'll move to the live Q&A portion of the call.

Before I pass over to Roy, I would like to take this opportunity to acknowledge that this will be his last earnings call with us as CEO. I would like to thank him for his leadership and transforming Manulife during his tenure.

With that, I'd like to turn the call over to Roy.

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

Thanks, Hung. And thank you, everyone, for joining us today. Yesterday, we announced our first quarter 2025 financial results. We delivered strong first quarter results and maintained the momentum that we built through 2024. We generated strong growth across our top line metrics for each of our insurance segments. Of note, Asia APE sales increased 50%, reflecting strong customer demand and continued execution in the region. Global WAM once again generated positive net flows, which is a solid result given the increased market volatility.

Core EPS increased 3%, reflecting the continued momentum in our Asia and Global WAM businesses, as well as the impact of share buybacks. Though you'll see, our first quarter results include a charge in our P&C reinsurance business related to the California wildfires, as well as the higher ECL provision reflecting market conditions in the first quarter. After normalizing for these two items, our core EPS would have increased 9%.

Despite the increasingly volatile operating environment, I'm proud of our results, which are a function of our disciplined execution and a testament to the strength of the Manulife franchise and our team.

I know this is top of mind for many of you, and while we won't be immune to the potential macroeconomic headwinds brought on by the trade tensions, I'm going to spend a few moments reinforcing the work that we've done with the transformation of Manulife to put us in a position of strength.

First, as expected, our results are more stable under IFRS 17. And during the quarter, we continue to steadily grow our book value while returning capital to shareholders. In addition, our balance sheet remains robust, supported by our strong LICAT ratio of 137% and a leverage ratio of 23.9%, which is well below our 25% medium term target. Our robust balance sheet is a significant source of strength, which coupled with our business and geographic diversity, positions us well to navigate and capitalize on opportunities through times of change.

Moving to Slide 7. Manulife is certainly a very different company today than during the Global Financial Crisis. We have taken meaningful actions to de-risk our business, including implementing hedging strategies and executing multiple reinsurance transactions. Together with the implementation of IFRS 17, we've significantly reduced our book value sensitivity to interest rate and equity market movements, which is now similar to our Canadian peers.

On Slide 8, our portfolio transformation towards higher return and lower risk has been supported by our recent milestone LTC transactions and Canadian Universal Life transaction. We also reinsured the majority of our U.S. variable annuity book several years ago. These transactions have been instrumental in reducing risk both on the asset and liability sides, and have improved our return profile, all while securing attractive terms.

The right half of this slide further demonstrates one way that we've improved our risk profile for shareholders. Over the past eight years, we've reduced the proportion of total ALDA with direct shareholder exposure by 24 percentage points. And it now only represents 7% of our total invested assets. This reflects the benefits of reducing ALDA as part of our reinsurance transactions, as well as transforming our product portfolio. Looking forward, we'd expect this trend to continue with a growing proportion of our ALDA-backing participating or pass-through business, where experience is shared or passed through to policyholders.

As you can see on Slide 9, our diversification is another key source of strength. First, as a fundamental need, economic uncertainty could actually spur demand for protection products in the future. Second, it's important to remember that most of our products and services are sold within each market, so we don't expect any direct impact to our products or services from tariffs. While we could see second-order impacts, such as lower market returns, elevated unemployment, or slowing growth, these would be industry-wide impacts and not specific to Manulife.

Moments like this highlight the importance of our transformation journey and the benefits of the diversification of our franchise, which we've strengthened over the past decade. We've made significant progress growing Asia and Global WAM, two of our highest-potential businesses. This is consistent with our strategy, but as you can see, our Canada and U.S. businesses are material contributors to total company earnings and remain attractive businesses with large in-force books.

Within Asia, we've made tremendous progress growing a diverse set of markets, including Hong Kong, Singapore, mainland China, International High Net Worth, and several emerging markets. The mega-trends in the region, including growth of the middle class, large protection gaps, and aging populations, which are important drivers of demand for our business, will persist despite current macroeconomic or geopolitical headwinds.

On Global WAM, we're also diversified by geography. Additionally, we're not over-indexed to any particular business line, which is an asset during market volatility. For example, our Retirement business includes administration fees, which are less driven by markets and AUM. Our broad business diversification provides a resilient earnings profile that is less exposed to equity market performance.

On to Slide 10, which dives deeper into Asia. The segment has been focused on execution and has delivered strong growth. We've grown from the sixth largest Pan-Asian life insurer in 2014 to top three today. And we are outperforming our peers, as you can see from the growth in NBV. And this has continued in the first quarter. This success has been supported by productivity gains as well as improving the customer experience, where our net promoter score improved from -2 in 2017 to +57 today. Manulife's substantial digital transformation has been a key contributor to both outcomes.

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

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

Thanks, Roy. Coming off a strong 2024, we maintained our momentum into the first quarter. And while the macroeconomic environment has become more challenging, I'm encouraged by the strong set of results we've delivered.

