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# Manulife Financial Corp. (MFC)

Investor Day

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**Adrienne O’Neill (moderator)**
Global Head of Investor Relations, Manulife

# 1. OPENING REMARKS

**Adrienne O'Neill**
Global Head of Investor Relations, Manulife

Good morning, everyone, and welcome to Manulife's 2021 Investor Day. I am Adrienne O'Neill, the Global Head of Investor Relations, and I'll be your host for today's event. It has been a while since we could connect with you in person, and we're all thankful that you've joined us today at our first virtual Investor Day.

Before we begin, I am pleased to share with you a new chapter in how we open our events. Across Manulife, we are committed to diversity, equity, and inclusion, and this commitment means that we are consistently changing how we move forward as a company. A part of this progress includes incorporating an indigenous land acknowledgement where we recognize and acknowledge the history of the land on which we operate. It's important for us to show our respect for indigenous peoples and recognize their enduring relationship to the land. We, the employees of Manulife, acknowledge that we are on the traditional territory of the indigenous peoples. As we gather today on these treaty lands, we have the responsibility to honor and respect the four directions, the land, waters, plants, animals, and ancestors that walked before us, and all the wonderful elements of creation that exist. Today, these gathering places are home to many First Nations, Metis, and Inuit, and indigenous peoples from across Turtle Island. Acknowledging them reminds us of our important connection to this land where we live, learn, and work. We recognize, honor, and respect these nations as the traditional stewards of the land and water on which the Manulife offices are now present.

With that important acknowledgement, I'll provide a brief overview of today's agenda. We will begin with the presentation from Roy Gori, our President and Chief Executive Officer, who will update you on the next phase of our strategy and discuss why Manulife is uniquely positioned for success. This will be followed by Phil Witherington, our Chief Financial Officer, who will deliver a financial update as well as an update on our legacy businesses. This will be followed by presentations from Anil Wadhwani, President and Chief Executive Officer of Manulife Asia; Paul Lorentz, President and Chief Executive Officer of Manulife Investment Management; and Karen Leggett, our Global Chief Marketing Officer. There will be an opportunity for investors and the analysts to ask questions to our presenters and other members of the leadership team during the Q&A panels throughout the day.

Given the current circumstances, today's presentations were pre-recorded, and the Q&A sessions are live with our panelists joining from various locations around the globe. Please note the legal slides for the presentations today, which include a caution regarding forward-looking statements and a note on our use of performance and non-GAAP financial measures. Comments made today may include forward-looking statements as defined in securities legislation. Note that certain material factors or assumptions are applied in making forward-looking statements, and actual results may differ materially from what is stated. These legal slides and all the presentation slide decks are posted within this virtual platform and will be available on the Manulife Investor Relations website.

With that, I'll hand things over to our President and Chief Executive Officer, Roy Gori.

## 2. STRATEGIC UPDATE: ACCELERATING OUR GROWTH ENGINES, POWERING THE NEXT PHASE OF OUR JOURNEY

**Roy Gori**
President & Chief Executive Officer, Manulife

Thanks, Adrienne. Good morning, everyone, and welcome to Manulife's 2021 Investor Day. While we're excited to bring everyone together virtually this year, I can't wait to get back to meeting with many of you in person when it's safe to do so.

Hosting this Investor Day is incredibly important to our leadership team. It's an important opportunity to interact with you, answer your questions, showcase the progress on our strategy, and demonstrate our commitment to our goals. Today, we'll update you on the next phase of our strategy as well as on our financial and operating performance and guidance. We have a busy morning lined up with deep dives into our Asia and Global Wealth and Asset Management businesses, as well as an update on our digital and customer strategy.

Before we dive in, there are five key messages that I'd like to share with you. First, customer centricity is at the heart of our ambition. We are harnessing the power of digitization to make decisions easier and lives better for our customers. Second, we've made significant progress executing on the strategic priorities that we announced at our Investor Day in 2018 and have also delivered impressive financial and operating results. Third, it's well-known that the megatrends impacting our Asia and Global WAM businesses are incredibly attractive; however, we believe that Manulife stands out against many of our peers because we're uniquely positioned to win in these markets. Our Asia and Global WAM businesses both have strong track records and will demonstrate why we are confident about our right to win in these markets. Fourth, we've entered a new phase of our strategy with a greater focus on accelerating the growth of our highest-potential businesses and are committing to meaningful metrics to measure our progress through to 2025. That being said, I want to be clear that we're very committed to continuing to optimize our legacy portfolio, including our long-term care and variable annuity businesses, and we're going to tell you more about that today as well. Finally, we believe that the investment case for Manulife has evolved and is very compelling.

Our ambition to be the most digital customer-centric global company in our industry is anchored through the lens of three key stakeholders, our customers, our employees, and our shareholders. For customers, our goal is to make their decisions easier and lives better by delivering an outstanding experience. We measure success through our Net Promoter Score and set an ambitious goal at our last Investor Day to improve our NPS by 30 points. Our employees are crucial to our success, and I'm a strong believer that culture will be a sustainable long-term competitive advantage. Here, we aim to achieve top quartile employee engagement results. And finally, we are committed to consistently delivering top quartile shareholder returns. I'm confident that our strategy to achieve this ambition is more relevant than ever, which consists of three components, our mission, our strategic priorities, and our values. These are not just words that hang on our office walls. They drive our decision-making and define how we work together. Our mission. Decisions made easier, lives made better inspires our organization to prioritize customer centricity. We use technology to attract, engage, and retain customers by delivering an outstanding experience, something that's been particularly evident throughout the pandemic. We announced our five strategic priorities at our 2018 Investor Day, and I'm confident that they remain the right strategic priorities to guide us forward. Our values have been refreshed since our last Investor Day. These values were developed with the help of our employees in all our geographies and underpin our culture of making the right decisions for our three key stakeholders. Our values empower our team to help us achieve our ambition and set a new benchmark for our industry.

In 2018 at our last Investor Day, we laid out ambitious targets for each of our strategic priorities, and our disciplined approach and focus on execution has resulted in significant progress. You're all very familiar with the progress that we've made on these metrics, so I'll not go through each one of those in detail; however, I would like to make some comments regarding portfolio optimization. As you know, we achieved our portfolio optimization target three years ahead of schedule. These actions released $5.9 billion of capital, reduced the size of our legacy business, and improved core ROE; however, despite achieving our target, we've not yet transacted on either LTC or VA. We are committed to optimizing these businesses as well as our other legacy businesses through both organic and inorganic means.

Thanks to our strong and consistent financial results, we entered 2020, a year with significant challenges and headwinds, in a position of strength. Core EPS growth has been strong with a CAGR of 15% from 2016 to 2019, above our target of 10 to 12%. Core ROE has been solid. We exceeded our 13%+ target in the two years prior to the pandemic and delivered double-digit core ROE for the past five years. New business value has increased significantly with a CAGR of 20% from 2016 to 2019. This illustrates our track record of delivering robust growth, most notably in Asia. And finally, our book value per share, excluding AOCI, has shown steady growth and exhibited resilience throughout the pandemic.

On the left-hand side of this slide, you will notice that we delivered a compound annual dividend growth rate of 11% over the last five years, which was supported by steady earnings growth. We have a history of progressive dividend increases, and this remains one of our top capital deployment priorities. We look forward to resuming dividend increases when the current restrictions are lifted. We are committed to our goal of delivering top quartile shareholder returns. Manulife's total shareholder return ranked in the second quartile compared to our peer group for the five-year period from 2016 to 2020, which is an improvement from the past. Despite our progress, we have more work to do. And I believe that as we continue to deliver strong results, execute against our five priorities, and make progress against the targets that we've established and the new metrics that we're announcing today, we will continue to unlock shareholder value.

I've mentioned in the past that the competitive landscape is changing quickly, and the pandemic has accelerated these dynamics. I believe that Manulife is uniquely positioned to capitalize on these trends and is well positioned to win in the coming decade and beyond. First, the macro environment is being shaped by three megatrends, the growth and emergence of the middle class in Asia, an aging global population, and the digitization of the consumer. It's also evident that customers' perceptions of the importance of insurance and wealth management products have been heightened by the pandemic, and we've seen that momentum increase. For example, in May of 2020, shortly after the onset of the pandemic, we conducted a survey in Asia and found that the proportion of individuals interested in purchasing new insurance had increased to 62%. By November of 2020, a similar survey revealed that that figure had climbed further to 71%. And in the U.S., individual life sales for the industry as a whole increased 11% from the prior year in the first quarter of 2021, the highest growth in the number of policies sold since the 1980s.

With our top three ranking, Manulife is a clear top-tier Pan-Asian life insurer with insurance and/or wealth operations in 13 markets in Asia. We have a world-class distribution network, and our Global WAM franchise is diversified across three business lines, is at scale, and has a long history of consistently generating positive net flows, which have been supported by a proven track record of delivering solid investment performance.

The third mega trend I noted was the growing prevalence of digitization. Consumer expectations and digital adoption rates are increasing quickly. Distribution channels are rapidly adopting new technology, and the benefits to scale are increasingly being tied to the effectiveness of leveraging data. We've made solid progress on our digital transformation, including investing more than $750 million in digital over the last 3.5 years and seen strong adoption of our digital offerings.

Finally, as I noted earlier, I believe that culture will be a sustainable long-term competitive advantage. This is accentuated by the speed with which digital is impacting the industry. And in my opinion, only a highly engaged, high-performing team can consistently exceed customer expectations and deliver superior results.

The growth and emergence of the middle class in Asia creates a tremendous opportunity for Manulife. The middle class in Asia is expected to reach 3.5 billion by 2030 and will represent approximately two-thirds of the world's middle class. As these households accumulate wealth, they will drive higher demand for financial services and insurance protection. We expect to see very significant growth in insurance premiums over the next decade in Asia and at more than double the rate in North America. And the mortality protection gap in Asia is forecast to increase 55% by 2030, generating a potential pool of US$350 billion of annual premiums. Insurance penetration rates are at very low levels across many of our markets in Asia, representing a significant growth opportunity as those markets develop. So, what does this mean for Manulife? In a scenario where insurance penetration rates in the Philippines, Indonesia, Vietnam, and China increased to 3%, still well below rates in more developed markets, it could result in approximately $1 billion of incremental APE sales for Manulife at our current market share. To put this in context, our total Asia segment APE sales were US$2.9 billion in 2020.

The global population is aging rapidly, which is driving higher demand for retirement and asset management solutions. We are seeing life expectancy rise, and the percentage of the population age 60 and over is expected to make up 21% of the global population by 2050, up from 13% today. These trends are increasing the number of global retirees as well as the amount of savings required to sustain a longer retirement, so it isn't surprising that the retirement gap is forecast to increase dramatically over the next few decades. This effectively represents the difference between what people need for retirement to sustain their existing lifestyles versus what they currently have in savings projected at an annual growth rate. By 2050, the global retirement gap is expected to grow from US$70 trillion to US$400 trillion with significant expansion in many of the markets where we operate. In Asia, we are also expecting net household wealth to increase at a faster pace than North America, resulting in a greater pool of investable assets.

The digitization of the consumer is happening at an accelerating pace. We are seeing significant growth in the number of people and devices connected to the internet. By 2025, there will be over 30 billion devices connected, more than double current levels. Global gigabit connectivity will connect everyone and everything. The growing prevalence of 5G networks is enabling the connection of devices 50 times faster than 4G. This increasing connectivity means the amount of data generated will grow exponentially. This is leading to three emerging implications. The first is that data will allow for much greater personalization and the tailoring of solutions to meet the needs of consumers. Second, it will impact the speed of interactions with customers and the way they interact. Self-serving will become much more important, and messaging will play a bigger role in how they engage with organizations. And third, the simplicity and connectivity of offline and online platforms will result in greater customer satisfaction. Physical and digital experiences are becoming much more connected, and companies that get these experiences right will be rewarded with higher Net Promoter Scores. Overall, our current investments in digital and customer have set us up well to capitalize on these trends by providing digital, differentiated, and personalized experiences to both our customers and advisors.

We have a diverse global business with core earnings contributions from a wide variety of sources. This played a key role in the resilience that we demonstrated over the last 18 months. 2020 was obviously a challenging year on several fronts. And while many of the headwinds persist, our business has shown strong signs of recovery as you can see in our first quarter 2021 results. It's encouraging to see this momentum, and we are confident that it will continue as the global economy reopens.

We've been operating in Asia for over 120 years and are a top-ranked player in many of our markets. Looking at this graphic, you can see just how successful we've been at growing our franchise and outpacing our peers. In 2014, we were ranked sixth amongst life insurance peers in Asia by new business sales and trailed top players quite significantly. As of 2020, we are now clearly a top-tier player and the third largest Pan-Asian life insurer, and we've significantly reduced the gap between ourselves and the top two competitors. This impressive growth is driven by our highly professional and growing agency force, successful bancassurance partnerships, strong digital offerings, and the strategic expansion into high-potential markets. We have tremendous momentum and have our sights set on continuing to narrow the gap between Manulife and the top two Pan-Asian life insurers.

I made a comment early in the pandemic that certain companies would emerge from these trying times stronger than they were before. I'm very proud that Manulife's Asia franchise is included in a small group of companies for whom this is the case. We gained market share in six markets, which is a testament to the tenacity of our team, the strength of our distribution channels, and the quality of our digital capabilities. Now, when I talk about the emergence of the middle class in Asia, we won't be satisfied by simply riding the wave of economic growth across the region. As we look to the future, I'm confident that our strategy will allow us to continue to outpace the growth of our peers and gain market share.

Early in my tenure as CEO, I made an important structural change by unifying our global WAM businesses under Paul's leadership. This change has served us extremely well as we've leveraged our global scale to reduce complexity, lower core general expenses, and drive margin expansion. We have a decade-long track record of strong net flows, which have supported our AUMA growth. In fact, our AUMA has increased by $200 billion over the past four years, which is a CAGR of 9%. This growth is driving scale benefits, which are reflected in our growing core EBITDA margin despite headwinds such as fee compression, regulation, and the emergence of passive investing. Our core EBITDA margin has increased nearly 5 percentage points since 2016, and it has exceeded 30% for the last three quarters.

Finally, we are a market leader in several of our most important markets, such as the Hong Kong MPF, Canadian Retirement, and in the U.S., Retirement Small Case Market. We've been successful executing on our strategic priority of accelerating growth in our highest-potential businesses, including Asia and Global WAM, and as a result, we've seen the earnings profile of our company change rapidly. Global WAM and Asia have outpaced the growth in our other businesses and now represent 58% of total company core earnings, up from 49% in 2016.

Given the greater role that these businesses are playing in driving our results, we are excited to announce that we're expanding our disclosures for these businesses that will help measure our progress. For Global WAM, our enhanced disclosures will provide greater transparency into the composition of our AUMA, net fee income yield, as well as earnings metrics by business line, and the investment performance by asset class. In Asia, Hong Kong has exhibited tremendous success, and Asia Other has also been a significant contributor with a compound annual core earnings growth of 21% since 2016. For Asia, we will expand our disclosures to provide information on China, Singapore, and Vietnam separately in Asia Other. Phil will elaborate on these expanded disclosures in his presentation.

Over the last three years, we've strengthened our foundation significantly. Through our portfolio optimization initiative, we released significant capital and reduced leverage, providing greater financial flexibility. We right sized our expense base by eliminating significant costs to become much more nimble. We invested heavily in our digital transformation, laying the groundwork to meet the rapidly changing consumer demands. And we've built a strong culture with great talent that has brought energy to our transformation. Our strong execution and success on these priorities have positioned us well for future success and the next phase of our transformation. We've entered a new phase of our strategy that is focused on accelerating growth in our highest-potential businesses, and we'll do this by investing in Asia and Global WAM to deliver organic growth with superior returns and are open to utilizing M&A opportunities where it makes sense. Our customer and digital strategy is focused on solving our customers' most pressing feedback, creating market-leading differentiated customer experiences, and extending our relationships with customers.

We've made a lot of progress to date through the development and rollout of tools and technology, and I believe that we have a significant opportunity as we move forward to build on this strong foundation. Before we move on, I want to point out that we will continue to focus on optimizing our legacy businesses in the next phase of our strategy with particular emphasis on LTC and VA.

So, how will we measure success and hold ourselves accountable during this next phase of our strategy? We remain committed to our highest-potential businesses, generating two-thirds of our core earnings by 2022, and we have our sights set on a contribution of 75% by 2025. As part of this evolution, we aspire that core earnings from the Asia region as a whole, meaning the sum of our Asia insurance and Asia WAM businesses, will contribute 50% of total company core earnings by 2025. Net Promoter Score continues to be a key metric to measure the progress and impact of our digital and customer transformation. We remain committed to a score of +31 by 2022 and aspire to reach +37 by 2025. We will also be introducing a straight-through-processing metric. Here, our goal is that by 2025, 88% of customer interactions are digital without manual intervention. As I noted, Karen will provide an overview of our customer and digital strategy and explain how we're well-positioned to execute against it.

We remain committed to our foundational priorities in this next phase of our strategy. This includes optimizing our legacy businesses both organically and inorganically. In particular, our commitment and focus on optimizing LTC and VA is as strong as ever. And we plan to reduce the core earnings contributions from LTC and VA to less than 15% of total core earnings by 2025, which will entail focused organic optimization. We have a dedicated team working exclusively on this under Naveed's leadership, and Phil will expand on these actions shortly. And we would like to see this decline further to less than 10% of total company core earnings as a result of inorganic actions. On expenses, our expense efficiency ratio will remain our key metric as it accounts for both topline growth and expenses. We remain committed to consistently achieving a ratio of less than 50% in 2022 and beyond. Finally, we are extremely focused on our high-performing team and culture and maintaining our top quartile employee engagement score compared to global financial services and insurance peers. So, how does all of this come together? I strongly believe that our execution against these five priorities will generate significant value for our shareholders, and it will result in a much different looking company as our highest-potential businesses generate meaningful growth and our legacy businesses comprise a smaller portion of the company.

Why does Manulife present a compelling investment case? We have a solid foundation. Our execution against our strategic priorities has created financial flexibility and a nimble expense base, which provide us with the capacity and agility to achieve our growth ambitions. We have a strong track record of financial delivery. We have demonstrated robust core EPS growth, have a strong core ROE, and offer an attractive dividend. We also have a clear commitment to financial delivery and returning value to shareholders. Our Asia and Global WAM businesses present tremendous opportunities, which you'll hear more about in Anil and Paul's presentations. And we've made significant investments in our digital capabilities, which has translated into higher levels of customer satisfaction and lower costs. Karen will tell you more about this in her presentation. And finally, we have a firm commitment to ESG. In fact, I want to elaborate on how we're incorporating climate change considerations into our business decisions.

We recently announced three commitments on this front. First, our operations. While we've achieved net zero scope one and two carbon emissions in our operations, we are committed to further reducing these emissions 35% by 2035. Second, our investments. We are committed to steering our investment portfolio to be net zero by 2050. Third, our products. We are committed to providing nature-based solutions to mitigate climate change through, for example, our sustainably managed forests and farms. In making these three clear commitments on climate, we are challenging ourselves to take a leadership role by setting a robust plan for our operations and our investments and committing to provide products and services that are part of the solution. And as a sign of our commitment, goals linked to our Climate Action Plan are now tied to executive compensation.

So, in conclusion, I'm very optimistic about the next phase of the journey we're embarking on. Our strong execution over the past three years has put us in a tremendous position to succeed, and we have a clear path to get there. I'll now hand it over to Phil.

## 3. FINANCIAL UPDATE: STRENGTH. EXECUTION. GROWTH.

**Phil Witherington**
Chief Financial Officer, Manulife

Thank you, Roy. Good morning, everyone, and welcome to our 2021 Investor Day. It's great to have all of you here with us virtually, and I'm optimistic that we'll be able to meet again soon in person. Roy, Steve, Naveed, and I are looking forward to connecting with you during the Q&A panel, which will occur immediately following my presentation. Before we get into the details, there are a few key messages I'd like to share with you.

