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PRESENTATION

Operator

Please stand by. Your meeting is ready to begin. Please be advised that this conference call is being recorded. Good morning, ladies and gentlemen. Welcome to the MFC analyst call. I would now like to turn the meeting over to Mr. Ko. Please go ahead, Mr. Ko.

Hung Ko - *Manulife Financial Corp - Vice President Group Investor Relations*

Thank you. Welcome to Manulife's conference call to discuss our reinsurance transaction with RGA that was announced yesterday afternoon. Material related to the transaction, including webcast slides for today's call, are available on the Investor Relations section of our website at manulife.com.

Before we start, please refer to slide two for a caution on forward-looking statements and slide 14 for a note on the non-GAAP and other financial measures used in this presentation. Note that certain material factors or assumptions applied in making forward-looking statements, and actual results may differ materially from what is stated.

We will begin today's presentation with opening remarks and an overview of the transaction from Roy Gori, our President and Chief Executive Officer. Following Roy's remarks, Marc Costantini, our Global Head of Strategy and Inforce Management, will provide more details on the transaction and an update on our LTC organic optimization initiatives. After the prepared remarks, we'll move on to the live Q&A portion of the call. (Operator Instructions)

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

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

Thanks, Hung, and thank you, everyone, for joining us today on relatively short notice. We've had quite a bit of news over the last few days. We're going to speak to all of it, and we'll leave plenty of time for questions. I'm going to start by talking about my decision to retire, then we'll walk you through the details of our exciting LTC transaction.

So first, my decision. Yes, having been CEO since 2017 and with Manulife for 10 years, I've decided to retire, and I can tell you that it was not an easy decision. I love my job. I love this company, and I love the leadership team that has delivered on our transformation journey. But I also know that this is the perfect time to hand the baton to a new leader.

In 2017, after serving two years as Asia's CEO, I was asked to lead Manulife. That was an incredible honor and privilege, and I was truly humbled to be asked to lead this amazing historic company. When I took on the role, we set out to transform Manulife and deliver market-leading sustainable high-quality results. We set ambitious goals to derisk our business and reduce volatility, to improve our expense efficiency, to transition from a high-risk low-ROE business to a lower-risk high ROE business, to accelerate our growth and increase the contribution of our highest-potential businesses, including Asia and Global WAM.

We also aimed to be the digital, customer leader in our industry. And we knew that all of this is only possible with a highly engaged, high-performing team and world-class culture. Then we developed a clear game plan for achieving our objectives. Thanks to our amazing team and the laser-like focus on execution and accountability, we have, in fact, transformed the company and largely achieved what we set out to achieve.

We have, in fact, expanded our core ROE by more than 5-percentage-points to almost 17% in the third quarter and raised the bar with an 18%-plus target. Released $12 billion of capital since 2018 and are on track to return $9 billion to shareholders through share buybacks during the same period. Increased core earnings contribution from our highest-potential businesses to 70% from 54% in 2017, and delivered top-quartile total shareholder return over the last seven years.

As a result, we put Manulife in a position to achieve even more ambitious goals in the next chapter of the company's history. I've always known that these would be the perfect conditions under which to hand the baton to a new leader, who can drive the company through the next phase of this transformation and take Manulife to new, more extraordinary heights. And we couldn't have a better incoming CEO than Phil Witherington.

Most of you know Phil, but if you'll indulge me, I'd like to say a few words about him. I've known Phil for almost a decade. He is one of the first people that I met at Manulife when I joined in 2015. And we quickly became partners in transforming Manulife Asia and took Manulife from number 6 to a top three pan-Asia insurer.

When I became CEO, he was the obvious choice for CFO and was a key partner in developing and executing our transformation plans. As we all know, he is an amazing leader, smart with a deep understanding of our business and industry, strategic but also deep into the details and he knows how to execute. I'm delighted that the Board selected Phil to be the company's next leader. I have every confidence that he will not only continue to drive the great momentum and progress that you've seen from Manulife, but also help chart a course for this company to scale even greater heights.

Now before we turn to the transaction, I'd like to say a few thank yous. I want to thank our customers for putting their trust in Manulife. Without them, we do not have a business. Our shareholders for seeing the tremendous potential and value in this company. Our colleagues and my leadership team for delivering on our potential. The Board and Chair Don Lindsay as well as my previous chairs, Dick DeWolf and John Cassaday, for their support, insight and guidance. And to all of you, the analysts who cover us, for pushing us to be better, for challenging us when necessary and for acknowledging our progress when we've earned it.

Thanks also to those of you who have reached out with good wishes. We'll have plenty of time to connect between now and May and catch up. But for now, let's turn to another great example of our ability to execute the momentum that we've built.

Starting on slide 4. Earlier this year, we closed the largest-ever LTC reinsurance transaction, and I'm pleased to announce today a second historic LTC transaction in less than a year. We've entered into an agreement with RGA, a highly rated reinsurer to reinsure $5.4 billion of reserves across two legacy blocks of business, including $2.4 billion of a younger LTC block.

This is another example of the tremendous progress that we've made in transforming Manulife from a high-risk, low-return business to a high-return, low-risk business. And it builds on the momentum that we've created, thanks to the strong growth of our Asia and global WAM businesses, continued execution in Canada and the US, as well as our progress in becoming the digital customer leader in our industry.