Let's begin on Slide 12. We delivered strong growth of over 30% and record results across APE sales, new business CSM, and new business value. Our APE sales increased 37% from the prior year, with contributions from all our segments, in particular, tremendous growth of 50% in Asia. This supported our significant growth in value metrics with 36% growth in new business value and 31% growth in new business CSM, with the latter contributing to a strong 11% annualized organic CSM growth. This strong top line momentum, particularly in Asia, where we continue to execute, will drive earnings for many years to come, including through higher CSM amortization.

Global WAM continued to deliver positive net flows of half a billion dollars, despite the challenging market environment, demonstrating the resilience of our diversified business, with strength in our Institutional business offset by outflows in our Retirement business.

Our core earnings results on Slide 13, and I'd like to highlight some of the key drivers of our earnings relative to the prior year. Our insurance businesses continue to grow, contributing to higher insurance service results. Improved overall insurance experience across all insurance segments also supported this increase. But this was partially offset by a P&C reinsurance charge of US\$35 million pre-tax related to the California wildfires, which is reported in our corporate segment.

Our net investment result was impacted by lower investment spreads and a net charge in the expected credit loss or "ECL" provision, which compares with an ECL release in the prior year when the credit environment was fairly benign. While our actual credit experience was immaterial, the \$46 million pre-tax ECL charge was driven by updates to our ECL model to reflect the deteriorating economic environment through the first quarter and is still within our guidance of \$30 million to \$50 million. The impact of the P&C reinsurance charge and higher ECL moderated our core earnings growth by 5 percentage points.

You will note that Global WAM remained the second largest contributor to core earnings and once again generated strong growth, achieving over 20% growth in pre-tax core earnings for the sixth consecutive quarter. I would also highlight that the three reinsurance transactions with RGA and Global Atlantic over the past year reduced core earnings by \$12 million across multiple lines of the DOE.

On to Slide 14. Core EPS increased 3% as the modest decline in core earnings was more than offset by the impact of share buybacks. During the quarter, we reported a non-core charge of \$781 million from realized losses, mostly from fixed income asset disposals related to our LTC reinsurance transaction with RGA, which closed in the beginning of January. This impact was largely offset in OCI, resulting in a neutral impact on book value and capital. We also took a \$208 million charge during the quarter as public equity returns were lower than expected. And we reported a charge of \$275 million in our ALDA portfolio, mainly due to lower-than-expected return on commercial real estate and private equity investments.

While this disrupted the recent trend of sequential improvement in our ALDA experience, we remain confident that we will return to our long-term return assumptions. The impact of the current challenging macroeconomic environment on our performance, however, does mean that our expected normalization will likely be delayed in the near term.

Moving on to the segment view of results. We'll start with Asia on Slide 15. Our Asia segment continued to generate very strong growth in new business metrics with record level results. APE sales increased strongly by 50% from the prior year, primarily driven by growth in Hong Kong, which delivered growth across all channels, and Japan, as well as mainland China and Singapore within Asia Other. The overall increase in sales contributed to robust growth in new business CSM and new business value of 38% and 43%, respectively.

We also generated record core earnings in Asia this quarter with a solid 7% growth year-on-year, reflecting continued business growth momentum, partially offset by an increase in the ECL provision and the impact of foregone earnings from the Global Atlantic reinsurance transaction that closed in early 2024. In addition, we generated strong sequential growth of 8% in core earnings and delivered another quarter of favorable insurance experience in both core earnings and CSM.

Moving to one of our other high potential businesses, Global WAM, on Slide 16. Global WAM had another strong quarter with 24% growth in core earnings. This was again supported by higher average third-party AUMA, higher performance fees, and our ongoing focus on expense management. We delivered positive net flows for the quarter of half a billion dollars, driven by inflows from our Institutional business. But these were largely offset by net outflows from our Retirement business due to pension plan redemptions and member withdrawals in North America. We again generated positive operating leverage with a core EBITDA margin of 28.4%, which expanded 290 basis points from the prior year.

Next, we come to Canada on Slide 17, where we delivered strong new business results during the quarter. APE sales increased 9% from a year earlier with contributions from all business lines, which supported the double-digit growth in new business CSM and new business value. Core earnings increased by 3%, thanks to another quarter of favorable overall insurance experience and continued Group Insurance business growth. But this was partially offset by an increase in the ECL provision as well as lower Manulife bank earnings, with the latter impacted by a reduction in net interest margin following the Bank of Canada's recent interest rate cuts.

Lastly, our U.S. segment's results on Slide 18. In the U.S., we once again delivered solid APE sales growth of 6%. Demand for accumulation insurance products from affluent customers has remained firm, contributing to the growth in new business value of 30%. Core earnings decreased 25% from a year earlier due to unfavorable net claims experience recorded in earnings, lower investment spreads, an increase in the ECL provision, as well as the net impact of the basis change last year, partially offset by favorable lapse experience.

Our U.S. earnings have been declining over the last few quarters due to a few factors, including: the impact of the LTC reinsurance transactions, though this was offset in core EPS through share buybacks; a higher ECL provision given the current macroeconomic challenges; lower investment spreads; and last year's basis change, which reduced the CSM. Despite these recent headwinds, we remain confident in the U.S. segment's ability to deliver steady earnings given the growth in profitable new business.

