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## PRESENTATION

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

Good morning, everyone. Thank you so much for joining us today here, and welcome to Manulife's Investor Day 2024. My name is Hung Ko, I'm Global Head of Investor Relations, and I will be your emcee for this event over the next few days.

We're excited to be here hosting our group-wide Investor Day in Asia again for the first time since 2017. A special thank you to all of you who traveled around the world to come here to join us in person, and we're happy to have you here in Hong Kong and in Jakarta in a couple of days. And for those of you joining us virtually, welcome and thanks for tuning in.



Before we begin, let me point you to legal slides here that in the presentation today, you will see that we'll be having a caution language around the forward-looking statements and at the end of each presentation, which you can find online, there will be a slide and also end notes identifying all the non-GAAP and other financial measures being used.

And comments made today may contain forward-looking statements as defined by the securities legislation. And I would like to note that forward-looking statements are made with material factors assumptions which we provide and actual may be differing materially from what is stated.

And before we go further, let's have a few housekeeping items. For those of us, joining here at the presentation will be on the webcast and you can find the material on the website at [manulife.com](http://manulife.com). And for those of you here in person, you'll see that the presentation we presented on the screen here and you can find the detail on the app that you have just downloaded hopefully. (Event instructions)

Before discussing our agenda, I would like to first introduce our executive leadership team in the room or ELT. So seven of them will be presenting over the event that would be including Roy Gori, our President and CEO; Colin Simpson, our CFO; Paul Lorentz, our President and CEO of Global WAM; Phil Witherington, our President and CEO of Asia; Naveed Irshad, our President and CEO of Canada; Brooks Tingle, President and CEO of John Hancock; and Karen Leggett, our Chief Marketing Officer.

And we are very excited to have the rest of the ELT in audience as well. Since we are in Asia right now, obviously, we took the opportunity to showcase some of the key markets, and that'll be including Hong Kong, Singapore, Vietnam, and other emerging markets as well as our Global High-Net-Worth business. Our executives are spread here across the room in different tables, I would very much encourage you to engage with them during breaks, lunch, dinners, and outside visits.

With that, let's turn to the agenda over the next two days. We'd begin with the presentation from Roy Gori, who will update us on the transformation journey that we have and how we are raising the bar. And with that, we'll follow-up by Colin Simpson, who will talk about our delivery to shareholders and also how we are set up for success.

And after that, will be Paul Lorentz and Phil Witherington, would dive deeper into GWAM and Asia markets. And tomorrow, we'll be visiting one of our prestige customer centers in Hong Kong here, and that'll be followed by a presentation from the Hong Kong business, our Digital, Customer Leadership, our Canada and the U.S. businesses.

And that we'll be have opportunity for all of us in attendance here to engage with our presenters and panelists. And please do ask your question as you see them. Just before we hear from Roy, I would like to look at the journey that we've traveled together over the last seven years and the tremendous progress we have made.

(video plays)

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

Good morning. Welcome to Hong Kong, and welcome to Manulife's 2024 Investor Day. It's fantastic to see so many familiar faces in the room, and I'm delighted that you could join us for this very important Investor Day. Now, Hong Kong is a very special place for me. It's a place that I called home when I joined Manulife first in 2015, so I can't think of a better backdrop to talk about the journey of transformation that we've been on for the last seven years and our plans for the future.

We are, in fact, raising the bar with bold yet achievable targets to reflect the ambition that we have for the next phase of our journey. We have a tremendous opportunity ahead of us, and the team has incredible energy and excitement to outperform the market and capture that opportunity. And I can't think of a better place to have that conversation than here in Asia, which is a significant source of growth and opportunity for our franchise overall.

Now my presentation is divided into two parts. Looking back and looking ahead. The looking back provides an overview of the progress that we've made on our journey of transformation over the last seven years. But I'm really much more excited to talk to you about the journey ahead and what we're going to do to really help transform our future and really deliver against the opportunities that I articulated a little bit earlier.

Now there are five key takeaways that I'd like to leave you with from my presentation. The first is that Manulife is a different company today to the one that we were in 2017. We've moved from being a high risk, low ROE business to being a lower risk, high ROE business. Second, we have a world-class team that has demonstrated strong execution and results delivery.

Third, we are uniquely positioned to capitalize on the mega trends that are shaping the global economy. Four, we are raising the bar with our new financial targets to reflect the ambition that we have for this tremendous opportunity and the journey ahead. And last but certainly not least, I believe that we remain a very compelling investment opportunity. Now we're going to spend time on each of these five takeaways over the course of the next three days.

When we embarked on the journey to transform Manulife in 2017, we had to have an honest look in the mirror. In fact, I invited many of you in the room to lunch with me in the first couple of months when I assumed my new role and position and I asked you what you liked and what you disliked about the company, and you certainly didn't hold back.

What I heard from you was that you liked the footprint and the opportunity. But you also said that the returns of the business are too low, long-term care and variable annuities represent too large a percentage of the business, and the operating results are too inconsistent with too many surprises. This was valid feedback.

However, addressing these issues alone, wouldn't be enough to deliver and define success. We knew that we had to also strategically transform the company in order to prepare us for the future. And that's going to also require from us a focus on, number one, transforming the customer experience; two, building a world-class team and culture; three, dramatically digitizing our business, and then finally, growing our highest potential franchises as well.

Now I'm going to spend the next 10 minutes or so walking you through the progress we've made against that agenda. The first step in the journey was to have a clear articulation of our new strategy. And you've seen this slide, I think, many, many times as have our employees, and it's what we call our enterprise strategy or strategy on a page.

Now at the very top you can see our vision, that is to be the most digital, customer-centric company in our industry. Then we defined success through the lens of the four key stakeholders of our company - customers, team, shareholders, and community. And we defined what success looks like for each of those.

Next is the pyramid, and that's the roadmap to deliver against that ambition or those success metrics. The pyramid includes the why, the what, and the how. The why is our mission, and that's about making decisions easier and lives better. It's our North Star. It's what guides every single employee who works for the company.

The what are our strategic priorities. The five priority areas that guide us and that really consume the majority of focused energy and resources across the entire franchise. And then last but certainly not least, our values are our how. They underpin our culture and they describe how we behave and what is the fundamental underpinning of our culture.

Now, what I would argue is that this strategy hasn't changed. It's as relevant today as it was in 2018. However, the key initiatives and focus areas under the strategic priorities have evolved, and I'm going to share more on how they've evolved a little bit later in my presentation. But we are continuing to execute against this strategy today and it's delivered tremendous results for our franchise.

And you all know that strategy is nothing if it can't be executed. So how have we performed? Our disciplined execution against the strategy has resulted in very strong financial operating results since 2017. You can see that our core ROE has grown from 11% to 16%. Our core earnings per share have grown at a CAGR of 8% despite the headwinds of the pandemic and IFRS 17.

Our expense efficiency—s improved by 10 percentage-points despite an inflationary environment, we've gone from 55% to 45%, and our adjusted book value per share has grown at a CAGR of 9%. These are strong results. It's not enough to simply compare your results to prior periods. We also believe that it's important and critical to compare your results to your peers.

And from this chart, you can see that we've also outperformed our peers over this time period. And this is true for our core ROE growth, core earnings per share growth, dividend growth, as well as current cash flow yield. And for me, these results really demonstrate the resilience of the business as well as the strong focus on performance and execution.

Beyond the financials, we also track the progress against our strategic transformation agenda. And you'll know that for each of the five priority areas, we established clear goals and targets to measure our progress. This was critical to demonstrate transparency, but also accountability. And we've measured our progress on each of these items in every single one of our quarterly earnings calls.

Now the summary or key takeaway that I'd like to leave you with from this slide is that we have made significant progress transforming the company and reshaping our business. The second is that we have largely achieved or exceeded our targets. And then finally, we are on track to achieve the remaining targets that we've established.

Now, this is all really critical because it highlights the execution capability and therefore the confidence to deliver on future targets that we establish. I want to take a moment just to double click on our efforts to reshape the portfolio. As at Q1 of this year, we've delivered \$11 billion worth of capital releases via portfolio optimization and you'll recall that we had a target of freeing up \$5 billion by 2022, and we've clearly, largely exceeded that goal.

Now we've achieved this, largely, through divesting riskier businesses where the ROE on average for these businesses was lower than 10%. So what have we done with the excess capital? First thing we've done is we've decreased our leverage from about 30% to 24%. Second, we bought back shares, 6.2 billion in fact, as of May of this year, generating approximately \$3 billion worth of shareholder value. We still do have 1.3 billion to continue to execute for the remainder of this year at a minimum.

And then finally, we've significantly strengthened our capital position when we first moved to LICAT in Q1 of 2018, we had \$4 billion in excess of the upper operating range. Today, that excess is greater than or approximately \$10 billion. So this has all provided us with significant financial flexibility to consider attractive acquisition opportunities and/or buy back more shares.

Now I know it's not lost on any of you that our historic long-term care transaction that we completed late last year illustrates that we do have a quality long-term care book that is very well-reserved and we are, in my opinion, at a pivot point in the market for long-term care transactions. And we—re going to again, double-click on that and talk about that in a little bit more detail.

Reducing volatility and de-risking our business has also been an important priority, and we—ve achieved this through firstly, the divestitures that I mentioned earlier, but also from our hedging strategies to reduce our sensitivity to market movements.

Now these actions, together with the implementation of IFRS 17, have resulted in significant reductions in the book value sensitivities to interest rates and equity market movements. As a result of all of that, our book value movement today is now much less driven by market movements and primarily driven by business fundamentals.

I know that everyone in this room appreciates that cash generation is critical and this has been a priority area for us. And we—ve really focused on this in two key ways. Organically, to improve our cash generation, we—ve increased our earnings growth. Second, we—ve doubled the lifetime return on capital, our LROC, on new business, and we have halved the capital payback period for our new business.

Now this is a dramatic rethink and reshaping of the way we allocate capital organically and the returns that we—re generating from our new business. And Colin is going to talk about this in a lot more detail in his presentation. In addition, inorganically, we—ve also freed up capital from low ROE businesses. Now the result of all of that is that we—ve generated \$27 billion worth of remittances, and we—ve returned 75% of that to shareholders through dividends and share buybacks totaling \$21 billion.

The outcome of all of this is that it's translated into strong shareholder value. Seven years ago, we established a goal to deliver top quartile TSR for our shareholders, and this slide here illustrates that we're delivering on this goal. And with our strong momentum that we currently have and the significant opportunities that we have ahead of us, I believe that we will remain a compelling investment case for shareholders.

So in summary, looking back, I'm proud of what the teams achieved. We are a very different company today to the one that we were in 2017. But the team and I believe that the best is, in fact, still ahead of us. Now I'm really excited to talk to you about the ambition that we've set for the future.

So the first thing I'd like to say is our track record of delivering strong results and the efforts that we've placed into strengthening the foundations of the firm have put us in good stead. And those give me confidence for the next phase of the company's journey.

We are, in fact, because of this, increasing our ambition and raising the bar on our financial targets. And I really do believe that our unique business footprint positions us well to continue to outperform our peers and continue to deliver strong operating results.

So today, I'm pleased to announce that we are increasing our core ROE target from 15%-plus to 18%-plus. And we're also introducing a new target for cumulative remittances, \$22 billion over the period 2024 to 2027. I'm also pleased to say that all of our operating segments will be contributing to the remittances and the increase in ROE.

And from the presentations over the next three days, you will understand why we have confidence in our plans for achieving these new targets. So those two new targets together with our existing core earnings per share growth target of 10% to 12%, I believe position us uniquely in our industry and versus our key peers, as a company, that is high growth, high return, and high cash generation.

I believe that by establishing and then achieving these targets, we will demonstrate why we are one of the few global insurance and wealth and asset managers that is both a leader and at scale. At the same time, we're certainly not stepping away from our existing medium-term targets. Our momentum and execution success gives us greater confidence about our ability to achieve those targets. It's also worth noting that we're updating our expense efficiency goal from 50% to less than 45%. And this is a function of the great work that we've done to drive the benefits of scale across our business, but it also reflects the opportunities that we see ahead to continue to further digitize our business. Now there are three things that give us and hopefully you confidence in our ability to achieve these new targets.

The first is that the mega trends that are shaping the global economy over the next decade are favorable to Manulife's business. The second is that we have a footprint that uniquely positions us to capitalize on these trends. And then third, we have a very clear set of focused initiatives and priorities that will drive the outcomes that we've identified. And all of those give us confidence to be able to deliver those targets.

So first, let me double-click on the mega trends. The next decade will be very different to the last decade. The three mega trends that are shaping the global economy include, number one, the continued growth of the middle class in Asia. There are currently 2 billion people in the middle class in Asia, and that's forecast to grow to 3.5 billion by 2030.

Two-thirds of the world's middle class will reside in Asia in 2030. The second is of an aging population. There are currently 800 million people globally, aged 65 and above. Now that's forecast to double to 1.6 billion people by 2050.

And then finally, the dramatic digitization of the consumer, which is being amplified by GenAI. Now these are all very interesting trends, but more importantly, they translate into significant opportunities. The first of which is that Asia GDP is forecast to grow between 4% to 7%. The second is that the retirement gap globally is forecast to increase from about \$100 trillion today to \$400 trillion. And then finally, customers will engage with companies and, quite frankly, each other in dramatically more digital ways than ever before.

Our footprint, as you can see here, positions us extremely well to uniquely capture these opportunities. We have fantastic leading businesses in Canada and the U.S., providing tremendous returns, cash, and stability with highly differentiated offerings, such as Vitality. Our approximately 130 year history in Asia means that we are an at-scale tier 1 leader up from number six in 2014.



Our Global WAM business is very unique from a geographic and from a business line diversity perspective and our strong focus on retirement and the wealth gap is a source of strength, which has translated into our ability to deliver positive net flows in 13 of the last 14 years.

And finally, our significant global scale and digital capabilities means that we can provide solutions more cost effectively, while generating superior returns. We have a clear roadmap to capitalize on these trends. As I said earlier, our five priorities don't change, but the initiatives underpinning those priority areas have evolved.

And I'm going to just sort of give you a little bit of a flavor for what some of those priority areas are. The first is that we do believe that there will be further opportunities to continue to pursue long-term care and low ROE inorganic transactions. At the same time, we believe that we can continue to improve our returns by focusing on organic in-force actions.

Our digital efforts amplified by GenAI should provide further efficiency and scale improvements. We're well-positioned in each market with very compelling customer propositions, which allow us to continue to outgrow the market. And whilst we've made significant improvements in the customer experience, we're doing more to leverage data and technology to deliver even greater personalization and better experiences for customers.