Together with our strong business growth, including record new business metrics in the third quarter, this agreement further demonstrates that we are delivering on our commitment to unlock significant value for shareholders. Let me share with you a few of the strategic benefits of this transaction.

First, we're transacting with RGA, a highly rated strategic partner of Manulife, with whom we have multiple existing reinsurance arrangements. When this transaction closes as anticipated in early 2025, and including our prior LTC reinsurance transaction, we will have significantly reduced our LTC portfolio. This is evident by the 18% cumulative reduction in reserves and proportional decline in our LTC morbidity sensitivities. The transaction also includes a block of legacy US structured settlements, and we expect to reduce ALDA by $1.5 billion.

Second, the transaction is a full-risk transfer on a younger LTC block, characterized by a much greater proportion of active life reserves than the block included in our prior transaction. The negative LTC cede was modest, which further validates our LTC reserves and assumptions.

Third, similar to the prior milestone LTC deal, this transaction will also unlock significant value for shareholders. The transaction was executed at close to book value, and we expect to release $800 million of capital, which we plan to return in full to shareholders through share buybacks under a new NCIB program.

Subject to OSFI and TSX approvals, we plan to put the NCIB in place after our current program expires in February of 2025. After accounting for share buybacks, the deal is expected to be accretive to core ROE, which will be a tailwind towards achieving the new core ROE target of 18%-plus announced at Investor Day.

Finally, we remain focused on further unlocking shareholder value. We see tremendous opportunity to generate significant value from our organic LTC initiatives, supported by our unique ability to leverage technology and our scale. These initiatives will reduce the range of outcomes on our LTC blocks, generating value for shareholders while also improving the retained blocks' attractiveness to potential counterparties. And we remain open to inorganic LTC opportunities at the right price.

Slide 5 shows how this transaction will unlock significant value for shareholders. We are transacting on two legacy blocks, including LTC and structured settlements, at an earnings multiple that is close to where we currently trade. And as I noted, after we return freed-up capital to shareholders, the transaction will be accretive to core ROE and neutral to core EPS while reducing risk.

With that, I'd like to turn the call over to Marc Costantini, our Global Head of Strategy and Inforce Management, who will provide more details on the transaction and an update on some of the exciting organic LTC initiatives. Marc?

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

Thanks, Roy. We are excited to execute another transaction to reinsure a portion of our legacy blocks, covering US LTC and structured settlements. As Roy mentioned, this also marks our second LTC deal in 12 months on a younger block. I will walk you through the details of the LTC component, starting with slide 6. It is important to note that our LTC inforce business has blocks with varying characteristics, and the business continues to mature as policyholders age and we gain more claims experience.

We have some more mature LTC blocks, a portion of which was reinsured through our previous LTC transaction. We also have younger LTC blocks, which are less mature and written under different underwriting standards and policyholder benefits. In this transaction, we are reinsuring 75% of the cohort of products consisting of policy sold between 2007 and 2011 with an average issue age of 2008.

The transacted LTC block has younger characteristics compared with the block that was previously reinsured. The average attained age on active life reserves is 75, eight years younger, and the proportion of active life reserve is higher at 88% compared with 65% previously. Compared with our retained LTC blocks in aggregate, the transacted block has comparable policyholder benefits and similar overall maturity profile.

We're extremely happy to once again partner with RGA, an experienced global reinsurance partner of ours. This is our fourth large inforce reinsurance transaction together, including the Canadian UL block we closed together earlier this year. The pricing of this transaction, including a modest negative cede on the transacted LTC block, further validates our reserves and assumptions.

As a reminder, our reserving process is very robust. Under IFRS, we are required to regularly update our assumptions for emerging experience, meaning our reserves are up to date. We currently hold a 17% buffer or risk adjustment over our best estimate liability. We are pleased to see sophisticated counterparties transacting with us on both mature and younger LTC blocks. Before moving on, it's important to also highlight that we will continue to administer both transacted blocks, and we are committed to continuing to provide excellent customer service to our policyholders.

Over to slide 7, which highlights the cumulative impact of our two LTC transactions. Today's transaction further reduces our LTC reserves by 6%, bringing the cumulative reduction to a total of 18% upon closing. Our LTC morbidity sensitivity is also reduced proportionally by 17% combined.

You'll notice on this transaction, the decline in LTC morbidity sensitivity is slightly larger than the reduction in reserves, which reflects the block being relatively younger and having a slightly wider range of outcomes as a result. It's important to reiterate that the morbidity sensitivity shown here is before any potential future premium rate increases, if experience deteriorates.

Also of note, under the quota share reinsurance, any premium increases approved post-closing on the ceded block will be proportionally shared with RGA. As highlighted during our Investor Day in June this year, we have made significant progress on our strategy to transform to a higher-return and lower-risk business.

Including the transaction announced today, we will have cumulatively released $12 billion of capital through our organic and inorganic optimization efforts, contributing to over $9 billion in share buybacks since 2018. These actions have supported our robust core ROE expansion, which is up 5-percentage-points since 2017.

This brings me to slide 9. As we talked about before, one of Manulife's greatest strengths is our digital capabilities, which is driving our new LTC organic opportunities, many of which are already in flight and delivering value. We have three streams of work underway. First, we continue to focus on eliminating fraud, waste and abuse. Health care fraud is a significant issue for our industry with some estimates that it can represent up to 10% of health care claims.