Bringing to our book value on Slide 19, you can see we are continuing to steadily grow our adjusted book value per share, with 12% growth from the first quarter of 2024 to \$36.66, even after returning nearly \$6.4 billion of capital to shareholders through dividends and share buybacks over the past year.

As previously announced, we launched a new buyback program in late February 2025, allowing us to return freed-up capital from our recent LTC reinsurance transaction to shareholders. And together with dividends and share buybacks, we returned over \$1.2 billion of capital to shareholders during the quarter.

On to our robust balance sheet on Slide 20. Our LICAT capital ratio remains strong at 137%, and our financial leverage ratio was 23.9%, staying well below our 25% medium-term target. These metrics reflect our strong financial resilience. Together with our significantly lower risk profile, they reinforce my confidence in our ability to operate from a position of strength in today's uncertain economic environment. While we have observed heightened market volatility in the second quarter, our robust balance sheet management and regular monitoring suggests very little impact to these metrics as we stand today.

And finally, on Slide 21, you will see the summary of how we're tracking against our 2027 and medium-term targets.

To conclude, while we saw an impact on our bottom line due to a few factors that I noted earlier, we are pleased that our top line results continued to exhibit strong momentum. And I'm proud of the results we've achieved this quarter. We remain focused on executing against our targets, and I'm confident that we are well-positioned to navigate through the economic cycle and capitalize on growth opportunities as they rise.

With that, I will turn it back over to Roy for some closing remarks.

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

Thanks, Colin. In closing, I want to say that it's truly been an honor to serve as CEO of Manulife. Today marks my 41st and final quarterly earnings call, and it is bittersweet for me. I'm incredibly proud of our transformation, our achievements, and of the momentum that we've created: We've become a Digital, Customer leader, growing our highest-potential businesses, and reduced our risk profile and volatility, while significantly improving shareholder returns; we also have a strong capital and financial position; Our high-performing leadership team and our diverse business and geographic footprint will allow us to continue delivering profitable growth, outpacing our peers, while delivering superior returns to our shareholders. Our strong business momentum, particularly in a challenging environment, is a testament to the strength of our franchise.

While I will miss the incredible team and culture that we've built, looking forward, I know the company is in great hands with Phil. We've worked together for many years, and he has a tremendous track record of execution and delivery. I couldn't be more excited to watch him take Manulife to even greater heights.

Before moving to Q&A, I'd like to thank our customers, without whom we wouldn't have a business. Thank you to our outstanding global team - your dedication and engagement has been inspiring, and I continue to believe that our culture remains a real source of differentiation. And thank you to our analysts and shareholders. You haven't shied away from holding us accountable but have also recognized our progress and accomplishments when deserved.

With that, this concludes our prepared remarks. Operator, we will now open the call to questions.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions)

John Aiken, Jefferies.

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### John Aiken - *Jefferies - Analyst*

Good morning. You obviously highlighted the strong sales that we saw in Asia. I was wondering if you could give us a sense in terms of what you're seeing on the ground and what that may translate for the remainder of the year.

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

Great. Thank you, John. This is Phil. You're right. And as Colin and Roy referenced, it has been a very strong start to 2025 for Asia. And that's off the back of a record 2024. What we're seeing in the first quarter, and it's really a continuation of the trend from last year, is very strong demand for savings solutions, to support retirement needs, generational wealth transfer needs, and this is across Hong Kong, Singapore, China. And we're also seeing strong growth in Japan as well where we had launched towards the end of last year a new product that has proved to be very successful in financial institution channels.

You asked about the outlook on sales. And I will draw your attention to last year. Across Q2 and Q3 we did have a step-up in sales momentum. So I would expect as we go through the course of 2025 to see the growth rate normalized to more typical levels. But I think the run rate that you see in sales is something that I feel good about. Now of course, we are operating in an environment of some macroeconomic uncertainty. And while that doesn't have, I suppose, a direct impact on us, what I would draw your attention to is that an uncertain external environment can impact consumer sentiment and cause them to defer buying decisions. But at this point, I remain cautiously optimistic about the year ahead.

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**John Aiken** - *Jefferies - Analyst*

Thanks, Phil. I just wanted to pass on my congratulations to Roy. All the best in your retirement.

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

Much appreciated. Thank you, John.

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**Operator**

Doug Young, Desjardins Capital Markets.

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**Doug Young** - *Desjardins Securities - Analyst*

Good morning. Maybe I could dig a little further into the sales still, in Asia. I mean, Japan's sales were strong, as you talked about. I'm just curious, how much of your Japan sales are linked to U.S. dollar denominated products? And is there an anticipation of a shift in demand for this product in light of everything and something to fill the void? So that's on the Japan side. And then, Hong Kong sales were strong. New business value growth was strong. Can you talk a bit about the drivers there? And any kind of sense -- like was there stuff pulled forward this quarter? And what the drivers were? Thanks.

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

Great. Thank you, Doug. This is Phil. So, I'll tackle the Japan sales question first. You're right to highlight that one of our differentiators in Japan is the fact that we bring international capabilities to the Japan market. And quite a large proportion of our overall business, something in the order of 80% of our business, is U.S. dollar denominated. And that the driver of demand for U.S. dollar denominated business is really the diversification that that brings for our customers, as well as the yield differential between U.S. dollars and the Japanese yen. And both of those drivers of demand remain in place. So I think while we may see fluctuations in currency exchange rates, I don't see the exchange rate itself as the main driver of demand for foreign currency denominated products.