And finally, our strong culture and quality team will ensure that our success is sustainable and repeatable. Our businesses are also well-positioned to continue to grow and take advantage of the mega trends that I've mentioned. In Asia, where, as you all know, distribution is absolutely critical, we're going to continue to grow our professional agency force.

We're going to deepen the penetration of our existing banca partnerships, whilst leveraging the significant synergies that exist between our life company and our wealth and asset management business. In GWAM, we're continuing to drive the scale of our business. We're growing our direct and affiliated distribution channels, whilst leveraging our private market capabilities.

In Canada, where we are a market leader, the insurance and wealth gaps are significant and our focus on healthcare will continue to provide profitable growth opportunities. And finally, in the U.S., our unique and differentiated Vitality offering will allow us to capture a disproportionate share of the 100 million population whose life insurance needs are currently going unmet.

Another reason, why we're well-positioned to accelerate our growth is because of our focus and investments in digital. I really do believe that the next decade will be defining the losers from the winners through their focus on digital innovation and the investments that they're making in this space. And this is going to be especially true with the advent of GenAI.

Now we've made the deliberate decision to be a leader in this space and not a follower or a fast follower. We've invested \$1 billion over the last five years, and we've committed to another \$1 billion over the following three years. As a result of those investments, we have significantly improved our capabilities and the metrics reflect the dramatic shift in our position.

I'm incredibly excited about the work that we've done, the platform that we now have, and the progress that we're already making to leverage GenAI. Karen and Jodie are going to talk you through this in a lot more detail tomorrow. I don't think you can talk about business transformation without talking about the importance of talent and culture. Talent and culture make success sustainable and repeatable. And we've placed significant focus, not just on recruiting great talent, but developing great talent, and ensuring that we also create an environment within our organization where people feel that they can thrive and achieve their potential. As a result of that, we have a world-leading team and culture, and this is being validated by multiple external independent organizations such as Gallup and Forbes.

And I believe that now our team and culture are a real source of differentiation. I'm excited that you're going to have an opportunity over the next three days to connect with our amazing team. Finally, when we look to measure our success. It's important that we also consider the impact that we make to the environment and the communities that we operate within.

On climate, we are one of the few companies that can say that they are net zero in their Scope 1 and 2 emissions, and we have plans for further reductions. On DE&I, we believe that the diverse work forces help companies make better decisions, and we've seen significant improvements in



our diversity metrics across the Board. And finally, we are refocusing our business from one that is centered on death and claims to one that's about helping customers live longer and healthier lives.

And as an example of that, we've seen dramatic improvements in the well-being and health of our customers who have signed up for Vitality and Brooks will talk very passionately about this when he talks to you later in the program.

So as I wrap up my session, a few thoughts, I'd like to leave you with. The first is that I'm incredibly proud of what the team has accomplished over the last seven years. We have, in fact transformed Manulife and we are as a result of that a radically different company today from the one that we were in 2017.

We have all the ingredients that give me confidence that the best is in fact, still ahead of us, and I know that the team is incredibly excited to show you why they believe the same. So with that, I'm going to now hand the floor over to Colin, who'll provide a deeper dive into our financials and our plans to achieve the new targets. Thank you.

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

Good morning. It is fantastic to be with you here today to talk about how we are raising the bar at Manulife. You just heard about our new targets from Roy, an 18%-plus core ROE and \$22 billion of remittances. Now this speaks to the quality of our franchise. And I'm going to show you how we're going to achieve these targets.

First, let me set the scene from a financial performance standpoint. When I look back over the past six years, we've delivered significant, superior financial performance. We've improved our capital position. We've built a culture of expense efficiency by leveraging our global scale to create significant synergies. I believe Manulife has succeeded where many other companies have not.

We have delivered both growth and cash generation. I'll turn into our financial KPIs and Roy touched on these and may seem a bit repetitive, but we're incredibly proud of our performance. You can see that we've grown our core EPS by 8% compound. We've improved our core ROE from 11.3% to 15.9%. These are the levels from which we're raising the bar. We've improved our expense efficiency by 10%, and we've grown our adjusted book value by 9% compound.

Now within this adjusted book value as the contractual service margin or CSM, we've been successful in growing the CSM, which is a store of future profit by 25% in the first year of IFRS 17. So as a CFO, looking at this track record of performance, I'm incredibly encouraged about the future.

Now, Roy talked about some of the strategic accomplishments over the recent past, investments in digital, growth in Asia, acquisitions in GWAM, and of course, talent and culture. There's also been a lot of heavy lifting behind the scenes to build a transformation, the capability to transform the organization.

I'm going to start with the global technology optimization. We've taken fragmented systems and aging platforms, and over multiple years, we've built an infrastructure to set us up for success. Portfolio optimization is one of our key strategic priorities, and we've used reinsurance as an effective way to partner with reinsurers to improve our ROE and our risk profile.

We've closed the largest ever LTC reinsurance transaction. We've closed the largest ever Canadian universal life transaction. We've reinsured over 80% of our U.S. variable annuities just in the past three years. And in doing these transactions and the ones that went before them, we've built an infrastructure for us to continue using reinsurance as a tool to further improve our ROE and risk profile.

Now my last point on some of the heavy lifting relates to the conversion to IFRS 17 and IFRS 9, I believe IFRS 17 will dramatically improve the stability and resilience of our earnings profile. Why do I say that? Well, it's how IFRS 17 treats new business, it's a stable amortization of CSM and risk adjustment into the P&L and then it's the way we manage our balance sheet.



The life insurance is competitive, and in some instances, we sell products that are commoditized. So we understand the importance of efficiency in delivering superior returns. And we made significant progress with our expense efficiency ratio improving by 10 percentage-points to 45.5%. We've grown our earnings by 7%, but our FTE, full-time employees, by only 2% and then general expenses by 3%, leveraging our scale and investment in technology.

We're decisive and impactful. GWAM was running expense growth of 12% in the third quarter of last year. We took a number of actions. And I would expect that expense growth to be more like small single digits in 2024.

Onto the balance sheet, which underpins the commitment we made to our customers. The numbers on the slide started 2018 because that's when we adopted the LICAT regime. But since the start of 2018, we've improved our LICAT ratio from 129% to 137%.

At the same time, we've reduced our leverage ratio from 30% down to 24%. Now these two outcomes together have created an extra \$12 billion of capital flexibility. We've got \$22 billion of capital in excess of our regulatory minimum, but we wouldn't let our LICAT ratio go down to anything close to 100%.

So I would consider 120% to be more appropriate for a company of our size, scale, and risk profile, that makes us incredibly well capitalized with \$10 billion of capital in excess of this 120% number. And then we can use this capital to allocate to organic or inorganic activities as well as return to shareholders. But I'll cover that in a little bit later.

We're not going to be spending a lot of time on this at this presentation on our investment portfolio, but that's not to underplay its importance in delivering an 18%-plus ROE. We've got a very stable and high-quality portfolio. And so I want to leave you with three key takeaways. One is that with 50% of our investments in cash, high-quality corporate credit and government bonds, we've got a high-quality portfolio.

Two, its well-diversified public and private credit, equities, ALDA, real estate, we feel very good about the diversification. And three, is that our assets are built around our liabilities. We don't seek out interest rate risk. We don't seek out currency risk and the investments that you see on the screen are a great match for our liabilities.

And you cannot talk about life insurance without talking about cash generation and that plays into our strengths at Manulife. But, first, an important definition, when we talk about cash, we mean cash and cash-like securities transferred from our foreign subsidiaries to Canada as well as generated in Canada for use by our ultimate parent company, MFC.

Understandably, investors have grown more concerned with cash generation in the life insurance industry because of the low interest rate environment. And the industry has responded with a number of cash light metrics. Now these are often non-GAAP and actually quite difficult to compare. We're not introducing new cash metrics to you today.

And let me explain why. With IFRS 17, you no longer have this big discrepancy on day one where you make lots of IFRS profits and then incur solvency strain. But in addition, at Manulife, we've got a large asset manager and short-term insurance business whose earnings are effectively cash flow and easily remittable.

So our message to you today is use our IFRS17 earnings as a guide to our future cash flow, not all of it, but 60% to 70% of our earnings should be available in the form of cash at any given year because at the highest level, Manulife has large and established books of business in the US, Canada, and Hong Kong. And these fund our faster growing businesses with ample room for dividends and debt costs.

Now my final point on this slide is that this is just formalization of how we've been operating for some time. You can see from this slide that since 2017, we've generated \$27 billion of remittances, and this has enabled us to return \$21 billion to shareholders in the form of steadily increasing dividends and share buybacks. We view share buybacks often as a way to neutralize the per-share impacts of various transactions.

Roy talked earlier about our unique global footprint and the benefits that this brings. I put this value ~~we~~ we put this value at over \$800 million of core earnings per annum. There's some obvious synergies. We're able to centralize our procurement and negotiate large contracts globally. We're



big enough to support our own staffing centers in the Philippines and China and even our U.S. business benefits from having a number of Canadian staff, creating an element of wage arbitrage.

With our extensive adoption of global solutions in IT, synergies are significant. But importantly, this builds resilience. In periods of local downtime, we've been able to transfer work across the organization, ensuring a very resilient platform. In the U.S. and Canada when we sell wealth products out of our insurance regulated entities, there's capital and tax advantages and with earnings emerging from four very different types of businesses that creates a level of stability and that supports lower funding costs.

But it's not just about cost synergies, there are lots of revenue synergies as well. Our agents in Asia, particularly here in Hong Kong, actually, sell insurance, wealth management, and retirement products. And our bancassurance partners and we're going to hear from them later in this event, they sell our products across a number of different geographies.

Many of the successful strategy sold by institutional fund management business was born out of managing the general account and actually our seed capital portfolio, which sits at \$1.2 billion, has been responsible for a number of successful product launches. Then you've got the less tangible benefits. When we speak to reinsurers, we're able to bring together different books of businesses from different geographies to create win-win solutions.

And many of the presenters you're going to hear over the next few days have worked in more than one segment or geography. And this ensures expertise and knowledge sharing and really solidifies the culture of winning through collaboration. So the start of this presentation, I said to you that Manulife had succeeded where others had not, and we deliver both growth and cash generation and here's the proof.

Since the start of 2017, we've grown our earnings by 8% per annum, CAGR against the peer average of less than 5%. And we're on track to return over 9% of our start of year market cap to the market, and that's significantly ahead of both our global and Asian peers. So hopefully, you've seen evidence of strong and credible execution, improved efficiency, as well as a unique growth and cash generation profile. Let's now look at how we're going to raise the bar.

We're determined to grow faster and generate more cash, thus differentiating us as a pre-eminent financial services company for investors. In this section, you're going to see what financial targets are important to us, but importantly how we're going to achieve them. There is a common theme cash as measured by remittances and attractive growth opportunities. We will also continue to extract value from in-force organic and inorganic activity.

So let's revisit today's new targets. We're increasing our core ROE from 15%-plus to 18%-plus. We're introducing a remittance target of \$22 billion to be achieved cumulatively from 2024 to 2027 and we're reducing our efficiency ratio from 50% and below to 45% and below. All our other medium-term targets still remain, we will look to grow. We will target growing our core EPS by 10% to 12%. We'll maintain a leverage ratio of 25% and a dividend payout ratio of 35% to 45%. Our CSM targets are also unchanged. Let's look to our path to a sustainable 18%-plus core ROE. We ended last year just shy of 16%, ahead of our 15%-plus medium-term target. Over the course of the next two days, you're going to hear from each of our leaders of the four businesses on how we're going to improve ROE in each of our segments.

The biggest contribution will come from Asia and GWAM. And while this is in part supported by the mega trends that Roy just talked about, we're not letting the macroeconomic environment do all the work. Phil's going to talk to you about building scale in more markets and accelerating growth. In GWAM, the story is about operational leverage, operational excellence, and organic growth.

We're also improving the situation in Canada and the U.S. Naveed is going to talk about his 4 D's, and Brooks has got a number of digital and in-force organic activities to boost the U.S. ROE. Importantly, you can see from the right-hand side of this chart that getting to 18% does not rely on disposal, further disposal, of low ROE businesses or other inorganic activity. This you would expect to further improve our ROE.

But our assumptions do imply a certain element of capital return and that gives us flexibility beyond just earnings growth and hitting this target. That's why I believe that an ROE target, coupled with the remittance target, is incredibly important. More cash at the center gives us additional flexibility on our equity base, ensuring that we will hit our target.



Now if we just touch on some of the other medium-term targets, our core EPS growth has good momentum, having achieved 8% CAGR since 2017 despite the impact of COVID and the conversion to IFRS 17. Strong growth in Asia and our GWAM has seen our highest potential businesses make up 67% of core earnings at the Q1 stage and 44% for Asia.

Now there are many factors that will accelerate growth in earnings and GWAM in Asia. But I will remind you that global minimum tax, which was substantially enacted last week, will move in the other direction. So despite the very strong start to 2024 with Q1 core EPS up 20%, I can assure you there's no sign of complacency at Manulife.

Our new cumulative remittance target of \$22 billion represents over one-third of our current market cap. The previous four years have seen us generate \$18 billion of remittances through a combination of BAU remittances of \$17 billion, management actions, and market impacts. Now the market impacts over this period have gone against us.

But looking forward, which is on the right-hand side, we would expect to generate \$24 billion of remittances of capital generation before new business strain. We'll obviously look to invest in profitable new business. And then we've got capital optimization activities to arrive at a \$22 billion cumulative remittance target. Once we achieve this target, you would expect the go-forward remittance ratio to be between 60% and 70%, as I mentioned.

And actually, when you look at our track record of performance, that's \$17 billion on your screen is within the 60% to 70% of core earnings. Now the obvious question to ask is what are we going to do with this cash that we generate? And as a management team, this is our number one priority and our job is to allocate to fostering high ROE businesses, and I'm really excited about the opportunities that sit before us.

Our second most priority is dividend growth. And with the 35% to 45% payout ratio and 10% to 12% earnings growth target, you can imply a very strong dividend growth trajectory. Now if we're remitting 60% to 70% of our earnings to the center and paying out 35% to 45%, you can see that there is an element of buffer and this buffer can be used to continue buying back stock, which has so far created \$3 billion based on the current share price or we can use it for M&A.

But on the point of M&A, given no obvious gaps in our portfolio, we can afford to be incredibly disciplined when looking at external opportunities. Now this slide captures the reason why our number one use for our own capital is to invest in our own business.

Moving from left to right on this slide, you can see that we operate in very deep markets of Asia, the U.S., and Canada in both insurance and asset management. Many of the countries that we operate in are growing fast and have low insurance penetration.