We've delivered strong core earnings growth, primarily driven by Asia and Global WAM. The strength of our balance sheet positions us well to focus on accelerating growth. IFRS 17 does not impact the economics of our business nor the financial results over the life of an insurance contract. The size and risk profile of our legacy businesses have declined. We continue to seek optimization opportunities and are confident in our ability to manage these blocks successfully. We are on track to deliver on our expense efficiency target and see opportunity to improve efficiency further as we build scale. And finally, we believe our financial and operating targets are achievable over the medium term and have a clear path to delivering on our core EPS growth target of 10 to 12%.

We have a credible track record of core earnings growth. And, as you can see from the left-hand side of the slide, our core earnings grew as a compound annual growth rate of 14% from 2016 to 2019. I've excluded 2020 as it was atypical due to the impacts of the global pandemic and is not reflective of our future earnings generation capacity. Our Asia and Global WAM segments were important drivers of this growth, and hence they are the focus of today's event. The convergence of our core earnings and net income attributable to shareholders over the last few years is a testament to the effectiveness of our hedging programs and a reflection of the actions that we've taken to optimize our legacy business and improve expense efficiency. Our book value per share, excluding accumulated other comprehensive income, increased steadily over the period, growing as a compound annual growth rate of 7% and reflecting strong results in our operating segments.

We believe that book value per share, excluding AOCI, is a valuable metric for the purposes of monitoring book value appreciation over time given that it does not include the impact of changes in interest rates on the valuation of the surplus bond portfolio, which is accounted for as available for sale. This metric also avoids distortion from the impact of currency translation of the net equity of operations with non-Canadian dollar functional currencies.

Growing our highest-potential businesses, in particular Asia and Global WAM, is a crucial element of the strategy to unlock value for shareholders and achieve top quartile shareholder returns. And as you can see from the chart on the left, the contributions from these two segments have increased meaningfully over the last five years from 49% in 2016 to 58% in 2020. We see very strong momentum in these two businesses and expect this trend to continue.

As Anil will speak to in greater detail later today, we are a clear top-tier Pan-Asian market leader with operations in 13 markets across fast-growing Asia, including developed, developing, and emerging markets. The new business opportunity in Asia is substantial, and we have scaled businesses across the region to capture this opportunity. Asia is not a potential future growth opportunity for Manulife. It is delivering now as evidenced by the 17% annual growth in new business value from 2016 to 2019. Consistent with my earlier comment, we believe that this time frame is most indicative of our future potential rather than the results in 2020, which were resilient but nevertheless lowered by the impact of the global pandemic.

And as Paul will speak to in greater detail later today, our Global WAM franchise has also delivered strong growth. Assets under management and administration have grown at a compound rate of 9% over the last five years, supported by strong investment performance and positive net flows in 10 of the last 11 years. In 2018, we unified our wealth businesses and managed them as Global WAM. This has served us well as we've leveraged our global capabilities to further scale our businesses and improve margins despite an industry backdrop of fee compression and the emergence of passive as an alternative to active management.

At the same time as delivering strong growth, we've also strengthened our balance sheet. Ahead of the transition to the LICAT capital regime in the first quarter of 2018, we had an MCCSR ratio of 224%, which represented capital of $16 billion in excess of the supervisory target. We experienced a smooth transition from MCCSR to LICAT as we reported a LICAT ratio of 129% in the first quarter of 2018, which represented approximately $16 billion of capital in excess of the supervisory target being the same we had reported in the previous quarter under MCCSR. Since that time, our capital ratio has improved to 137%, and our capital in excess of the supervisory target has increased to approximately $23 billion.

As I said during the Q&A session of our Q1 results call, the LICAT ratio of 137% reflects approximately $10 billion of capital in excess of the upper end of our internal operating range. In addition to strengthening our capital position, we also reduced our leverage ratio over the same time period. And as the pro forma illustrations show, we have redeemed a number of debt and preference share issuances in the second quarter. While above our medium-term target, our leverage ratio provides for financial flexibility, and we are not constrained in funding our key priorities and strategic investments. We remain committed to our medium-term target of 25%, although we do expect fluctuations depending upon the timing of financing and redemption or maturity of capital instruments.

On the topic of capital management, our embedded value reporting provides useful information. This slide illustrates the change in embedded value for the company over the past three years. Embedded value is a measure of the present value of the expected future distributable earnings on in-force businesses. It does not include any value associated with future new business. We reported embedded value of $61.1 billion as of December 31, 2020, an increase of 28% since the beginning of 2018. During the same period, contributions from interest on in-force and new business, which are characterized as EV operating profit by some of our peers, increased embedded value by over $18 billion or 39%. Of note, Manulife's EV operating profit has grown as a compound annual rate of 11.5% since 2018. Organic growth in embedded value was partially offset by the normal course payment of shareholder dividends, currency impacts, as well as other capital movements. The combination of shareholder dividends and share buy-backs amounted to a return of capital to shareholders of $7 billion over this period. Embedded value consists of two components, adjusted net worth, which represents the fair value of tangible net assets and the value of in-force business, which will convert to cash and contribute to free surplus over time.

This next slide shows additional analysis of the EV disclosure and illustrates the substantial value of in-force business and the consistency of underlying free surplus generation. Value of in-force represents the present value of future earnings on in-force business less the present value of the cost of capital to support it. As a reminder, it does not include any value for future new business or earnings from Global WAM, Manulife Bank, or our P&C reinsurance business. Free surplus generation consists of four elements; one, the emergence of profits from the value of in-force; two, the release of required capital as the in-force business matures; three, the expected investment return on free surplus; and four, earnings from Global WAM, Manulife Bank, and P&C reinsurance. The first two of these, the emergence of profits and release of capital from in-force, are the main drivers of free surplus generation. You can see that our profitable and growing in-force block has delivered a significant amount of free surplus generation. This free surplus generation provides for the return of capital to our investors and the funding for ongoing investment in our growth businesses. You can see on the chart the $7 billion we returned via dividend payments and share buy-backs over the three-year period as well as the deployment of over $3 billion to new business with an average IRR in the high teens, which contributes to the continued growth of present value of in-force providing for long-term sustainability of free surplus generation.

As we look to the future, it's important that we consider the expected timing and stability of free surplus generation. This slide does exactly that and shows the company's projected distributable earnings on a discounted basis, which is essentially how our $61.6 billion of embedded value is realized over time. This is a useful point of reference in evaluating the sustainability of Manulife's free surplus generation and ultimately capital deployment. Given that distributable earnings is the main component of free surplus generation, you can see that in the near term on a present value basis we can expect an additional approximately $30 billion of distributable earnings to emerge over the next 10 years, which represents nearly half our reported 2021 embedded value. This gives us a high degree of confidence in our ability to fund sustainable dividend increases as well as fund the growth of our high-opportunity businesses.

I'm going to shift gears now and spend a few moments discussing IFRS 17, the global insurance standard that Canadian insurers are on track to adopt in 2023. While it's too early to discuss the full impact of the standard as guidance and interpretations continue to emerge, there are a few points that I'd like to cover. I'll start with the most important, and that is that the change in accounting standards does not impact the economics of our business; however, it will impact where, when, and how specific items are recognized in the financial statements. With the implementation of IFRS 17, we will be adding a new component to our insurance contract liabilities, the contractual service margin. Today, under IFRS 4, we recognize new business gains in earnings. Under IFRS 17, new business gains will be deferred as contractual service margin and released into earnings over the lifetime of the insurance policy. On adoption, we will establish a contractual service margin for our in-force business at transition, and given that this is a new liability, it's expected to lead to a decrease in equity; however, it represents unearned profits that are expected to amortize into both earnings and equity in future periods.

We believe that the movement in the CSM will become an important metric in analyzing the results and assessing the valuation of insurers given that it represents unearned profit that is expected to emerge as income over time. What this means is contracting insurance businesses will drain their CSMs into earnings whereas insurers with profitable, high-growth businesses will build up the CSM, which is ultimately a store of future earnings.

I would also like to cover asset returns, which will no longer be linked to liability discount rates as they are under current standards. And as such, we are considering the OCI option, which allows for certain interest rate driven valuation movements in assets and liabilities to be recorded in OCI as a mechanism to reduce volatility.

And finally, it is our understanding that IFRS 17 will have a minimal impact on regulatory capital for the Canadian insurance industry overall; however, impacts on individual companies may vary. We anticipate that OSFI will amend the LICAT guidance with the objective of achieving overall capital neutrality at the industry level. To supplement my update today, we've created a standalone video that covers IFRS 17 in more depth, which will be available on the investor relations section of our website this afternoon. We'll also share more information with you as our implementation develops and we approach adoption.

At our Investor Day in 2018, we set an objective for ourselves to release $5 billion of capital from our legacy businesses. While we are pleased to have achieved that target by releasing $5.9 billion of capital through portfolio optimization activities over the last three years, we've not yet transacted on our long-term care or variable annuity blocks.

For the next few minutes, I will discuss the impacts of our portfolio optimization efforts, provide an update on the risk profiles of our long-term care and variable annuity businesses, and explain where we go from here.

Over the last three years, we've entered into 14 reinsurance transactions in North America to reduce risk and free up capital, and we've implemented several organic actions, including buy-back programs on our GMWB blocks, repricing of our life blocks, and renegotiations and recaptures of reinsurance. As a result of these actions, we have freed up $5.9 billion in capital, improved the core ROE on our legacy business to 10%, up from 9% three years ago, reduced the equity allocated to legacy businesses to $21 billion, and reduced the relative proportion of allocated equity that supports legacy businesses from over 50% down to 43%. Looking ahead, our commitment to continue to optimize our legacy businesses, especially long-term care and variable annuity, is as strong as ever. We are confident in our ability to successfully manage these blocks to maturity on an organic basis, but at the same time are actively engaged in seeking quality partners who are interested in transacting at a fair price.

And as Roy referenced earlier, we plan to reduce the core earnings contribution from LTC and VA to less than 15% of total core earnings by 2025, which will entail focused, organic optimization. We have a strong track record of successfully managing our long-term care business. Our provisions for adverse deviation continue to represent a significant margin of 42% over our best estimate reserves, and our IFRS reserves are roughly 35% higher than our U.S. statutory reserves. By contrast, our U.S. peers have average margins of approximately 5% over required reserves based on loss recognition testing.

Over the last decade, state regulators have approved rate increases amounting to US$9 billion on a present value basis to offset higher future claims costs. We've achieved over US$1 billion of the assumed US$1.9 billion of premium increases that were embedded into our padded reserves during our 2019 actuarial review. Consistent with past practice, we continue to be conservative on how much future premium increases we reflect in our long-term care reserves as evidenced by the fact that premium increases represent only 2% of LTC reserves. Finally, even excluding the impact of COVID-19, long-term care policyholder experience has been neutral since the 2019 actuarial review. And before we move on, I wanted to mention that we have published an updated table that contains the latest characteristics of our long-term care business broken down by block in the appendix.

Our variable annuity block is hedged efficiently and well managed. The first quarter of 2020 provides a credible demonstration of the robustness of our hedging program in a stressed market. Looking at the bottom half of the slide, you can see that the profile of our variable annuity business has changed significantly since 2016. In-force variable annuity guarantee value has declined significantly as the business ages. Our success with the Canadian and U.S. variable annuity transfer or buy-out programs has also contributed to the decrease, and the characteristics of the policyholders within the block have changed significantly; 100% of the GMWB business has now passed the surrender charge date, 78% of policyholders in the U.S. have reached their bonus date, and 39% and 54% of policyholders are now taking GMWB income in Canada and the U.S. respectively. As a result of these changes, the risk profile of our VA business has declined given that there is less uncertainty regarding policyholder behavior and consequently more certainty in the actuarial assumptions used to determine our liabilities.

As we move forward, taking a proactive and disciplined approach to optimizing our in-force business will be a key success factor in driving economic performance and delivering business value. This means portfolio optimization is not only about legacy optimization but more holistically about creating value through global in-force management. We believe that this approach to in-force management will help us to achieve target levels of return and an improved risk profile. We've analyzed our key in-force blocks across legacy and non-legacy businesses and have identified multiple actions to drive value. These include actions that will deliver near-term results, such as repricing and crediting rates that reflect prevailing conditions, transfer programs, and reinsurance reviews, as well as longer-term value drivers such as claims management and persistency management. For example, we are enhancing our fraud detection and prevention capabilities through advanced analytics, additional surveillance methods, leveraging of contractual rights, and the incorporation of new data into fraud models. We are also augmenting eligibility decisions with the use of greater data and advanced models to improve accuracy and fraud prevention, increase adjudication speed, and lower expenses. And we are actively piloting aging in place strategies, which enables customers to live and age more independently at home through relatively simple interventions that have shown success in comparable environments such as Medicare and the health insurance industry. Taking this comprehensive and targeted in-force management approach to each of our businesses will allow us to maximize the value delivered through our in-force blocks globally.

Moving on to the expense efficiency update. At our Investor Day in 2018, we declared our commitment to build a culture of expense efficiency to get our cost base into fighting shape. In order to be successful, we knew that we would have to evolve to operate with speed, agility, and efficiency. I'm very pleased with the cultural shift that has occurred throughout the organization, the impact of which is evident in the significant reduction in our expense efficiency ratio. We've made great progress and are on track to achieve our target of consistently reporting an expense efficiency ratio of less than 50% by 2022.

Looking beyond 2022, we have our sights set on achieving positive JAWS, meaning that we will endeavor to have our topline growth, the denominator of our efficiency ratio, exceed our core general expenses growth rate. We believe that this will be achievable as we continue to build scale, especially in Asia and Global WAM, and this will play a role in driving margin expansion. I'm very pleased that we delivered on our commitment of $1 billion of expense savings two years ahead of schedule; however, we believe there is further opportunity for improvement and have identified several opportunities, which will serve as enablers delivering positive JAWS well into the future.

These include, number one, process improvement with a focus on automation across the organization, enabling scalability of our operations both in terms of capacity and efficiency with lower cost per unit. Number two, real estate. We've already delivered benefits from the consolidation of our footprint, and there are further benefits to capture, especially given our remote working success and the reduced need for physical backup sites.

And in Asia, the opportunity extends to agency office space. Number three, we will continue to simplify and streamline the organization such that we focus on markets and distribution channels where we are at scale or have a clear path to scale and offer focused yet comprehensive needs-based customer propositions. Number four, third-party spend where we've had tremendous success in managing demand, selecting preferred suppliers, and negotiating better deals for Manulife. We've already upgraded our global procurement capabilities and are continuing to invest in tools and processes to drive further value. We are also investing in the consolidation and outsourcing of policy administration systems, which allows us to not only rebase go forward costs but also make the cost-based more variable, which is important in delivering efficiency and legacy businesses with portfolios that are contracting. And finally, number five, we will continue to invest in digital tools that allow for customer, distributor, and employee self-service as we believe this is consistent with delivering improved customer satisfaction as well as greater operational efficiency. My last comment on expense efficiency is that it is absolutely aligned with delivering our broader strategic priorities, including scalable growth and improving the experience of customers and employees.

As Roy discussed, we've entered a new phase of our strategy, which places greater focus on accelerating growth in our highest-potential businesses. It follows then that we have expanded our disclosures for Asia and Global WAM so that you, our external stakeholders, have the necessary information to analyze and value our growth engines. For Asia, we currently disclose financial information for three markets, Hong Kong, Japan, and Asia Other. In light of the growth in our Asia Other business over the past few years, we believe that China, Singapore, and Vietnam warrant separate disclosure. We plan to publish APE Sales, NBV, NBV Margin, and Core Earnings for each of these markets on an annual basis. For Global WAM, we play to publish Investment Performance, AUM by Asset Class, AUM Roll Forwards by Business Line and by Geography, Net Fee Income Yield, and Profitability Metrics by Line of Business.

And finally, let me provide an update on our financial targets. We have a clear path to delivering on our core EPS growth target of 10 to 12%. We plan to grow core earnings in our Asia segment by 15%+ over the medium term, which would contribute approximately 6% to total company core EPS. We plan to grow core earnings in our Global WAM segment by 15% over the medium term, which would contribute approximately 3% growth to total company core EPS. The combination of our Canada and U.S. segments would contribute 2% to total company core EPS, and the impact of our expense efficiency initiatives and in-force management would add an incremental 1% to total company core EPS. We are confident that our existing financial targets are achievable over the medium term, and we remain committed to delivering on these targets. As I explained, we are confirming our commitment to core EPS growth of 10 to 12% over the medium term. We are committed to delivering core ROE of 13%+ and believe this is achievable based on the composition and fundamentals of our business. Our dividend payout ratio target will continue to be 30 to 40% of core EPS, and we are committed to achieving our leverage ratio target of 25%.

So, in summary, we've delivered strong core earnings growth, primarily driven by Asia and Global WAM. The strength of our balance sheet positions us well to focus on accelerating growth. IFRS 17 does not impact the economics of our business nor the financial results over the life of an insurance contract. The size and risk profile of our legacy businesses have declined. We continue to seek optimization opportunities and are confident in our ability to manage these blocks successfully. We are on track to deliver on our expense efficiency target and see opportunity to improve efficiency further as we build scale. And we believe our existing financial targets are achievable over the medium term and have a clear path to delivering on our core EPS growth target of 10 to 12%.

With that, I'd like to thank you all for joining and will hand back over to Adrienne who will kick off our first panel.

## 4. STRATEGIC & FINANCIAL UPDATE: Q&A SESSION

**Adrienne O’Neill**
Global Head of Investor Relations, Manulife

Investors to join us live on screen to participate in the Q&A. If you wish to do so, please look at the Q&A chat box on the bottom right-hand side of your screen and submit your question.

Once we are ready to take your question, you will receive a Zoom link that you can click on and simply follow the directions from there.

In the interest of time and in order to give a broad variety of the group a chance to ask a question, we would ask that you limit your question to one per session and you are more than welcome to re-queue.

So, with that, let’s get things started and bring out our first question.

Welcome. Please go ahead.

Q

**Humphrey Lee**
Dowling & Partners LLC – Equity Research – Head of Life Insurance and Retirement Services

Hi. Humphrey Lee from Dowling & Partners. My question is regarding the core earnings contribution targets that you laid out kind of for the highest potential business to get to 75% and the legacy and LTC and VA down to 15% by 2025. Are those targets based on organic growth and runoff or do you assume some, you know, inorganic transaction?

I think the legacy business you kind of talked about, including inorganic transaction may be down to 10% but may be on the highest potential businesses, how to think about that?

A

**Roy Gori**
President & Chief Executive Officer, Manulife

Yeah, great. Let me start with that, Humphrey. Firstly, thank you for your question and it's great to see you. You're right. We set an ambitious goal of our high-potential businesses delivering 75% of our core earnings contribution in 2025, and that's up from the 2/3 contribution guidance that we provided for 2022.

At the same time, we're also articulating a goal of 15% contribution from both VA and LTC.

Now, in terms of how that will unfold, whether that's going to come through organic actions or inorganic, those goals are all to be delivered through organic means. So, we believe that we can achieve those goals and those targets through the organic expansion of our business, and that comes primarily through the accelerated growth of our high-potential businesses. And you've clearly seen that in Asia and GWAM. In fact, you know, from 2014 to 2019, Asia grew core earnings at a 15% CAGR. And from our GWAM business, from 2016 to 2020, we saw those businesses grow by 14%.

So, we think that we've really got a huge earnings growth potential that comes from both Asia and GWAM. We've seen that come to life over the last four or five years, and we believe that that will accelerate in the next three to five years and beyond that.

So, the short answer to your question is that we're going to see those targets achieved through organic means.

Now, we believe that there may be an opportunity for us to accelerate that even further inorganically. And LTC and VA, we believe that there is a potential line of sight to getting the contribution of those businesses to below 10% through the help of inorganic transactions in addition to the organic efforts that we're putting in place. And that again, I think, will be a huge, I guess, inflection point for our company where we have those businesses contributing, you know, quite frankly, a very minimal share of our earnings.

Thanks for your question, Humphrey.

Q

**Adrienne O'Neill**
Global Head of Investor Relations, Manulife

Thanks, Roy. Our next question is from Scott Chan and Scott is not joining us on screen but I will read out his question and then we will respond.

So, Scott asks, I believe that you mentioned $750 million of investments in digital technology over the past three years. Should we think of this investment being consistent over the next three years and could you give us examples in areas that would need prioritization?