So, I think when we look at Japan new business, we had seen quite a big second quarter last year and a step-up from the second quarter in our sales volumes, there were various factors driving that. So, I would expect the growth rate to sort of moderate as we look forward to Q2, Q3, Q4. But

I think the run rate that you see is actually a run rate that I feel good about and is sustainable, particularly in the context of a new product launch towards the end of last year that has provided some momentum in financial institutional channels.

Moving on to your question of Hong Kong, the drivers. So in Hong Kong, we continue to see really strong customer demand. And this is visible in all of our channels, as Colin referenced in his remarks. So, agency, bancassurance, as well as broker channels. Notably broker channels are growing faster than other channels, but all channels are growing strongly. The demand is both from our core domestic customer segment as well as continued growth in the Mainland Chinese Visitor or "MCV" customer segment. It's predominantly driven by demand for savings solutions, although we have recently launched a couple of critical illness protection products that we expect to sort of drive higher demand to fulfill the health and protection needs of both our domestic and Mainland Chinese Visitor customers. So, I feel good about the growth in Hong Kong.

Clearly, there is some uncertainty in the external environment that may impact customer sentiment that could cause some customers to defer their buying decisions. And again, similar to my earlier comments in the context of Japan, from the second quarter of last year and into the third quarter, we saw quite a step change in our sales volumes in Hong Kong. So, I would expect the growth rate to normalize as we go through the course of this year.

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**Doug Young** - *Desjardins Securities - Analyst*

Okay. Just a second question and I'm sorry, Phil, I'm going to pick on you again here, but you put out an earnings growth target for Asia of 15% and I know that's medium term. Just trying to gauge how you feel about achieving that in this year or in 2026. And this quarter, Japan was down and I think I understand why that was. And the other was flat. Hong Kong was obviously the big driver of the beat. And there's lots going on in the region right now, you got the GMT. So, I'm just trying to get a sense of how you're feeling about that target as we look at 2025 and into 2026.

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

Okay. Thanks, Doug. So, our earnings guidance really applies at the total company level, 10% to 12%. Though we have in the past sort of indicated how that breaks down across segments, it's not specific guidance across segments. When I look at the momentum that we've had in Asia, clearly, very strong earnings growth through 2024. It's been a little lower in the first quarter of 2025, 7% growth. But as you highlight, that's been distorted by year-on-year movements in ECL. And recall, a year ago in the first quarter, we had a favorable impact in Asia from the Global Atlantic reinsurance transaction, a big chunk of which related to Japan. So, normalizing for that, actually, the growth in Asia would have been about 11% year-on-year. And it's actually 8% higher than Q4, so you see that momentum building quarter-on-quarter.

My expectation for the full year is that the run rate that you see in the first quarter is a good run rate, upon which you will see business-as-usual growth from expansion of the CSM, subject to normal fluctuations in ECL and policyholder experience. And I think what really gives me confidence in the potential for continued earnings growth is when you look at the contractual service margin, we saw a 16% growth in 2024. And first quarter of 2025, the organic growth rate -- normalized organic growth rate in the CSM was 12%. So, I think they're encouraging signs.

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**Doug Young** - *Desjardins Securities - Analyst*

Appreciate the color. And Roy, thanks for everything and all the best.

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

Thank you, Doug.

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**Operator**

Gabriel Dechaine, National Bank Financial.



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

Hey. Just a different Asia sales question. Sales numbers have been pretty good. For a while, not very good. I'm wondering if mix is still a bit of a challenge from margin standpoint. I know for a while there you're selling the savings products that aren't super profitable. And if you're seeing a shift there or have seen a shift there, what the outlook for the trend particularly looks like? And I have a follow-up.

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

Okay. Thanks, Gabriel. This is Phil. You are right. Over the course of the past year, we've seen strong demand for savings solutions. And that's been across Hong Kong, it's been in Singapore, it's been in mainland China. And these are all big markets that are driving some of the key trends in the numbers. We're really focused on fulfilling customer needs and we have a range of different solutions on the shelf. As we look forward, I do see the potential for supplementing the savings demand with the fulfillment of other customer needs, health and protection needs. I referenced earlier the launch of some critical illness products in Hong Kong. I expect that to generate a little bit of excitement. And when you look at, actually, the quarter-on-quarter margin trends, particularly for Hong Kong, what you'll see is that there has been a bit of an uplift, a bit of a pickup in Q1 relative to Q4.

So I think what you see in terms of sales and new business value momentum in the first quarter, I think that's a good indication of what you can expect in the near term, subject to sort of normal variability in sales volumes that can arise, particularly where we've got a presence in third-party channels. And notably, in Hong Kong, there has been quite a strong emergence in the industry of the broker channel. And broker channels can always give rise to greater variability quarter-on-quarter, year-on-year, relative to agency and bancassurance, which do of course remain our core channels, both in Hong Kong and across Asia.

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

So, is it plausible that the sales numbers will still be good. But with this macro environment, maybe the shift to the more higher-margin mix might be deferred or delayed?