Take a look at Vietnam, Philippines, Indonesia, and China, all of which have a penetration rate of 2% and below, and even where markets have a higher penetration like in Hong Kong, changing demographics through really attractive retirement opportunities for us. So in a nutshell, we've got great opportunities to invest in our own business.

Now in addition to demographic trends that have created attractive growth opportunities, we've been improving our pricing discipline and shifting our product mix away from capital intensive products, which has led to LROC, lifetime return on capital or new business IRRs, improving significantly.

No more lifetime guarantees in the US, faster growth in group benefits in Canada and more scale in Asia have contributed to the picture you see on the screen, but also don't forget higher interest rates really improved product profitability because we sell long-duration products, and so this has also contributed to what you see.

So we've got fantastic growth opportunities. We're writing products with strong margins and have plenty of capital to invest. All of this bodes well for ROE expansion. I would be remiss not to mention in-force management before we move to Q&A. The vast majority of our profits come from policies already written, and we've got a number of actions in place to improve ROE within our in-force book.

There are a number of organic actions that we can take, they are on your screen, we can increase our prices where appropriate and allowed. We can control persistency by enhancing our customer experience and we can optimize existing reinsurance agreements. We've got product buyouts



and exchanges that can create win-win solutions. And then we've got digitization, health, wellness, all of this work together to try and bend the morbidity and mortality curves.

So when it comes to long-term care, there's an inordinate amount of work underway to bend the mobility curve. But we'll also look to inorganic activity and following two recent reinsurance transactions led by Marc Costantini, who's going to join us on stage for the Q&A, we've been able to de-risk our balance sheet and improve our ROE using share buybacks as a tool to neutralize the per-share earnings impact. This very much remains part of our go-forward strategy.

So let me summarize. We're raising the bar with ambitious new financial targets that speak to the quality of our franchise. We have credible plans in place to deliver these targets, and Manulife is on a journey to further improve growth in cash. And this, we are convinced, will be rewarded in superior total shareholder returns. So with that, I'm going to hand it back to Hung.

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## QUESTIONS AND ANSWERS

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

Thank you for kicking us off on our journey and the pathway. Next, we will have our first panel and our moderated Q&A session for about 15 minutes. Before we go forward, I would like to have a few reminders. (Event instructions)

And now I'd like to welcome Colin, Roy and our Global Head of Strategy and Inforce Management, Marc Costantini, to join us on stage to talk more about strategy and our pathway forward. Great, we will kickstart. Any questions?

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**Doug Young** - *Desjardins Securities Inc. - Research Division – Diversified Financials and Insurance Analyst*

Hi, Doug Young, Desjardins.

So maybe just starting, we can drill down on. You talked about capital remittance; brings up the question around M&A. What is your focus for M&A in Asia? And I know there's nothing that you need to do, but you are in South Korea before you left, is that an attractive market? India, you're in joint venture with an asset manager, is that something in insurance where you want to go back into or is there other areas?

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

Yeah, thanks, Doug. Well, let me say a couple of things. First is that you sort of alluded in the beginning, the good news is we don't need M&A to deliver against the targets we've established. I think that's a really important point because companies get into all sorts of trouble when they need to do M&A to deliver against targets that they've set.

So we do have a unique footprint. We've got plenty of organic growth opportunity through that footprint to deliver against the targets that we have. So that gives me a lot of confidence and it means that when we look at M&A, we can be really robust and judicious. We know that there's a graveyard full of companies that have done M&A that's really very bad and that have caused huge problems for companies to unravel the problems in the future. So that's the first statement.

The second is that we are really well capitalized and that gives us the license to look at M&A and identify where we would focus our time and energy.

So where would we be putting more of that energy and prioritization? The obvious answer there is that it would be Asia and Global Wealth and Asset Management. Within Asia, we've got a diverse footprint across multiple markets. We've been working hard over the past 5, 7, 10 years to create greater diversification. So we're less reliant on any one market, and we're going to continue to execute against that agenda organically.

But if we could use M&A to accelerate that diversification, we would definitely look at that and that could be buying portfolios or businesses or it could be banca agreements as well. And my priority within that would be the markets that we currently operate in rather than looking to new markets, although we wouldn't rule that out.

So within Asia, continued acceleration of diversification of our business and continue to grow the scale that we have here. In Global Wealth and Asset Management, we're scaling our business, we're getting the benefits of scale through our efficiency and operating metrics. So again, we can continue to drive that agenda organically. But if we can accelerate that scale, that would be a tailwind to our business.

So, at the same time, we'd probably consider acquisition opportunities in the private space where we have a long history. But as we see the demand for privates continue to increase, not just from institutional investors but from retail and also pension companies, that's going to be an area of focus for us as well.

We probably got a double-click on this question a little bit more in the Asia and WAM sessions. But those would be how I would think of the prioritization of the capital deployment for M&A.

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**Doug Young** - *Desjardins Securities Inc. - Research Division – Diversified Financials and Insurance Analyst*

Great. And just a second one from me for Marc. You know, the legacy businesses, there is some, but maybe I'll ask it this way. Do you have a target in terms of how much common equity of the firm you want to be backing the legacy businesses, by my math, is 30%, 35%. Is the target to get it to 20%? How quickly can you get there organically or inorganically? Thank you.

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

Yeah. Thank you for your question, Doug. So I guess I would rephrase the premise to say that the responsibility of my team is to look around the firm for all, I would say, lower performing ROE businesses. And I think we've shown a track record in the remarks from obviously Roy and Colin that we have a great track record of looking around the firm.

And I think it's pivoted from focusing on these legacy businesses, which are long-term care, variable annuities and some UL to really optimizing our balance sheet, optimizing our capital, optimizing the return. And I would say the LTC transaction we did in December, which was pivotal, obviously has solidified the strength of our balance sheet.

But the transaction we did in Q1 on the UL kind of spoke to actually identifying these lower-performing ROE businesses and optimizing them. And our commitment is to continue doing so and really get those transactions to economically and from a cash flow perspective, support these objectives that obviously Roy and Colin spoke. So I would pivot that perspective from this point on and I'm not sure if Roy or Colin want to add to that, but I wouldn't focus necessarily on how you premised your question.

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

I would just add that we've been really disciplined in our divestments. We haven't tried to execute at a pace that wasn't sensible for shareholder value. What I've said on many earnings calls is that when we divest low ROE businesses, we're going to do it in a way that creates shareholder value. And if you think about the VA transaction and the multiple that we traded at that, it was an attractive shareholder accretive transaction. And again, we feel that we achieved the same with long-term care and then our universal life transaction as well.

So we're going to continue to look at those and the interesting thing is that there're more parties that are willing to have those conversations. The higher rate environment is certainly helping, but I think there's further upside opportunity for divestitures of low ROE, lower ROE blocks.



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

Next question.

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

Colin, you haven't had a chance to speak yet. John Aiken, Jefferies.

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

Give you a better ride with that.

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

So Colin, with the higher ROE target and you pointing out the surplus capital that you have. Obviously, this leads into the questions that we have about M&A. But my question to you is with the higher ROE target, does that have any impact in terms of the hurdle rates that you're looking for in terms of M&A? And secondarily, when you talk about this might be more for the broader panel. But when you talk about not having any gaps to infill, should we expect the transactions that may become in the pipeline to actually be smaller and smaller pieces more manageable, I guess, would be my editorial comment.

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

I mean, John, because you give the gift of that question to me, I'll start and then others can jump in there. I think what 18% ROE does is it makes it very clear, both internally and externally, that's what we would expect to achieve from anything we do. Now with M&A, we all appreciate that might not happen from day one. So we might make a strategic acquisition that will get us to 18% in due course.

Not necessarily from day one, but the good news is because we've got the capital, we can afford to do that. So we're going to take a very judicious approach. And so I wouldn't say to you, oh my goodness, the 18% is the right hurdle rate and no lower because there are some strategic opportunities that may well pop up that make a lot of sense. There was a second part to your question: the size of the transaction, no, I wouldn't say that pushes us into smaller or larger transactions at all. Roy?

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

No, I think you've answered it well, obviously, smaller transactions give you a greater degree of confidence around the ability to execute against outcomes. But I think, Colin, you hit the nail on the head. When we look at M&A, we look at it from two lenses. One is a financial lens, and we want them to be accretive and for them to be value adding.

But we also look at them from a strategic lens, and it's the combination of the two. So there's no one formula of every M&A needs to have a greater than X IRR, but we don't want to be diluting ROE. We think that 18% as a target is a good target and demonstrates the power of our franchise. We want to be accretive to that. And as Colin highlighted in the slide, the LROC, or lifetime return on capital of our new business, is in excess of that 20%. So that's a good indicator of where our future ROE is going, beyond the 18%.

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

Hi, it's Meny Grauman from Scotiabank.

You just mentioned the LROC, slide 19 is an interesting slide. So it shows LROC by segment and also capital buyback by segment and obviously a significant improvement from 2017 to 2023. I'm just wondering, as we think about the future, if we look out to 2027, 2028 and beyond. Do you expect to see a significant improvement in those indicators going forward? Is that part of what's underpinning some of your targets here? Or are we at a level now that you should just hope to maintain but not improve on?

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

Let me start. Colin can chime in as well. So I think the purpose of that slide was to illustrate that we're really disciplined in the way we're allocating capital organically to new business. And it's a dramatic shift from where we were. We're not looking at just measuring sales through APE growth that we can sort of celebrate in a quarterly earnings call.

It's about profitable growth that's going to generate good ROE, but also that's going to generate cash relatively quickly and you can see that we've halved the capital payback period in nearly every single one of our segments.

So that gives us confidence around the future ROE of our franchise and it talks to the scale that we have in our business because generating those kind of LROCs and capital payback periods, it's a function of the discipline. Also, it looks at the business mix that we've been focused on, and it also talks to the scale of our franchise.

So I think they are good indicators of what the future ROE of the business is, but we're not setting a bar on LROCs that is going to eliminate our ability to grow. And in most markets, we've been outgrowing our market average, and we think that is something we can continue.

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

Yeah, I think you know, Meny, there's no particular area of the business that we're pushing on our leaders to say you've got to really jump up your prices. And so we feel that current LROCs are fantastic, but because they're so much higher than ROE, we can actually afford to accept lower LROCs and so we've got the flexibility.

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

Got it. And just another question in terms of EPS growth target 10% to 12%. Colin, you've highlighted obviously you haven't been able to hit the bottom end of that range. And so I'm trying to understand the confidence that you have to get to 10% to 12%. Now obviously, COVID is a factor, but is that the main factor here? And so just trying to understand how you get to 10% to 12% if we haven't really been able to see you get there up until now.

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

Yeah, I think, Meny, there's a couple of factors that explain why we haven't got there. I mean, COVID is one factor. It's not the only factor and then we've got the conversion to IFRS 17, which brought back -- which brought down earnings. But I think there are a couple of obvious factors: the obvious factor is we're more active in share buybacks now, so that certainly helps your share count.

And the second factor is we're really excited about the recovery post-COVID of Asia and so that will drive earnings growth. Paul's got a lot of initiatives that he's going to talk about to improve his margins. So that's going to be GWAM, and then the U.S. and Canada have really have started to hit their strides. So overall, you put that all together and we are confident in the 10% to 12% and just feel like with that extra buyback opportunity, it solidifies that.

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

I would just add that 8% over a period that includes two to three years of the pandemic plus the conversion IFRS 17, which, as you know, was a headwind from an earnings perspective. We had new business gains that were capitalized into earnings and they went away. So I think that's quite an impressive result.

And we're not far from the lower end of that target despite those big headwinds. And then when we look at our peers, we have almost delivered a result that double of our peers. So actually, we take a lot of confidence from that when we look at the 10% to 12% as a goal going forward, again, just given the footprint of the business.

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

Let's move to the next question, table 4.

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

Thank you, good morning. Paul, CIBC. So first question is with respect to those LROC targets and the ROE, which I think are the right targets. You talked more broadly about how business mix change to achieve those targets. Have you had to change business mix at all within the Asia segment to achieve those targets or were they already hurdling?

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

You'll start?

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

Yeah, I will start. I think, Paul, what's been encouraging in Asia is definitely the shift towards more protection business and the focus on that, and the focus on health, health is great ROE business and LROC, I would really encourage you to ask Phil on that. But what's important in the Asian side that that's driving improved LROCs is when we get more scale in some of our smaller markets, those extra policies will be sharing the expense burden and that boosts the profitability. So nothing sort of headline grabbing on anything that we've had to do on any particular product.

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

I would, again, just add that we've moved from just measuring success as one that's focused on APE and sales, which with the league tables that come with the APE measurements and the comparisons for one has been really focused on new business value, new business value margin. And we've improved our new business value margin over the last six, seven years, which is reflected in LROC improvement. Business mix is certainly a factor there, but so is scale. So as we continue to scale our business, we get that benefit as it relates to the LROCs.

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

Second question, a very important theme for you is reduction in risk. So you talked a lot about the targets on a core EPS, core ROE basis. So can you talk to us a little bit more about how the portfolio or the balance sheet's been de-risked that gives you confidence that the IFRS earnings are also going to sort of come along for the ride and similar to core over time?



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

Yeah. You're absolutely right. It's been an overarching effort, but some of the inorganic activity that we've done has reduced our guaranteed segment. So that's naturally reduced our ALDA. And so that's one area that we've reduced risk. But what's important is, as Marc continues on inorganic activity on the in-force portfolio, you would expect our guaranteed segment certainly in the U.S. to carry on reducing and with that will mean lower asset risk.

We've done so much work around effective hedging. I don't feel like there's a lot more to go on how we manage our ALM. So it really becomes a how do we keep the participating and pass through business growing and continue to reduce the guaranteed segment where appropriate. And this will naturally reduce the risk.

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

Any other questions, table over there. Please, can we have microphone over there, please.

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**Connor McGrath** - *Fidelity Investments Canada - Equity Research Analyst*

Connor McGrath, Fidelity Investments. I just had a question for Colin. Just on -- I think it was slide 16. I mean, you talk about capital optimization activities. Can you maybe just kind of walk us through like what those are? I guess as you may be thinking about your different jurisdictions where there's maybe low hanging fruit from a capital point of view or any changing regimes? I know in Asia, there's a few markets that are like. So maybe just kind of help us level set that.

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

Yes, Connor, it's a great question. And obviously, I'd rather announce them once they've happened so that the ones that are obvious are certainly the two transactions that we've done and that will contribute to the remittances, the LTC transaction and the Canadian universal life transaction. But we've got changing capital regime in Hong Kong and the move to a more economic capital regime is certainly helpful for us because that's how we manage the business. And so we've got a number of ideas in place to make sure that we operate at an optimized level. So then a few other things that we hope to announce in due course.