Historically, fraud was detected retroactively, which is much slower and less effective. We are now utilizing advanced analytics models to analyze data for potential fraud, and we're enabling digital controls such as geolocation and proof of payment that change customer behavior and proactively prevent fraud.

For example, we ask independent care providers to use a geolocation service to capture their time in a customer's home. This feature has already given us a 10% reduction in claims for caregivers using the feature. Overall, we expect to achieve nearly 3% of claims savings in 2024, illustrating the significant impact this work is already having.

Second, we are leveraging our scale to develop a preferred provider network, which will offer high-quality services to our customers at discounted rates. And finally, we are helping customers live at home longer by offering health interventions and utilizing incentives, emerging technology and rewards to influence behavior. Overall, this work is a win-win as customers can live independently for longer, and we can prevent delay or shortened care requirements.

These LTC initiatives are expected to generate significant value over time by bending the morbidity curve, reducing the range of outcomes and delivering future claims savings of 5% or more. We also see these initiatives as levers to potentially reduce the need for future premium increases.

Moving to slide 10. We continue to build on our strong track record of securing premium increase approvals. Since 2008, we have successfully received approval for a total of USD12 billion on a present value basis of premium rate increases. More recently, we have nearly achieved USD2 billion of premium increases that were embedded in our LTC reserves as of the last review of actuarial methods and assumptions in 2022.

We have always been conservative on the premium re-rate assumptions in our reserves. Only 30% out of the total estimated ask was embedded in our LTC reserves. In addition, we have been successful in providing alternative protection solutions to policyholders to meet their evolving needs while reducing our risks. We first offered landing spot options in 2010, which gives policyholders flexibility on reducing future inflation protection to offset premium increases. It's been well received with a 50% acceptance rate to date.

And we also offer cash buyout options as an alternative to premium increases to policyholders. Lastly, we are currently exploring the feasibility of exchange programs, where customers could have the option of leveraging the value in their stand-alone LTC policy and transfer it to a life product with an LTC rider. The additional benefit options have the potential to be attractive to customers while diversifying our risk profile. We are encouraged by the momentum and the potential benefits from these organic activities, which contributed to the marketability of our LTC blocks and the success we've had in derisking this portfolio.

With that, I will now pass it back to Roy for closing remarks. Roy?

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

Thanks, Marc. In closing, we're excited to reinsure a younger LTC block with a highly experienced strategic partner with pricing that will unlock value for shareholders. Our franchise has been delivering very strong momentum, and our second LTC deal in less than a year further transforms our portfolio towards higher growth, higher ROE and lower risk. Looking forward, we're optimistic about the significant value that can be generated from organic LTC optimization though we remain open to inorganic opportunities.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Meny Grauman, Scotiabank.

Meny Grauman - *Scotiabank GBM - Analyst*

Hi, good morning. Roy, I'm curious on your perspective here. Given the further validation of your LTC reserves and assumptions and then also acknowledging the organic improvements that you still have that Marc talked about, does it even make sense to do another LTC transaction from here? Or maybe more broadly, under what circumstances would it make sense from a valuation perspective in particular?

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

Yeah. Meny. Thank you for the question. You're -- I think you're right. Well, the first thing I'd say is that we executed our first and, quite frankly, the largest LTC transaction last year, and I think we created a lot of shareholder value. And there were still some outstanding questions at the time. I think the first was, is there a market for LTC? Or is this a one-off?

And the second question was, is there a market for younger blocks? And I believe that with this transaction, we've answered those questions. And we feel really good that with now two very significant transactions and a reduction of our LTC reserves by approximately 20%, we've really put our position forward in a very positive way and articulated and demonstrated the quality of our reserves.

So we're only going to transact in future if we believe that there is value for shareholders to be created. But at the same time, we're really excited about the organic opportunities. We think there's a lot of opportunity to create value for shareholders organically. Marc touched on that. And we think there is where we're going to see much more significant value to be created. And quite frankly, when we've executed these transactions with counterparties, they've looked at not only what we've achieved, but what we're planning to achieve organically, and that's gotten them actually quite excited as well.

So we're feeling comfortable having now completed these two transactions. And we still see a lot of opportunity ahead of us. And if that includes further inorganic transactions, then yes, but I don't think it's necessary.

Meny Grauman - *Scotiabank GBM - Analyst*

And just as a follow-up, is it safe to assume that you would need to see a much higher valuation to do another LTC deal? Is that something that you would say makes sense as you think about it?

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

No, I think the way I'd look at it is, again, when we transact, we want to transact at a price that's attractive. And this transaction, again, on a younger block, was at a more modest cede -- negative cede than the previous one. I think that's illustrating the evolution of the market. We saw a similar thing with variable annuities in 2021 and '22. So I'm expecting that, that will continue. And obviously, we'll take that into consideration when we think about further deals, counterparties and the price that we transact at.

Meny Grauman - *Scotiabank GBM - Analyst*

Thank you.

Operator

Alex Scott, Barclays Capital.

Alex Scott - *Barclays Capital Inc - Analyst*

Hi, good morning. First one I had for you all is just on the LTC market and what you're seeing. As this market matures, there's been these transactions that are pretty large, but maybe like a little bit more bite-sized than taking larger blocks with varying characteristics across it. Do you think that's where the market is heading? Are you seeing any kind of appetite like that in the market?