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

It's hard to be specific about what scenario might play out. I think in the near term, I expect the demand for savings to continue. A big portion of our business, particularly in Hong Kong for example, is U.S. dollar denominated. And the yield on U.S. dollar business is attractive relative to other currencies.

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

Gabriel, I'd just add that our savings products are still very good margin. So, I'd really want to dispel the myth that the savings products are low margin. We've got quite profitable savings products across the geographies in Asia. And as Phil said, I think one of the unique aspects of our franchise is the diversification, not just from a product perspective, but also from a channel perspective. So having a strong agency, strong bank capabilities, and then our broker, which is now a much more important part of our distribution, it allows us to continue that story of margin improvement. And as Phil said, at the end of the day, we're going to sell products that meet the needs of consumers. And again, we're delighted to have strong savings products that does that.

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

Got it. And then, the U.S. quickly, you mentioned some of the headwinds that have resulted in the trend line in profits going down. Expenses picked up quite a bit this quarter. I forget what it was last quarter there. But I'm just wondering what the story is there. Are you investing to reposition the business or what? Because on the consolidated level as well it contributed to the efficiency ratio, popping up over your 45% target.

**Brooks Tingle** - *Manulife Financial Corporation - President, Chief Executive Officer, John Hancock*

Thanks, Gabriel. It's Brooks Tingle. I appreciate the question. I would look at Q1 expenses as very much an aberration tied to some unique and important investments and things like Gen AI, digital, things that will yield further efficiency gains in the future. If you look over multiple years now, U.S. has been extremely focused on efficiency ratios, taking out a lot of expense. And we intend to continue to operate with extreme expense discipline.

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

Okay. Great. And Roy, I think I wished you a happy retirement or next phase last quarter. I'll do it again. Anyway, have a good one.

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

I'll take it twice, Gabriel. Thank you.

**Operator**

Tom MacKinnon, BMO Capital Markets.

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

Thanks. Just before I ask a question, just want to say congratulations to Roy and thanks for all your help. And all the best as you move on to your next adventures.

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

Appreciate that, Tom.

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

I guess the first question would be maybe for Marc, if you can talk about appetite for further legacy transactions, what percent is legacy of your core earnings now? And you're generating a lot of capital. Your LICAT has been flat for the last 12 months despite, I don't know, like about \$3.5 billion in buybacks here. So, you need to really do another transaction here. Any comments with respect to that? Thanks.

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

Good morning, Tom. It's Marc. Thanks for the question. I appreciate it. So, there's a few things that you mentioned to unpack. You talked about transactions and I think I'd be remiss if I didn't say that, as Roy mentioned in his opening remarks, we've done three transactions over the last, I'll say, 18 months that resulted basically in \$2.8 billion of capital released, as you imply as well, in terms of what we've done in terms of returning that to shareholders.

But more importantly, two of those transactions were including long-term care. And we basically reinsured over 18% of the risk. At the same time, as both Roy and Colin mentioned, we sold off \$3.8 billion of ALDA assets tied to these things. And we traded the whole thing at book value. And long-term care itself was traded inside 5% negative cede to our book value, right? So we feel quite confident that we accomplished what we wanted and it's been demonstrated, obviously, by the results that have ensued.

And more importantly, when you combine that with the variable annuity transaction we did in 2022 and you combine it with these transactions, our long-term care and VA earnings are less than 10% of the firm's earnings. And I would venture to say that mission accomplished in terms of what we wanted to do in terms of de-risking the portfolio, what we wanted to do in terms of demonstrating the robustness of the liabilities, and the assets backing these liabilities.

And more importantly, as we discussed a few times on these calls, we have very vibrant and robust organic plans to managing the business on a go-forward basis in long-term care. And those are showing a lot of very positive results. And actually, you can see in the quarterly results -- this quarter the overall long-term care experience was modestly positive, and it's been the case for a few quarters when we look at the experience.

So we feel quite confident that there is absolutely no need to do another transaction. Having said so, the mandate of the Inforce group is to actively manage organically and inorganically and optimize the risk reward tradeoffs of the balance sheet. So, we will continue to do so. Our first mandate is to do so organically and then we will do so inorganically if it demands. But we feel no obligation. And as we demonstrated, we always do it for the benefit of our shareholders, while keeping the promises to our policyholders.

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

Hey Tom. It's Colin. If I could just -- I was just going to jump in on the buyback points. You referenced our capital position incredibly strong, 137% LICAT ratio, so we don't need a reinsurance transaction to do buybacks. But I will emphasize, buybacks don't rank ahead of investing in the business. That's our number one priority. But the good news about our capital base is that we can do both quite comfortably as well as look at inorganic opportunities.

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

Okay. Great. And the second question or the final question is just with respect to the insurance experience gains we're seeing in Asia. Pretty solid \$17 million, U.S., kind of the best we've seen in a while. What's driving that? Are we passed any of these Vietnam lapse issues right now? If you can just address some of that. And what should be the outlook for insurance experience gains in Asia going forward? Thanks.