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

Over there, please.

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**Gabriel Dechaine** - *National Bank Financial, Inc. - Research Division - Analyst*

Good morning, Gabriel Dechaine, National Bank of Canada. Three questions for Colin, Marc and probably Roy as well. So your 60% to 70% of earnings equals cash generation, is that at all impacted by dispositions? Somebody asked about M&A earlier and I'm thinking about more dispositions. And then Marc, you sold 15% of your LTCs, something like that. In the future, do you have to throw in some better businesses as a package deal and what might that change in the equation? And then the long term return on capital, how do you measure that and is that part of your compensation?

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

Let me start with the first. I think the second is to Marc and then Colin. So 60% to 70% remittances as a percentage of earnings does not incorporate any assumption around divestitures. So that's just BAU business. Marc?

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

Yes, so thanks for the question. So I would say when -- first of all, just to level set. The two transactions we just did that release to combine a couple of billion dollars of capital is all remittable. And one of the things we tried very hard in execution and as was done as well, where the variable annuity transaction is to make sure that both economically from an accounting, regulatory perspective and cash back to the parent that these transactions are accretive, and then obviously we can do share buybacks or other activities with the cash.

That's always one of the key, I would say, objectives are these transaction in addition to reducing the risk. So that component is one of the drivers. So the next part of your question was to do that if we were to transact again on LTC, the first transaction, obviously we had a block of structured settlement in the U.S. that was included and a block of the Japanese liabilities.

Now just a level set for everybody. When we did that transaction, we -- the two other businesses and box of businesses were relatively lower performing ROE businesses as well, which were attractive to our counterparty Global Atlantic in that case. And as we look forward and there was, again some interest from other parties at the time, and there's some interest from some additional parties now in the environment that we're in that Roy referred to, I would say that our objective would still be to combine LTC if need be with some lower performing ROE businesses, and more importantly to target trading the package at book value and then substantiate again, the strength of our balance sheet, the strength of our provisioning across our lines of business and the economic profile of, again bringing that capital back to the parent as a result of those transactions. As so and maybe I'll stop there and see if that answers your question.

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

And Gabe, just on your question on compensation, we've got to be a little bit careful to over-index on ROE because we don't want to be a management team that just sits back and gives all the capital back to shareholders to boost the ROE. So we're very motivated and very well compensated to grow the adjusted book value per share, but also our core earnings. So no real change in compensation metrics at this time, but they all feed into a higher ROE.

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**Gabriel Dechaine** - *National Bank Financial, Inc. - Research Division - Analyst*

Okay, thank you. The reason I ask about the cash generation because a lot of these blocks are mature, right? The long-term care is over 40 years old or something like that, and it's cash generative. And if you get rid all of it, does that chance your cash generation as an entity, you know what I mean?

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

Yeah, so I would say, first of all, all the businesses at Manulife are cash generating businesses. So that's the profile for the LROC and the paybacks that Roy and Colin mentioned, again, key ingredients and indicators and that to be the case, it is true.

And this ties to the question before by Doug, that as the in-force block matures by osmosis, the reserves basically peak out, as Steve has mentioned number of times, and they start to decrease and they become as a natural component, lesser obviously exposure to Manulife.

Now, they do throw off a lot of cash and predictable economics, which even if they're lower ROE profile in that case, makes them more predictable and are more susceptible to a transaction, which is a win-win for us and the counterparty. But I don't think that they're necessarily over-indexed on cash versus the rest of the organization and the cash generating power we have across the globe.



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

Yeah, we still feel that 60% to 70% Gabe is the right target because again, it's also a function of the new business that we're writing and the fact that the capital payback period for that new business is actually quite tight or quite low. So we feel pretty good about 60% to 70%, we don't think that our agenda for divestitures is going to dramatically change that, if at all, if anything.

**Mario Mendonca** - TD Securities Equity Research - MD & Research Analyst

Mario Mendonca, TD Securities. First, Marc, in one big swap, you got rid of 80% of the variable annuity business. I think it was one big transaction, long-term care, not so quick. Now I understand why the assumptions are very different across the two. Could you ever envision a time when Manulife could exit 80% of long-term care or are the assumptions so tricky and so hard for others to stomach that this will be a much slower process.

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

Okay. Thank you, Mario. Good question. So, perspective, the first transaction on variable annuity that was done post crisis was a small subset of the block and from there as the market established and you have obviously greater and greater percentage of the blocks being traded. And obviously, as you mentioned, we traded 8% of the whole U.S. block.

And so we felt and we feel and we continue to feel that the same kind of process is going to take place in long-term care. And we traded 15% of our block as an opening kind of transaction. And we feel quite proud that it kind of validated everything we've been saying and there was a vibrant interest from parties and there continues to be vibrant interest in our block and another blocks in the industry as a result.

So we feel this was the impetus to more transaction liquidity in the space, which I think benefits all the market participants. Having said so, we, and both Roy and Colin referred to this, we are doing an immense amount of work organically to optimize this block of business. And we could see a time in the future where keeping a part of the business would be economically attractive for everybody in this room and ourselves.

We are bending this morbidity curve organically. And rough numbers, there's a couple billion of claims we pay a year in this business. And I think there's a lot of opportunity to bend the curve there and improve the economics as we move forward as the block matures. And if you combine that with obviously Brooks will be here tomorrow, we'll talk about everything we're doing in behavioral insurance.

There's a quick and very close tie up there. So we think that combination of inorganic activity, which we will continue to pursue and actively pursue. And if it's to the benefit of our shareholders we will definitely transact. But at the same time that we are bending the curve. Now the last thing I'll say as well is that we've been extremely successful and securing all of the premium rate increases that we've put into our reserves.

And to remind everybody when, Steve, did his last review in 2022, we put \$2 billion there out of a \$6.5 billion ask and as we sit here today, we are over 70% of that has already been achieved and we've got another year to go before we perform our next review there.

So we feel confident that we're securing the right premium accruals, which will help economics. We're doing the right things organically managing the block. And then we've got obviously, this inorganic avenue that we were the first to open up for the whole market.

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

Mario, when we talk to LTC counterparties, what they're excited about the most is maturing of the data. The data has evolved to a point where you can have much greater confidence into what the future outcomes are going to look like for this business.

And the second thing is the actions that Marc talked to about driving organic inforce optimization, claims management, greater processes around price increases and so on and so forth. And that's, I think, why the market is now starting to open up. And I think that's going to continue to be a trend that we see in coming years.

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**Mario Mendonca** - TD Securities Equity Research - MD & Research Analyst

A different kind of question, perhaps probably for Colin, it's one thing to be aggressive in buying back the stock when Manulife trades at one times book. And the other thing altogether, when it's up 45% the last 12 months, does that factor into your thinking?

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

So obviously, Mario, the higher our share price goes the more expensive, the more costly it is to buy back our stock. But at 1.4 times, 1.5 times book value where we are now, we still see it as incredibly good value. So we're not having discussions on should we slow down because we are so our stocks run up. We still see phenomenal potential, especially when you look at an 18% plus ROE. But that conversation has just not in our minds at the moment. So we are excited about buying back stock at current levels.

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

Yeah, thanks. Tom MacKinnon, BMO Capital. Maybe just more of a philosophical question for the group. ROE, like if I look at, you've got over half of the earnings coming out of Asia. And if you look at the Asian peers, you're going to look at a presentation that they're going to do and there's no mention of ROE. Then you got like 20% or so coming out of GWAM and you can look at it, your wealth and asset management global peers, there's no mention of ROE.

So now we're into like 70% of the business where your peers would not even have an ROE as a metric. So thoughts on that, why do you value ROE as a metric when your peers, are they missing something by not having that as a metric? Just you're not a bank.

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

Yes, let me start and Colin, you can chime in. Marc, you might want to chime in as well. I would argue that ROE is an absolutely critical measure to assess us and our industry. And I don't know whether I would agree that our peers don't look at it. Yeah, maybe it's less of a focus in Asia. The focus has historically been around new business value generation and APE sales growth because it was a growing market and that was where a lot of the attention has been. However, that's changing quite dramatically.

I think some of our peers are now being held to account more on not only ROE but also cash generation, something Tom, you've been very passionate about. So I think in Asia, the old story of just drive sales growth and we'll worry about the rest I think is starting to fade. I think everyone's now looking at capital payback periods, the cash generation remittances and now ROE is becoming much more front and center. For shareholders, I think this is a critical way to measure companies. I think IFRS 17 helps that. I think in the old accounting methodology when you took new business gains in ROE didn't make a lot, as much sense as they do now. So I think we're going to continue to see the evolution, certainly in Asia. And I think many of our asset management counterparties will also focus on it as one of several metrics.

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

Do you look at them all kind of part and parcel and how do you compensate the various regions then that are contributing to this ROE? You don't have a segmented ROE. What is the form of compensation say for GWAM? Is it margin growth, earnings growth, that would be an asset growth? And what is the form of compensation out of Asia? Is it remittances and new business value and NBV margin? Are those the things we should be focusing on with respect to those various regions?



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

Yeah, it's a great question, Tom. So I think the first thing I'd say is that success is not really going to be defined from one metric alone. It's not just going to be core ROE, and that's why we sort of highlight the earnings growth as an important and key metric, but also cash generation.

So at the top of house, we've got the three targets that are critical and we think actually will demonstrate the differentiation of our platform versus our peers. There are a few companies that can talk about high return, high earnings growth and high cash. So that's top of house, but you can imagine that when we run the business and measure success at each of our segments, we're looking at things in an even more granular way. And obviously, a lot of those metrics form part of how we measure success and what's in scorecards for each of the segments, but it's not one or two of those metrics alone, it's a combination. We believe that there's tremendous opportunity to continue to grow our businesses.

So we look at growth, we look at earnings. Again in Asia, I think earnings has mattered less, but we've been able to demonstrate good earnings growth out of our Asia franchise, which is absolutely critical. So combination of multiple metrics, including those are included in our scorecards, and we look at them in totality.

And I would say it's not just the metrics again in Asia, I'm going to measure success by how much we continue to diversify our business because we don't want to be reliant on just one marketplace. So it's a combination of multiples.

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

Next question.

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**Connor McGrath** - *Fidelity Investments Canada - Equity Research Analyst*

Sorry, just a follow up maybe for Colin on ALDA. Yeah, as you sort of think about the business, let's say over the next three, five years, there is a mix shift happening towards Asia and WAM as a contribution of earnings. So the way I think about that is a lot of your on-balance sheet ALDA exposures probably more U.S. and Canada.

So is that almost I guess, de-emphasize the role of ALDA and your balance sheet and your earnings profile and in theory shrinks more on an organic basis just as a composition of your balance sheet? And then if you do more legacy transactions that kind of accelerates that process?

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

Yeah, Connor, I think the first point I would make is very generic, it's we're very pleased with our ALDA performance, and we think it's a fantastic add to our portfolio; it's a diversified return. But you picked up the transition really well. I mean, a lot of the ALDA backing our guaranteed segment will run off. We've stopped writing long-term care and a lot of long lifetime guarantees.

So there's a natural evolution, but at the same time, we are writing some really good participating and pass-through products that are backed by ALDA. You take our protection UL business in the U.S., 30% to 40% of that is backed by ALDA. So as that grows as customer demand for alternatives grows over the long-run.

Sure. At the moment, interest rates are high and it keeps a lot of cash on the sidelines, but this will be an attractive asset class for our customers. So we hope to grow the participating pass through business and that will go add to our ALDA growth, but it will be reduced by lower guaranteed segment ALDA growth. And so you would naturally see neither aggressive growth or shrinkage of ALDA over the next 10 years would be my prediction.

**Lemar Persaud** - *Cormark Securities Inc. - Research Division – Research Analyst*

Thanks, Lemar Persaud, Cormark Securities.

But maybe it's just the time change. But Colin, did you mention that \$800 million in synergies and efficiencies is that incorporated in that 18% ROE target?

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

So Lemar. It's a really good question. I'm glad you asked for clarification. That's really our quantification of what we achieved at this point in time, it's baked into who we are and where we operate. It's not what we set out as future synergies to achieve within any time period.

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

So it is in fact, actual synergies that are driving actual financial value in our current P&L.

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**Lemar Persaud** - *Cormark Securities Inc. - Research Division – Research Analyst*

Okay, perfect. And then for Marc. I wanted to take this de-risking and reinsurance in another direction. If we see rates go down, does that mean that these transactions are harder to close?

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

That's a good question. I would say as the interest rate increases have been a tailwind to transactions. But the other thing that's been a tailwind for us is the move to IFRS 17 and the disassociation of the discount curve directly to the asset portfolio backing the liabilities, which we just talked about, ALDA. So it's a combination of interest rate rising.

And if you look at the target kind of counterparts that we look at and we know where they get their off out of their investment activities, obviously, that sweet spot of investment activity is the one that will drive future successes as well. But we do see scenarios if interest rates decrease still having a potential to transact for the reasons I just mentioned.

So I won't directly tie the outcomes in the future to the movement in the term structure of interest rates. So I think it will be more of the asset classes and the specialty. And where these counterparts add alpha and credit spreads to their activity versus how they see our liabilities and predictability of our cash flows.

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**Michael Chang** - *China Galaxy Securities International - Security Analyst*

Yes, hi, it's Michael Chang from China Galaxy Securities International.

Just a quick question on the ROE target. I like the composition in terms of Asia, the 5 percentage-point increase in terms of the target. Maybe you could shed some light on where that's coming from because right now, sitting within Asia, it looks like the mainland Chinese business segment, actually it's growing very rapidly.

But then again, there's some investor concern about increased regulatory attention on that front. So how do you see that impacting the future rise of ROE within the Asia context, maybe more so Hong Kong.

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

But let me start, and Colin, you might want to chime in. But I'm not going to answer that in too much detail because Phil is going to actually cover that question in a lot of detail in his presentation, as will all the other segment heads by the way.

They're going to dissect the ROE improvement we see by segment into a lot more granularity in terms of how we can actually deliver against that goal. Let's say that the largest, I guess, factor driving the improvement in ROE is coming from focus on the profitable new business that we're generating, but it's also the benefits of scale. I talked quite extensively about the fact that being a tier 1 player in Asia really matters.

And it matters not just because you're relevant in the consumer eye, but it also matters because of the scale benefits that you get, which translates into new business profitability and ultimately ROE. And as a tier 1 player, that has been a key factor that's really driven what we've already seen in terms of improvements in ROE and what we're projecting to see go forward because as we write new business, our fundamental expense base that we've got underpinning our franchise doesn't dramatically change the variable nature of our business from an expense perspective, of course, there are some increases in costs.