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

Yeah. Good morning, Alex. It's Marc Costantini here. Thanks for your question. I guess you ask a very good question. I would say, as we sit here today and if we rolled the calendar back 12 months, I would say many people thought we would not transact on LTC anytime soon for various reasons. And as Roy just mentioned, we transacted the largest block ever last year, and we just followed it with the second largest block within 12 months on a different vintage, as we discussed.

We mentioned last year, more importantly, that there was interest from multiple parties in the transaction last year. And there was, again, multiple parties that we discussed this transaction with along the way. So I can't speak for everybody else that has LTC, but I can speak confidently and demonstrated by these two transactions, that there is interest for Manulife's LTC business. And it's for all the reasons that this team and the company have basically communicated to all of you for a number of years, the balance sheet, the way we manage the block and its economics. So we feel very comfortable that the market is evolving.

Alex Scott - *Barclays Capital Inc - Analyst*

That's really helpful. And maybe as a follow-up, I guess, just on the transactional front, another place where some of these reinsurers are particularly focused is Japan and related to the transition to the economic solvency ratio. And I just wanted to get a feel there, I mean, is there any desire to do reinsurance type transactions on blocks in Japan, whether to just optimize things around the ESR ratio? Any appetite there?

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

Yeah, Alex. So it's Marc here again. I'll start, and I don't know if Colin or Steve want to add after. So the transaction we did last year on LTC included a legacy Japanese block of ours, but it was unrelated to any local capital requirements or evolution there in terms of requirements. We feel quite comfortable. We have a very large vibrant business there. We have a lot of ambition there to continue growing. We see the Japanese market as a very positive.

And frankly, we see a lot of these other sophisticated, I would say, global firms having keen interest in Japan. And I think what Japan is doing is fair, and we will be able to effectively manage our business against whatever comes about so, and we feel comfortable.

Alex Scott - *Barclays Capital Inc - Analyst*

Thanks very much.

Operator

Gabriel Dechaine, National Bank Financial.

Gabriel Dechaine - *National Bank Financial Inc - Analyst*

Good morning. The retained blocks, $39.4 billion in reserves. Is there any group LTC in there? I believe there is. Could you size it? Two, this transaction with RGA, was it one counterparty? Because I believe the Global Atlantic one, you had a Global Atlantic plus another reinsurer. And then three, we've had two transactions. I think people are going to run a similar math, but the chunk that's LTC and then there's non-LTC that you're packaging in, but non-LTC stuff has been around 1.5 times the size of the LTC blocks ceded.

If we use that math as measuring yardstick, whatever, I would assume you need $50 billion, $55 billion of non-LTC legacy assets to package in future transactions if you're going to get rid of the whole LTC block. Do you have that size of legacy liabilities around to do such a thing?

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

Gabriel, it's Marc. So thanks for your question. So yes, there's a few things there to unpack. So let me start. So your first question was related to our group LTC block, which we do have a block. And you mentioned the $39 billion of remaining liabilities. I would say, rough math, it's about 30% of the block. So think about it that way. It's a younger block. It's got modest benefits compared to the individual LTC block. So a lot of risk characteristics that are favorable compared to the remaining block which we transacted on, so that could give you an indication of potentially the appetite for that block.

So the second part of your question is tied to the bundling, if I can call it that, of portfolios with LTC. And I will remind you that if you look at our LTC reserves on our balance sheet right now, post this transaction will be at 10% or less of the overall insurance reserves on our balance sheet. And we transacted both blocks with a concentration of LTC of 45% or more, which I think leads to your question.

So -- and it's all done at book value. So that shows the strength of the -- and the robustness of our balance sheet, which was obviously one of our objectives when we did these transactions. So as the market evolves, as is completely natural, and you see this in other segments of legacy blocks, we would expect the concentration of other liabilities that surround transactions like this to decrease over time.

And I will go back to the first question that Roy got about managing the block organically and the upside of it. So we're not in a hurry. We've demonstrated, and that's why we had those slides and these remarks, that the remaining block is being very actively managed to very solid outcomes. So we are in the privileged position of being able to be patient. So -- and we will only strike with the right counterparty at the right price for the right reasons, and we'll continue to do so.

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

Gabriel, I might just chime in as well. I would say that I don't think that packaging LTC with other blocks is a necessary condition for future transactions. It happens to have been the case for us with these two transactions, and we're delighted for that to have been the case.

When we look at transacting and we talk to counterparties, we look at what's valuable to them and what's valuable to us. So including structured settlements in this deal was a very valuable part of the equation for us as much as it was for RGA. So we think that's actually a good evolution, and we think that's going to continue to be the case for future LTC transactions. But we don't see that as a condition. And you did ask a question about counterparty, it was just RGA alone in this deal, just for clarity.

Gabriel Dechaine - *National Bank Financial Inc - Analyst*

Perfect. And Roy, congrats on the retirement. I guess, you're heading back to Aus or something or Hong Kong or -- well, I guess, we can take that offline. Anyway, have a good one.

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

Thank you, Gabriel.

Operator

Paul Holden, CIBC.

Paul Holden - *CIBC Capital Markets - Analyst*

Thank you. Good morning. First question is for you is regarding the reserves post transaction. So on the current slide deck, you show $39.4 billion of reserves following this $2.4 billion reinsurance transaction. If I go back to the slide deck from the first LTC transaction, it shows LTC reserves of $36.5 billion post that transaction. So just hoping you can help us reconcile those two numbers. It looks like there's some kind of organic growth in the reserves between the two transactions.