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

Thanks, Tom. It's Steve here. And as you know, if we set aside the P&C provision, if we look at our other insurance segments, we had positive experience again in each of our insurance segments in terms of total insurance experience. You mentioned Asia. So, Asia, we saw favorable claims experience, both mortality and morbidity, across a number of markets in the region. And that was the big driver there. We saw some modest lapse losses across a few markets. But that was more than offset by other experience. So overall, solid results in Asia.

In the U.S., overall positive. Marc mentioned a net positive in terms of LTC experience, which has continued the trends we've largely seen both through and then after the pandemic. Life, we saw modest claims losses, which were normal seasonality. And in terms of outlook there, our experience has been in line or slightly better than assumptions since COVID, so we feel good about that.

Vietnam, those issues are behind us. We had gains in Vietnam for the quarter, and that headwind, as expected, was alleviated in the second half of last year and we've seen continued favorable.

Overall, while there can, of course, be variability, we're in the large-case market, particularly in U.S. Life business. We feel pretty good about the outlook.

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

Okay. Thanks for the color.

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**Operator**

Paul Holden, CIBC.

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**Paul Holden** - *CIBC - Analyst*

Thank you. Good morning. First question is with respect to the negative ALDA experience this quarter. Not unexpected, but just want to drill down a little bit in terms of maybe you can give us some color and what drove the negative experience specifically and just confirmation that it's lower than assumed returns versus necessarily any impairments.

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

Hi Paul. It's Trevor. Thanks for the question. So just let me start by saying we still like the strategy. It's a good match for our long-term liabilities. And it produces strong returns with low volatility. But it is not going to be immune from the broader economic environment. As you noted, we did see weaker ALDA experience in the quarter, similar to some peers and consistent with slower public markets in Q4 and a little bit of increased economic uncertainty in Q1. Just to note, even in this environment, the portfolio continues to provide positive total returns.

To your question, the main driver of the non-core loss was again real estate. It does continue to improve slowly, while energy outperformed quite substantially. Private equity though, which, given some lumpy gains, had been quite strong in Q3 and Q4 of last year and was a little bit below target in Q1.

And then in terms of the outlook, we do expect to get back to our long-term assumptions. I think given the current uncertainty, the timing is probably a little bit deferred from our prior expectations. And you may see performance from quarter to quarter being a little bit dependent on the broader economic environment. But we do still expect to get back to our long-term assumptions. Thanks for the question.

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**Paul Holden** - *CIBC - Analyst*

Thank you. So maybe just a follow-up question on that. Because it's been, I guess, I don't know if ALDA's negative experience this year, I think, it makes it four years in a row, if I'm not mistaken. I know these questions came up in past calls. But at what point do you kind of need to revise those return assumptions? And what would it take? Is it how many periods in a row it underperforms relative to current assumptions? Is it sort of a change in the base value, like more impairments versus just underperformance? What would it take to change the ALDA return assumption?

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

Hi Paul. Trevor again. Thanks for the follow-up. I think we've said this before, but I guess the first thing I would say, I think we have underperformed our target returns for two years and one quarter. But in any event, these are very long-term assumptions, so they're not set for any specific year. And we do have a structured process to update them. It's not as mechanical, I think, as you sort of described. Our experience over time has actually been similar to our assumptions. But there have been periods of over- and underperformance, as we've seen over the last couple of years.

In terms of our process, they are reviewed annually by both Steve and my teams. We do look at our own and benchmark experience. We look at market expectations, we also look at current transactions that we're actually underwriting, including transactions where expected yields are actually above our long-term assumptions. So, I think for 2025, we'll obviously pick up the sort of recent weaker experience and we'll also be considering

the outlook for potentially slower, longer-term growth. But we do still feel that the assumptions are appropriate. So, while we do recognize the uncertainty that's out there, I do remain confident in the strategy and in achieving our long-term target returns.

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

It's Steve. I'll just add that while not giving a specific what would it take to change. If we look back, when we reduced the return assumptions back in 2017, one of the factors that drove that was interest rates had come down significantly. That was impacting cap rates and expectations of future return on our real estate portfolio. So that was one example. Obviously, interest rates are materially higher than at that point.

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**Paul Holden** - *CIBC - Analyst*

Got it. That's helpful. Thank you very much.

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**Operator**

Meny Grauman, Scotiabank.

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**Meny Grauman** - *Scotiabank - Analyst*

Good morning. Well, first, Roy, I want to join my peers in congratulating you and wishing you the best. And I wanted to ask about -- I wanted a little bit more detail on what drove the ECL line this quarter. Is this specifically economic assumptions or scenarios? I just want to get more detail really in the spirit of trying to understand the evolution of this ECL line as we think about it going forward.

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

Hi Meny. It's Trevor. Thanks for the questions. Yes, in terms of the ECL, as you noted, the ECL charge was larger this quarter than in Q4. But to your point, the underlying investment rate credit experience remained actually quite benign. And so just to remind people, the ECL charge is broadly made up of two components. The first one is the impact of defaults and rating changes, and the second is this modeled impact that reflects changes in the broader economic environment. Our ECL under IFRS 9 is actually similar to the large Canadian banks, and we include both of those components in core earnings.