But the fixed cost is there regardless of whether you've got a business that double the size or half the size. So that's been the real driving force plus the fact that new business is generating very high LROCs. Again, Phil will show that in detail in his presentation. So we're not seeing some of those headwinds that you mentioned being a real detraction or an issue as it relates to ROE, but Phil will cover that in much more granular form. Colin, anything that you'd like to supplement?

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

I mean, the only thing I'd say is the reliance on mainland China is just not that significant. So the net the items you mentioned doesn't really apply in as much detail scale to us.

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

Well, we would like to thank you for joining us for the panelists. Thank you so much. And with that, we will be moving on to the next break, and I will note that the panelists and presenters are going to here throughout the event.

And please if you have any further questions you would like to ask, please engage with them. (Event instructions).

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## PRESENTATION

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

Welcome back, everyone. Hope you had a good break.

Our next speaker is Paul Lorentz, President and CEO of Global Wealth and Asset Management. Paul will give us an update on our Manulife Investment Management's record of delivery as well as the positioning for future growth. Following that, Paul will be joined by two of his members of his leadership team on stage for Q&A panel.

With that, before we go ahead, let's show a quick video on some highlights of Manulife Investment Management.

(video plays)

**Paul Lorentz** - *Manulife Financial Corp - President & Chief Executive Officer, Global Wealth & Asset Management*

Good morning everyone. It's great to be here. As I was preparing the material for today, I was thinking about what would be the types of questions that you would want me to answer through the presentation, and I really thought of three.

I thought of how have we done since we brought this business together in terms of an operating segment. The second one was what makes us unique versus every other fund company in the market. And the third one, is whether the differentiation which got us to where we are today, is that the right platform that's going to allow us to achieve the ambition.

And similar to the content of the presentations, I'm going to start with a look back and kind of walk you through that journey. So let me start with a look back and there's really three takeaways I'd want to leave you with here. First of all, we have an excellent track record of delivering results. We've outperformed peers on our key metrics. And we're leveraging our global scale, not to just deliver value for end investors, but also for shareholders.

Let me start with a little context around what does our global platform look like. You've seen this in some of the videos we have -- we're essentially based in 20 different geographies. We have leading market share positions in each of the markets in our major business lines. And that includes one of the largest fixed income teams here in Asia.

We have over 625 investment professionals that are on the ground in the local markets, and that's really important. Particularly a lot of the emerging markets here in Asia really understand where the investment opportunities are and to really understand credit party and counterparty risk as it relates to fixed income.

The platform includes very strong performance and allows us to serve over 19 million individual investors. Now we're actually able to extend our reach to even more individual retail investors by working very closely with our insurance affiliates and here in Asia, we actually manage money within some of affiliates products, unit-linked products, and that actually allows us to serve needs of even more than 19 million customers.

In terms of the total contribution to the company, we represented at the end of the year, 20% of companies earnings. Our core return on equity was 25% and over 90% of our global earnings are remittable back to our parent through the various regions in which we operate.

Now this is a big question I get a lot. What makes you unique versus every other company out there? And we spent quite a bit of time trying to understand that ourselves, to be honest, when we put the strategy together and there's really six differentiators for us and it's not any one of these. There will be other companies that would have some of these. It's really the combination of all six. And I'll just give you a few examples just to highlight some of those proof points.

The first is that our geographic business and business diversity is a strength, and that's not just from a stability of results perspective. It actually gives us access to higher margin markets and higher margin product lines.

Our business lines within the Wealth and Asset Management business are highly complementary. We look at our distribution channels as really that for our asset management capabilities, whether it's our private capabilities, public capabilities. We look to leverage that within retail, within retirement and within our institutional business.

We also see leverage within the regions between our retail businesses and our retirement platforms, not just in terms of building the solutions, making sure the sales teams compensations are aligned to work together in the region and really driving the value in the local markets.

We also see an opportunity in terms of capturing members who leave their employer from those platforms and individual retail solutions.

The fourth or the third one, is an important one. We benefit from the strength and stability of the insurance company. And there's two ways -- there's more than two ways, but I'll highlight two ways we do that.



First of all, we actually manage assets in insurance structures vehicles and directly for our balance sheet to support the liabilities. That is the proprietary channel for us that other fund companies would love to have. We earn revenue and fees on that, no different than third-party investors would and it's captive to us.

The second thing is we leverage the insurance agents here in Asia to access their customer base to introduce pure mutual fund solutions as another example. Four we're well positioned to capitalize on global trends. I won't go into this in too much detail here, Roy touched on it. I'm going to speak a little bit later on what does that mean for the Wealth and Asset Management business.

We're committed to make a positive impact, not only a company level, are we net zero on our emissions from an operational perspective, but we are the largest manager of natural capital in the world and that not only allows us to help our organization accomplish that, but it helps us work with other organizations that are trying to reduce their carbon footprint, and it creates a great commercial opportunity for us with our business.

And lastly, none of this is possible without great people and Roy talked about culture, engagement, and that is all critical to really doing -- that really building that.

But one of the other things, we have going for us is that people be want to be part of a winning platform. Now the fact that we're a growing business attracts a lot of talent to our organization and the fact that we're global and have the breadth that we do allows individuals really to build their career and really take it wherever they want to go. And that's very attractive, not just for attracting talent, but retaining talent.

It's allowed us to build a global platform that's at scale. We have over a trillion dollars in assets under management and administration. Of that \$873 million is assets under management. Within that, if you look at the middle chart, we've actually shown you how much of that comes from our traditional third-party channels of retail, retirement, and institutional, but we've also broke out, that affiliated channel where we're managing money in that captive channel for the insurance company.

And I want to make a couple of comments on this one. One is, this is a fee-generating asset base that's quite material. You can see on here it's 23% of our total AUM is close to \$250 billion in a captive channel, but that provides scale for us. It makes us more competitive in our other traditional channels. And again, as one of our key differentiators.

The chart to the right of the AUM that we sourced about three-quarters of that come from what we call direct & affiliated. What do we mean by that? Well, if you think of intermediate, intermediate is where we're putting our investment solutions on a platform where the distributor is using that to serve their customers. And we really don't interact or even know who the end customer is in many of those cases.

The direct & affiliated are channels where we have ability to interact with the end investor. And why is that important? For one, we can better control the customer experience. It allows us to better understand the customer needs and if we can better understand their needs, we can provide a better solution for them. And that typically results in greater share of wallet and a happier customer tends to be a stickier customer.

A good example of that is in our Canadian Wealth platform in Canada. We have independent advisors that provide financial planning, holistic advice and what we see with those advisors is not only are they supporting our mutual fund sales, but they're also selling insurance products that Naveed makes available; banking products, and they're really taking a holistic approach.

Success wouldn't be possible without strong investment performance at the core. And this is absolutely key to everything. We wouldn't have the scale we have. We wouldn't have the customers we serve if we didn't deliver strong investment performance. You can see with the chart on the left, the diversification of our portfolio by asset class and this is across all of the channels in terms of approaching individual investors.

And you can also see at the right, the strong investment performance, particularly over the 5 year and 10 year was 77% of our assets outperforming the peer group on a 5 year and 86% over the 10 year. This is actually a new disclosure. So previously we've reported something very similar, but it's been based on an internal calculation that we were doing relative to our internal benchmarks, relative to a peer set.

We're actually switching to the Morningstar database for go-forward disclosures. And there's a number of reasons for that. First of all, it's a completely independent view of our performance. It's how we're going to be assessed in the market by investors looking at our capabilities because they're are going to be looking at relative to other options available.

The second thing is it allows for a 10-year track record, which we had within the composite for the Morningstar funds we have available. And more importantly, it's more comparable peers. If you look at a lot of our peer disclosures around performance, you'll notice that it's based on the Morningstar database.

Now why does performance matter? Why does delivering strong term performance, really matter? And I'm going to use the U.S. as an example. If you look at the U.S. active fund flow, it's a very competitive market. Almost 100% of the flows in active go into five-star rated Morningstar funds, a little bit goes into four.

But four or five star funds drive the performance of flows. So you have to really be there. You don't get a rating from Morningstar until you hit the three-year track record. So that's why track record is so important. But the longer your track record, the greater weighting it gets in terms of the comparison to the peer group.

And the way it works is in any given category, Morningstar assesses all the companies in the category on risk-adjusted returns, how much risk are you taking to generate the alpha? And then they force rank that into bottom group, one star, two star, three star, four star, five star.

And so consistent long-term performance, as you get five year, it has a heavier weighting than three year. As you get 10 year, it is a little heavier weighting and then five year and then three year.

So delivering long-term consistent risk-adjusted performance is absolutely critical. And our investment team's just done that. They've done that and we wouldn't have the success today, if it wasn't for them.

All of this has contributed to very strong top line results. Positive flows of 13 of last 14 years. You can see the chart on the bottom, I'll just explain this you can understand what's going on there. Anywhere you see shading or the green shading that is where either the region or the business line contributed positive net flows.

So you can see in certain times where certain channels and our regions are out of favor, other regions and our channels have stepped up and still in the end result is positive flows, and that speaks to the stability of our results.

This chart on the right actually highlights, -- if you actually compare the net flows relative to the size of our business. So it looks at flows as a percentage of AUMA for assets under management and administration, we've also outperformed peers there. There's a couple of other interesting or important points I want to make on this slide.

The first is, we do not include any flows from affiliates. I talked about money we manage for the insurance company, we currently don't disclose that, this is purely third-party money, that we haven't disclosed that historically because it's already reported as a premium in for the insurance segments. So this is strictly our track record on third-party flows.

The second thing, as you can see the consistency of Asia in here. If you look at the bottom chart, the top row, they have delivered positive net flows every single time period despite the market cycle, despite some of the challenges that have happened. I think it just speaks to the opportunity and how we are differentiated here because of our position on global trends.

And then the last point I would make is if you just look at the last couple of years, we've actually delivered that in a rising interest rate cycle where essentially all fixed income flows left the market, got paid to sit on the sidelines, got a pretty good yield for sitting there and frankly hasn't come back yet.

We actually think it will come -- some of it's starting to come, but we think as soon as the Fed actually starts cutting rates, you're going to see money come back into the market, that's going to be a tailwind, not just for the industry, but I think for ourselves as well.

The other thing worth noting is that, while we, particularly those of us from North America have seen just the run-up that happens in the markets, particularly the U.S., Asia markets have actually been down quite significantly. When I was in Shanghai and with my management team in March, investors were down 30% on their capital from three years ago.

And so to be able to deliver positive flows when Asia hasn't really performed the way we'd expect over the long-term I think again, just speaks to the quality of the platform and the diversification that we have. That diversification also contributes to our revenue. And I talked earlier about not just stability for diversification but access to higher margin regions and/or business lines like alternatives as an example.

But if you look at the middle chart, you'll actually see that U.S. and Europe is about 55%, Canada and Asia is 45%. If we actually move over to the bar chart, Canada and Asia, which are 45% of AUM, actually make up 54% of the revenue. And if you actually look at our SIP at the end of 2023 it would represent 60% of core earnings.

My point is that every dollar of AUM is not equal to us. And in fact, one of the reasons we bought the business together globally is to make sure that as we look at discretionary spend, as we look at capital, we're allocating it to the best return of those dollars. And that was a big shift for the management team and how the business was run when it used to be decentralized previously.

The second important point is that over 90% of our revenue is tied to asset growth, and that includes our global retirement business. There's been a lot of talk around record-keeping, but a very small proportion of our record-keeping fees are actually per participant costs. They're actually tied to the funds or market growth and that's important because we do expect markets to grow over time. We expect to manage our expenses lower than market growth, that's going to drive core earnings, the growth above just beta markets and also drive margin expansion.

The end result of this is actually financial metrics that we're extremely proud of. If we look at how we've delivered relative to peers, and I'll start with the two on the far right, our core revenue and core earnings, the bar charts show the growth of that from 2017 to 2023. And below that, you'll see our CAGR growth relative to our peer set. And the platform we have has really delivered value over and above what peers have been able to do in a similar market.

The other point worth noting here is -- and that's for about the same growth AUMA. So I think it highlights just the opportunity we have to access the margins and where we deploy those opportunities.

Our net fee income yield has also been relatively stable since 2020, and that's when we first started producing this. It is not to say we're immune to fee compression. We all have fee compression in the markets we operate in and we actually plan for that. We know roughly what funds that we're going to have to reprice every year to stay competitive. We put a budget aside for that. That puts pressure obviously on what we are in the year before.

But we have other opportunities that have more than offset that when we look back historically, and that's not true of our peers where you've seen some compression in their yield.

So we're proud of what we've been able to accomplish from this perspective. And I think if I was going to leave you with really three key points is that we have an investment platform that's not just at scale. It's one that's got extremely strong investment performance and extremely strong market share positions.

Our platforms are highly differentiated, and it's really helped us deliver the results that we've been able to do. It's well diversified, as I've highlighted. And the third is that it's allowed us to outperform our peers and deliver that superior value, not just to our investors, but also to shareholders.

Now I said how proud I was of what we've been able to accomplish, but I'm even more excited about where we want to take this business. And one of the fundamental questions that I mentioned earlier on was do we think this platform is what's going to get us to the next level and really achieve our ambition. And the short answer is, yes.

So what do we do in the next stage of growth? And what are the key messages here? The first is we've set some ambitious objectives that where we want to go based on where we are today. We do have a unique footprint that does differentiate us. Our business mix is unique. And the platform we have and the six differentiators I talked about, it's very hard to replicate.

And I think you're starting to see that more and more in terms of the results we're producing relative to the peer set that we're benchmarking against.

And I think more exciting for me is we have a clear roadmap of how we're going to unlock the value for the next stage of our growth. And what I'm going to get into is very specifics of how we plan to do that and give a level of granularity to give you some comfort that there's a very clear and executable plan here and how we're going to get there.

So what are those objectives? There's really two. There's our margin objective, which is getting to the 30%. And there's core ROE where we're looking to approve that from 25% to 28%. And there was a question this morning I believe from Tom around ROE, not many other companies look at that. And that is true. The reality is delivering the margin, which is what companies look at one of the biggest drivers for wealth companies as revenue growth and margin for the two biggest contributors to market cap and valuation.

We have the revenue growth, margin by default will improve ROE. So margin is a primary measure of me and my management team, but obviously delivering margin will deliver the ROE.