Steve Finch - *Manulife Financial Corp - Chief Actuary*

Yeah. Thanks, Paul. It's Steve here. It's fairly mechanical. You can think of the growth in reserves really driven by the change in interest rates. So if you look at the long corporate A somewhere between 10 and 30 years, rates have come down significantly since last year at Q3, and that's driving about three quarters or more of the increase in reserves. And then there is some natural growth as the block matures, but it's really driven by the interest rate environment at the end of Q3.

Paul Holden - *CIBC Capital Markets - Analyst*

Okay. That's helpful. So roughly three-fourth is rates and one-fourth is natural growth. Okay. And then second question, I'm just wondering how we should think about the change in the risk adjustment versus the best estimate reserve over time. You provided that 17% number in the slide deck. If I go back to the Investor Day deck from 2018, it looks quite different now that's on a PFAD basis versus best estimate and probably some things have changed with IFRS 17 accounting. But just wondering if you can give us a sense of how that risk adjustment buffer that 17% should evolve in the coming years.

Steve Finch - *Manulife Financial Corp - Chief Actuary*

Sure, Paul. It's Steve again. Yes. So the risk -- the margin under IFRS 4 was higher sort of explicitly because we included explicit margins for economic assumptions like interest rates and so on. Under IFRS 17, those are now implicit in the reserves and the risk adjustment is purely for the noneconomic assumptions. But no real change in overall margin that just sort of geography.

And then how it will change over time? Is the risk adjustment you should think of it as unwinding as the risk leaves our books. And so that means that, that risk adjustment will become proportionately smaller relative to the best estimate liability as the block ages. So it will roll off with the block.

Paul Holden - *CIBC Capital Markets - Analyst*

Okay. Got it. Thank you.

Operator

Tom Gallagher, Evercore ISI.

Tom Gallagher - *Evercore Group LLC - Analyst*

Good morning. Few questions for me. First one, just the 4% negative cede on IFRS on the long-term care part, what was that on US statutory?

Steve Finch - *Manulife Financial Corp - Chief Actuary*

Tom, it's Steve. You can think of that on a US stat basis if we normalize for the moving to book value basis, about a 10% negative cede. As you know, the US stat reserves, the formula reserves are locked in, so a little bit lower than the IFRS reserves.

Tom Gallagher - *Evercore Group LLC - Analyst*

Got it. That makes sense, Steve. So the -- and I guess just maybe if you could provide a little more color on this block. Has it been performing well? Have you gotten rate increases? And if so, can you give like a cumulative rate increase number on this block?

And then finally, I guess my biggest single question is, and this I think most people are wondering, as this block matures, does the lower lifetime benefits piece of it make it less likely to develop adversely than your current older block? Like how big of a deal is that when you think about modeling out and scenario testing for this kind of cohort in your block? Thanks.

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

Yeah, Tom, it's Marc here. Thanks for the question. So in terms of the performance of the block, I would say the performance of this block has been on the same level as the performance of all of the rest of the block of the similar age characteristics. So there was no -- I would say, distinctive characteristics here that made this block more transactable or less for that matter.

In terms of historical rate increases, as was mentioned, we've had a great track record, $12 billion on a PV basis, $2 billion already since the last assumption increase. And that factors in obviously, as we transact this block , the success we've had and there. Similarly, I would say these organic initiatives that I mentioned earlier play a big role in terms of the span of outcomes, and that factors into the block of business.

And the specific of how much rate increase this block has had historically versus the rest, we don't have here at our fingertips, but we can probably give you that off-line. But I would say it's the same success rate as we've had in the other blocks of business. And the actual characteristics of the liabilities, you are correct. Obviously, this is a block that has more inflation protection than the block we transacted last year. It's obviously a much younger block with a higher active life reserve. And it's got less lifetime benefits than maybe the older vintages.

And all that factors to the economics of how we transact. But more importantly, I think it demonstrates that Manulife can transact on any block, which is what we're quite proud of and how we manage the block actively across all the portfolio. And so that's how we think about it. Thank you.

Gabriel Dechaine - *National Bank Financial Inc - Analyst*

Okay, thanks.

Operator

Lemar Persaud, Cormark.

Lemar Persaud - *Cormark Securities Inc - Analyst*

Yeah, thanks. Maybe a bigger picture question for Marc or Roy, if you want to weight in as well. Can you talk about how the evolving rate environment is impacting the potential to execute on these reinsurance deals?

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

Yeah, Lemar, thank you for your question. So that's -- it's a very interesting question because we transacted at very close to book value as we saw in this transaction. And I would say that spreads are at all-time tights and maybe Trevor can speak to that, if you want. But -- and that's the factor, I think, that affects as well these transactions where spreads are. And when you look at the various counterparties that are interested in this business and RGA obviously being one of them, where interests are and where spreads are and where they manufacture their assets against these liabilities are very important, right, and how it compares and contrasts to how we manage these blocks.

So I would say it's not necessarily the pure term structure of interest rates, but spreads factor a fair bit. So -- and we think where they are and our ability to transact at close to book value says a lot about the quality of the business and the quality of the economics underlying the business and where we ended up. But I'm not sure, Trevor, you want to add to that. He's saying no.