A

**Roy Gori**
President & Chief Executive Officer, Manulife

Yeah. I'll probably tackle that as well, and we're going to spend a lot more time talking about digital later on today when you see Karen's presentation and we have an opportunity through the Q&A.

The short answer is that we're accelerating our digital investment. You're right, Scott. We have invested $750 million over the last three and a half years. And before we entered the pandemic, the crisis, we had invested $400 million. So, you can already see that in the last year and a half, we've already started to accelerate our investment in digital.

Now, those investments really put us in good stead and helped us navigate the crisis. You know, our straight-through-processing metrics went pre-crisis, up from 68% to 81%. Our auto underwriting went from 50% to 72%. Digital claims are north of 90%. We now have 57% of our apps in the cloud, and we're getting a significant share of our new business submitted digitally.

And again, I strongly believe that those investments in digital and the acceleration of digital adoption has really translated into our ability to navigate 2020 and the challenges of 2020 actually incredibly well.

Now, that digital adoption on behalf of the consumer is only accelerating, and I can't see that that's going to go back to the way it was before pandemic. So, we're doubling down on digital. We think that there is a huge opportunity for further growth. There are about 73% of our new businesses that have new business that is submitted digitally in Asia. And in some markets in Asia, we have 100% of our business submitted digitally. China is an example of that.

So, we clearly see a line of sight to digital becoming a huge enabler for our growth and the streamlining of our business and that's going to happen through not only the continuous investment in that space but also the increasing desire to adopt digital tools and technologies on the part of the consumer. And we see that happening across the board, whether it's servicing, claims, new business submission, and even quite frankly, the way that we're interacting with each other internally. Which is, quite frankly, why we are articulating as part of this Investor Day, a new target, which is our straight-through processing target.

We have achieved great progress getting that ratio up to 81%, but we think there is further room for growth there and that's why we're setting a new target to have 88% of our customer interactions with customers digitally straight-through by 2025.

So, again, thanks for the question, and we really do believe that the digital agenda is one that we're accelerating and we've significantly benefitted from and we believe that that will only continue in the coming years.

**Adrienne O'Neill**
Global Head of Investor Relations, Manulife

Thanks, Roy. And thanks, Scott, again, for that question. Let's bring out our next question, please.

Welcome. Please go ahead.

Q

**David Motemaden**
Evercore ISI, Research Division – Research Analyst

Hey. Good morning. Thanks. I appreciate the strategy and more of the focus on the Asia business and the WAM business. I guess could you just level set us, Roy, just on the strategy and rationale for, you know, keeping Manulife together as you know, including the U.S. business, the John Hancock business.

You know, a few of your peers have obviously, you know, divested their U.S. businesses or are exploring that. Could you just remind us the rationale and the strategic fit of keeping the U.S. business and, you know, remind us, if you would ever consider exploring that as a way to unlock value for shareholders?

A

**Roy Gori**
President & Chief Executive Officer, Manulife

Yeah, great. Thank you for that question. I would say that one of our greatest strengths is our global diversity and our global scale. Quite frankly, we saw that really come to the fore throughout 2020. The fact that we have a geographically diverse business that spans three broad geographies, Asia, Canada, and the U.S., and then separate business lines, be it insurance and wealth and asset management, really has put us in a tremendous position of strength. And we saw that come to the fore in 2020 where we saw various markets in lockdowns and in a very restrictive environment that prevented them from continuing business in the way that we normally would.

So, that diversity has certainly helped us, but at the same time, it's given us great scale. When we're basically leveraging the capability that we have across three big businesses and three broad geographies with significant customer bases, we also get significant cost advantages.

So, we think that that's really helped enhance our returns, enhanced our profitability, and ultimately allowed us to price our products very competitively.

Now at the same time, we've also been very focused on looking at the businesses that are high risk and quite frankly, low return. And we've stopped selling those businesses. We made decisions around legacy and the ceasing of new business sales in those areas and many of those were in the U.S. over the last three, four years. And we've been keenly focused on improving the profitability of our new business such that the returns that we get from the U.S. and other more mature markets are significant and very much consistent with our bolder goal and aspiration.

Now, at the same time, you know, we are going to continue to focus on possible inorganic transactions, which is why with this Investor Day, we've disclosed, you know, the fact that our LTC business, LTC and VA businesses, are targeted to contribute only 15% of our core earnings by 2025. That's specifically designed to highlight that we believe that there is more work to do in both those businesses and there's an opportunity for those businesses to contribute significantly less to the overall earnings of the franchise. And we see that both organically as well as inorganically through possible transactions.

So, in summary, I would say I think one of our greatest strengths and our competitive opportunities is around the global scale and diversity of our franchise. But at the same time, we're laser focused in looking at those businesses that are not delivering acceptable returns or that have a risk profile which is more problematic, and we will transact if there is an opportunity to do so in a sensible way.

**Phil Witherington**
Chief Financial Officer, Manulife

And Roy, if I may add from a capital management perspective, each of our businesses around the world has an important role to play in our business. One thing that we have done, as Roy said, in the U.S., is to be laser focused on the type of new business that we write. So, we've very much moved away from capital intensive, balance sheet intensive new business in the U.S. markets.

What that has allowed is for a greater proportion of capital to be released from the U.S. that then enables us to fund growth in our highest-opportunity businesses from a growth perspective but also fund returns to shareholders.

And reflecting back on some of the information that we have provided over the past 12 months, looking at the mix of dividends and remittances from our operating subsidiaries over the past five years, approximately $13 billion of remittances. About half of that comes from the U.S. So, it plays a really important role in our overall group capital management.

**Adrienne O'Neill**
Global Head of Investor Relations, Manulife

Thank you both and thanks, David, for that question. Let's bring up the next question, please.

Welcome, Tom. Please go ahead.

Q

**Tom MacKinnon**
BMO Capital Markets – MD & Analyst

Yeah. Good morning and thanks for taking my question here. My question has to do really with this free surplus generation slide that Phil gave us here. $17.6 billion in cumulative free surplus generation from 2018 through 2020. And I guess if we take off the dividends you've paid, 5.9 to get close to 12, divide that by 3, you're about 4 billion a year.

Is that a sort of a proxy for excess capital generation per year? Would it be somewhere around the $3 billion to $4 billion range if we were to look at it that way? Is that how we should be thinking about that?

A

**Phil Witherington**
Chief Financial Officer, Manulife

Thanks for the question, Tom. And it's great to see you joining us here virtually. I think broadly speaking, your conclusion there is reasonable. The reason we've provided free surplus information is to provide exactly this insight into the power of our organization or the ability of our organization to generate capital over time.

The emergence of free surplus doesn't necessarily mean that that capital is there available to be returned to shareholders, but what it means is that it's there to either strengthen the capital position, fund a greater proportion of new business, invest in strategic initiatives. So, there are various potential ways that we may deploy it. I think your hypothesis is a reasonable one.

**Steve Finch**
Chief Actuary, Manulife

And Phil, I'll just add, going back to the slide that you showed the emergence of our embedded value, so the in-force insurance business, and you highlighted $30 billion over the next 10 years. Just a reminder for everyone that that's the embedded value basis. It does not include the earnings that our global wealth and asset management, P&C, and bank are generating each year.

So, you know, when I look at the free surplus generation, I view it as very strong support for all of our growth plans and our plans to return capital to shareholders.

**Adrienne O'Neill**
Global Head of Investor Relations, Manulife

Thank you both. Next question, please. Welcome. Please go ahead.

Q

**Nigel D'Souza**
Veritas Investments – Investment Analyst

Thank you. Good morning. I had a question for you as well on LTC and VA. Will the reduction in core earnings from LTC and VA also lower the ability of longevity exposures to offset mortality risk? So, in other words, can you outline how your actuarial risk sensitivities may change as you achieve your targeted core earnings mix?

A

**Steve Finch**
Chief Actuary, Manulife

Sure, thanks. And I can take that. And I think the context here is we saw during the pandemic, the benefits of having a diversified business between mortality risk and longevity risk. That really served Manulife well in 2020.

In terms of the path to those earnings targets from LTC and VA, on the organic basis, I don't see that we'll lose the benefits of the diversification between mortality and longevity. We will still have substantial diversification.

If we were successful in doing inorganic opportunities, it's possible that that could shift somewhat, but that's certainly a trade-off that we would be willing to make.

**Adrienne O'Neill**
Global Head of Investor Relations, Manulife

Thank you. Next question, please. Welcome. Great to see you, Meny. Please go ahead.

Please go ahead. Just a moment please, Meny. We can't hear you. We'll just do a quick audio check and ask you to repeat in just a moment.

Alright. Please try again. Just a moment. We'll sort this out and bring Meny back on in a moment.

Welcome back, Humphrey. Please go ahead.

Q

**Humphrey Lee**
Dowling & Partners LLC – Equity Research – Head of Life Insurance and Retirement Services

Thank you for taking my follow-up question. This is more just a clarification question but when you show the $21 billion of allocated equity to your legacy business, is there any way to help us think about the breakdown by line of business, just to think about the potential opportunities as we look at the different buckets?

A

**Naveed Irshad**
Global Head of Inforce Management, Manulife

Hi, Humphrey. I can take that one. I can just provide some high-level direction on this, some rules of thumb. So, essentially, the life and fixed annuity block is about 50% of that $21 billion in allocated equity capital. And the LTC and VAs are at 50% at a high level. Of that remaining 50% between LTC and VA, about 60% of it is related to LTC and about 40% is to VA. So, hopefully that gives you some high-level direction.

**Adrienne O'Neill**
Global Head of Investor Relations, Manulife

Thanks, Naveed. Let's bring out our next question, please.

Welcome back, David. Please go ahead.

Q

**David Motemaden**
Evercore ISI, Research Division – Research Analyst

Thanks. David Motemaden from Evercore ISI. Just another question for Naveed. I guess you know, could you just talk about the level of travel for the required equity or required capital backing the LTC book over time? I think in the past, you've said that the LTC reserves peak at I think it's 2030. Is that when you expect the capital backing that book to peak? And is there sort of, you know, I think that will be working against you guys in terms of getting the, you know, the earnings contribution down, you know, towards 15% and then maybe 10%.

So, that's my question. Then I also wanted to just ask on just if you could just provide a bit more detail around the VA book and how you're thinking about inorganic opportunities there, given some of your peers have done transactions and the stocks have rerated meaningfully. Thank you.

A

**Naveed Irshad**
Global Head of Inforce Management, Manulife

Thanks, David. Let me start with your second question and then maybe turn it over to Steve for the first part. On the VA side, there is certainly an active market for VA reinsurance in the U.S. We're seeing private buyers probably recognize that the public market isn't really recognizing the value within these blocks.

So, from a seller's perspective, the commercial environment has actually improved quite a bit over the last few years. You're seeing a lot more buyers, a deeper buyer market, a lot more interest, and so bid-ask spreads have narrowed in that space.
We are very connected to the market. We talk to the buyers, investment bankers on a regular basis. I would say that a transaction is possible in 2021.

Our block is well hedged. Our risk profile has decreased. And that's the feedback we get from potential buyers. So, we feel we're in a really strong position here.

So, maybe Steve, do you want to talk about the progression of LTC capital?

**Steve Finch**
Chief Actuary, Manulife

Yeah, yes. Happy to. And thanks for the question, David. If you – we have disclosed in the past that our LTC reserves do continue to grow and you're broadly in line with the peaking around 2030.

I draw you back to Phil's slide which showed that our legacy business was over 50% of our allocated equity at our previous Investor Day and that has decreased to you know, getting close to 10% to 43% of our allocated equity. And that's while LTC capital allocated equity has continued to grow. So, we've been able to offset that headwind through the portfolio optimization efforts as well as through growth of other parts of the company because our total equity has grown substantially since that investor day.

So, that 21 billion would have been substantially higher absent the actions that we've taken, and we expect to continue through both organic and potentially inorganic to be able to manage that growth in LTC capital over time.

**Q**

**Adrienne O'Neill**
Global Head of Investor Relations, Manulife

Thanks, Steve. I've received word that we're having some audio challenges with Meny so I will read out his question and we can respond accordingly.

Meny Grauman asks, is there a role for M&A in the WAM business? And what would be the acquisition priorities for this unit?

**A**

**Roy Gori**
President & Chief Executive Officer, Manulife

Yeah, let me – let me start on that. Obviously, we're going to have an opportunity to spend a lot more time talking about WAM in the upcoming presentation that Paul will give and the Q&A panel that comes after that.

But the short answer is, there's definitely an opportunity for us to explore M&A in the WAM business. Obviously, we want to deploy our capital organically, and we believe that we've got you know, tremendous footprint within our WAM business globally as well as our Asia business.
The exciting thing for us is that we believe that we can achieve our 10% to 12% core earnings per share growth without inorganic transactions, and that's off the back of not only the strong growth trajectory that we've already seen but also the potential for growth that we see in the next decade.

Having said that, we're incredibly well capitalized, and we believe that deploying that capital beyond organic opportunities is also another tremendous opportunity for us. But we're going to be very, I guess, diligent, and very disciplined in how we think about those deployments.

It's easy to do an acquisition or do a transaction but what's more important is that you ensure that those transactions add value and that you deliver on the outcomes that you're looking for.

So, we definitely will be looking to deploy our capital to those high potential growth businesses, and we clearly have done that, quite frankly, in the last few years, and we'll continue to look at those opportunities going forward.

**Phil Witherington**
Chief Financial Officer, Manulife

Roy, if I may add to that. The ability to deploy capital to deliver organic growth is a significant advantage to us. When I look at the returns on capital that we deploy organically, as I said in my presentation, they're in the high teens. And that's at scale high teens.

In M&A transactions, those returns tend to be lower. And so, I think the ability of Manulife to deliver 10% to 12% core EPS growth from organic actions, organic growth, particularly from global wealth and asset management as well as our businesses in Asia, I think that's a real competitive differentiator for us.

And unlike others, we're not dependent or desperate for M&A transactions in order to thrive. However, as Roy said, it could be something that enables us to grow beyond the targets that we've laid out.

Q

**Adrienne O'Neill**
Global Head of Investor Relations, Manulife

Thank you both.

I see that we have two final questions that have trickled in so I will read them out and we will address those and then we will move on to our next session.

One of them is from Gabriel Dechaine and he asks, did I understand correctly that a transaction involving the VA block is possible in 2021? During the fourth quarter call, you sounded more focused on organic initiatives. What has changed?

**A**

**Naveed Irshad**
Global Head of Inforce Management, Manulife

Let me take that one. So, we continually test the market on potential inorganic transactions. As I said, the commercial environment has improved over the last year-plus. So, yes.
I think you did hear correctly that VA transaction is possible in 2021.

**Q**

**Adrienne O'Neill**
Global Head of Investor Relations, Manulife

Thanks, Naveed. And final question from Darko Mihelic. He asks, with LTC and VA making up 25% of overall core earnings in 2020 or about 42% of total Canadian and U.S. core earnings, are those core earnings expected to grow and be part of the 5% growth in Canada and the U.S. that was referenced in Phil's presentation? Or should we expect those earnings to be flat in the absence of any inorganic or organic reductions?

**A**

**Phil Witherington**
Chief Financial Officer, Manulife

Adrienne, it probably makes the most sense for me to take that one. The extent of the contribution from our North American insurance businesses to the overall 10% to 12% core EPS growth is reasonably modest, and the lion's share of that growth would be coming from non-legacy businesses.

Although I do want to be clear that our legacy businesses will generate – we do expect them to generate profitability into the future as the substantial PFADs that we have on the balance sheet emerge as in force earnings over time.

**Roy Gori**
President & Chief Executive Officer, Manulife

I might just add to that. I think Phil got it right but I would just add that our focus on in force is clearly about improving the profitability of the businesses that we already have and that spans all businesses, both legacy and non-legacy.
And at the same time, our organic efforts are also designed to free up capital, whether they are, you know, the buyout programs that we have or some of the pricing actions that may be associated with that.

So, we're going to see both of those forces at play when we look at the earnings contribution from legacy more broadly.

**Adrienne O'Neill**
Global Head of Investor Relations, Manulife

Thank you both. This concludes our first panel. We want to thank you for your great engagement in this virtual format.

And with that, I'd like to welcome Anil Wadhwani, President and Chief Executive Officer of Manulife Asia, to our virtual stage.

Anil will provide a business update and will discuss the actions that we are taking to realize our potential in the region. Over to you, Anil.

## 5. ASIA: REALIZING OUR POTENTIAL

**Anil Wadhwani**
President and Chief Executive Officer, Manulife Asia

Thank you, Adrienne. Hello, everyone. It is indeed a pleasure to present to you Manulife's Business in Asia, which is one of the primary growth engines of our company.

There are a few key messages I would like to share with you. We have made great strides in recent years in transforming our business, and we are the fastest-growing amongst the top three Pan-Asian life insurers. The Asia region is growing at a tremendous pace, and the combined contribution from our insurance and global wealth and asset management businesses in Asia is currently over 40% of total company core earnings. The growth opportunity is significant, and we aspire to have core earnings from Asia region overall contributing to 50% of total company core earnings by 2025. Our strategy is focused on growing and digitizing a leading agency force, deepening our customer penetration with our bank partners, as well as accelerating our key growth markets in China and Southeast Asia. The nature of our business model uniquely positions us for success given our enviable geographic footprint, our balanced distribution, combined with a full range of products.

So, let me give you an overview of our business. We have a long-standing extensive presence in Asia with over 120 years of experience. We have over 19,000 employees based in 13 markets, including our global shared service centers in Manila and Chengdu. We serve roughly about 12.5 million customers across the region, and our client base has been growing at a compounded rate of 14% annually since 2016, and our distribution footprint is extensive and far-reaching with over 115,000 agents and 100 bank partnerships in the region of which 10 are exclusive. Our key strength is the diversified nature of our business, which has been essential to the resiliency of our results, especially through the recent

COVID-19 pandemic. We have an attractive geographic mix. Hong Kong, for example, is the largest contributor to our APE sales, representing 27% and the combination of China and our markets across Southeast Asia have grown to over 50% of our sales mix. Our distribution capabilities are led by our agency platform, which drives more than half of our new business sales, while our bank partnerships contribute to roughly 25%, and the remainder is delivered through the broker as well as through other channels that we have. Our product mix covers the comprehensive needs of our customers with health and protection now contributing to as much as 35% of our APE sales. Our strong focus on in-force management has led to a 13-month policy persistency ratio of 93%, which is an important factor to sustaining our growth of in-force earnings.

So, what gives us the confidence to win? Our right to win has been established through the development of five distinct capabilities, starting with customers. Customers are absolutely core to everything that we do, and their feedback has helped to guide the investments in modernizing our technology stack. This has resulted in improved customer and distributor experiences delivering improvements of more than 20 points to our Net Promoter Score since 2017. Additionally, this has enabled pivots, such as the adoption of virtual face-to-face sales and servicing to engage customers and distributors during the pandemic. Second, the strength and diversity of our distribution platform provides us with access to a full range of customer segments starting from mass market up to high net worth. We have proven execution capabilities in growing high-quality productive agency forces and driving successful bank partnerships. Third, we have established a differentiated product and health ecosystem powered by ManulifeMOVE, which is now present in six markets with over 1 million customers. ManulifeMOVE creates greater engagement leading to higher rates of cross-sell and higher rates of upsell. Point four, Manulife Investment Management, combined with our life distribution capabilities under the same roof, allows us to respond to a much wider range of customer needs. So, for example, our development and distribution of pension products drives our market leadership in MPF in a market like Hong Kong. And finally, our culture, which is absolutely, in my view, of critical importance. Our growth mindset and our performance track record has helped us to retain and attract diverse and top-tier talent. We continue to drive employee engagement and have embedded our results-oriented culture into the fabric of our franchise.

These five distinct capabilities, in my view, have been essential to growing the scale of our business. Greater scale enhances our competitiveness and translates into greater value.

Just six years ago, we had three markets with APE sales above $100 million and only one market with new business value above $100 million. From 2014 to 2016, we have increased our scale with now seven markets exceeding $100 million in APE. Since then, we have been able to leverage that scale and further driven sales and NBV and now have five markets generating $100 million or more in new business value. These results underscore our focus is not only on growth but also driving profitable growth. Our continued focus on expanding our distribution and digitizing our processes provides us a stronger foundation to further scale our businesses.