The other comment I'd make about ROE, is whether we get it to 25% and 28%. That's important, but it's about the growth and the CAGR of our earnings relative to other segments, we want to become a bigger percentage of the overall company by making sure we maximize the opportunities in front of us.

Now one of the areas where we talked about outperforming our peer set in terms of just looking back, and whether it was core revenue or core earnings growth, was around, just how do we continue to do that go forward?

And as we look at the business -- in order to do that we believe that's all around margin expansion for us. We think there's three levers to do that. The first lever is operating leverage. Leverage our existing platforms, scale the business, and grow those higher margin solutions, allocate that capital appropriately, make the best decisions every year on where to allocate.

The second is organic growth. So what is the contribution from investments in strategic opportunities that we've made as well as investments we're continuing to make. And the third one is where do we -- where we expect to unlock further value from the global differentiated platform?

We've already started to do that, since we brought the business together, but I'm going to walk through where we are in that evolution and where we see further value coming from that. You can see the relative contribution from these in the chart and I'm going to spend a few slides here giving you exact examples of where we plan to focus within each of these.

So let me start with operating leverage. The first example of scaling our alternatives business, so a lot of talk about this business. It's a business that obviously drives a higher margin than the rest of our typical businesses and particularly public capabilities.

And you heard earlier, we're the leader in natural capital. While that's an opportunity for us, what you may not know is that our infrastructure equity team actually has a 40-year track record in the mid-market space. They're actually on the third fund right now, with a lot of demand from third-party investors.

We have a platform as well diversified. We've got teams that have managed money for a long time and frankly, it's a story we probably haven't talked about enough.

The other thing, if you look at the chart at the bottom of the middle of the slide, it's actually a business we've grown quite successfully over the past five years. We've grown this business 140% in the last five years within the construct of GWAM. It's one of the reasons we've been able to keep margin relatively neutral support the core earnings growth and this is an area we expect to grow moving forward.

And not just in the traditional institutional channel, which definitely has been where the focus was historically. But you heard us talk about the high net worth retail channel. There's growing more and more appetite from high net worth investors wanting to access these asset classes. And I say these asset classes, because they're not exactly the same. Retail investors say they don't want liquidity until they need it.

Institutional investors, they don't want it and we understand that. But retail investors, they require a different type of product, probably a combination of the traditional institutional capabilities and liquid capabilities. And it provides a different level of support from a wholesaling perspective. Who you're talking to? Education of the advisors that are now starting to sell these solutions.

But we do think looking back 5, 10 years from now this will be a big channel for the industry and we want to be a big part of that. The second area with operating leverage the global trends that Roy touched on. And again, I don't need to go through these detail because we talked about it, but just to give you a sense of where we would benefit, most of the money of really the affluent middle-class here in Asia, is sitting in bank deposits. In fact, we were expecting that to start transitioning into traditional funds in China when we were there in March, it actually went the other way, it's at an all-time high of money sitting in bank deposits of China.

The reality is, it can't afford to stay there. There's a massive retirement funding gap. They're not earning what they need to in order to deliver, the AUM they're going to need, and the investments they need in the future to support their family, and their retirement needs. And there's really two levers around this.

One is, participating in the traditional vehicles that those investors are going to look for when they look to transition diversify out of bank deposits. And the second one is around working with governments and regulators on helping them determine how best and what infrastructure to put in place to help them solve the retirement gap challenge.

This is a massive challenge that they can't solve. They're going to have to address it at some point. I'm surprised some of the markets haven't got there yet. But I'll tell you when I'm traveling and going to the various markets, one of the meetings I'm doing is with regulators who are very curious: How does Canada structure things? How does the U.S. structure things?

In a good example of that is here in Hong Kong with our mandatory provident fund. We've got a leading market share. It's solving a real need. It's helping governments. Individuals are saving. It's a business that, again Aimee and you're going to hear more from Calvin, I think tomorrow in his session.

But I talked earlier on the differentiators, the number three was leveraging our insurance affiliates. The reason we're number one or one of the big reasons here isn't just investment performance - our insurance agency, part of Phil's organization, is the largest contributor of flows, is the largest distribution channel for us.

And that's that leverage we get across the organization. They have access to clients that want to participate and there's voluntary contributions. It's also a door opener for them to cross-sell insurance products. And so there's a win-win here in terms of how we leverage the organization.

The other point worth noting is we talk a lot about our Hong Kong business, but we see increasing opportunities in Indonesia where we have strong market share in China, in Malaysia and now we recently just started our business in the Philippines. And we expect other markets over time will also be looking to create what we call our pillar three, which is the equivalent of a defined contribution business in Canada or 401(k) equivalent in the U.S.



The last example with an operating leverage is, our retirement platforms and how we plan to leverage those to drive core earnings growth. There's really two aspects of this. This is a business we've been growing quite successfully in a business we plan to continue to scale.

We had 8.9 million customers at the end of 2023 and our plan is to grow that to 9.8 million. We expect growth of the overall platform, which is going to provide that benefit of not just top-line growth but the scale efficiencies, et cetera.

But one of the dynamics that's changing in retirement, one was that shift to really asset-based revenue off of the services we're providing. But the other is these ancillary profit pools that are in addition to record keeping that is -- we view it as a distribution channel for our capabilities. The investment management is a good example of that.

We're offering in-plan advice, managed-accounts that where there's an incremental fee for some of the services you can provide. We can provide some general account products, whether it's guaranteed interest accounts, as part of the platform as an example.

And if you look at 2023, about 52% was asset-based record-keeping fees. Looking forward, it's actually going to reduce to 40% because those ancillary pools are getting bigger. And it's not that it's reducing - the whole pie is growing because we're serving more members.

Just if you look at that allocation more and more, those ancillary revenues that we're accessing because of the access to the customer base that those recordkeeping platforms provide.

Now let me shift to the second lever of how we're going to drive margin expansion. That's organic growth. Two real areas here. The first is that our Manulife Wealth assets under administration, I talked about direct & affiliated and I gave you the example of our Canada wealth platform.

But we have also have a platform in the U.S. called John Hancock Personnel Investing. It's a platform we built from scratch, as the solution for the individual members leaving our retirement platform that want to stay in our retail solution either leave their employer or they're ready for retirement.

We have a team in Malaysia of agents that only sells wealth products. And so when we look at this, we're really looking at what are some of those captive or distribution channels where we can help drive that more closely the strategy around that.

One of the big drivers of the growth we're expecting, we're expecting to double this business by 2027 is our Canadian wealth platform. We recently just completed a significant investment to re-platform to an industry standard electronic platform for advisors.

We had 12, 14 different homegrown systems advisors who are trying to use. That was all done successfully at the end of Q1, and there's really two benefits we're seeing. First of all, we're seeing a pretty big interest from new advisors wanting to join the platform now that that's done, they want the strong brand that's equivalent to some of the big banks, but they want the independents of doing the business they're entrepreneurs and they like the products we've got.

Since the conversion was done, we've already onboarded an advisor two weeks ago. We got two more that have signed up and one of the interesting things of the book size of those advisors are about five times the size of what we've traditionally recruited in the past. So not only are we seeing incremental value for advisors joining, there are bigger books of advisors that want to come join the business.

And we have plans to increase the types of products and services that those investors that are servicing their clients want from that.

The second point, is not only where we see growth is really two other revenue pools we're seeing. First of all, the old platform we had didn't allow us to access a lot of the profit pools that other broker-dealers do - interest on cash sitting there, as an example, securities lending, the platforms allowed us to go after that again, other sources of revenue.

And the last point I always make is that we tend to see higher market share of our own internal fund sales within our own channel. There's no incentive for the advisors to sell to the home team. We want to make sure they're doing what's best for the end consumer. But because of the



brand, because of the strong performance, because we get access to the advisors help educate them and they like the solutions, we tend to see higher market share.

So not only do we see incremental revenue from a wealth and advice perspective, we actually see incremental sales from a product perspective and speaks to how those product lines are highly complementary to one of our differentiators.

The second one is the rollover AUM. This is assets we retained from those individuals leaving our record-keeping platforms globally. And the one example I wanted to highlight here is the U.S. platform we put in place a number of years ago to capture members.

To give you an idea of that leverage we're getting across business in the region, that platform was the third -- at the end of 2023 was the third largest distributor of John Hancock Mutual Funds in terms of net flows behind all the other wire houses intermediaries we do business with in the U.S. That just speaks to how much value and leverage there if done right by not just capturing individuals and also helping support a lot of the solutions that we have in terms of that the business.

The second example it operates in operational access, in organic growth is actually getting the value of investments we've made. On the slide, you'll see the JV we have with Mahindra, our China fund management company, where we are the first JV to get 100% ownership and the recent acquisition of CQS, which closed in April of this year.

The first point I'd make on Mahindra and China, you can actually see the positive net flow contribution these organizations are providing to the overall flow story. This was one of the reasons we like these markets. We are well positioned. There's a lot of growth. And while the earnings contribution will take time relative to the size of the business, these are long-term plays and we're really seeing the value come through those and you can see the improvement in our brand and our rank as we build that business, either with Mahindra in India or with our new management team in China.

Now in CQS, the real leverage here on margin is that they are a semi-liquid manager. So they focus on income solutions, but they are somewhere in between public and alternatives. And because of that, the fee they earn on their investment management is higher than traditional publics, maybe not quite as high as pure alternatives. But that's also a tailwind for us. This organization was quite successful, but they were successful in institutional and only in Europe and predominantly the U.K.

The real value for us is not just taking their capabilities and making them available across the region. Our strengthened institution has been typically North America and Asia. So there's a lot of interest expanding, but they're also not in retail at all.

And we're seeing an increased demand in retail, our U.S. retail, Asia retail of leveraging these capabilities to drive solutions, and that will be an opportunity for us, particularly for that high net worth investor of driving yield and driving income. And that's a theme here in Asia that's quite consistent is the need for income, and that's a real plus for us.

Now just shifting to the last one, which is operational excellence. I'm going to show you an example, and a lot of time, we think of operational excellence and digital investments as efficiency. And I'm going to show an example where we made some investments in digital as it relates to our Canada retirement mobile app but we saw revenue benefits and we saw customer satisfaction benefits. And I think it speaks to if get -- if you do it right, there's multiple levers you can go after here.

So we made some investment and added some self-serve capabilities within our mobile app for our group retirement business in Canada. And we saw an improvement in straight-through-processing of the services. That's great. That's where the efficiency comes through. But we also saw those individuals using the mobile app was actually contributing 37% more contributions to the plan than those that weren't. So we're seeing a net flow benefit here.

And we're seeing an improvement in the experience year over year of members that are in the platform using it. And again, happier members will contribute more. They're more engaged. They're stickier customers. So one of things we're looking at is how do we really scale this across the global business?

And it's about prioritizing, it's about listening to customer friction points, and we've made some tremendous progress since 2020. You can see on the slides the right, where we've increased straight-through-processing about 88% of our business, and we've improved NPS from 11 points to 17 points.

Our plans by 2025 are to take that over 90% for straight-through-processing, but more importantly, really get at those friction points from a customer perspective and drive our NPS from 17 to 27. And we think if we can do that, you're going to see leverage not just in expenses, but you're going to see it on the revenue side again in terms of lower redemption rates and higher contributions.

And then the second example, last example with an operational excellence is around driving more efficiency out of the global platform. And if I think of this about what does this really mean? You've heard me talk about, we get market growth on the asset base, we get positive contribution net flows. And we, as a management team, which I've disclosed previously, are trying keep our expenses around 50% of revenue. If we can do that. We'll get more earnings growth well above market, we'll get margin expansion.

We actually believe we can bend that curve based on the opportunities we see in front of us to about 35% and 40%, at least where we have line of sight right now. And that's quite material to the overall margin for us if we're able to do that.

And if I think back of when we brought this business together, phase 1 of that when we brought it into its own operating segment was setting up global functions, global head of ops, IT, risk, finance, and that was really leveraging where can things be done globally? Where can they be done off shore? We saw that value come through the business.

The second area was getting leverage on digital investments. And we were making digital investments for a number of years. And as that's happened, we were taking costs out, but we took some time last year to just have a look at where are we spending time and effort, the more we were doing things that frankly, we didn't need to anymore because of the digital investments. You saw in the fall, we took out \$70 million of run-rate sales from the business, and that was really what I call phase 2.

Phase 3, is how do we leverage that even more. And we still see tremendous opportunity with digital, the management team and I are seeing further opportunities for synergy in the global operating model that we're looking at and we're also seeing real proof cases with GenAI and putting those in the production, how much time that saving for certain tasks and activities we have to do. And I know you're going to hear more of this from Jodie and Karen.

We are actually looking at those and the opportunities that we have, we think there's a tremendous opportunity here to bend the expenditure based on what we see in front of us.

So in terms of just wrapping up, I'm really excited about the future. I am proud of what we've done, but that is in the past, and what we're focused on is where we want to go. We've set some ambitious objectives for the business. I want to leave you with: We have a differentiated platform. It's well diversified. It creates new opportunities, but it's very hard to replicate. Whether that's geographic diversification, leveraging the insurance affiliates, the direct wealth channels we have. The leadership in natural capital and the track record we have in some of the other capabilities in alternatives and then some of the M&A we've done recently.

But I think more importantly is that we have a clear roadmap of how we're going to get to those ambitious objectives. It is not just a target. We need to figure it out. We actually have clarity around what are the levers. Where are we going after it? We've got a management team that's aligned to deliver that.

So with that, I'm going to wrap it up there and hand it back over to Hung to facilitate Q&A. Thank you, everyone.





## QUESTIONS AND ANSWERS

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

In a moment, I'll invite Aimee DeCamillo, our Global Head of retirement, as well as Michael Dommermuth, our Head of Asia WAM to join Paul on stage for the next Q&A panel. As with earlier today, I will moderate this panel. After which we'll break for lunch. As a reminder, please introduce yourself and your firm, before you ask a question. And with that, I would like to ask Aimee, Paul and Michael to join us.

Okay, we'll go for the first question from the audience. Table 10 here.

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

It's Meny Grauman, again from Scotiabank. Just a question on the net fee income yield table. If we look back over the last few years, the question is, looking ahead, do you expect it to be stable? How do you achieve that, given everything we know about fee compression?

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**Paul Lorentz** - *Manulife Financial Corp - President & Chief Executive Officer, Global Wealth & Asset Management*

Yeah, maybe I'll take that and our team can add if they want. I mean I think the key here is the diversification we have and I talked about the access we have to other markets. Most of the fee compression we see is in the US market. We do see in other markets, but it's not at the same extent. I think our geographic reach and diversification we have will help us there.