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

Lemar, I might just add that just the topic of interest rates more generally, not specifically as it relates to transactions, is certainly a positive tailwind. And I'm talking not about the short end of the curve, but more the longer end of the curve, having an upward sloping yield curve and one that is higher than what we've experienced over the last decade or so has been a positive tailwind. We talked about that on our earnings calls. But then as Marc articulated, specific to the transaction, it hasn't helped or hurt, if anything, the tightening of spreads has been a bit of headwind. So actually, if we see spreads widen a little bit, that may actually be an opportunity in the future.

Lemar Persaud - *Cormark Securities Inc - Analyst*

That's helpful. And then obviously, this is a different block of long-term care as the Global Atlantic deal. But can you help me understand the difference in the multiple, the 11.4 times. I think it was 9.5 on the Globe deal. Obviously, as you mentioned, the range of outcomes is greater on a younger block. So I would have guessed that would put downward pressure on the multiple. And then also the change in long rates, as mentioned in an earlier answer, caused a rise in the LTC reserves. Maybe it's because what we should be really looking at is the lower lifetime benefits. Hopefully, that kind of explains where I'm going at. I'm just trying to square up the two deals and the difference in the PE multiples.

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

Can I maybe start, Lemar and then hand it to Marc. I think what you're seeing here is what we've predicted, and that is that we're seeing the evolution of the LTC market for transactions. So yes, this is more attractive from an earnings multiple perspective despite the fact that it's a younger block. But the transaction we did in December of last year was not only the largest, but it was the first for a very long time. And quite frankly, the expectation at the time was that there wasn't really the possibility of completing a transaction.

So I think what you're seeing here with the earnings multiple improving is what we predicted, and that is that we're seeing now a market open up. And we've seen many more parties want to talk to us, and I'm sure that's true for the industry about transactions. So I think it's more that. And you're right, the headwind is that this is a younger block where there -- the fan of outcomes is actually quite larger, which should have been a headwind, but I think it's the counterpoint being the evolution of the market, which is actually helping here. But Marc, you might want to add.

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

No. I mean, Roy said it well, Lemar. I guess the only thing I would say is, as you can imagine, there's a number of factors that go into structuring these transactions and the outcomes. And our objective, as Roy had mentioned in his opening remarks, is to be able to share that we're releasing $800 million. We're returning it to our shareholders. It's going to be ROE accretive to the tune of 14 basis points, it's going to be EPS neutral. And we're getting upwards of 18% of reserves off our balance sheet and risk after this transaction on LTC and the blocks that we transacted with LTC our legacy blocks that are not core to our future. And that's what we try to optimize.

And when it comes to the exact capital release and multiple, we just want to make sure it ties to these global objectives we have, and that's what we're highly focused on in delivering value for yourselves and for, obviously, our counterparts.

Lemar Persaud - *Cormark Securities Inc - Analyst*

Appreciate the time. And Roy, congrats on the retirement and Phil for getting the nod at the CEO.

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

Thank you, Lemar.

Operator

Tom MacKinnon, BMO Capital.

Tom MacKinnon - *BMO Capital Markets Corp - Analyst*

Yeah. Thanks, and good morning. And congrats on the deal. I think the last time when you did a deal, you had mentioned the ROE on the business that was transacted, and I think the LTC was slightly above 10 and the rest of the business that was transacted was slightly below 10. So overall, it was 10. Would you be able to provide ROE on the business that you're reinsuring with this RGA transaction and if possible, split it between the LTC and the structured settlement business? Thanks, and I have a follow-up.

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

Good morning, Tom. It's Colin here. Actually, the combined business has an ROE of between 9% and 10%. I don't have the split between the two blocks to hand.

Tom MacKinnon - *BMO Capital Markets Corp - Analyst*

Okay. And I think you're losing about 1% of your earnings outside of the capital that's released the $800 million. Would the remittances go down correspondingly 1% as a result of this deal?

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

Yeah. The very long-term remittances absolutely would reduce with the absolute reduction in earnings, a very small number relative to the overall group earnings. And we stick by our 60% to 70% remittance as a percentage of core earnings in the long term and very comfortable with the $22 billion remittance target we've got for between now and 2027.

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

Yeah. And Tom, we're expecting core earnings per share to be neutral from this transaction as well.

Tom MacKinnon - *BMO Capital Markets Corp - Analyst*

Yeah. And the $800 million that in terms of the capital that's released, how much of that relates to the ALDA disposal? And then how much of that relates to everything else?

Steve Finch - *Manulife Financial Corp - Chief Actuary*

Yeah, Tom, it's Steve. ALDA is a good piece of it, but there's also insurance risk that we're laying off as well. So it is a combination of the two.

Tom MacKinnon - *BMO Capital Markets Corp - Analyst*

Okay. And then the final one is just packaging this with a structured settlement. It seems like they're both exposed to longevity risk. Like help me understand how there's any kind of risk mitigation with respect to packaging this with structured settlement business.

Steve Finch - *Manulife Financial Corp - Chief Actuary*

Yeah, Tom, it's Steve. If you look at Manulife's portfolio overall, we are really well balanced between mortality and longevity risk. And that really showed up during the COVID pandemic when we saw offsets across different businesses. The size of this transaction relative to that sort of balance, we're very comfortable where we sit post transaction on mortality versus longevity, and it's something that we manage over time.