The fundamentals of our business have never been stronger. The quality of our execution is underscored by our double-digit growth in both core earnings and new business value between 2016 and 2019 and highlights our emphasis on value. Despite headwinds related to COVID-19, we delivered growth of 4% on core earnings in 2020. Our new business value margins have improved to 40% in 2019 driven by greater scale, efficiency, and actions taken on product mix and pricing. We aspire to achieve margins of 50% in the near term as we continue to build scale.

We continued to invest in our Asia franchise during 2020, growing our distribution, modernizing our technology, and strengthening our talent. This, in my view, positioned us very well as we entered 2021. And despite the significant challenges posed by the pandemic, we grew our core earnings by 21% and new business value by 39% in the first quarter of 2021, which is a considerable achievement in the current environment.

As a result of our resiliency and focus on execution, we emerged from 2020 even stronger with an increase in market share in six markets. For example, in 2020, our market share in Hong Kong increased by 40% as compared to 2019, a testament to our resiliency and our execution culture. We were number one in Vietnam in 2020, and we were number one in Cambodia as well, and we retained our number one positions in both these markets in the first quarter of 2021. Additionally, in the first quarter, we improved our ranking to number one in Singapore across all channels combined. Again, underscoring the strength of both our bancassurance and our financial advisory channels. This is a strong illustration of our growth trajectory. From 2014 to 2020, we have advanced from sixth to third in new business sales and on account of our outperformance, we have significantly narrowed the gap with the top two Pan-Asian life insurers. Looking at the first quarter of 2021, we were within approximately 10% of our next competitor's new business volumes as compared to four years back when we were at roughly half of their sales.

As you can tell from our track record, we have made significant progress over the last few years, but what I am most excited is the opportunity to go much further and much faster in the future. Roy mentioned the three powerful megatrends that are driving growth in Asia, which I think are worth reiterating briefly; be it the mortality protection gap, which is projected to reach US$119 trillion by 2030, or Asia's middle class, which is expected to swell in 2030. The opportunity in Asia is truly undeniable. These secular trends are for real and will continue to provide ongoing tailwinds for us in the foreseeable future.

Our strategy aims to accelerate our growth by capitalizing on these megatrends and solidifying our position as a top-tier Pan-Asian life insurer. As you can see on this slide, we have four strategic priorities, which are enabled by our digital and customer experience capabilities as well as our high-performing team. Let me start by focusing on agency. Our agency franchise has more than 115,000 agents and is market leading and a core driver of both value and growth for us in the region. It provides us with an ability to reach prospective customers, many of whom are new to Manulife and address their specific unmet health protection or savings needs. Since 2016, our strategy has been focused on recruiting and retaining quality agents. We have been able to do this successfully as is evidenced by our double-digit growth in agents of 14% and our growth rate in agency new business value of 16%. We also have more than 7,000 MDRT qualifying agents, which is the third highest amongst multi-national companies in 2020. Again, underscoring our commitment to quality.

We will continue to focus and grow scale and productivity by prioritizing four key areas; first, recruitment and activity management; second, training and activating new agents through our Manulife Business Academy; third, implementing end-to-end digital tools; and fourth, utilizing advanced data analytics to enhance quality lead generation and cross-sell activities. With this focus, we aim to increase our number of active agents by a 15% CAGR over the next four years. This alone would add another $1.2 billion of APE sales by 2024, and this is even before considering further upsides from improvements in productivity. We have a strong track record of agency growth. And with the continued investments we are making in our digital tools, we see significant upside for our agency distribution platform.

On that note, I would like to bring this to life by providing you with more details on our differentiated end-to-end digital tools that span from recruitment onto customer onboarding. We have developed a digitally enabled recruitment process, which has supported our 21% year-on-year growth on agency headcount in 2020. Once selected, agents attend the Manulife Business Academy, an Asia-wide training program with an online syllabus that equips new agents and leaders with the skills to harness the power of our digital sales tools. Our most recent digital asset is called Distribution Toolkit, an application which provides the advisors the capability to set targets, manage sales activities, as well as review their performance. During target setting, Distribution Toolkit will provide the agents guidance on the leading behaviors and actions that they need to incorporate in their agenda in order to meet the goal for the month. These interactions generate real-time data that enables them to visualize their progress against their goals and manage in real time the performance of their teams.

When the customer is ready to make a purchase, agents use our electronic point of sale tool with an automated underwriting engine to collect all the necessary information as well as the first premium to allow solutions to be purchased in a convenient, compliant, and a paper-free manner. Our digital tools have been developed with human-centered design principles for the customer and the agent to meet anywhere and maximize time spent providing quality advice rather than data entry.

Moving to bancassurance. Bancassurance complements our agency channel and helps diversify our distribution mix. Our exclusive partnerships have been a significant source of growth, catapulting us into market-leading positions in many of our key markets like Singapore, Vietnam, and Cambodia. We have doubled our exclusive bancassurance new business value between 2016 and 2019 and also recorded positive growth in 2020 despite the exceptional circumstances impacting our bancassurance channels in 2020.

Our investment into digitally enabled virtual face-to-face sales and leading high net worth capabilities has been instrumental in enabling us to support our customers throughout the pandemic and capture the rebound in the first quarter of this year. Our approach to building successful partnerships is centered on four key pillars; firstly, establishing structured governance and relationships across all levels; second, co-developing and innovating segment-specific solutions; third, developing and embedding digital capabilities. So, for example, DBS customers can now buy insurance products through their mobile or internet banking in three simple steps, and the policy will be there in their inbox in less than five minutes. And finally, integrating and delivering a seamless customer experience.

A good example, again, of this is the combined view of accounts that DBS customers can see, including their insurance holdings along with their savings, mortgages, credit card, and investment accounts. We have been successful in executing against these four pillars, and the strong coordination between the local and the regional teams has driven the success of our partnership with banks like DBS, Danamon, Techcombank, Saigon Commercial Bank, just to name a few. Our ambition for our bancassurance channel is to double our APE sales to at least $1.3 billion by 2024 both from new customer acquisition and increased penetration, and this is before allowing for the productivity gains and onboarding of new partners such as VietinBank. We have a consistent track record of building and growing bank partnerships and will continue to execute on our strategy to build on our unparalleled strength in bancassurance.

Another key strategic focus for us is accelerating China and Southeast Asia. Starting with China. China is the second largest life insurance market in the world. Given the size of the market, its relatively low insurance penetration rates, rising health care costs, and a rapidly aging society, China represents one of the biggest opportunities for Manulife in Asia. We have a successful joint venture partnership with Sinochem, with whom we have a great relationship. Manulife's ownership interest is 51%, and we were the first joint venture life insurance company in China. Over the years, we have developed a holistic health and retirement value proposition and a high-quality professional agency platform. This has enabled consistent and profitable growth in our business with a 20% CAGR in both APE and new business value between 2016 and 2020.

We continue to make ongoing investments in expanding our agency distribution with a focus on quality recruitment. Our agent headcount now stands at 18,000, delivering market-leading productivity levels amongst foreign insurers. Additionally, in line with customer demand, we have been making significant investments in building out our health ecosystem. Strategic investments in Good Doctor Online, one of the largest online platforms for medical consultation in China, and 111 Online Pharmacy, China's first online pharmacy to be listed in the U.S., are notable examples. They have been instrumental in complementing and solidifying our health and protection customer offerings in China.

Throughout China, as you can tell from the slide, we have built an attractive geographic footprint with branches in 52 cities across 15 provinces, giving us access to 70% of China's GDP and 60% of its population. We have a clear opportunity to penetrate the geographic presence more deeply. We have a proven premium agency model, which has demonstrated success in major cities such as Shanghai and Chengdu. For example, in Shanghai, we have nearly tripled the number of agents and quadrupled our sales over the last four years, achieving a number four ranking amongst all insurance companies. We have had similar success in Chengdu as well. This experience provides us with an important playbook to be able to invest and scale our other core and focused branches where we are aiming to grow the number of such branches by over 50% over the next four years. Scaling our attractive footprint provides a clear path to realizing our growth potential in China.

In addition to China, I am equally excited about the growth opportunities in Southeast Asia. I would like to spend a few minutes to highlight one of the largest and fastest-growing Southeast Asian businesses, Vietnam. Vietnam has been a tremendous success story for us. We have the number one position in this fast-growing market powered by 50,000+ agents and a market-leading bancassurance distribution channel driven by our exclusive bancassurance partnerships with Saigon Commercial Bank and Techcombank. We have also recently reached an agreement with VietinBank, which we expect to launch later this year. Vietnam is a significant contributor of our core earnings representing 15% of Asia segments earnings in 2020. Our core earnings and new business value have grown rapidly from 2016 to 2020 at a CAGR of 58% and 51% respectively. This has been in response to the successful growth in our distribution channel and the improvements that we have witnessed in our scale.

Looking forward, our focus will be further expanding and professionalizing our agency platform, deepening customer penetration with our bank partnerships, enhancing digital capabilities that address key customer and distributor touchpoints, and finally further automating processes to harness the benefits of our scale. Vietnam has a young and a large population of approximately 100 million people. The economy continues to grow at a brisk pace, and the insurance penetration continues to be low. These socioeconomic factors coupled with our leadership position provides us with a unique opportunity to capitalize on the future growth potential of this market.

Turning finally to Hong Kong, our largest contributor to core earnings and new business value in the Asia segment. We have been laser-focused on growing our leading high-quality agency franchise. This is evidenced by our increased market share in new business sales in the agency channel for 2020 and in the first quarter of 2021. Consistent with our priorities in other markets, we continue to focus our efforts on increasing the number of active agents and implementing digital tools to drive improvements in productivity.

Our agency force is further supported by our strong brand. We have the number one position in MPF market, and as a result, one out of every three adults hold a Manulife product. Hong Kong is unique as it is both a mature and a high-growth market. Domestically, there are massive customer needs for health and protection insurance and retirement solutions. Additionally, Hong Kong continues to be the pre-eminent financial services hub for mainland Chinese visitors. We are very focused on increasing our share of this customer base by tailoring our distribution capabilities and services to better address their needs. We expect sales to these customers to rebound strongly once the cross-border COVID-19 travel restrictions are withdrawn.

Another important driver of growth is the Greater Bay Area Initiative. GBA is an integrated economic and social cluster across Hong Kong, Macau, and nine cities in South China. This initiative will increase the circulation of resources, circulation of talent, as well as capital across one of the highest wealth and income zones. It will further solidify Hong Kong as the financial center for mainland Chinese visitors who are seeking diversified financial solutions and will over time significantly increase our MCV customer base. Given our strong brand and the leading agency distribution platform, we are confident in our ability to capture these exciting market opportunities, which will galvanize our future growth in this very important market.

In closing, the opportunity in Asia is truly undeniable. The secular trends in rising levels of income combined with low penetration rates will continue to provide us tailwinds for the foreseeable future. We have demonstrated a strong track record of execution and delivery in capturing these opportunities, gaining market share in many of our key markets as well as significantly narrowing the gap with our top-tier competitors. We firmly believe that our business in Asia has the right strategy, and most importantly that we have the right ingredients of talent, technology, product, and distribution capabilities to realize our full potential in Asia, and we could not be more excited about our future. Thank you for listening. I will now hand over to Adrienne to moderate the Q&A.

## 6. ASIA: Q&A SESSION

**Adrienne O'Neill**
Global Head of Investor Relations, Manulife

Thanks so much, Anil, and welcome to our second panel, which is focused on Asia. Joining Anil here today, we have Ken Rappold, the CFO of Asia; Kai Zhang, the GM of China; Sachin Shah, the GM of Emerging Markets; and Damien Green, the GM of Hong Kong.

So, let's get things started and take our first question.

Welcome, Humphrey. Please go ahead.

Q

**Humphrey Lee**
Dowling & Partners LLC – Equity Research – Head of Life Insurance & Retirement Services

Humphrey Lee from Dowling & Partners. My question is about the earnings growth target for Asia. So, as we think about the 15% CAGR for Asia, how should we think about the components that are supporting that? For example, Asian growth, productivity gain, operating leverage, and what do you see as the biggest risk from – that would prevent you from achieving that?

A

**Anil Wadhwani**
President and Chief Executive Officer, Manulife Asia

Thanks for the question, Humphrey. It's good to see you as well. So, let me start with your first question. So, we, as you know, have been present in Asia for 120 years and have in recent times really amplified our growth trajectory. We have made significant investments in expanding our distribution to start with. So, we have 115,000 strong agency force. We have 100 bank partners, 10 of them on an exclusive basis. We have modernized our technology, as you heard Roy speak, as well as significantly upscaled our talent.

Even when we embraced some of the challenges as we did in 2020 on account of the pandemic, we did not stop investing in our Asia franchise. And that really positioned us exceedingly well as we transitioned to 2021.

And you will have kind of noticed from our quarter one results, we grew our quarter earnings by 21% year on year as well as new business value by 39%.

In addition to the investments that we made in distribution and our talent and our technology, I believe we have a growth engine within a growth engine. And what I mean by that is our Asia Other segment. It should not come as a surprise because Asia Other segment has markets like China, has markets like Vietnam, Indonesia, Singapore that really will provide us the growth opportunity for the foreseeable future.

Switching gears a little bit in terms of challenges, again, we, as I said, have been present in Asia and have developed expertise and experience to be able to navigate and tackle some of these challenges over a period of time. Our diversified nature of our footprint, our channel mix, our wide range of products really helps us navigate some of the challenges that come our way.

And again, be it the geopolitics or some of the business cycles that we have encountered, we have been able to navigate that pretty strongly and gain share, as you would have witnessed in both Roy and my presentation, in six markets, even during challenging times like 2020. So, that really underscores our execution culture and the winning mindset that we've kind of created in Asia.

Having said that, we spent a lot of time thinking about challenges. So, things like digital disruption, that could be a real phenomenon. And again, towards that, we have been investing heavily in technology to ensure that we are removing the pain points of our customers. Our capital market volatility as we experienced in 2020. And again, we have had experience to be able to navigate as we demonstrated in 2020. Or for that matter, some of the irrational behavior we see from time to time from our competitors, and while we remain very competitive, we also continue to conform to the risk and the reward guardrails that we've set for ourselves.

So, we feel very confident on account of the various factors around our distribution strength, our product mix, our channel mix, and the way we have been able to importantly execute our strategy that we will continue to untap and grow and really realize our potential in Asia.

Thanks for your question, Humphrey.

**Adrienne O'Neill**
Global Head of Investor Relations, Manulife

Thank you, Anil. Let's bring out our next question, please.

Welcome, David. Please go ahead.

Q

**David Motemaden**
Evercore ISI, Research Division – Research Analyst

Hi. Thanks. David Motemaden from Evercore ISI. I have a question on the China business with Sinochem and you know, appreciate the additional disclosure. You know, it looks like that business is performing well.

I guess I'm wondering your thoughts, Anil, on maybe buying up to 100% ownership. You've seen Allianz in – earlier this year announce an agreement to buy out their JV partner. We've seen a few other instances of foreign ownership increases further above 50% and towards 100%.

So, wondering what you're thinking on that and some of the other strategic considerations around that, whether it be geographic expansion and whatnot. Thank you.

A

**Anil Wadhwani**
President and Chief Executive Officer, Manulife Asia

Hi, David. It's good to see you as well, and I think it's a great question. Undoubtedly, China is one of our most important markets. And why not? Because China is the second largest insurance market in the world. We were the first to get an approval for the joint venture where we hold 51% of the shareholding. And Sinochem has been an excellent partner and some of the growth momentum that we witnessed in China beat the greater than 20% growth that we witnessed between 2016 to 2020 on new business value and sales. All the extensive reach that we have in China with access to 52 cities across 15 provinces, we feel we are very well positioned to be able to address the China growth story for the foreseeable future.

And again, Kai, who is there on the call, has done a terrific job in building a very strong agency, leading productivity amongst, when you compare it to the foreign place, as well as the significant investments that we've made in building digital and our ecosystems.

To your question on whether we would be interested to kind of take our shareholding up, absolutely. China is opening up. We would be. But at the same time, we have to ensure that we align our objectives with the objectives of our partner and as I said, we could not be happier with having Sinochem as a true partner who has been very instrumental in some of the successes that we have witnessed in China as you noticed.

So, as I said, China will be a growth engine for us undoubtedly, but as I said, we have to ensure that by looking at increasing our shareholdings, our objectives are aligned with those of our partners.

Thanks for your question once again, David.

**Adrienne O'Neill**

Global Head of Investor Relations, Manulife

Thanks. Let's bring out our next question, please. Welcome, Meny. Please go ahead.

Q

**Meny Grauman**
Scotiabank Global Banking and Markets, Research Division – MD of Financial Services Equity Research & Analyst

Hi. Hope you can hear me now. Just wondering about your digital capabilities in Asia and how they stack up to competitors, specifically on a regional basis. Meaning are there some markets where it is more of a difference maker for you? And then just generally in terms of competitors at the high end of the competitive continuum but more importantly at the lower end, do you think that your digital capabilities or the lack of digital capabilities at some peers could create some consolidation opportunities in the region?

A

**Anil Wadhwani**
President and Chief Executive Officer, Manulife Asia

Great question, Meny, and good to see you as well. So, let me start and I'm going to turn it over to Kai Zhang who is China GM as well as Damien Green who is our GM in Hong Kong to provide you a greater color on you know, how we can view our digital capabilities versus our competitors.

But let me tee this up. So, you heard Roy speak about the significant investments that we've made in our technology platform and modernizing our technology platform. Let me illustrate that through a couple of proof points.

So, one, due to the modernization of technology, we were really able to respond to some of the challenges that we witnessed on account of the pandemic where at one point in time, 100% of our colleagues were working from our home. Had we not invested in modernizing our technology, we would not have been able to support our people, thereby servicing our customers as well as our distributor partners in a pretty uninterrupted manner.

Another example of that is virtual face to face, and we were one of the first players to launch that and again, Damien will kind of expand on that. But I also at the same time want to illustrate how are we using the technology investments with some of our strategic relationships across Asia. And DBS is a great example of that where we had seamlessly integrated our capabilities within the DBS ecosystem.

Just a couple of proof points on that, Meny. If a DBS customer today logs into the website – into their website, they can see their insurance holdings along with their investment accounts, deposit accounts, as well as their credit card and mortgages.

A second proof point is now we have seven products on DBS's digital ecosystem where customers, through simple three steps, can buy these products online. The policy will be in their inbox in less than five minutes.

So, just a couple of proof points as to how we are leveraging the technology to modernize our own platform but also cohesively working with some of our strategic partners.

I'm going to first turn to Kai to – for her to kind of provide a little bit of color and then to Damien. Kai, over to you.

**Kai Zhang**
Chief Executive Officer & General Manager, Manulife-Sinochem Life Insurance Co., Ltd.

Thank you, Anil. Digital innovation is certainly transforming many aspects of the life insurance industry in China, which is accelerated really by COVID. And large internet platforms are distributing simple and short-term insurance products, and it's beneficial to the industry overall as it has increased awareness of insurance as a financial tool for medical and life protection, which really creates opportunities for traditional insurance companies to engage and cross-sell into the larger customer base.

We actually work with internet platforms like Waterdrop to expand our reach to a wider customer base. At the same time, we're also building our own digital ecosystem to serve the changing customer needs. And we made a significant and consistent investment in the last few years, and we're reaping early benefits in really three areas.

One is around digital health ecosystem. We've built the proprietary MOVE platform which integrates more than 30 partners digitally, including our strategic partnership with Good Doctors Online as Anil mentioned, which is a leading provider of online healthcare services, which really creates a lot of – supports the healthcare needs of our customers, especially during the COVID period last year.

And through this ecosystem, policyholders and members can enjoy a wide range of services from wellness and protection to medical diagnosis, treatment, and recovery. And we actually have built a behavioral insurance concept into the product design, which is integrated with the MOVE ecosystem. This is all enabled by the digital platform that we have developed.

The second is around digital products and services. We actually have over 1,000,000 followers on our WeChat e-store with more than 30 products available, and our digital sales quadrupled last year versus 2019.