The second piece, is the alternatives. I spoke to how much we've grown that, but that piece of it, you look at the acquisitions, whether it's China, India, and I may not have mentioned it during the presentation, but we expect all of those to actually be a tailwind to margin over time as that grows. So we actually feel quite good that we have enough other businesses as they grow that will help kind of mitigate that go forward.

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**Aimee DeCamillo** - *Manulife Financial Corp - Head of Retirement, Global Wealth & Asset Management*

I can just add to it within retirement. We see within the core record keeping, certainly fee compression across all markets, which is why the important strategic shift in terms of focusing on the ancillary profit pools, that Paul mentioned, will also help to stabilize that for us for retirement.

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

Second question, I just wanted to follow up on something you ended with in terms of the efficiency ratio improvement that you're guiding to. Just looking at it is quite dramatic, especially given the fact that you were only able to -- I mean, you took it down between 2023 and 2027, but you're talking about orders of magnitude improvement and you highlighted in terms of that step change.

But you could just go into more detail. What do we really talking about here? Is this just the benefits of AI that you hope to harvest? Or is there something else going on here?

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**Paul Lorentz** - *Manulife Financial Corp - President & Chief Executive Officer, Global Wealth & Asset Management*

Yeah, I can. I can take that one. And I think, if you just take a step back and look at historical. One of the factors in there that I won't say is unique to us, plays a bigger role, as you would have seen in performance relative to peers, our AUM growth was only 5% versus some of the peers it's 6%. That's because the Asia markets didn't perform as expected, and that we would expect it to start coming back now. So it's kind of weighed down the overall average for us.

We expect as those markets come back, because of the margin, because of the efficiency we get, that's going to be a tailwind for us. So while we still outperformed peers on the revenue and the core earnings, that was in a market where Asia didn't deliver as we would expect from just a market

perspective. So some of this is just growth and the regular beta we're going to get if markets move forward as you would expect over the long term. And then the other piece is around the efficiencies. And I will say we took actions in the fall; we actually have line of sight of further actions that we're already seeing in the model.

So we're feeling quite good around to get there. It is a big jump. But I think there's it's not just expense takeout and GenAI, and it's also some of the core mechanics of the overall business.

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

Next question up here on table four.

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

Thanks, Paul Holden, CIBC.

First question, maybe you can help us understand the benefits of true globalization from two perspectives. One, to what extent are you able to centralize management capabilities, i.e. so a team's product and strategy across multiple geographies.

And then two, similar question from an operational standpoint, what are the real operational benefits of being global? Given there's different regulatory requirements and product requirements across multiple geographies here.

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**Paul Lorentz** - *Manulife Financial Corp - President & Chief Executive Officer, Global Wealth & Asset Management*

Why don't I touch on a high level? And then I will ask Aimee and Michael to comment because it's very different for retirement. There's a number of places where we get leverage. So previously if you think about it we were very decentralized. Think of retail, we're a multi-manager, the contracts we had with sub advisors were done by every region -- we didn't consolidate those at a global level.

I think tech vendors that we use when we looked at retirement platforms, big overlap in terms of the capabilities that we are using different vendors in each of the geographies, so just making some decisions around that help.

The second thing is look at our FTE footprint. We had a lot of FTE in high-cost locations, not all that needs to be done locally. Relationship management, distribution does. With our presence in the Philippines here, we had an opportunity in terms onshore/offshore, but also near shore having offices in Montreal and Halifax and Toronto for example versus Boston. There's a bunch of different levers. The other opportunities you look at our fund platform, most funds were driven locally again because that's what we started. More and more we see opportunities for funds that could be launched on all platforms globally. And that's where you really get the scale.

We're doing an exercise now. We're reviewing all of our fund lineups across the globe and really looking for those opportunities. But why don't I pass it to you, Aimee, just talking about retirement because you can give a sense then, Michael, from an Asia perspective.

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**Aimee DeCamillo** - *Manulife Financial Corp - Head of Retirement, Global Wealth & Asset Management*

Yes, absolutely. And thank you for the question. Certainly, from a global retirement perspective, we have -- we see massive benefits as it relates to the operational side of the business. So most of our businesses are all supported by our teams in Manila or nearshore in Canada from an operational perspective.

And so Colin spoke to some of the benefits of that in terms of compensation arbitrage and just lower cost of overall operating of the business. We also, from a technology capability perspective, are seeing great leverage in terms of, we kind of have a mantra of build once globally where possible and then configure locally.

So a great example of that is we just recently launched AWS into our call centers. We started out in Canada retirement, we've been able to deploy that very quickly into the US, and we'll be looking to extend that. I would just close it with saying that, fundamentally from a retirement perspective, no matter where you are if you're in Jakarta, you're in Peoria, Illinois, you're in Vancouver, the fundamental need is the same. So we're also seeing leverage on the revenue and the education side of the equation. And being able to scale capabilities there too.

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**Michael Dommermuth** - *Manulife Financial Corp - Head of Asia Wealth & Asset Management*

So I'm just going to give you some practical examples of how we leverage global to serve ourselves in the Asia domain. All the markets in which we operate are uniquely different, but there are common threads. The common thread is that all across Asia, it is aging rapidly in the context of insufficient pension reserves. And most of savings are unfortunately in bank deposits across most of the region, earning a negative real return.

That suits us well because one of our core competencies is the ability to produce unique sources of income. I would say that is particularly true because our genesis is out of the life insurance company. Three practical things that we've done in Asia to assert that is the creation of what we call a GMADI, a global multi-asset diversified income, a product that was built globally sold across the Asia region that leverages our global investment management capabilities.

Most recently, we created something called Manulife private credit plus, which is a unique blend of our private credit capabilities with that of Marathon and their asset based lending and public lending market capabilities that we'll use to unlock the private banks in Singapore.

CQS from Asia perspective, that was a good acquisition because it gives us yet another unique source of income that we can use across the region, in particular, within the offshore center of Singapore.

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

Second question was mentioned in the first session that GWAM could be potential for M&A or acquisition. So if you can help us think through what potential priorities or opportunities there might be for acquisitions in the business?

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**Paul Lorentz** - *Manulife Financial Corp - President & Chief Executive Officer, Global Wealth & Asset Management*

Yeah, so from the global perspective, I think we're focused on executing what we have. We've delivered obviously, we've done some recent acquisitions and JVs that were focused to make sure we execute that.

We have looked at where would it be areas we could enhance or go faster. We don't need it obviously in terms of the metrics we've shown you, but I think from a capability perspective, we feel we have most of the capabilities we need from a public markets perspective, we do think there's an opportunity in alternatives, as Roy mentioned earlier.

We also think if we looked at direct and affiliated channels, wealth platforms, things like that, that in regions where we are that if it added scale, benefits, we'd consider that. So it's really around capability, distribution benefits we would get. We already have scale, so we wouldn't do it for the sake of scale. Scale would be just a plus in terms of efficiency. It has to give us something that we don't have today, and that's how we're really looking at it.

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

Up here, please.

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

Yeah, thanks. Tom MacKinnon, BMO Capital.

A question with respect to retirement, with record-keeping fee compression and everybody talks about adding ancillary to it. And advice and rollovers is a common theme amongst anybody who's in that business, so just a little bit more if you could elaborate more on how you're going to win with respect to advice and rollovers because that's a common theme we hear from everybody.

And the costs of doing that - do you need to add more advisers, like how do you win in terms of the advice part? And is there anything you can share in terms of that goal for moving those ancillary products from 35 to 45. What percentage of the assets are you capturing with rollovers now? What's in it, and when you're going to be looking at it later and how you're going to get that?

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**Paul Lorentz** - *Manulife Financial Corp - President & Chief Executive Officer, Global Wealth & Asset Management*

Aimee?

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**Aimee DeCamillo** - *Manulife Financial Corp - Head of Retirement, Global Wealth & Asset Management*

Yeah, Thank you. Great question. So four different pools is what we're looking at in terms of its rollover. We're looking at the MIM proprietary penetration of our investment capabilities, as well as advice, as you've noted, and then also our general account product. So it goes beyond just looking at the rollover and advice component.

In terms of progress to date, we've actually improved our rollover capture rates by 30% over the past five years. We think that we're well positioned in terms of capturing across all of our markets, and that there's certainly upside opportunity in Canada in particular, we're unique in that we've got one-on-one advice with financial advisors, and that's an area we continue to invest in.

In the U.S., we offer managed accounts, and we've seen some great growth in terms of investment advice there to the tune of 35% over the last 12 months, so at the participant adoption level. It's not just about obviously the plans adopting. It's about pulling it all the way through to the participants.

And we do think here in Asia that there's also significant opportunity to be able to tap into providing more advice solutions, longer term and education as we move beyond just mandatory contributions, but also voluntary contributions and educating to be able to solve for the pension savings gap that Michael alluded to.

I'd also note in our Hong Kong market, we have really strong proprietary flows over 90% of the assets coming into our NPS platform are coming into our proprietary MIM product, which is pretty unique and positions us really well.

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**Paul Lorentz** - *Manulife Financial Corp - President & Chief Executive Officer, Global Wealth & Asset Management*

Maybe I could just add one clarification, Tom, in terms of capturing the member, they don't necessarily need to go to a retail solution. I think that's important to understand they can stay within the ecosystem of what they're used to in Aimee's platforms and we can keep them as a member there. It's really what's right for the members.



So a lot of times, it's comfort inertia, it's what they know, and if we can build income solutions into the platform, that also helps. I just wanted to clarify, they don't have to necessarily leave and get picked up by retail advisors, some of them do, but some of them stay.

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

And are the margins better if they left from your perspective, or do they the same?

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**Paul Lorentz** - *Manulife Financial Corp - President & Chief Executive Officer, Global Wealth & Asset Management*

Maybe I'll start and you can add Aimee. We don't really focus it on the margin. We focus on what's right for the consumer. So you would have high-net-worth individuals that might be better served if they come into an individual retail platform. We have some of the assets might be lock in or better kept in retirement.

So the team we have talking to individuals that are transitioning are focused on doing what's right for the client and in the end retaining assets is a plus for us, regardless of whether there is margin benefits. Aimee you want to add in?

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**Aimee DeCamillo** - *Manulife Financial Corp - Head of Retirement, Global Wealth & Asset Management*

Yeah, we are agnostic right? We are going to do the right thing. And for a lot of investors, the right thing is actually staying in the retirement plan, especially in North America and the US market in particular. And so making sure that we're providing that education and support in the plan as well as outside of the plan, is something that we're keenly focused on.

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

And I guess the last one, is there any additional investment in terms of moving that 35% to 45%. It seems substantial move. Do you have everything in place in order to move that?

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**Paul Lorentz** - *Manulife Financial Corp - President & Chief Executive Officer, Global Wealth & Asset Management*

Sorry, what's the 35% to 45% you are referring to?

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

It would percentage of revenue I think that was within these ancillary products?

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**Aimee DeCamillo** - *Manulife Financial Corp - Head of Retirement, Global Wealth & Asset Management*

Yeah, there is investment that's happening certainly across the retirement platforms in order to make that happen. It's all embedded within the numbers that you saw from Paul. But we are well positioned and think that most of it is in place today with some minor investments on top of that.

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

Next question down over there, please.



**Gabriel Dechaine** - National Bank Financial, Inc. - Research Division – Analyst

Great, thank you. Gabriel Dechaine, National Bank of Canada.

I've got a basic question. I saw one bar chart where you want to get your alts to be a bigger percentage of your AUM. Why do -- dumb question --? why do people go to Manulife, like what's your sales pitch? And how do you -- if their choice is Manulife or BlackRock or somebody else, how do you win that deal?

Then the other question is more of a strategic one. Do you have a sacred cows in the wealth business, we focus a lot on legacy in the insurance side of the business. Are there any businesses in wealth that are subscale where you might rethink maybe we don't need to be there?

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**Paul Lorentz** - Manulife Financial Corp - President & Chief Executive Officer, Global Wealth & Asset Management

Yeah. Why don't I start and I'll hand it to you Aimee on the retirement side, but just I guess a couple of comments on how we compete. And Michael, you can add to this.

In our retail platforms globally, one is we have very strong distribution. We're one of the best at distributing with intermediaries, having the relationships and building an excellent sales force. In fact, that's one of the areas we leverage data analytics a lot. But we also don't just offer our own capabilities. We actually offer our own capabilities and some third party sub-advised on exclusive basis. So if you want to get their capability, you actually have to get it through us a Manulife rep product.

Why is that important? Because the wire houses, the other firms, they don't want to deal with all kinds of fund partners, they're reducing their platform if they can get multiple suite of products, multiple managers, one strong brand and a great sales team, that positions us well.

So in the intermediate space, that's really the value. And again, I could go into detail on all of them, but maybe I'll pass, because the wealth platform is a different value prop there versus whether they're with a big bank brokerage or in a high-net-worth spot, but maybe Aimee I'll hand it to you, and Mike you talk about Asia.

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**Aimee DeCamillo** - Manulife Financial Corp - Head of Retirement, Global Wealth & Asset Management

Yeah, absolutely. So in the retirement space in terms of who we're selling to, it's the employer, most likely, through an intermediary or consultant or an agent or an advisor in our different markets. We're selling a packaged product in terms of record-keeping capabilities that include a web experience that includes the ability to do transactional processing in a timely and quality manner, as well as the underlying investments that those individuals will be invested in. So our ability to demonstrate our high quality of service as well as to be able to drive frictionless digital engagement is really key in terms of our ability to win.

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**Michael Dommermuth** - Manulife Financial Corp - Head of Asia Wealth & Asset Management

I think your question was in part, how do we win in the private asset space against?

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**Gabriel Dechaine** - National Bank Financial, Inc. - Research Division – Analyst

Kind of a branding thing. I mean --

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**Michael Dommermuth** - *Manulife Financial Corp - Head of Asia Wealth & Asset Management*

Yeah, I know it's a brand is important, but obviously not everything. So the reason why we win in this space is because as being part of a life insurance company, we're prepared to invest right alongside our target investors. We have a footprint that is unrivaled across the Asia region, and we're able to leverage our boots on the ground within each of these markets.

And then you saw on one of Roy's slides that we have over 100 banca partners across the region, and we look at those banca partners quite differently than others might. We try and form a much more holistic relationship with those a banca partners and turn it into something more than just the distribution of insurance. So that's why we went.

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**Paul Lorentz** - *Manulife Financial Corp - President & Chief Executive Officer, Global Wealth & Asset Management*

I'll just add one thing on the private side. It does come back to investment performance. If you take our infrastructure equity team, all the investors that were in fund two typically are coming back for fund three because of the returns. They're not looking for someone else. The opportunity for us is to broaden that. So our timber -- our natural capital business, as an example, that was a commercial business on its own.