Tom MacKinnon - *BMO Capital Markets Corp - Analyst*

My question was more on structuring, not which you've got left on your own balance sheet, but positioning it with the reinsurer, whereby you would sometimes think that you give them businesses that would help that combined would be offsetting in terms of their risks. This seems to be so heavily both weighted towards longevity. Just help me understand some of the thinking that you had with the reinsurer and packaging these two blocks that, in my opinion, might be both exposed to longevity risk.

Steve Finch - *Manulife Financial Corp - Chief Actuary*

Got it. I'll pass it over to Marc for that.

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

Yeah. Tom, thanks for the question. You're hitting on an important point in how these transactions come together, which is the win-win, right? What do we -- what is our objective? And what could be the objective of the counterparty? And in this case, obviously, RGA. And maybe -- and you have to ask them, but maybe they want to balance the mortality risk on their book with longevity risk, and that's how these two blocks of business fit their economic profile, and that's why it's a win-win when they look at their economic risk as a result.

And why -- and they think this is a very good transaction for them, and we're happy for that outcome. So it's an intricate part of how this all comes together and how we bring our blocks to market and how -- and what markets we actually aim to transact with and the partners we choose. So a good question.

Tom MacKinnon - *BMO Capital Markets Corp - Analyst*

Okay. Thanks.

Operator

Darko Mihelic, RBC Capital Markets.

Darko Mihelic - *RBC Capital Markets - Analyst*

Hi, thank you. Good morning. Great slide presentation. I noticed though that you're not mentioning where you are in your journey towards reducing long-term care as a proportion of earnings? Can you give us an update on where long-term care earnings will sit as a proportion of earnings for your company after this deal has transacted?

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

Hey, good morning, Darko. Thank you for that. We set the goal, you'll remember many years ago about reducing LTC and VA as a percentage of our total business. And we measure that through core earnings. And at the time in 2017, it was approximately 24%. The goal we set was 15%. And we thought that if we could get to 15%, then this would become much less of an issue for shareholders. And we surpassed that target some time ago. And now we're circa 10%, 11%.

So we feel that, that measure is now less relevant, having a completed not just the first transaction that we did last year, but now this second transaction, and that will continue to improve over time. But at approximately 10%, we feel that we validated our reserves and the risk associated with LTC is really well understood. So we're really proud of the progress we've made in reducing LTC contribution. And we think that's going to be a continuing glide path from this point forward.

Darko Mihelic - *RBC Capital Markets - Analyst*

Thank you. That's helpful. And then the second question I have is probably for Marc. As you work through these deals, a few questions come to mind with respect to the reinsurance market for long-term care. First and foremost, we've had two strong counterparties. Are you capable or able to tell us how many counterparties you've been dealing with? And that would help us understand the appetite for further potential deals.

And then I also had a question on the organic measures. I'm not as familiar with the exchange programs, something that you're currently exploring. And I'm just wondering if you go through with a strong exchange program offering, this would clearly alter the book, right? You'd have a lot more life versus long-term care, since it would just be a rider. How does that alter the possibility of future deals as well should the exchange program really take off?

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

Okay. Thank you, Darko. I appreciate the questions. So the first one was related to the reinsurance marketplace. And as you've noted and we had mentioned last year that there was interest from multiple parties in our block. And I would say that was the case again in this transaction. You asked specifically how many. I'm not going to necessarily give you a number, but I'm going to tell you that it was a multiple and more than two, meaning that the two we transacted with are not the only two that had an interest and there's other, I would say, global world-class companies that have an interest in transacting with Manulife on our long-term care portfolio. So that is encouraging, I guess.

So -- and we do pick these counterparties very carefully ourselves. So -- and that's important to us. That's -- it's a very long-term relationship. So the organic measures, which is a very good question, we're managing the block very actively. As you saw there on a couple of slides, I talked about all the activities fraud waste and abuse, the preferred provider of the health and wellness and, obviously, the re-rates. And when you talk about re-rates, as was mentioned there, back 14 years ago, we started offering alternatives to our customers, and that continues to evolve.

Like starting in 2022 in our filings there for re-rates, we started to file for buyout options, and enabling our customers and their families to make the right decisions for themselves. And if they wanted to cash out of the policy, we were making them an offer. And that program is active and is part of our, what we call, landing spots now. And what you're referring to is as well, the evolution of development of alternatives where we would exchange the program, right, and offer an alternative product. That's not currently part, but it's something that we are designing around right now.

So we can't -- and I can't sit here and tell you what the success rate of that will be or not. But it's part of our, I would say, promise to our customers to give them options as their personal livelihood evolves, and it's got good economic outcomes for us. So we expect that when and if we introduce these programs that they will be successful and they will change their complexity, but I would say all of that is thought through ahead of transacting on these blocks and well understood by our counterparties.

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

Darko, I might just add in quickly. We are really -- I'm happy you asked the question because we're really excited about the organic opportunity that exists for our business. And I think Marc has done a tremendous job of evolving this package of effort. And we think there's a lot of value that actually we can create for the organization and ultimately, therefore, for shareholders. And it also makes more of our block transactable. So it's really a win-win, and it's also a win for the customer. If we can get people to stay in their homes for longer, obviously, we win with that, but customers typically don't want to go into long-term care facilities.

So if we can use the technology that we've got at our fingertips, which quite frankly, wasn't available 10 years ago, that is a good thing for the customer and for the customers' family. So we're quite excited about this next chapter. We think there's a lot of value that will be created. And as a result, we think that we're really well positioned to really turn the story on LTC from one that has typically been very negative to being a much more positive story.