And we have significantly increased our straight-through processing capabilities as Roy mentioned. We have 100% electronic submission of new business and over 90% digital submission of claims already, and this improves operational efficiency and delivers superior customer experience.

And lastly, Anil talked about digitization of agency. We've digitally enabled our agency journey across all the touchpoints through a fully integrated mobile app. This enables end-to-end online recruitment, training, sales activity tracking, as well as customer management. This leads to a higher agency productivity and also agency activations.

And again, this digital capability has actually helped to enhance our core agency model. We have a highly professional agency force, and we differentiate ourselves by recruiting and developing full-time agents. These are next-gen agents that actually will use digital capabilities and use this as a differentiating factor in engaging with our customers.

So, the combination of strong digital capabilities and professional agency force really position us well in capturing the opportunity in China, which is very digitally advanced.

Thanks.

**Anil Wadhwani**
President and Chief Executive Officer, Manulife Asia

Damien, would you like to offer your comments?

**Damien Green**
Chief Executive Officer, Manulife (International) Limited

Thanks, Anil, and thanks, Kai. Thank you for the question. I think the question referred partly to our competitive positioning on digital. I think one of the things that have helped us move forward incredibly strongly in Hong Kong is the scale and growth of the business, which has enabled us to not only grow our earnings double digits for 12 of the last 13 quarters, but at the same time, to maintain a material and significant year on year investment in digital transformation and transforming customer experiences.

Let me focus on two things. One is customer and one is agency. We have just launched the next generation customer website here in Hong Kong, and the special thing about this is it renders in both a website and in an app.

And in Hong Kong, we are providing 360-degree solutions for our customers' needs, right from insurance to pension and retail wealth solutions. We're really quite unique in that regard. And now digitally, as of this year when we launched our new customer website platform, our customers have a single view of all of the solutions, whether they're provided by Manulife's wealth and asset management business, pension, insurance, annuities, it's all sitting there for them.

So, we're really integrating our customers' ability to engage with us across all of their needs and the solutions that they hold.

Now, agency is fundamentally important to us. We anchor our high-value business on agency and we're a multi-channel business. And digital is very, very important to our agency.

We – some time ago, we launched the first generation electronic point of sale – electronic point of sale platform for agents. This year we've launched the 2.0 or, you know, the new, cutting-edge electronic point of sale platform for agency, which includes many new tools and a much more streamlined process for them as they engage with their customers.

And I'm really pleased to say that after launch on the 1st of January, we're achieving very, very high adoption rates with our agency, unprecedented adoption rates, and we expect those – to get those way up towards 90% by the end of this year.

So, I think digital is enabling our agency to continue its growth and value generation for Manulife Hong Kong. Thanks for the question.

**Adrienne O'Neill**
Global Head of Investor Relations, Manulife

Thank you, Damien, Kai, and Anil. Let's bring out our next question, please.

Welcome, Tom. Please –

Q

**Tom MacKinnon**
BMO Capital Markets – MD & Analyst

Yeah. Thanks for taking my question. When I look at what's driving the impressive growth you're having in your agency channel and when I see fast growth models like that, sometimes I think of sales misconduct type issues. What are you doing to curb any potential for that because that can be damaging to the reputation?

And as a follow-up, over here we hear a lot about political unrest in Hong Kong. Maybe you can talk about, you know, the changing political landscape in Hong Kong and what impact that would have on your business and what you're trying to do with respect to that – those changes as well. So, thanks.

A

**Anil Wadhwani**
President and Chief Executive Officer, Manulife Asia

Thanks for the question, Tom. And two-part question. So, let me first take agency and agency controls. I'll hand it over to Sachin to talk a little bit about agency controls. And then Damien can address the Hong Kong political situation and our response in regard to that.

So, agency clearly is a key strategic priority, and you've kind of seen that and rightly so. We've kind of shown some very strong trajectory between 2016 to 2020 and not only our sales have kind of grown, you know, corresponding to the way we have grown our agency, but importantly, a new business value between that period '16 to '20 grew by 16%, just underscoring that it's not only about sales. It's also about generating value.

And when I look into – into the future, what we – we like is the fact that while there is potential to grow the 115,000 agency head count, but we believe an equal and if not a bigger opportunity is how we digitize our agency and that would have then a knock on impact on distributed experience as Damien was talking about, as well as a knock on impact on customer experience.

I think there is significant potential for us to be able to unleash that potential and the more we digitize our agency, the more control we would be able to design around interactions that our agents have with our customers. But I think just to bring it to more life, Sachin, would you like to provide some additional color?

**Sachin N. Shah**
General Manager, Emerging Markets, Manulife Asia

Sure. Thanks, Anil. And let me just first start by saying and repeating a bit of what Anil said. Agency in many ways is the lifeblood of how we're growing our emerging markets businesses, especially in these markets where insurance is not well understood. It's critical to have a strong agency franchise, high-quality professionals who can sit down with customers, meet with them in person, or now through virtual technologies, and help that customer understand the importance of insurance in a market where insurance really has not really had purpose or meaning before.

And so, for us, not only growing agency is important but equally to the question being asked that what we do in that interaction with the customer is really critical. And we invest in ensuring that the interaction is high-quality, not only from our perspective but from the customer's perspective.

And we do that three ways. First and foremost, it is about training. So, not only is it focused on the recruiting and we have high volume recruiting as an example in Vietnam where we now have 54,000 agents, the recruiting starts with training. Basic training for the first hundred days of that agent's onboarding with us, ensuring that the agent understands how to interact with the customer, represent our products, and ultimately become a consultant and advisor to that customer.

The second is training for managers. This is important. Not all good agents become good managers, and helping good agents become good managers is critical to that team building culture that we're creating across our agency franchises in Asia.

The second and most important area, and we talked a lot about our digital investment, is how we're leveraging digital to create a more consistent customer experience but importantly, also capturing high-quality data so that we can have more automated and consistent underwriting and ultimately use that data to make sure that we're getting what we want out of that business and the customer also is getting the value that they want at that product and ultimately if they claim with us.

And then third and, most importantly, is quality assurance. I think here, this is where we really invest quite a bit of time and energy in reaching out to the customer through welcome calls and doing mystery shopping. These are ways for us to ensure that not only are we seeing what we want to see, is the customer experiencing what they want to experience with the product and ultimately getting the value out of what we are doing with them and what we want to deliver with our product here.

And, most importantly, I think one important measure, kind of all of the results when you get down to it, we look at APE. We look at NBV. We look at NBV margin. But we equally place emphasis on our TWPI because that is the key sign that what we sold was high-quality because it stays with us.

And when you look at our TWPI growth as an example in Vietnam, it's growing at roughly the same rate as our APE, which gives us confidence that we're not only growing at very high rates but we're also having high-quality interactions that lead to customers seeing the value and they stay with us and that shows up in our TWPI over time.

So, thank you for your question and thanks, Anil.

**Anil Wadhwani**
President and Chief Executive Officer, Manulife Asia

Thanks, Sachin. And before I hand it over to Damien, again, just wanted to emphasize that we are – we have deep-rooted presence and have developed expertise and experience to be able to navigate different geopolitical environments over the last 120 years.

And again, when we experienced some of the disruption in 2019, or for that matter, witnessed the escalation in U.S./China trade war in 2020, it really did not impact our business on the ground. In fact, our businesses, as you would have noted, only gained in strength and were actually able to gain in market share as well.

So, suffice to say, as I said, we have expertise to be able to navigate some of these challenges. We don't take that lightly. We obviously plan for that. But again, Damien will be able to provide you greater color from a market context. Damien?

**Damien Green**
Chief Executive Officer, Manulife (International) Limited

Okay. Thanks, Anil. And thanks for the question. Look, we look at our role, management's job in terms of the external environment and whatever volatility that may bring, economical, political, or otherwise, or health as with the pandemic. Our job is to ensure we continue to deliver for our stakeholders. That is our shareholders, our customers, and our employees and agents.

And you know, Manulife has been operating continuously in Hong Kong for 124 years this year. We are a well-known and respected brand in Hong Kong. We employ many thousands of people and as I mentioned earlier, we have almost 11,000 agents in our fast-growing agency.

So, we're very well-known. I think we've navigated the volatile environment since 2019, whether it's the pandemic or political issues or other things, the economic environment last year, very, very well, with a real focus on resilience, taking action, pivoting based on our quick assessments of emerging issues.

I think the proof is – the proof is in the pudding, you know. We are resilient. We are thriving, actually, in this environment. We've increased our market share in every quarter continuously from the first quarter of 2018 right through to the first quarter of this year whilst, as I mentioned earlier, at the same time growing our core earnings year on year in 12 of those 13 quarters.

In the 13th quarter, we still grew positively. It's just we grew single digits. For the other 12 quarters, we grew our core earnings at double digits. So, the proof is in the pudding. Our job – the external environment is always going to bring challenges and crystallization of various risks. Our job is to continue to manage our business stably for all of our stakeholders and I think the team, with the support of, you know, of all of you, has done a terrific job in Hong Kong, right through from 2018, 2019, 2020, all those choppy waters, through to now.

And we've gained market share. We've jumped in the first quarter. We jumped two positions. We've gone from number seven to number five in Hong Kong. Number two in the agency channel. Solidly in Hong Kong and I think probably not far away from taking over the number one position.
So, the execution is there, and the results demonstrate how we're managing through this type of volatility. Thanks for the question.

**Adrienne O'Neill**
Global Head of Investor Relations, Manulife

Thanks, Damien, Sachin, and Anil. Let's get our next question out here, please.

Welcome, Paul. Please go ahead.

**Q**

**Paul Holden**
CIBC Capital Markets, Research Division – Executive Director of Institutional Equity Research

Yeah. Thank you. So, I want to ask you about inorganic growth opportunities in Asia. I guess you've already asked about the opportunity in China. But more broadly. And I guess in this context, right, you're clearly highlighted and Roy clearly highlighted the growth opportunity in Asia and there is huge opportunity ahead of you.

Two, Phil highlighted that you have roughly 10 billion of excess capital.

And then three, and Anil, your presentation showed certain geographies where you know, you're number five or sixth player, not a top three player. So, it seems to me there might be inorganic opportunities in those types of markets and certainly the capital and growth opportunities there.

So, just wondering why it's not a higher priority. Or maybe it is.

**A**

**Anil Wadhwani**
President and Chief Executive Officer, Manulife Asia

Thanks for the question, Paul. So, let me start by just reiterating what Roy said, which is that the organic growth is going to be the primary focus for us and for various reasons, because the secular trend in Asia on account of the significant under penetration that we see, as well as a rising middle – the rising middle class as well as a rising income within the households in Asia provide us a significant opportunity to be able to address the unmet demands of our clients, whether it's the insurance needs or for that matter, the retirement needs.

Then you kind of combine that with the diversified nature of our franchise. We believe we have significant opportunities in many of the markets that we – that we operate in. So, the organic emphasis is going to be the primary — primary focus.

Having said which, we will continue to invest in solidifying our distribution, and we again demonstrated that through the partnership that we stitched up with DBS about five years back. We more recently and Sachin mentioned that we have now a tie with our third bank partner in Vietnam, which is VietinBank. And again, those – our partnerships really allow us a much greater access to consumer households that really provide us the runway for growth for the foreseeable future.

But I'm going to now turn it to Sachin who is the Head of our Emerging Markets to provide you some more color on some of the markets like Indonesia or Philippines or Malaysia where we, as I said, we have a significant opportunity to grow our market share even further. Sachin?

**Sachin N. Shah**
General Manager, Emerging Markets, Manulife Asia

Thanks, Anil, and thank you for the question. I think let me just emphasize first and foremost, that we're very excited about the opportunities we see and organic growth is our number one priority, and we see quite a bit of runway for our emerging markets around organic growth. And we're really focusing in on the success we've had in Vietnam and replicating that success into our other emerging markets.

Now, obviously we don't need to say enough about how attractive not only Vietnam is as a market as well as the other emerging markets, but it really comes down to our strategy and I want to emphasize four very important things that we're focused on from an organic driver perspective.

The first and foremost, which you've heard a lot about, is agency. And having a team building agency model with high scale recruiting, high scale training, and then activation driving productivity. In Vietnam, this has paid real dividends for us. 54,000 agents. Only the fourth largest in Vietnam but the number one in productivity. And that's exactly the model we're taking to Indonesia and the Philippines as an example.

The second, as Anil hit on, is partnering up with leading brands in their own right and Vietnam is another great example of Saigon Commercial Bank, Techcombank, and soon to come online, VietinBank. And working with those partners to not only help them grow their customer base but to grow our penetration into that customer base, which is in the low single digits. And we see opportunity to do that in Indonesia as an example with our partners, Bank Danamon and DBS in Indonesia there.

The third is leveraging this investment that we've been making in digital and taking that all the way through, particularly in our markets where we're not at scale and using that as a way not only to create pandemic resilience but to create expense efficiency and a better customer experience and thereby creating more pull to our brand in that market. And we're seeing great success with our digital tools across our emerging markets.

And the fourth, which is to me probably the most important when I think about where I've spent my time and energy, is focusing on product margins and not just scaling our business, and being very deliberate about how we're managing product mix and then how we're focused on getting expense efficiency by taking all of that digital investment we're making and driving that through end to end in our operations, and Roy talked about our straight-through processing goal.

And then fundamentally ensuring that we're also pricing properly and taking advantage where we can in the marketplace to have pricing power as we build our scale and our brand.

And Vietnam, again, is a great playbook for us here in that we've been able to increase our margins in Vietnam 41% as we shared with you in our financial disclosures for 2020 and we are very much on track to get to our 50% target in the short term in Vietnam. And that's a great example of what we could see us doing over the mid to long term in Indonesia, Philippines, and our other emerging markets.

So, it just gives you a glimpse into what's worked for us in Vietnam. It's not only an attractive market, but it's having the right strategy. But equally importantly, it's about our people and our teams, and we've been taking some of the great talent we have in Vietnam and beginning to export that talent into our other emerging markets so that we take the learnings and we bring them into those markets.

Equally importantly, I would just say, and I close on this, we're also very excited to be able to attract top talent in these markets. And over the last 12 months, we've made significant changes in the leadership teams across our emerging markets. And I am probably one of the most bullish people about our teams in these markets and as a result, I have a very bullish outlook for the performance of our emerging market businesses as we think about the mid to long term.
A final note I would make is look, in the short term in Asia, COVID isn't going away anytime soon. And we're dealing with resurgence in many, many of our geographies here. And as those countries deal with not only the resurgence but their vaccination strategies, we do expect that there is going to be some choppy waters and some choppy growth in some of these markets here.

So, short term, we do see some volatility depending on the markets that we're talking about. Mid to long term, we are very bullish about organic growth and taking what we've done in Vietnam and replicating it across our emerging markets.

Thank you for your question, and Anil, thanks.

Q

**Adrienne O'Neill**
Global Head of Investor Relations, Manulife

Thanks, Sachin. We have time for just one more and it is from Mario Mendonca from TD Securities and it is directed at Ken Rappold. The question is, Manulife generates $250 million in new business gains quarterly. Do you expect the amortization of CSM into earnings to fully offset the absence of new business gains?

A

**Kenneth Rappold**
Chief Financial Officer, Manulife Asia

Great. Thanks, Mario, for the question. It's still too early really to comment specifically on the impact of IFRS 17 at this point. The guidance and the interpretations are still emerging.

I do want to highlight something that Phil said, which is the underlying economics of the business have not changed. Our strategy still remains.

Now, what IFRS 17 does impact is actually the timing and where the earnings are recognized in the financial statements. As you point out, new business gains are a meaningful contributor to us. Under the new standard, they will be deferred and recognized over the lifetime of the contract.

Given that IFRS 17 will impact new business gains and create other changes, we think it is important to provide probably new or modified non-GAAP measures so that the readers can better understand the operating results of the company.

When you look at Asia and the growth story in Asia, we think it's really important to consider the value that's created by these new business sales along with the IFRS 17 earnings driven from the in-force block so that you have a more holistic picture of the value that is really being generated out of Asia.

Thank you.

**Adrienne O'Neill**
Global Head of Investor Relations, Manulife

Thank you, Ken. This concludes our second panel. Thank you again for the great engagement.

We're going to take a short 10-minute break and when we return, we'll have a presentation from Paul Lorentz, President and Chief Executive Officer of Manulife Investment Management.

See you soon.

## 7. GLOBAL WAM: UNLOCKING THE NEXT STAGE OF GROWTH

**Paul Lorentz**
President & CEO, Manulife Investment Management

Good morning, everyone, and thank you for joining us today. I'm very excited to discuss the Manulife Investment Management business, or MIM, in greater detail with you today to demonstrate how we are capitalizing on the tremendous growth opportunity in front of us.

Before we delve into the business in detail, there's a few key messages that I wanted to emphasize. Manulife Investment Management is a primary growth engine for Manulife. Our insurance heritage is a unique competitive advantage which provides additional opportunities for growth when compared to standalone wealth and asset management businesses. As I will demonstrate shortly, we have a global business which is at scale and diversified by both geography and business line. We've been executing against our strategy and delivered strong operating results over the last five years, which was reinforced by the resilience of our business through the global pandemic and continued into the first quarter. Our ability to deliver positive net flows has been impressive with net flows in 10 of the past 11 years supported by solid investment performance. And finally, we have identified a clear path for future growth and are uniquely positioned to capitalize on the opportunity.

With offices across 18 geographies, MIM is diversified by both geography and by business line. Our history in each of our core markets of Canada, United States, and Asia extends beyond 100 years, and our global footprint across our retail, retirement, and institutional businesses is backed by leading capabilities in both public and private markets. Within the MIM umbrella, we have several highly respected brands that customers have come to trust for their most complex financial needs. John Hancock Investment Management and Hancock Natural Resource Group in the United States, Manulife TEDA in China, and Mahindra Manulife in India are just a few examples of additional brands which collectively provide our nearly 14 million customers globally with highly differentiated strategies across a wide range of asset classes. As of the end of 2020, Pensions and Investments Magazine ranked MIM the 27th largest money manager based on total worldwide assets. And at the end of the first quarter, our growing customer base had entrusted us to manage over $764 billion in assets under management and administration across our three business lines.

I want to spend some time discussing our three business lines and outlining how we serve customers in each. With offices across 12 geographies and roughly six million customers globally, our retail business has a broad customer base and has delivered consistent growth over the years. We target mass market, affluent, and high net worth customers, and distribute investment funds through intermediaries and banks in North America, including our own broker dealer in Canada, as well as in Europe and Asia, and offer investment strategies globally through our affiliated and select unaffiliated asset managers. In Canada, we also provide personalized investment management, private banking, and wealth and estate solutions to high net worth clients through our Manulife Private Wealth business. We are currently the 9th largest multi-manager investment firm globally as ranked by Pensions and Investments Magazine and have delivered steady growth in both core EBITDA and assets under management and administration. Our diverse wrapper agnostic product shelf within our multi-manager framework is supported by on-the-ground investment management expertise, offering clients both a tremendous amount of optionality and the potential for specialization. Combined with our exceptional omnichannel distribution model, we're able to provide clients with diversified advice offerings and investment solutions across both intermediary and direct distribution channels. Finally, our ability to leverage our insurance affiliate and retirement platforms is a unique differentiator as it allows us to deliver a more compelling value proposition by leveraging our insurance wrapped investment vehicle, such as investment linked products in Asia and segregated funds in Canada, for asset management capabilities.

For example, in Asia, we have over 114,000 agents that are able to offer retail wealth products to their growing customer base, providing a tremendous opportunity within a market that is expanding at an exponential rate. With offices across five geographies, our retirement business provides financial guidance, advice, and investment solutions to roughly eight million plan participants globally. Our retirement business is at scale, generates consistent flows, a recurring revenue stream, is well positioned for further growth given the pace at which the world is aging, and allows us the opportunity to convert plan participants into long-term customers once they retire or leave their employer. From an industry perspective, we refer to those members as rollover individuals.