So, specifically to the Q1 experience, our underlying credit experience from rating changes and defaults was actually neutral, which is a pretty strong result, with the ECL increase that you see largely model-driven due to the volatility in investment markets in Q1. So, it really was basically the broader economic environment, as well as some changes to the scenario weights. We increased the weights of the adverse scenarios within the model.

In terms of the outlook, I think Q2 has actually been quite volatile to date. So, it's probably too early to say where it's actually going to end up. But the portfolio, I think, is in pretty good shape. It's 96% investment grade and so we do still feel that the \$30 million to \$50 million a quarter that we've guided to is an appropriate run rate, I think, for normal conditions.

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**Meny Grauman** - *Scotiabank - Analyst*

Got it. And then second question on Asia, I just want to clarify, in terms of your commentary in terms of the impact of tariffs on consumer behavior in the business and wanted to see are you seeing any signs of customer behavior changing or your commentary, if I interpreted it correctly, you won't be surprised if you will see in the future some changes to behaviors. So, I just wanted to check if there's anything now that you can point to where tariffs are actually impacting anything in the business in terms of how consumers are behaving and consumer demand more specifically.

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

Hey Meny. This is Phil. Thank you for that follow-up question. And you've interpreted my comments right, that we're not seeing anything right now that suggests any notable change in consumer sentiment. And of course, you referenced tariffs. There's no direct impact of tariffs on our business. Our products, to a large extent, are sold within each of our markets. But I think that there is inherently a risk that where there is uncertainty in the macro environment, that could start to impact customer sentiment and cause customers to defer some decisions around, particularly long-term financial product commitments. So, we're not seeing it yet. But it's just on the radar as something that could emerge in the quarters ahead. We'll keep you posted on that.

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

And Meny, just to the broader question of impact of tariffs beyond Asia sales, I think what we've said many times in the past is that trade wars aren't going to be good for GDP, inflation, or unemployment. And as Phil said, we haven't seen it yet impact sentiment, though it could, and I think that that's largely a function of the fact that our products are typically needs, not wants. And I think that's true for not just us, but the entire industry, which has so far meant that we've been somewhat more immune to the impact of the uncertainty. However, who knows how that transpires over the course of the coming quarters. So, I think it's important to be cautious there.

I think the biggest impact as it relates to the uncertainty related to the trade war situation is that it will impact markets. And we saw that obviously in Q1 and to some extent, earlier in the period. And we highlighted earlier that we've reduced our sensitivity to market movements quite significantly over the last decade. Our interest and equity market sensitivity is a fraction of what it used to be. And under IFRS 17, the amortization of our earnings is really a function of our back book. So again, I don't want to paint too rosy a picture, but there is certainly a lot of resilience in our business that will put us in good stead.

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**Meny Grauman** - *Scotiabank - Analyst*

Got it. Thank you so much.

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**Operator**

Mario Mendonca, TD Securities.

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**Mario Mendonca** - *TD Securities - Analyst*

Good morning. There've been a lot of good questions on Asia insurance sales and momentum. What I want to get to is more like a very practical question. The obvious impact is that it slows down the additions to CSM and then if it were to persist for a very long time, eventually it would slow down the amortization of that CSM into earnings. That's the obvious bit. The part that I'm not clear on is if there's anything I'm not thinking about, is there any other impact on the Asia drivers of earnings like expense loads, reserve adjustments, if sales were to decline and stay low for an extended period of time?

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

Hey Mario. This is Phil. Thanks for the question. I'm happy to make a start and then Steve Finch can supplement from a technical perspective. So, if we were to see a sustained decline in sales over a long period of time, naturally what would happen is you'd see that flow through to the CSM. The CSM would remain stable and then start to decline. However, that would require quite a significant decline in sales and for it to be sustained.

Everything that I've seen to date doesn't suggest that that's on the horizon. And when I look at the longer-term drivers of demand across Asia, they remain very strong. And it's partly the demographic mega-trends, but also the growing relevance of some of the key markets in Asia from a global perspective -- Hong Kong and Singapore as emerging international wealth centers, and the increased interest in generational wealth transfer given the wealth that's been generated in the region over the course of the past three to four decades. Steve, do you have any comments from a technical perspective?

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

Yeah. I'd just add, Mario, you asked about sort of how does it impact the view on assumptions or expense assumptions in particular. And that tends to play out over a long period of time, and we actually saw some of that during COVID when sales across the industry were impacted in different markets at different times. And we looked at that through the expense studies. But certainly, the business takes actions if there's a very prolonged period of contraction, which we're not expecting here. But that would play out over a long period of time. We'd reflect expense actions and future outlook. So, I don't think you're missing anything from that perspective.

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

Mario, the only other thing I'd just chime in and add to that is that as we've thought about trade wars and the tariff situation and how it could unfold, from a risk management perspective, what we think as a source of strength for our franchise is that we've got a very diverse business. And where this trade war may create more pain is specifically one or two countries who are maybe more impacted, and the fact that we have such a diverse business globally, we think it's a source of strength. Again, we don't want to paint too rosy a picture, but that is something just to keep in the back of the mind as well.