Darko Mihelic - *RBC Capital Markets - Analyst*

Okay. Great. Thank you very much for that. And Roy, best of luck in retirement. I'm sure we'll catch up before you actually leave. Thanks.

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

Thank you, Darko. Look forward to that.

Operator

Gabriel Dechaine, National Bank Financial.

Gabriel Dechaine - *National Bank Financial Inc - Analyst*

Hi. Follow-ups, I guess. Just following on the line of questions that Tom had, but I do want to talk about it from a -- or ask about it from a Manulife standpoint. I suspect some of the interest or if not a lot of it in counterparties in this long-term care stuff is because they want more longevity risk. They want a product that is more profitable when more people die, I hate to sound morbid, but that's what it is for the layman.

Now how does Manulife, if you were to get rid of all your long-term care, would that have a material impact on the balance between mortality and longevity risk you have on your balance sheet? and if it does, are there easy ways to address that to get -- to restore the balance, if you will, through your reinsurance operation through -- you can reinsure away mortality risk in your Life business? Is that something that I should or shouldn't worry about?

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

Gabriel, let me start, and Steve wants to answer this question, but I got to say this is the question that I'm most excited about. The fact that now we're getting a question as to maybe getting rid of too much LTC being a problem is something that I've waited for, for eight years. So thank you for asking that question. But Steve, over to you.

Steve Finch - *Manulife Financial Corp - Chief Actuary*

I'm smiling as well. Gabe, yes, part of what Marc was just talking about in terms of all of the things that we're doing to manage this block for our customers, for shareholders, that's really attractive to counterparties. So us continuing to manage a significant part of the block is going to be key over the long term.

As we move forward, it's something that we'll watch in terms of balance of our risks. It's something that we do all the time. There are a lot of different levers and things that we can do. And it's something that we'll look at over time. Frankly, it's not something that I worry about. As we look forward on LTC, we will be able to manage the balance between longevity and mortality.

Gabriel Dechaine - *National Bank Financial Inc - Analyst*

Okay. And then my other question is actually a follow-up on my own earlier questions. If I were to carve out the group LTC from the $39.4 billion because that to me has lower capital requirements and probably a lower level of profit contribution as well, and I want to just isolate what's left on the individual side, I suspect those percentages for active life reserves, lifetime benefits, inflation protection, those would move higher, and therefore, the capital intensity of the individual blocks remaining is also probably higher. Would it look similar to what you've transacted today or last night or to what you transacted last December? And I'm just looking at the ratio of capital release to total reserves affected.

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

Yeah, Gabriel, it's Marc here. Thanks for your question. So you were saying the caveat that excluding the group business, what's remained, and I think the block we transacted today looks a lot like the large proportion of the block that remains. If you recall, when we transacted last year on the older vintage, we said we still had another block of, let's call it, USD3 billion to USD4 billion of similar vintage as last year. But the balance of the block looks a lot like the one we transacted today, which is why we're quite happy with the outcome we reached and all the economics we shared with all of you and the transaction with RGA we just announced for exactly that reason.

Gabriel Dechaine - *National Bank Financial Inc - Analyst*

That's very helpful. And then speaking of that USD$3 billion to USD$4 billion block, any status update there? I think everybody thought because you isolated that one or at least identified it as transactable or whatever term was used, that, that would be the next to go and it's not, not that that's a bad thing, but I guess it's still out there and you're just negotiating or where does that stand?

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

Very good question. And by the way, I'm happy we caught you off guard in a positive way and transacted on a younger block when everybody thought we would transact again on the older block. So your -- I guess I'll go back to move the calendar back 12 months, who would have thought we would have done three transactions, about $25 billion of liabilities, about $3 billion of capital, about $4 billion of ALDA -- about 50 basis points ROE accretive in the space of 13 months.

I won't speak to what's coming in the future, but I would say that we did make remarks about there was a lot of interest in our business and there continues to be. But the one thing we'll make sure it always happens is when we transact, we transact for the right reasons at the right price, and that will be always the case.

Gabriel Dechaine - *National Bank Financial Inc - Analyst*

Okay. And then we focus on long-term care last, I swear. What about the secondary guarantee UL? Well, you have a pretty size large-sized legacy business there. Is that -- is there any possibility that we're going to have similar conversations about that and similar transactions involving secondary guarantee UL in the future? And I'm talking about near term as opposed to 10 years from now.

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

Yeah. Gabriel, it's Marc again. I guess I'll say what I just said is that we are always looking across our legacy business, and portfolio optimization continues to be a priority for Manulife, and that includes managing all of the legacy blocks and the guaranteed UL is one of those. Obviously, as evidenced by what we've done over the last 12 months, we focused on long-term care for obvious reasons.

But I will note that the $6 billion Canadian block we did with RGA was a UL block, and it was a UL block with a long-term guarantees tied to it implicitly. So we did transact on a UL block. You're referring to the US one, obviously, but -- and that's always, as I just said, part of our portfolio optimization objectives.

Gabriel Dechaine - *National Bank Financial Inc - Analyst*

Okay, great. I've asked enough questions. Have a good remainder of your day.

Operator

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

Hung Ko - *Manulife Financial Corp - Vice President Group Investor Relations*

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

Operator

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