The unfortunate reality is that the average individual is unprepared for retirement. And with a global retirement gap that's expected to reach US$400 trillion by 2050, there's a growing need and demand for retirement solutions. In North America, our Canadian retirement business focuses on providing retirement solutions through defined contribution plans and to group members when they retire or leave their plan with personalized advice through our team of financial advisors. In the U.S., we provide employer-sponsored retirement plans with a focus on the small and mid case market as well as personal retirement accounts when individuals leave their plan. And in Asia, we provide retirement offerings to employers and individuals, including our market-leading Mandatory Provident Fund schemes and administration in Hong Kong as well as retirement solutions in Indonesia and Malaysia.

We are also able to leverage our sizeable agency force in Asia to reach a much larger customer pool. We're the eighth largest defined contribution plan provider globally and have delivered consistent growth in core EBITDA and assets under management and administration since 2016 through both organic and inorganic actions. This steady growth is truly reflective of the key strengths that separate us from our competition, including our trusted brand, diverse capabilities from both product and distribution perspective, and our customer-centric approach. To ensure a long-term partnership with both plan sponsors and participants, we strive to provide a top-tier client experience through our dedicated relationship management teams and high touch member services. Finally, our global footprint provides value through scale, which benefits the local businesses in each of the markets.

Moving to our institutional asset management business. As the 46th largest institutional money manager globally, we have over 1,000 institutional clients, offices in 18 geographies, and our business provides comprehensive asset management solutions for pension plans, foundations, endowments, financial institutions, and other institutional investors worldwide. Our solutions span all major asset classes, including equities, fixed income, and real assets, as well as multi-asset investment solutions covering a broad range of clients' investment needs. Our investment expertise is a key strength. And with a deep bench of investment professionals, we provide clients with local insights across a broad range of asset classes. We then overlay our commitment to investing responsibly across our businesses. Sustainable investing is an important part of our innovative global framework, and we continue to develop and enhance our process while maintaining a high standard of stewardship where we own and operate assets. The support of our parent is also a great strength as it provides access to seed capital to develop new proprietary capabilities and allows us to invest General Account assets alongside third-party investors. And finally, our scale is critical as it allows us to develop investment products for distribution across our three business lines globally.

Now that I've outlined where and how we operate and given you a sense of how broad our Manulife Investment Management business is, you may be asking what exactly are the specific characteristics that make us truly unique. Well, it starts with the power of our brand and the trust clients associate with Manulife. This allows us to increase our outreach to a larger diverse customer base and drive growth through customer acquisition and a larger shared wallet. Our insurance heritage is also important as we can leverage the insurance platform to develop unique solutions and distribution to reach more customers. As I mentioned previously, it also provides access to seed capital for new capabilities and the ability for Manulife to invest alongside third-party investors. These capabilities are backed by a proven track record of delivering solid investment performance with 72% of our funds beating their underlying index over a five-year time horizon supported by on-the-ground investment teams in the local markets. Asset management expertise is simply a part of our insurance DNA, and this allows us to offer clients differentiated strategies across both public and private markets with a focus on the long term. In addition, our distribution capabilities benefit from the fact that affiliated multi-format products can be offered through both our insurance and global retirement platforms at scale. Finally, our integrated global operating model reduces complexity by building capabilities once globally and deploying locally, sharing best practices, driving work towards lower cost jurisdictions, and thus lowering core general expenses and driving higher operating leverage.

So, what is it about our insurance heritage that gives us an advantage? The first is that our parent as an asset owner understands the importance of investing over the long term, and that experience and strong brand of the parent has translated into credibility with our business. We share deep expertise in long-term credit and in managing alternative assets, which has allowed us to develop compelling solutions for our third-party customers. The ability to access capital to fund new investment ideas or ability to invest alongside third-party investors provides a source of capital to grow the business. And finally, the ability to leverage our sizeable insurance distribution capabilities globally or package asset management capabilities within insurance vehicles allows us to reach more clients and provides an opportunity to increase the share of wallet of these individuals.

So, how material are the benefits associated with the insurance company? Well, let me share just one example. In addition to the $764 billion we manage on behalf of third-party clients, we also manage an additional $231 billion on behalf of the other segments of Manulife. The ability to manage assets on behalf of our insurance affiliates provides additional scale and value that is unique for MIM. As we grow our global insurance business, so does the scale of our MIM business as we have seen over the past two years.

Given Roy discussed the macro trends in detail earlier, I'm going to be very brief here. That said, our right to win uniquely positions us to capture the global opportunity set that is evolving within the wealth and asset management industry. We have been delivering a consistent track record of execution, and I am excited for the growth potential of our business given the aging population, growing life expectancy, expanding retirement gap, and the projected growth of net household wealth in Asia over the next few years.

The one area I would like to expand on is the increase in net household wealth in Asia. The Asia household balance sheet still has a significant percentage of assets in cash, which creates a tremendous opportunity for us to capitalize as these individuals start investing for their future.

We have generated positive net flows in 10 of the last 11 years, which is truly a remarkable achievement and highlights the power of the integrated business model and the diversity of our platform. This has allowed us to deliver strong net flows relative to our peers at a time when the industry has been challenged by fee compression and a shift to passives. And while we have seen some challenges in U.S. retail in recent years, the first quarter of 2021 represented the third consecutive quarter of positive net flows, and we are feeling confident in the momentum we are building.

I'm happy to announce that along with the new disclosures you may have seen this morning in our restated first quarter statistical information package, we will now be disclosing investment performance by asset class on a quarterly basis in our slide presentation. Throughout 2020, our teams were able to consistently deliver strong alpha, particularly during periods of volatility, reiterating the importance of active management. Our long-term performance is solid with 72% of our assets outperforming their respective benchmarks, which is a testament to the expertise in long-term active management. More specifically, we have seen consistent strength across both our fixed income and balanced mandates. That said, we are constantly striving to enhance performance, and in recent years have taken focused action such as optimizing our product shelf, increasing our bench strength in select core capabilities, adding depth to our teams, and prioritizing succession planning to ensure long-term stability. We have included in the appendix some examples of a few of our funds that have added value, net of fees, relative to their benchmark.

Sustainability is critical to our investment process, and we believe integrating environment, social, and governance factors, or ESG, is a key part of a truly holistic investment process for both its risk mitigation and alpha creation properties. At the heart of integration of sustainability into our investment process is our commitment to bottom-up fundamental active investment management. We really view the explicit incorporation of ESG as a natural extension of this approach. We are recognized as a leader in this space. We became a PRI signatory in 2015 and factored sustainability into our investment processes by ensuring our teams are both fully capable and fully supported to act as the best stewards possible of the capital entrusted to them by our clients globally. In 2020, we were recognized in the PRI leaders group, and at the conclusion of the year, 79% of our public market equity and fixed income strategies had fully integrated ESG into the investment process supported by our global sustainability team, which includes 23 investment professionals.

We are committed to expanding our impact investing products and natural climate solutions across both our public and private markets business to be part of the solution to climate change. For instance, in 2021, our public markets team launched both the Sustainable Asia bond fund, which invests in bonds from companies with superior ESG characteristics and the Manulife Global Climate Pooled Fund, which aligns with the principles of the Paris Agreement on climate change. And on the private market side, our thematic investments in timberland and agriculture offer nature-based solutions. As of year-end 2020, we managed over 5.4 million acres of timberland and nearly 470,000 acres of farmland globally, all of which are certified sustainable by third parties, and these investments make a notable impact on the environment. More specifically, over the past five years, our managed forests and farms have removed an average of 2.9 million tons of CO2 from the atmosphere annually. As a leader in this space, we will continue to refine our approach, engage with investee companies to mitigate ESG related challenges, and collaborate with stakeholders to influence the ongoing adoption of best practices.

We have been delivering consistent growth across our key reporting metrics as highlighted here by core earnings and AUMA. Since 2016, our core earnings have grown at a compound rate of 14% annually, fueled by steady growth in both our retirement and retail businesses. Core earnings have also benefitted from our global scale and disciplined approach to expense management. And as Phil highlighted, we plan to grow earnings at a higher rate than the total company medium-term core EPS target of 10 to 12%. Assets under management and administration have also shown steady growth of 9% since 2016 with solid contributions from all three business lines.

I'd like to highlight that similar to AUMA, we will now be disclosing core earnings by business line in our statistical information package on a quarterly basis, which we believe will provide greater insight into the core earnings profile of our franchise.

Continuing with the expanded disclosures, I'm pleased to announce that we have further enhanced our quarterly disclosures with the addition of AUM by asset class, net fee income yield, core EBITDA by business line, as well as AUMA roles by business line and geography. We believe these new disclosures will be insightful to the investment community and assist in understanding and valuing our business going forward.

If we start with assets under management by asset class on the left-hand side of this slide, you will see that the steady growth over the past five quarters has been driven by fixed income and equity assets. Net fee income yield has been strong and remain consistent over that same timeframe, which highlights how we benefit from our diversity, particularly due to the exposure in Asia and Canada where we have the opportunity to deliver higher margins and supports our strong belief in the value of active management.

Moving to the right-hand side of the slide, growth in core EBITDA has been solid, and core EBITDA margin has increased due to the strong growth in Asia and Canada, scale benefits, and strong expense discipline. Core EBITDA margin has exceeded our target of 30% over the past three quarters. And given that we're seeing further opportunities for topline growth and efficiencies, we expect that we will continue to drive margin expansion over the long term.

Our strong momentum continued into the first quarter of 2021 as we delivered record results for gross flows, core EBITDA margin, and core earnings. Despite ongoing headwinds related to the pandemic, we delivered gross flows of $39.7 billion, core EBITDA margin increased 340 basis points year-over-year to 30.7%, and core earnings were very strong, up 29% versus the prior year quarter on a constant exchange rate basis. Once again, the results in the first quarter highlighted the strength and resiliency of our franchise and the strategic diversification we have had by business line and geography.

Up to this point, I've been focused on telling you exactly who we are and why we win by highlighting our strong track record of execution. Now I'd like to pivot and tell you more about where we're headed. As we enter the next phase of growth for MIM, we are focused on three key pillars and are very well positioned to capture a sizeable opportunity into the largest growth markets.

The first pillar of our strategy is focused on strengthening our commitment to our retail business. And as I will outline momentarily, we believe the opportunity within this business remains very enticing. More specifically, we are focused on enhancing our customer reach and experience through expanded distribution with digital capabilities and by continuing to launch market-leading investment solutions while driving global scale to increase efficiency.

Our second pillar is about retirement and providing advice and investment solutions to our plan participants to help them save and prepare for their golden years. The pandemic has increased the demand for digital solutions within financial services, and we are focused on targeting select segments of the market and further enhancing our client experience by leveraging digital, data analytics, and our diverse product shelf. We will also drive margin expansion by continuing to deliver efficiencies and increase the percentage of proprietary investment management solutions on our platforms.

Our third pillar is about augmenting our asset management capabilities to ensure we are laser-focused on the most important opportunities in the market. We remain focused on our core capabilities and will continue to develop differentiated public and private market investment strategies while building scale across the business. ESG remains the top priority for our firm, and we will continue to be a market leader in driving awareness and offering our clients unique integrated solutions. Finally, with our joint venture, Wholly Foreign-Owned Entity, and strategic partnership with Albamen Capital Partners in China, and recently announced joint venture in India with Mahindra, we are well positioned to capitalize on two of the fastest-growing markets in the world.

As I just highlighted, we believe strongly that the opportunity to win within our retail business remains significant, and this is being driven by several specific market trends. The demand for in-person advice remains strong. And while customers expect an omnichannel experience, when it comes to making larger financial decisions, individuals find comfort in the expertise of an advisor. We are also seeing wealth becoming more concentrated within select segments of the population, specifically high net worth individuals and amongst women and millennials, two segments which have been traditionally underserved.

Individuals are consolidating providers and being able to offer holistic financial approaches is critical to winning new business and maintaining long-lasting relationships. And retail investors are demanding innovative products focused on sustainability and the need for exposure to real assets given the lower for longer interest rate environment. With diverse wealth capabilities and omnichannel approach and a market-leading investment expertise, we are well positioned to capture the projected growth in retail AUM across our three main geographies. How exactly are we planning on executing against this opportunity set? We'll prioritize investment in the geographies where we have the highest conviction such as Canada and Asia to drive margin expansion. In Canada, for instance, our ability to internally manufacture investment solutions and then distribute through our broker dealer a high net worth business allows us to capture additional margin in the value chain while providing superior value to our customers. And in Asia, we will increase our advice channels further with an emphasis on digital and leverage our recent expansion of insurance agents in the region to reach more customers. We will leverage our global scale and use of data to increase the efficiency of our distribution while gaining a better understanding of our advisors and customers' needs. This insight will allow us to successfully invest in the right digital solutions, securing both shelf space with intermediaries and expanding into new channels. We will continue to expand our unique investment solutions across multiple vehicles such as exchange traded funds and separately managed accounts so that clients can access our products in their preferred format. And finally, we will leverage our leadership position in ESG and investment expertise in Asia to continue to offer both our North American clients and those around the globe access to differentiated solutions.

As I just mentioned, digital is a key component of our retail growth strategy, and I'd like to highlight an example of how we're leveraging this in Asia. iFunds is a one-stop digital platform which provides customers with a simplified portfolio management tool and enables them to easily open accounts, seamlessly transact, and monitor portfolio and cash balances, as well as their investment performance. The platform is also fully integrated with advisors, allowing them to quickly engage customers digitally and assist them with their fund choices. The combination of the digital ecosystem while integrating advice has been a compelling proposition for these customers. We successfully launched the iFunds platform in the Philippines and Hong Kong in 2019, added Malaysia in 2020, and have plans for additional markets in the pipeline. As of the end of April this year, we have opened over 120,000 accounts and have grown assets under management to US$1.8 billion. The preference for simplified digital solutions is clear as 57% of new mutual fund accounts have been opened digitally since the launch of the iFunds solution. This is just one example of how we are utilizing our digital capabilities to meet customer demand and drive new business in Asia. And given the customer expectations around digital in the region, I expect this demand will only increase over time.

Next, let's dive into the opportunity that we see in retirement and how we were executing against it. From a market perspective, we were seeing several trends emerge that reinforced the importance of retirement platforms in the wealth value chain which have allowed us to narrow our focus. Retaining plan participants is critical in driving higher margin and a stronger earnings profile for the business, and we are laser focused on helping participants when they leave their employer or retire resulting in higher rollover capture rates. The rapid advancement of digital solutions across all sectors has greatly increased the expectations of customers, and providing participants with a digital omnichannel experience is simply table stakes. These enhanced expectations combined with a heightened focus on health, wellness, and planning will allow top-tier wealth managers to provide clients with an entire ecosystem of financial solutions under one umbrella. And lastly, with a rapidly aging population across the globe, we are seeing the potential for strong growth and demand for private pension solutions in Southeast Asia, which, not surprisingly, is resulting in numerous foreign insurers entering China; however, as Roy has discussed at length in the past, successfully entering Asia is not as easy as simply putting up a shingle and thus with over 100 years of history in the region, our strong relationships and diverse footprint is a clear competitive advantage. By 2024, retirement assets are expected to grow by double digits annually in Asia and mid to high single digits in North America and with a global platform which is at scale, we continue to believe this business provides steady earnings and attractive growth profile.

Since bringing these businesses together in 2018, the global retirement opportunity has been a priority. We are already seeing tremendous value being delivered by the business. The next two slides provide more detail on how we are leveraging our unique capabilities to unlock value in the business. With market-leading positions within Canada, the U.S., and Asia, retirement business has delivered strong growth, and we've seen the number of plan participants globally increase by roughly 1.1 million since 2017. These participants provide steady revenue generation due to the stickiness of assets and the fact that a large percentage of our individuals have automatic deposits set up with each paycheck. In addition, we have an opportunity to interact with these individuals on a regular basis, which allows us to prioritize what is important to them. As we continue to improve our digital experience and offer access to comprehensive advice, we would expect opportunities to win additional share of wallet from participants and ultimately increase rollover capture rates.

Over the past two years, we have focused on the global rollover opportunity. And as you can see, we are starting to unlock additional value by continuing to meet the needs of these individuals. We believe there is still tremendous value to unlock as we grow these businesses and enhance the digital customer experience. The second large opportunity is the ability to increase the percentage of assets being held in affiliated strategies as currently 66% of assets are held in third-party strategies. This vertical integration allows us to offer better value to our customers while accessing multiple profit pools.

As we have discussed previously, the world is aging, and Hong Kong is no exception. In 1985, only 8% of the population was aged 65 and over, and that number is expected to balloon to 34% by 2050. This situation is increasing both the need and demand for retirement solutions. And if we look at the pension pillars, individuals have minimal social security through the government, workplace savings in the form of Mandatory Provident Fund or MPF, or occupational retirement schemes ordinance, or ORSO, and personal savings through a number of vehicles. Recognizing this opportunity, we have built a market-leading retirement position by both AUM and net cash flows by leveraging our unique capabilities and in particular the ability to leverage our insurance agents. We are currently the number one provider in the market as of year-end 2020, holding roughly a 39% market share based on net cash flows and US$36 billion in AUM. With approximately 10,000 Manulife life insurance agents in Hong Kong, our distribution capabilities are significant, and our offering provides a competitive advantage for our agents, which tends to lead to opportunities to sell customers additional products from within our lineup.

We remain focused on driving further scale in the business. In the fourth quarter, we launched a strategic alliance with Allianz, and last year launched an innovative focused income fund which has seen strong demand. Given our market-leading position in Hong Kong and deep expertise in the retirement business across Asia, we continue to be seen as a trusted advisor for governments looking to consult on potential pension schemes in the emerging markets region. We are in a very strong position to further expand our presence in Asia if and when select governments look to establish similar solutions.

The past year and a half has been one of the most volatile periods for markets in history, creating a tremendous opportunity for active managers to add value for their clients. Combine this with an ultra low interest rate environment and an increased awareness around environmental, social, and governance issues, and the demand for alternative real assets and investment mandates with ESG tilts is clear. With all of these factors at play, we have been extremely focused on augmenting our asset management capabilities to ensure we are aligned with our core areas of expertise while maximizing alpha generation for our clients. From a growth perspective, AUM and active strategies and private assets is expected to deliver moderate mid-single digit annual growth between now and 2024, and we are confident that given our current position and global footprint we are in a strong position to execute in the current environment.

How exactly are we planning on executing against this opportunity set? In our institutional business, we're focused on leveraging our best-in-class asset management capability to become the partner of choice for clients globally. From a product perspective, we will expand our investment capabilities in certain differentiated public strategies across global fixed income and specialty equity while growing our third-party private markets business. For example, we recently announced a number of private market investments within infrastructure which provides exposure to communications, transportation, data centers, and renewable energy assets, and thus we are making strong progress in this business. We will leverage our strong investment capabilities in Asia to offer clients across the globe access to our differentiated Asia-specific strategies. And finally, assist our clients achieving their ESG ambitions through our market-leading position and help them successfully manage their long-term obligations with our insurance heritage and long-term approach to investing.

With mutual fund AUM expected to grow at double-digit pace annually between now and 2024, the wealth and asset management opportunity in both China and India looks very attractive. These projections give us confidence in the longer-term outlook for these two countries. And it is for this exact reason that we have executed on strategic investments in both markets as we believe they can become sizeable contributors to our business beyond our medium-term planning horizon. In China, we have a 49% interest in our asset management joint venture with Manulife TEDA as well as a Wholly Foreign Owned Entity, or WFOE Investment Company licensed to further expand our Wealth and Asset Management operations in China. Manulife TEDA was among the first group of fund managers to receive regulatory approval to launch a Retirement Fund-of-Fund in China and to date is ranked amongst the top 10 in country in terms of AUM. And Manulife Investment Management in conjunction with our on-shore subsidiaries have developed and launched several differentiated cross-border solutions to both on-shore and off-shore investors, such as the Qualified Domestic Limited Partnership scheme and Qualified Foreign Institutional Investor Program. We also announced a strategic partnership with Albamen in 2020, a leading China infrastructure private equity manager focused on renewables. We are excited about this opportunity and the strength of the team at Albamen and believe this will uniquely position us to capitalize on the revolution we are seeing in the energy sector globally. And in India, we signed a joint venture with Mahindra Finance in June of 2019, further expanding our footprint in Asia, and giving us access to one of the world's fastest-growing markets. Through the JV, we aim to expand fund offerings, drive fund penetration, and achieve long-term wealth creation in India. We believe India will be an important part of our Asia strategy in the years to come and have already launched three new products.