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**Mario Mendonca** - *TD Securities - Analyst*

Okay. Maybe for Phil as the incoming CEO. I'm interested in your philosophical view on share buybacks in a period of stress. Where I'm getting at this is the banks, you can see a change in their share buyback activity pretty abruptly when things turn sour. There were several that were very active in the first few months of their Q2 and then shut it down in April pretty hard, when Liberation Day came and passed. For you and for Manulife, is there a similar philosophy around buybacks that despite having plenty of excess capital, you shut it down in periods of extreme volatility? And perhaps it's a little unfair because you haven't really sat on the seat yet, but how do you look at that?

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

Mario, thank you for the question, and it's a very fair question. Firstly, I'd just like to say how excited I am to be taking on the role. It's an incredible privilege that I take very seriously. But with specific reference to your buyback question, I do note that we're in a very strong capital position. Colin referenced that earlier. And it's not just that we're in a strong capital position now. The capital generation from our businesses, and that translating to remittance flows, is also very strong and that continues to be the case.

We also have a track record of delivering on share buyback programs when we've announced them. And so, Colin referenced the 2025 program that we announced in February. As I transition with Roy, there is absolutely no change to our intent with respect to that program. And of course, as is always the case with share buybacks, we will be responsible, we'll keep an eye on what's happening in the external environment. But the strength of our capital position provides us to be resilient. And actually sort of dollar cost average, if you like, consistency over time will serve us well with the share buyback.

With respect to decisions on future share buyback programs, those decisions will be made at the appropriate time, taking into account the facts and circumstances internally, externally, including alternative opportunities to deploy capital. And as Colin said, our number one capital deployment preference is investing in our business and it's really the excess capital deployment that then gets given back to shareholders by way of buybacks.

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**Mario Mendonca** - *TD Securities - Analyst*

Okay. And Roy, as the outgoing CEO, I have no questions for you. Just my best wishes to you in retirement.

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

Appreciate that, Mario. Thank you.

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**Operator**

Lemar Persaud, Cormark.

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**Lemar Persaud** - *Cormark Securities - Analyst*

Thanks for squeezing me in here. And I'll start off by saying Roy, congratulations on your retirement. And then, maybe I'm reading too much into it here and there's been a lot of discussion about the outlook for Asia. But on your comments to remind us about the contributions of Canada and U.S. to earnings, it sounds like you're setting us up for a potential weakness in Asia. Obviously, that's not the way this conference call has gone, but tell me why I'm perhaps reading too much into it. But maybe there is something there, like maybe the singling out of tariffs on China and the impacts that could have on the broader Asia businesses, why you're reminding us about the contributions of Canada and the U.S. You're not seeing it now, clearly, based on the answers on this call, but perhaps preparing us that there could be something in the coming quarters because of the interconnectedness and importance of China to these other Asian geographies. Hopefully that makes sense.

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

Thanks, Lemar. And firstly, thank you for your best wishes. I appreciate that and I appreciated engaging with you and your fellow analysts and obviously, the shareholders as well over the last 10 years. It's been an absolute pleasure.

I would say, you've misread maybe my comments, if you've interpreted us signaling for maybe weakness in Asia. The thing that I really want to emphasize is that one of the greatest strengths of our franchise is that we have a very diverse business. And I think that makes us more resilient. To be perfectly honest, if you think about the last decade, we've seen all boats rising and the value of a diversified business was actually much less. But as we look at the next chapter, with uncertainty both macroeconomically and geopolitically, having a diverse business that's not reliant on any one particular market, I think is a massive source of strength. That's true for our insurance business. But it's equally true for our Global WAM business, which again has demonstrated phenomenal resilience. And we've talked about the fact that we've had 14 years of positive net flows where again others have seen massive outflows.

So, the message that I was certainly trying to deliver is that we will see challenges from time to time in one market or another, it could relate to trade and tariffs, quite frankly, it could relate to other factors. And having a business that is as diverse as ours, I think really puts us in a position of strength and resilience that will allow us to navigate the challenges. We saw that in '24. We had, as we've described, the banner year in '24. And that was again a year where there was lots of uncertainty and volatility. But I think we demonstrated the resilience of our franchise. But Phil, you should probably comment a little bit more specifically as it relates to the outlook for Asia.

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

Yeah. Thanks, Roy. I agree with everything you've said, and when I look at the first quarter earnings, run rate for Asia, I think it's a good indication of what to expect in coming quarters, of course, plus or minus the impacts of ECL and routine policyholder experience variations from quarter to



quarter. And that stability in earnings is one of the advantages of IFRS 17. So, I'm not too worried about the impact of short-term variations in sales volumes on earnings outcomes. And I think we had touched on that before.

Lemar, you did reference mainland China in your comments a few moments ago and I will highlight that we've operated in the market for 125 years. It's over that time we've seen an awful lot happen, including in recent memory as well, introduction of tariffs, increases in tariffs, changes in tariffs. And what we've seen in that environment is continued sustained demand reflecting the sort of demographic drivers that we've talked about on so many occasions. So, I continue to remain optimistic about our opportunities in Asia. And if there are variations over the short term in sales volumes, earnings will be stable.

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**Lemar Persaud** - *Cormark Securities - Analyst*

Appreciate it. Thank you.

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**Operator**

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

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

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

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**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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