We have a phenomenal franchise, and I'm very excited about the growth prospects that lie ahead.

To conclude, I would like to finish where we started and reiterate the key messages from my presentation. Manulife Investment Management is a primary growth engine for Manulife. Our insurance heritage is a unique competitive advantage which elevates our business compared to standalone wealth and asset management businesses. Our business is global, at scale, and diversified by both geography and business line. We delivered strong operating results over the last five years, which was reinforced by the resilience of our business through the global pandemic. Our ability to deliver positive net flows has been impressive with inflows in 10 of the past 11 years supported by solid investment performance. And finally, we have identified a clear path for future growth. Leveraging our strong track record of execution and our competitive advantages, we are uniquely positioned to capitalize on the opportunity.

## 8. GLOBAL WAM: Q&A SESSION

**Adrienne O'Neill**
Global Head of Investor Relations, Manulife

Thanks, Paul, and welcome to our third panel, which is Global Wealth and Asset Management. Joining Paul this morning we have Kristie Feinberg, CFO of Global WAM; Chris Conkey, Global Head of Public Markets; and Michael Dommermuth, Head of Asia.

So, let's bring out our first question, please.

Welcome, Paul. Please go ahead.

Q

**Paul Holden**
CIBC Capital Markets, Research Division – Executive Director of Institutional Equity Research

Thank you. So, we talked about it earlier in the presentation that the earnings target for global WAM is 15% per year and Paul, you walked through some of the AUM expectation sort of segment by segment, but maybe you can tie it together for us and talk about what your expectation is for Global WAM as a whole in terms of AUM growth both from investment returns and the net flows and how that operating leverage ties into that 15% EPS growth objective.

A

**Paul Lorentz**
President & CEO, Manulife Investment Management

Yeah. Thanks for the question, Paul. I'll start with just reconfirming our confidence in our ability to deliver that growth rate going forward, and there are a number of reasons for that that does make us somewhat unique relative to particularly some of the U.S. peers.

The first, and we mentioned this in the presentation, is that 2/3 of our core earnings come from Canada and Asia and that is important for a number of reasons. The first is that we tend to see higher margins in Canada and Asia than we do in the U.S. The second is that what we've seen in the U.S. is a rise of passives at the expense of actives. In Canada and Asia, we've seen passives rise but we see the actives grow as well. I think we're an active shop so our ability to tap into those profit pools and they're growing in those two markets is also really important.

The second thing is that our insurance heritage again, which we touched on, also positions us for growth, particularly as it relates to Asia, and you heard from Anil and the team on their ability to grow that business. But our ability to manage money within the construct of insurance vehicles provides additional profit pools that others don't have.

And the ability to leverage their distribution agency force in terms of bringing our wealth and asset management solutions to them. So, that would be the second thing.

I think the third one, just to give a little bit of confidence in terms of the growth rate, is if you actually look back over the last five years, we mentioned the 14% growth rate, as we look at that relative to peers, we have delivered core earnings growth well above the peers and the consistency of the business in terms of flows.

So, I think, you know, there's kind of a – there's a proof point there of how we've executed. But as we look forward, you know, we actually see still tremendous value in this business going forward because of the opportunity, some of the global trends.

And in terms of some of the specific metrics you referenced, you know, we're not looking for asset growth to grow at 15%. In fact, we don't feel we need that. You know, we can grow assets, and we still think there's a lot of leverage within the efficiencies of the global business and our scale to make sure that we can manage expense growth. And our target, which we've reiterated before, is try and manage expenses to about 50% of revenue growth, and we think that is achievable as we move forward. And if we can do that on a global scale, we're going to drive that margin of improvement and ultimately the core earnings.

I think the second thing that's worth noting just from a risk perspective is that if you look back, that five years historically has actually had a lot of volatility in it. And through that period of volatility, you know, our investment team delivered, the flows were pretty consistent, the core earnings growth was there. So, there's kind of a proof point looking back.

But I think looking forward, one of the things that makes me feel a lot more confident is that we now run this business globally as a management team. What I mean by that is if we see emerging risks or threats in any part of the business, whether it's channeled by geography or by business line, we have the ability to pivot as a management team with our resources and our spend to go harder in some of the other areas where there are opportunities. And I think it's that breadth of opportunities for us relative to some of our peers that just gives us that strategic advantage.

Q

**Adrienne O'Neill**
Global Head of Investor Relations, Manulife

Thanks so much, Paul. Our next question is from Mario Mendonca and I will read it out and we will respond, and it is directed at Michael.

Hong Kong has announced changes to the MPF wherein the administration of the schemes will be reduced. How will this impact Manulife's fees and income from the MPF?

A

**Michael Dommermuth**
Head of Wealth and Asset Management, Asia & Chief Executive Officer, Manulife Investment Management (Hong Kong) Limited

Just some background, in Hong Kong MPF, we are the dominant provider. We have a 25% share by AUM. We're number one in terms of net flows. We have a 40% share, close to 40% share of those net flows.

We have scale that other players don't. Accordingly, as we look forward to eMPF, we believe that we're exceedingly well positioned to benefit from it.

Recently we announced the strategic partnership, essentially the acquisition of the sponsorship of Allianz's MPF business that will go live in the third quarter of this year. And that broadly speaks to the role we see ourselves within the MPF market. We do see ourselves as a consolidator. We think that with the eMPF, some of the smaller and mid-sized players are not going to be viable. And with the player with the greatest amount of scale, we see ourselves benefiting the most from that. Thank you.

**Adrienne O'Neill**
Global Head of Investor Relations, Manulife

Thank you, Michael. Let's bring out our next question, please.

Welcome, David. Please go ahead.

Q

**David Motemaden**
Evercore ISI, Research Division – Research Analyst

Hi, thanks. I guess I had missed – Paul, could you just remind me what you're thinking the 15% earnings growth, what the assumption is for net flows within that?

And then also, just a question in the U.S. There's been outflows in three of the last – in the last three years and four of the last five. This is, you know, biggest AUM pool here. I guess, how do you intend to turn this around? And I'm specifically wondering about the defined contribution business where there is increasing competition.

A

**Paul Lorentz**
President & CEO, Manulife Investment Management

Yeah. So, I'll start with your first question on net flows, and as we look forward I guess, most of the earnings growth is going to come from the in-force asset book. So, net flows is important, but it's not going to be the big driver of earnings.
You know, we do feel pretty confident in our ability to deliver positive net flows pretty consistently – consistently over the long term and over the planning horizon just because of the strategic choices we have, and we've seen that historically and feel like we're building some momentum there.

So, we don't have an absolute number we're trying to attribute to it because most of the earnings will come from the in-force book, but we do think we'll continue to add net flows to the franchise as we move forward.

As it relates to the U.S., what I can say is Q1 was actually a really strong quarter for our U.S. It was our third consecutive quarter of positive net flows. There are a couple contributing factors there, particularly in the retail side. One is just improving performance across the board, the fact that our active management really did shine through periods of volatility there and again, just offering value, you know, and consistency in terms of the investment mandates we have.

We also, through our multimanager platform, don't try and do all things to all people in terms of the internal capabilities, so we do have a broad product shelf. One of the things that does differentiate us, we try to make sure we have solutions for every market cycle, and some of those we manage ourselves but we also provide select third-party managers to do that. So, in the end, a lot of it comes down to investment performance and whether you can deliver. And we've got really strong investment performance right now that's building that momentum. So, we're feeling really good about that. The strong brand, our distribution capabilities, you know, when all of that is working together, we really see the power of the franchise.

As it relates to more of the retirement business, I guess a couple comments on that. It was mentioned in the presentation we actually have global scale in our retirement business globally that does translate into local, and that is different than some of our U.S. peers that need to scale up locally. We actually don't need that local scale because we do get it globally through the global operating model, and there's a lot of overlap there. That would be the first comment I'd make.

The second one I would make is that we're also focused on the small and mid-market where margins on record keeping are actually a lot higher than as you start going into the larger market.

But the third, and it's more important in the new disclosures now, is that the retirement earnings we're showing you is actually the return of\ earnings of that channel which is not just record keeping. It actually includes all the profit pools. So, any asset management capabilities we manage on behalf of retirement actually shows up in the retirement core earnings line now as well as any advice fees, et cetera.

And the reality is we never really put a lot of effort into focusing on the additional profit pools a number of years ago until we brought the business together. You can see some of the value we're now starting to unlock. So, we're feeling pretty good about where we're positioned in the U.S. as it relates to retirement. We have the scale. We're known as a leader in the small case market. We're seeing traction in terms of our ability to, you know, leverage and keep those members as they roll. So, we're not in a position where we need to make any decisions on scaling up because we already have that.

So, I think that's – you know, we've seen a lot of that from some of our peers. I guess we're just in a different starting point position because of that global scale than others so we just don't feel that we need that today.

**Adrienne O'Neill**
Global Head of Investor Relations, Manulife

Thanks, Paul. Let's bring up our next question, please.

Nice to see you again, Humphrey. Please go ahead.

Q

**Humphrey Lee**
Dowling & Partners LLC – Equity Research – Head of Life Insurance and Retirement Services

Thank you for taking my questions. I guess my question is for Paul. You talk about in retirement, that is going to be one of the key pillars for Global WAM and you talked about capturing more proprietary assets in the retirement space. Can you provide some color in terms of your proprietary product capture by region and can you maybe size the opportunities that you can achieve and how do you plan to do that?

A

**Paul Lorentz**
President & CEO, Manulife Investment Management

Yeah. Happy to, Humphrey. And again, it really varies by region but, you know, our goal in terms of leveraging the retirement business is to leverage capabilities where we have differentiated capability. So, it's not about adding capabilities for the sake of adding them. We want to make sure that we do have true market leading capabilities.

The opportunity we're seeing is mostly in the mid-market in the U.S. as we've really focused on leveraging the consultants, the distribution as our performance has improved, to really get on a lot of the recommended lists not just for retail but that also drives selection particularly in the open architecture platform in the U.S.

So, we are expecting to see some progress in the U.S. in terms of increased penetration, particularly in that mid-market for us.

And in Canada and in Asia, we have good penetration within the lineup. It's one thing we're reviewing is to make sure that we continue to bring solutions to bear that might be unique, that might be differentiated, and also that we continue those beyond when individuals stay in rollover or stay in our rollover platforms.

I think one of the examples you heard in the deck was the income fund that we launched in Hong Kong. It's a great example where we've launched something unique consumers were looking for, managed by ourselves within a platform that we own. So, it really is leveraging the platform as a channel for us, and we'll just continue to look for opportunities to generate value where we can.

**Adrienne O'Neill**
Global Head of Investor Relations, Manulife

Thanks. Next question, please.

Welcome, Tom. Please go ahead.

Q

**Tom MacKinnon**
BMO Capital Markets – MD & Analyst

Yeah. Thanks for taking my question. It may have been asked a little bit before but maybe you can elaborate on it. If we look at the asset growth, the 9% kind of asset growth you've had in the past and you certainly were able to get much better earnings growth than that, if we kind of look at the asset growth that's sort of projected going forward, 5% to 6% for Canada, I think it's 10% to 13% for Asia. So, you know, maybe blended it's mid to high single digit.

How can you get 15% core earnings growth on that? Is it just through operational leverage or what other things are helping to drive that? And what – what are you doing different going forward than you've done in the past to be able to continue that momentum?

A

**Adrienne O'Neill**
Global Head of Investor Relations, Manulife

Thanks. I mean, I think we'll start with Paul and maybe hand over to Kristie.

**Paul Lorentz**
President & CEO, Manulife Investment Management

Yeah. I'll provide some high level, Tom, on that one. And you're right, we've typically – as we look back, the growth rates that we delivered were getting a lot of operating leverage out of that. And when we brought the business together, our focus was on where the biggest opportunities were on the global basis and that led us to the retail and retirement channels and that's where we really unlocked a lot of that value to help fuel the growth you've seen historically.

We actually still think there's a lot of value to unlock in those big material channels in terms of efficiencies, you know, driving incremental margins, et cetera, independent of the asset growth there. So, we do think we're going to unlock in terms of margin expansion and drive a big chunk of that particularly as it relates to North America, but we have other opportunities in other business lines that we're now focusing on to drive some of that topline growth. Asia retail is a good example of some of those other ones.

But I'll open it up just to see whether Kristie wants to add any context to that, or Michael, if you want to speak to just some of the growth engines going forward that maybe didn't exist before and iFunds we profile. But I think that might be one we want to highlight of how we're building a kind of growth that we didn't have before looking back versus looking forward.

So, I don't know. Kristie, is there anything you wanted to add on the financials before passing it to Michael?

**Kristie Feinberg**
Chief Financial Officer, Global Wealth and Asset Management, Manulife Investment Management

Yeah, sure. Thanks, Paul. Thanks, Tom, for the question. In addition to the growth opportunities that Paul alluded to, as well as the expense efficiencies that we've been able to execute upon, one of the things that we added in our disclosures that I think is really key and important is our net revenue yield, the strong net revenue yield and stable net revenue yield which have really helped fuel the continued core earnings growth as we look to expand in these markets.

Its north of 43% or 43 basis points – excuse me – and part of that is driven by the fact that we are strong active managers as well, and these capabilities as we continue to distribute them across our region and across the business mix will continue to be able to fuel earnings growth of 15%.

**Michael Dommermuth**
Head of Wealth and Asset Management, Asia & Chief Executive Officer, Manulife Investment Management (Hong Kong) Limited

I'll just jump in. Our view is that we're going to grow faster than the market as a whole within Asia because we have right to win. If I look at the distribution landscape within Asia, predominantly all of the major fund houses are distributing through banks as are we. We have some advantages in terms of that bank distribution. The vast bulk of what's distributed, our Asian capabilities and our Asian footprint is highly differentiated. It's one of the largest Asian investment teams of any Asian asset management company.

But the other reason that we have advantage within the bank space is our proximity to the life company. The life companies have bank distribution partnerships. Our job is to help reinforce those partnerships and in exchange, these partnerships have grown to become something more than just distribution of life insurance. They have also been distributors of our fund products.

But it's what we can do above and beyond bank distribution that gives us the right to win. In that regard, I note that our agency force has been instrumental in making us the number one player in pensions. We are a leader in investment link platforms or policies across the region, number one in Hong Kong, for example. Again, because of agency.

What we're doing now is we're extending that to the mutual fund market, captive distribution beyond intermediary distribution where we own and control the customer experience. We're facilitating that, as Paul said, through our signature digital platform, iFunds, which we've rolled out now through three markets.

But the thing that we have that other asset management companies don't have is 12,000,000 captive customers in Asia growing very rapidly. And so, our mission is to help support the growth of the mutual fund market by harvesting that intrinsic value. Thanks.

**Paul Lorentz**
President & CEO, Manulife Investment Management

Michael, just one thing to add. I think the other thing that was mentioned on the Asia panel that's important to understand in terms of context is we integrate into the digital ecosystem. So, Hong Kong is an example. You heard from Damien in terms of the experience for that customer through the life agent. It includes the insurance products and the wealth products in one integrated experience. So, we're plugging in to make sure that we're not something separate off to the side. We're integrated into the experience that the agent is bringing. It's just bringing a broad ecosystem of products to them.

**Michael Dommermuth**
Head of Wealth and Asset Management, Asia & Chief Executive Officer, Manulife Investment Management (Hong Kong) Limited

That's absolutely right.

Q

**Adrienne O'Neill**
Global Head of Investor Relations, Manulife

Thank you. And we have one final question from Scott Chan from Canaccord. And this one is for Chris. Scott asks, what are the specific attributes unique to Manulife that help or enable you to continue delivering solid performance relative to others across all asset classes?

A

**Christopher P. Conkey**
Global Head of Public Markets, Manulife Investment Management

A good question and thank you for that. The most important thing for us really is the long-term heritage of Manulife. And what that brings to the table for us is a commitment to its clients. Capital to be able to invest in our capabilities, our investment capabilities, our infrastructure, and that enables us to make those promises to clients that we're going to be here in the long run.

Particularly in the institutional market, we've seen asset owners consolidate relationships. And what they're looking to do is form partnerships with firms that can bring a broad array of high-quality capabilities with alignment across the entire organization, from investment philosophy which as Paul and Roy have mentioned is very long term in orientation, really driven by deep credit expertise, private markets capabilities, but also a commitment to sustainability.

You know, it's been mentioned but sustainability is really a part of our DNA, and what Manulife brings to the table is a unique position as both an asset manager and an asset owner. So, it puts us in a unique position of alignment with clients. And so, within an environment like that and then also the amazing distribution opportunities we have, particularly given Asia and the retirement and pension areas, we're able to attract and retain talent that wants to be both empowered and then work within an organization that is in it for the long run.

And then clients recognize that. You know, and the area we can probably point to that says we're being recognized for the best has been consultant ratings. You know, in the institutional space where we're still a relatively young manager relative to others in the business. We've garnered over 200-plus buyer ratings which are up 20% in the last three years. And that's within an environment where consultants are actually consolidating and shrinking their approve list to bring to clients.

So, we're really excited about all of these pieces coming together and that ties in terms of value proposition that we're bringing to clients across retail, retirement, and institutional channels.

**Adrienne O'Neill**
Global Head of Investor Relations, Manulife

Thanks, Chris. This concludes our third panel and with that, I would like to introduce you to Karen Leggett, Manulife's Global CMO, and welcome her to our virtual stage. Karen will provide an update on the progress that we're making on our digital and customer strategy.

Over to you, Karen.

## 9. ACCELERATING OUR CUSTOMER & DIGITAL STRATEGY

**Karen Leggett**
Global Chief Marketing Officer, Manulife

Thank you, Adrienne. We've made excellent strides in our journey to become a digital customer leader, enabled by the foundation we've built in our strategic accelerators.

Our strategy takes a highly targeted approach in how we select and plan our investments to have maximum impact for customers, shareholders, and the company. We're doing this by simultaneously focusing on three areas. Firstly, we're using the voice of the customer to understand and address their most vital feedback. Secondly, we're emphasizing the handful of high-value interactions that matter most to our customers to build market-leading experiences. And finally, we are also focusing on extending relationships and advice for customers in the health and wellness space. Great progress has been made over the past three years, and there are substantial benefits yet to be captured.

To build on what Roy said earlier, we've established a strong foundation to fuel our customer obsession and digital transformation through our strategic accelerators. Our accelerators are a proven mix of people, practices, and capabilities that underpin our success, and we will continue to mature and scale these. Since 2018, we've invested more than $750 million to enhance our digital capabilities, and I'll bring that to life in a moment.

We've globally deployed human-centered design with a dedicated team of practitioners to systematically research, design, iterate, and deliver best-in-class experiences, validated with customers at each step. In the past year, we've engaged more than 7,500 customers in this process, contributing to our 50% increase in NPS. Agile at Manulife is embedded in each of our businesses, and it's our primary way of working. In fact, we have more than 5,000 agile practitioners across 500+ squads globally working cross-functionally, leveraging their domain and customer knowledge. Our agile capabilities allow us to continuously iterate and prioritize the highest value work resulting in accelerated time to market and increased productivity and quality.

Our advanced analytics practice is an established core competency at Manulife where we use data and artificial intelligence in collaboration with our businesses and functions to improve customer interactions, create operational improvements, and reduce fraud. Our 160 highly skilled data scientists are critical enablers to our digital and customer transformation. They use the latest AI techniques, including machine learning, deep learning, and reinforcement learning, to deliver incremental value over and above traditional statistical techniques. Technology infrastructure, in particular cloud adoption, is critical to realizing any digital transformation. It increases our organization's speed, efficiency, agility, and access to innovative capabilities to better service our customers. We currently have 57% of our applications in the cloud, making us an industry leader in this area.

Finally, in 2020, we challenged ourselves to deliver several rapid digital initiatives time boxed within a 90-day delivery. In the first six months of the program, we delivered 26 90-day initiatives, most of which came in under $300,000 each and delivered $4.1 million in savings in the first quarter alone post-deployment, representing 120% ROI. This is a new muscle that fosters a high sense of urgency and focus, removing barriers quickly, and encouraging innovative thinking and rapid solutioning.

I'd now like to share some noteworthy examples as shown on the right where we've demonstrated the impact of our strategy and the value delivered. In Asia, we've enabled 80,000 of our agents through an end-to-end fully digital onboarding platform from discovery and illustration to submission, underwriting, and policy delivery all supported by e-signature. 73% of new business is now submitted digitally with 76% auto-underwritten. This is quite an achievement when you consider it was a completely paper-based process just two years ago.

Our digital claims platforms across the globe have also yielded some important wins for us. We rolled out an enhanced digital claims experience to six markets in Asia encompassing drug claims, hospitalization, and life claims. This experience has resulted in faster claims adjudication, automated payments, a claims tracker to update customers on the status of their claim, and significantly decreasing turnaround times. Customers have clearly appreciated the seamless experience as 60% of claims were submitted digitally in Q1 of this year.

The newly deployed claims platform for group benefits in Canada has increased auto adjudication by 26 points from 60% to 86%. As well, claims experience enhancements to our group benefits mobile application have contributed to the app rating jumping to 4.3 stars.

These successes and many others across our businesses have resulted in the notable KPI improvements as outlined in the charts, such that, globally, 72% of our policies are now auto-underwritten. We've also seen a 24-point gain in life claims submitted digitally. And our straight-through processing rate is now over 80%. We've made impressive progress in our digital and customer transformation, particularly evidenced during the pandemic. It's highlighted that there is even greater value to unlock through the acceleration of our highly focused strategy and disciplined approach to the selection and sequencing of our investments.

To that end, the acceleration of our strategy is rooted in the voice of the customer and their expectations. These expectations are remarkably consistent across our geographies and business units. Through our NPS methodology, we've distilled what customers expect of a great experience into six elements. Customers expect us to take ownership of resolving their issues. Be easy to do business with. Engage with empathy, understanding, and professionalism. Be clear and transparent in all our communications. Add value beyond their immediate need. And they also expect that we enable our advisors to deliver high-quality experiences. In addition, from this analysis, two-thirds of customers tell us that speed and efficient resolution are their most crucial elements when dealing with insurers. Not surprisingly, they also expect a user-friendly digital experience through online and mobile properties. And a majority expect us to use their data to anticipate their needs.

That leads us to our three critical focus areas, brilliant basics, differentiated experiences, and extending customer relationships. The important callout here is that these three focus areas are not being addressed sequentially but rather concurrently.

Let's now dive into the importance of these brilliant basics which are often overlooked. Organizations tend to focus on high-profile, large-scale experience transformation, ignoring friction in basic processes. However, to get the NPS gains we expect, we can't just focus on the big “e” experiences. We also need to tackle the small “e” experiences and deliver against them consistently. We are evolving from using NPS surveys, which sample less than 2% of our customers, to ingesting and analyzing 100% of our contact center interactions using AI models, starting with English language interactions, or, said differently, scaling from 500,000 survey responses to generating insights from 11 million dynamic interactions annually, a 22-fold increase, allowing us to derive more granular and accurate customer feedback. But this is only useful if we act upon these voices of the customer insights to improve the experience. To that end, we have over 80 persistent cross-functional feedback loops, or think of them as dedicated working groups, across our businesses that triage and implement improvements. One recent example is in Vietnam where we've had seven feedback loops in place over the past three years delivering over 350 incremental improvements to the customer experience. This has contributed to an impressive 31-point gain in NPS for Vietnam to +69. We've also made global progress on other brilliant basics. For example, decreasing paper consumption by 43% over the last three years through a concerted effort to reduce printed materials or digitize. With respect to first call resolution, in 2020, we deployed a new platform in our U.S. contact center, and within the first year resolved 30% of calls entirely within the automated voice response system without customers needing to reach an agent.

Moving forward, we are continuing to evolve these brilliant basics through analyzing contact center transcripts in near real time rather than relying solely on NPS survey results, enabling proactive service recovery interventions, resolving issues before customers are surveyed with the intent of positively influencing the perception of their experience, and ingesting all other customer listening posts, such as customer complaints, social media mentions, and web and mobile interactions.

As I mentioned at the start, execution excellence against the brilliant basics can have a significant impact on customer experiences which directly drives NPS. In fact, an Accenture industry benchmark suggests 15 to 40% of NPS detractors can be converted to passives and 3 to 10% of passives to promoters.

The next focus area is about creating differentiated experiences. When we look across our end-to-end journeys, we know that there are a few critical moments of truth that customers value, including onboarding when they first purchase a product, group member engagement, and the claims process. These experiences are high volume and have a significant brand and business impact. By understanding the most vital elements of these journeys, we can design market-leading experiences that will resonate with customers. Let me share a couple of examples where we are doing this on a smaller scale.

Customers place a high value on an expedited and seamless sales experience. In U.S. insurance, we've taken these insights and reimagined the experience by eliminating the health exam and implementing auto underwriting for qualifying policies, effectively reducing turnaround times by 80%.

In Hong Kong, policy anniversary is another key interaction moment for customers. Our team in Hong Kong reimagined the anniversary statement through the lens of the customer. The new statement uses a straightforward design with streamlined messaging that specifically calls out the most important customer actions. This redesign has led to a 13% reduction in inquiries to the call center and has contributed to a 26-point lift in NPS.

As I mentioned previously, advanced analytics is one of our key strategic accelerators. Embedding intelligence into our experiences is one of our levers to create differentiation, enabling us to anticipate or predict customer needs and personalize interactions. We apply this in capabilities such as sales lead scoring, intent detection, and automated underwriting. We also partner with other leaders in advanced analytics like the Waterloo Artificial Intelligence Institute and the Vector Institute. These partnerships allow us to continually integrate leading-edge AI thinking and practices to maintain our leadership position.

The final focus area is about extending customer relationships by addressing their broader health and wellness needs through adjacent offerings to our core wealth and insurance products. An example of where we're doing this very successfully is through behavioural insurance with our Move platform in Asia and our Vitality partnership in North America. With almost 2.5 million customers, the benefit of deepening these relationships is compelling. In new behavioural insurance markets such as Vietnam, 16% of customers on our Move platform purchase a second product, and the number rises to 41% in mature markets like Hong Kong. We also have very high digital engagement with 68% of individual insurance customers interacting with us at least weekly. Typically, customers engage with their insurance provider once or twice a year for the occasional serving need or product purchase. Behavioural insurance allows us to have ongoing active engagement with our customers which drives cross-sell, retention, and a better risk profile. An excellent reference point is that 24% of our individual insurance APE sales now include behavioural insurance. Globally, we are expanding behavioral insurance. In Asia, we will deploy MOVE to additional markets. And in Canada, we are looking to extend behavioural insurance across the majority of our products.

A core part of extending customer relationships is a strong partnership ecosystem. Within behavioural insurance, we've established partnerships with global leaders through Alphabet’s Onduo offering, part of our Aspire product, which helps customers with diabetes live better, and Dacadoo with their unique health score engine in Asia. In this same vein, we are also partnering with providers of the latest wearable technology products, such as Apple Watch and Amazon Halo. Through open innovation, we will continue to assess opportunities to extend customer relationships in unique and differentiated ways as we've proven with behavioural insurance.

Now that we've talked through the main elements of our strategy, I'd like to pivot to how we'll continue to measure our progress and performance through our digital and customer metrics. Our key customer metric is relationship NPS, and we've made significant strides in the past few years reaching +12 in 2020. Additionally, we are currently leading or co-leading in eight of 11 individual insurance markets in which we compete, six of which are in Asia where we've made the most progress on NPS. Through disciplined investments in our three focus areas, we aspire to increase NPS to +37 by 2025. Our primary digital metric is straight-through processing, which captures all of our digitization efforts from submission through to claims and servicing. The gold standard for straight-through processing is to have every process fully digitized without any manual intervention whatsoever, and we've made tremendous gains from 68% in 2018 to 81% in 2020 and are working towards reaching 88% straight-through processing by 2025.

I've included some other examples that illustrate our digital progress. Of note, organizations have been able to facilitate sales and servicing in a non-face-to-face manner throughout the pandemic. However, the gold standard for sales and servicing is a fully digitally enabled process with no manual interventions, such as physical signatures, mailing documents, or contacting a call center representative to complete a transaction. So applying this gold standard, our retail and retirement businesses in Manulife Investment Management are leading the way with 87% and 66% respectively of their products fully digitally enabled end-to-end. On the servicing side, 84% of group benefits and 85% of banking interactions are fully digitally enabled end-to-end. And lastly, digitally active customers reflects their adoption of our digital capabilities, and our investments are paying dividends as 67% of group benefits customers and 47% of Hong Kong customers are already highly digitally engaged as are 68% of our behavioral insurance customers.

To recap, we've advanced significantly on our transformation journey enabled by the assets we've developed in our strategic accelerators. We will be choiceful in the sequencing of our investments by being laser focused on three areas, industrializing the voice of the customer to deliver on the brilliant basics, building market-leading differentiated experiences where they matter most, and leveraging the great success in behavioural insurance to extend customer relationships.

In closing, we've realized substantive benefits to date and have proven our ability to deliver. We have the right focus and strategy that will allow us to capitalize on the significant value yet to be unlocked on our path to become a digital customer leader.

With that, I'd like to thank you for joining, and I will now hand it back over to Adrienne who will be moderating our panel.

## 10. CUSTOMER & DIGITAL: Q&A SESSION

**Adrienne O’Neill**
Global Head of Investor Relations, Manulife

Thank you, Karen, and welcome to our final panel, digital and customer. Here today we have Roy; Karen; Shamus Weiland, our Chief Technology Officer; and Rahul Joshi, our Chief Operations Officer.

Let’s bring out our first question, please.

Nice to see you, Meny. Please go ahead.

Q

**Meny Grauman**
Scotiabank Global Banking and Markets, Research Division - MD of Financial Services Equity Research & Analyst

Thanks for taking the question. You know, the pandemic has certainly accelerated digitization. You made that point. One would think that this would also accelerate efficiency gains but I see your target, your 2022 efficiency target is unchanged. So, I'm wondering why that is and maybe to put it another way, a more general way, you know, how does your customer and digital metrics that you just presented, how does that translate into financial metrics?

A

**Roy Gori**
President & Chief Executive Officer, Manulife

Yeah, great. Thanks for the question, Meny, and it's really good to see you as well. The first comment that I'd make is you're absolutely right. The pandemic has completely transformed the way in which companies like ours interact with customers. And quite frankly, I've said this many times before. We saw in the 12 months of 2020, more progress on the digital transformation agenda than we'd seen in the previous 12 years. And our firm belief is that we're not going back. We're not going to revert back to a more manual process. If anything, customers appreciated the benefits of digital, and we're seeing increasing adoption and increasing digitization desires on the part of the customer, which we're obviously doubling down on and we're seeing that really transform and really fuel our growth agenda.

Now, as it relates to the financial aspects and specifically your comment around efficiency, you know, we believe that our efficiency measure itself is the right measure to use when we think about our progress on digital but more broadly, our progress on cost management.

And the reason for that is that it incorporates both topline growth and expenses. It's one thing to deliver cost savings but if it doesn't translate into topline growth, if you're getting cost savings at the expense of topline growth, then that is a bad outcome.

And we've made tremendous progress on the efficiency agenda. Back in 2016, our efficiency ratio was up at 59%. In 2020 despite the pandemic, we got that down to 52%. We established the goal of 50%, which meant effectively that you're getting two dollars of topline growth for every dollar of expense. And we believe that that's the right measure because it incorporates the efficiency that you're getting but at the same time, it also incorporates the fact that you're continuing to invest in the business.

And we really want to take a long-term view on this. We want to make sure that we're looking beyond just current year or current quarter cost savings. We want to look at the long term, which is why we've invested $750 million in digital in the last three and a half years. We could have gotten a better efficiency ratio had we not made those investments but making those investments is putting us in the right position to continue to accelerate our growth.

And by the way, it's the key reason why we've seen a huge improvement in our NBV margins. Again, in 2016, our NBV margins were about 32%. We got them to about 40% in 2019. Q1 of this year we saw them again around 40%, and we've got an aspiration to see that increase further.

On the WAM side, our core again increased from about 25% several years ago to the last three quarters, we saw them at 30%. So, we are – we are really seeing the focus on digitization help us drive margin and profitability improvements. It's obviously translating into customer appreciation. We've seen our NPS scores increase by 11 points since 2017. We're at 12 points at the end of 2020. And that ultimately is going to keep fueling this desire to continue to I guess interact with us. Ultimately that translates into you know, lower attrition, more cross-sell, deeper relationships, more referrals, and so on and so forth.

So, again, thanks for your question. In summary, you know, we're going to keep driving that digital agenda. The 50% target for me is key and critical because it talks to both topline and expense efforts, and we're going to continue to double down on our efforts to invest in digital so that we can become the most digital, customer-centric company in our industry.

Q

**Adrienne O'Neill**
Global Head of Investor Relations, Manulife

Thanks, Roy, and thanks, Meny, for the question. The next question is from Dennis Lee and I'll read it out and then we'll respond.

Dennis asks, when could we start to see some of the digital initiatives in Asia exported to the company's other geographies?

So, Karen, is this something you wanted to start with and then perhaps if others'd like to chime in.

A

**Karen Leggett**
Global Chief Marketing Officer, Manulife

Sure. I'd love to start on that question and great question. Thank you, Dennis, for that. In fact, we actually have you know, around our digital first culture that we are building out. We actually have a principle that sharing the learnings is really key to our success globally.

And in fact, if you think of both Shamus, Rahul, and I managing large global teams, we have all of those individuals, the CMOs, the CIOs, the COOs at the table every week, actively sharing those learnings. So, there is a lot of transferability of knowledge on the one part.

As well, I spoke about our strategic accelerators such as human centered design, agile, advanced analytics. Those are all run as global centers of excellence, again sharing those learnings and that knowledge on a global basis.

Also, if you think about capabilities such as our connected design system, which is a repeatable way of how we build our websites, that is another way that we again create some consistency and learnings globally.

What you need to remember however is that our businesses are very unique, as are our markets globally. So, we don't try to build a one size fits all but rather take a bit of a componentized approach to how we think about our businesses.

So, if you think of EPOS, which Anil talked a lot about today and was referenced a number of times, it is an end-to-end platform that we make available both to our own captive agents in Asia but also to our banking partners.

However, when you think about our businesses in North America where we deal through primarily independent brokers, it is not necessarily a good fit end-to-end. What is a good fit, however, is the models and algorithms that we've built out in our decisioning engines through our advanced analytics team, which again we share globally.

Also, when we think about what we've done in the U.S. where we've actually been able to take some of those learnings from Asia, transfer them to the U.S. market in terms of being able to partner with a start-up called Human API where we can now obtain medical records directly, thereby eliminating the medical exam, we've actually been able to reduce turnaround times by 80%.

So, again, taking components of what works in Asia and applying them to the market realities and tailoring them to each of our unique businesses.

Shamus, perhaps you want to add to that?

**Shamus Weiland**
Global Chief Information Officer, Manulife

Thank you, Karen. And thank you for the question. We've been very pleased with our progress in modernizing our technology as you've heard about in a lot of the presentations. And with more than 57% of our applications in cloud, that allows us to deliver for our customers with speed, efficiency, agility, and access to innovation regardless of the market, the geography, or the customer that we're serving.

Let me give you a couple of examples.

With that kind of scale, our 5,000 employees are able to operate and make continuous improvements on behalf of our customers, and their change cycles are every other week versus what had been quarterly.

In addition, we're able to add value to the customer by giving them 23% incremental enhancements in just over two years. Karen touched on the ability to integrate with the ecosystem. That comes through our open architecture from cloud microservices. So, we're able to add the latest capabilities from wearable technology providers, health scoring platforms, or reward platforms to enhance the value of our behavioural insurance offering or deliver our digital capabilities seamlessly through our Bancassurance partners.

**Adrienne O'Neill**
Global Head of Investor Relations, Manulife

Thanks, Shamus. I believe we have one more question in the queue which we can bring forward. Welcome, Tom. Please go ahead.

Q

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

Yeah, thank you very much. Sorry. This isn't a digital question, but it's a question for Roy that I wanted to ask after the first session. I mean, the company was fairly active in terms of share buy-backs prior to the OSFI restrictions and had a nice 12% dividend increase as well.

So, given I think in your comments that the company is incredibly well capitalized, what are the thoughts about share buy-backs going forward? Does that sort of – are you going to be just as active as you were prior to COVID, especially given where your stock price is? Thanks.

A

**Roy Gori**
President & Chief Executive Officer, Manulife

Yeah. Thanks for the question, Tom. Well, you're absolutely right. Firstly, we are incredibly well capitalized and we have been very focused, certainly over the last three or four years, on driving a consistency of dividend increases which we believe is a key way through which we can actually create value for our shareholders. And we've had, again, about 11% CAGR growth of our dividends over the last five years.

When the – and then more recently, we started executing against share buy-backs as another way to create value given where the stock price was.

When the OSFI restrictions are lifted, we're expecting to first get back to our regular cadence of dividend increases and we'll be looking at that with some urgency. But we'll also be looking at share buy-backs as another vehicle to create value for our shareholders. We used it tactically pre-pandemic.

We would anticipate that when the OSFI restrictions are lifted, that we would continue to focus on tactical ways through which to buy back share to – shares to create value for our shareholders.

As, you know, Phil and I and many others have mentioned today, you know, we do feel that we're in a strong position given our capital strength. We do feel that the opportunity that is presented within our global footprint is to organically deploy that capital. But we'll also look for any transactions that we think make sense and are logical as other vehicles to deploy capital and accelerate our growth agenda.

But very specifically to your question, we'll definitely look to recommence our dividend increases and also to look at tactically engaging in share buy-backs as a method through which to continue to create value for our shareholders.

**Adrienne O'Neill**
Global Head of Investor Relations, Manulife

Thank you, Roy. We do not have any other questions in the queue with regards to digital and customer and so at this point, this concludes our final panel and I will hand things back over to Roy for closing remarks.

Before I do, I just wanted to say a big thank you for your participation today. We of course wish that we were together in person and hope that that is feasible at some point in the future, but we value the opportunity to have engaged in this way in the meantime.

So, thank you and have a great remainder of the day.

## 11. CLOSING REMARKS

**Roy Gori**
President & Chief Executive Officer, Manulife

Thanks, Adrienne. To close things off, I'm very proud of the progress that we've made and excited about our ability to accelerate this next phase of growth for Manulife. We are harnessing the power of digitization to make decisions easier and lives better for our customers and have made solid progress on our transformation overall. I'm confident that we have the right strategy in place to provide customers with market-leading digital experiences and achieve our ambition of becoming the most digital customer-centric global company in our industry.

We've made notable progress executing against the five strategic priorities that we announced in 2018. We've significantly strengthened the foundations of our company through our portfolio optimization and expense efficiency efforts, which have positioned us very strongly as we continue to grow our highest-potential businesses. And Manulife is uniquely positioned to capitalize on key global megatrends through our Asia and Global WAM businesses. We have a high-quality distribution force in Asia with over 115,000 agents and 10 exclusive bancassurance partnerships. We're a top ranked player in many of our markets within Asia. And our digital tools are providing our customers with unique experiences.

Our scaled Global WAM business is diversified across three business lines and has a history of consistently generating positive net flows, which have been supported by a proven track record of solid investment performance. The growth of our Asia and Global WAM businesses will be the key focus of the next phase of our strategy, aggressively growing our highest-potential businesses. We've introduced new metrics to measure our success, including our highest-potential businesses generating over 75% of total company core earnings by 2025, a clear sign our earnings profile is rapidly changing. And as we aggressively grow these businesses, our commitment to optimizing LTC and VA is strong, and we plan to organically reduce the core earnings contributions from these businesses to less than 15% of total company core earnings by 2025 with a goal to reduce the contribution even further through inorganic actions.

Finally, I am optimistic for the future and confident that Manulife is well positioned to outperform as the global economy transitions to recovery. I hope you found today insightful. And please don't hesitate to reach out to the team if you have any follow-up questions. We are grateful for the opportunity to have these discussions with you and appreciate your time. Thank you for joining us, and I look forward to connecting again soon.