We have the relationship. I don't think we've really taken the full platform to them and if they are generally happy with returns, they're more open to doing more with fewer providers. I also don't think you need to be against some of those bigger firms to still win in the market. It's a massive market. There's lots of companies there is still place for us to play there, and we have to leverage what we have which is what Michael talked about, the relationships we have, the types of products, the strength in our retail distribution, and we're seeing that.

But it is important and Michael raised this, a lot of times we're also managing money for the balance sheet or for par policy holders. And having capital behind the investment teams also gives confidence to a third party that we believe in these capabilities and that's a big plus for us.

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**Gabriel Dechaine** - *National Bank Financial, Inc. - Research Division - Analyst*

On the sacred cows?

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**Paul Lorentz** - *Manulife Financial Corp - President & Chief Executive Officer, Global Wealth & Asset Management*

That's something we're constantly looking at because we essentially make decisions around allocating capital globally. It's not -- let's dispersed in every region, in every -- it all comes together, we, as a management team, make that decision.

So we can't do everything, so that's something we're constantly looking at. And that's something we're going to assess, is if there's markets we're just don't have the right to win that we thought we did and should we get out and double down somewhere else. So that's something we're constantly looking at.

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

Yeah, one more question over there on table two.

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**Rick Zhao** - *Morgan Stanley Asia Ltd. - Security Analyst*

Richard Zhao, Morgan Stanley.

Quick question on the Asia business. It's been driving inflows almost every year. Any market is driving that inflows? In addition, what's your distribution strategy for that market? Any successful strategy that's driving that inflow consistently in recent years? Thanks.

**Michael Dommermuth** - *Manulife Financial Corp - Head of Asia Wealth & Asset Management*

I'm going to talk along the lines. So first, what differentiates us, why we have a right to win in the Asia space. I'm going to talk a little bit about where the puck is. And then I want to talk a little bit about where I think the puck is going to be.

But in terms of our right to win. I would say it is our symbiotic relationship with the life insurance company. That is, because of that relationship with the life insurance company that we have portfolio management teams on the ground in every single market in which we operate. A pure fund house would not be able to accomplish that economically speaking. It is because that they give us very strong distribution. That is why, as you heard from Paul, we're number one in MPF. We're the largest ILP provider in Hong Kong, the largest in Singapore and one of the leaders in a number of the ILP markets in which we operate. And that doesn't just go one way. We use our fund DNA, our knowledge of investment products to help them and as I said earlier, when we do Banca, we do it on a holistic basis. It's not just about life insurance distribution, that's our right to win among many things.

Where the puck is today? Is China, India, and Japan that count for 70% of Asia flows. And in China, we're the first foreign firm to buy a JV and we wasted no time and strengthening the leadership team on the ground in China. And India, we've partnered with Mahindra, we started off as the 45th foreign fund house in India and now we rank 21st after a short amount of time, and by far the fastest growing fund house in India.

And in Japan, we're probably the number one fixed income manager in Japan. And we're currently selling the top-selling global equity strategy. But again, we leveraged our colleagues in Boston and Toronto to create from scratch. That's where the puck is. Where is the puck going to be? And we think it's the emerging markets, in which we have a highly differentiated footprint across nearly all of the ASEAN markets. Every one of these is a profitable business for us.

Again, and if I refer back to Roy's chart, you'll see the economic growth. You'll see that every one of the top growing economies within the region, are these emerging markets in which we have this highly differentiated position. So I'd say all those things are the reasons why we're able to deliver what we deliver and including very consistent, positive flows for global WAM.

**Paul Lorentz** - *Manulife Financial Corp - President & Chief Executive Officer, Global Wealth & Asset Management*

Michael, can I just add one thing in the institutional channel here in Asia. The fact that we've been here over 125 years gives the partners a lot of confidence we're not going anywhere. That says a lot to us as a partner, investors wanting to give us capital in all the markets we've been in. And so that is something that speaks to your question, Gabriel, around what's different about us.

Yeah, we might not have the same capabilities generally, but we're a partner, they can trust, we're a partner that's going to be here and that means a lot to a lot of the relationships.

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

I think we have time for one more question. Anyone? Down there.

**Lemar Persaud** - *Cormark Securities Inc. - Research Division - Research Analyst*

Thanks. Lemar Persaud, Cormark Securities.

What type of efficiency ratio is assumed in the -- I know you have a plus here, but your 30% core EBITDA margin and 28% ROE?





**Paul Lorentz** - *Manulife Financial Corp - President & Chief Executive Officer, Global Wealth & Asset Management*

Yeah, maybe I–I–I–I–I–I take that Lemar, because our primary focus of the team is around the EBITDA margin because that kind of drives the rest of it, right? And that's what most fund companies do. The efficiency ratio is kind of an outcome of that. It's kind of how I spoke to ROE, right, if you're looking at ourselves versus fund companies, we typically look at that.

So I don't have a specific number, but our focus is on driving that margin improvement. And if we do that, the efficiency ratio will come through based on how we look at that. So that's why I spent so much time on the margin piece of it, because that's the key to unlocking both efficiency as well as core earnings growth.

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**Lemar Persaud** - *Cormark Securities Inc. - Research Division – Research Analyst*

Maybe if I go about it a different way, what needs to go right for you to get that 10% reduction in your efficiency ratio versus just the 5%?

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**Paul Lorentz** - *Manulife Financial Corp - President & Chief Executive Officer, Global Wealth & Asset Management*

Yeah. So if you think about just general market growth, right, total assets under management, you look at regular equity returns, fixed income returns, we assume consistent with company, that's going to grow around 6%.

If we can keep expenses to half of that, that's 11% to 12% core earnings growth that will deliver automatically. You add net flows to that. And then you look at some of the levers we're taking that really either drive margin expansion. That's really how you get there. It's not just market beta. It's all those other pieces we're adding on to it that will make its way through the efficiency ratio.

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**Lemar Persaud** - *Cormark Securities Inc. - Research Division – Research Analyst*

Thanks.

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

Great. With that, thank you so much for the panel here and really great insights around the diversification of the business, but yet the synergies we are achieving across.

(Event instructions)

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## PRESENTATION

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

Welcome back, everyone. Our next speaker is Phil Witherington, our President and CEO of Asia. Phil will be giving you an update on our success in growing this business as well as ambition to grow our ROE. And this will also set the stage for some of the local market presentations, which will begin immediately after Phil's remarks. But before I pass it over to Phil, let's watch a quick video showcasing our Asia business.

(video plays)



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

Thank you, Hung, and welcome, everyone. It is wonderful to see so many new as well as familiar faces here in the room. And for me, it's been wonderful to come back to Asia to lead our business here. And it's hard to believe that next week will mark my first anniversary in the role back in Asia. It feels like yesterday and it's certainly been a busy and exciting and fulfilling year.

But on the topic of milestones, just last month, I had the opportunity to celebrate my 10th anniversary at Manulife. And that was a great time for me to reflect on why I joined here in Hong Kong 10 years ago, and it truly was Manulife's tremendous commitment to Asia, to this region here, as well as the growth potential that the company has, that attracted me to join Manulife.

Certainly, there has been no looking back. It's been an amazing 10 years, and for me a real privilege to have returned to Asia over the course of the last year. Now I'm really looking forward to engaging with each and every one of you over the next couple of days to talk about the growth opportunity that we have in Asia.

We've got some exciting sessions lined up this afternoon here in Hong Kong, but we've also got sessions tomorrow in Hong Kong and then on Thursday, truly immersive sessions on the ground in Jakarta, I'm very much looking forward to that.

But in this session, I really wanted to cover two things. And the first is looking back at how we've captured opportunities to build a position of strength here in the industry in Asia that allows us to deliver high-quality, sustainable growth in the years to come. And secondly, how we will look forward at delivering the next chapter of growth here in Asia, our Asia story in the years ahead.

I'd like you to walk away from this session, really understanding that there are three key factors underpinning our success in the region. And the first is the existence of Asia megatrends, which will continue to fuel insurance opportunities here in Asia for many years to come. The second is the fact that we have an excellent track record of execution against our strategic priorities. And in doing so, we are outpacing our peers. And thirdly, we have a unique platform that is at scale, with diversification in many forms as well as customer-centric propositions and global synergies as a global organization. And all this comes together to show that we have a clear right to win in Asia. Now when I reflect back and look at the landscape of the region, I truly believe that we are the right player at the right place at the right time.

And the first factor driving this success, as you can see on the slides are the Asia megatrends. And you heard from Roy earlier about the Asia megatrends, but I wanted to make sure I touched on them as well. And on the left, you can see that we expect economic growth in Asia to outpace other regions of the world.

We expect the middle class and high-net worth populations of Asia to grow faster here than anywhere else in the world. And the health and mortality protection gaps which are already large, will continue to grow. And this all comes together to drive demand for our products and services for many years to come.

But we're also seeing changes in demographics with the mature markets of Asia, which have increasingly aging populations in contrast to the emerging markets of Asia, which have young and growing populations. This combined with increasingly digitally savvy populations and a greater awareness of health needs among members of the population is presenting an opportunity to grow and to do so efficiently.

Now the second factor driving our success is our track record of execution, and this is underpinned by our strong foundations in the region. As you can see from the slides, we have a scaled business across Asia with a presence in 12 insurance markets as well as well-established distribution platforms.

And our strong foundations have enabled us to build quality businesses around the region and I did want to touch on some of our key markets around Asia, specifically market by market, starting with Hong Kong, which is a cornerstone market for us in Asia.

We have a very strong presence, both in the domestic customer segment and the MCV customer segment. In Hong Kong, we are a top three player through our presence in retirement through the MPF scheme, the mandatory provident fund, as well as investment-linked insurance, and in health

insurance through our participation in the voluntary health insurance scheme, VHIS. This all demonstrates that we have holistic solutions for our customers here in Hong Kong as across the rest of the region.

Now moving on to Japan. In Japan, we are very much focused on generating value and doing so through addressing the wealth accumulation and retirement needs of our customers. We've made great progress in our value and expense metrics and have shown improved new business value and new business value margin, and we do expect that progress to continue in the years ahead.

In Japan, our focus is on sustaining high-quality growth from product lines that are within our risk appetite and consistent with our core competencies. Now moving on to our Asia other markets. And firstly, International High Net Worth, which we reclassified from our U.S. segment to our Asia segment in 2023 in order to better position us to be able to fulfill the needs of high-net-worth individuals in the Asia region.

This has enabled us to create something that we call Global High-Net-Worth, which unifies our capabilities and expertise across product and distribution across Hong Kong, Singapore, as well as Bermuda in serving this high-touch, high-value customer segment. And in the next session, you'll hear more from our Global High-Net-Worth CEO, Jean Wong, who will cover Global High-Net-Worth in more detail.

Moving on to mainland China, which is the second-largest insurance market in the world, and importantly, has only 2% insurance penetration, creating an immense opportunity for us to grow. We will continue to enhance the productivity of our agency force. We will continue to build partnerships with banks in China, and we will leverage our branch footprint, which provides us with access to more than 70% of China's population through our presence in 52 cities across 15 provinces.

Moving on to Singapore, which is, of course, a key wealth hub in Asia. We have a well-established business in Singapore with a high market share, a leading bancassurance partnership with DBS, and a strong presence in other distribution channels. We remain very excited about the growth prospects in Singapore, given Singapore's growing and increasingly affluent domestic population combined with the increasingly important role that Singapore plays as a regional hub within ASEAN, and you'll hear more from Kah Siang, our CEO from Singapore in the lab session later this afternoon.

Now turning to our emerging markets portfolio, we have a compelling medium to long-term opportunity in Vietnam, given its fast-growing economy and young and growing middle class. The industry in Vietnam has faced headwinds in recent years, but we remain well-positioned to thrive and grow in Vietnam, given our very strong foundations and you'll hear more about our business in Vietnam from Venice during the lab session.

You'll also hear from Sachin on our other emerging markets during the lab and specifically the significant opportunity that we have to grow. And by way of a reminder, other emerging markets include Indonesia, the Philippines, Malaysia, Cambodia, and Myanmar. And Indonesia is of particular significance, given its growing population that currently stands at 278 million staggering, combined with the favorable economic prospects and we very much look forward to those immersive sessions on the ground in Jakarta on Thursday.

Now stepping back to look at Asia in aggregate. Diversity and resilience are key differentiators for us. Since 2017, we've delivered strong growth across all financial metrics. And this includes core earnings, which has grown by 31% since 2017. And that's net of having absorbed a 21% restatement impact upon adoption of IFRS 17.

Now recall during this period, the pandemic hit and it hit Asian markets hard. Our resilience speaks to the strength of our foundations, the strength of our distribution channels, and the quality of the business in our portfolio.

In 2023, against the backdrop of an uneven recovery across Asia, we delivered strong results that demonstrated not only our resilience to headwinds, but also our agility to be able to capture growth through the opportunities that were presented in the post-pandemic period. And as a reminder, in 2023, we delivered double digit growth in APE, new business CSM, and core earnings. But it's not just about absolute performance. Consistent with Roy's message earlier, we have outpaced our peers since 2017, new business value and new business value margins have improved. In contrast, as you can see from the slide, the new business value margins of our key competitors have decreased. And on the right-hand side of the slide, you can see our IFRS 17 results and our core earnings under IFRS 17 have outperformed our key Asian peers.

Now the third factor underpinning our success is our unique platform, and we have a clear right to win as a result of that. Manulife, of course, is a trusted brand. We are a top three Pan Asian insurer with a diversified footprint across Asia, deep local roots, and a history of more than 125 years here in the region. And after many years of being a leading scale player in Asia, we have a high-quality in-force portfolio that generates material capital for ongoing investment and remittances to our parent company.

With insurance operations across 12 markets, we have unique synergies and we have wealth and asset management operations across 10 of those markets, providing us with the ability to meet the holistic needs of customers with our solutions locally in market, but also in the case of high-net-worth individuals through our Global High-Net-Worth platform.

We are also a digital customer leader. We have digitized our customer journeys. We can digitally enable our distribution, and we have leading data and analytics capabilities, and don't forget that we have a diversified and at-scale distribution platform across our markets in Asia.

Now scale and diversification are key strengths for us. You can see on the left-hand side of the slide our geographical diversification. And it's really important to note that when you look at that geographical diversification, the significance of Singapore is now at a very similar level to Hong Kong, demonstrating the progress that we have made on diversification over the course of the last five to seven years.

We're also diversified in other respects. We have a balanced channel mix that provides us with access to a full spectrum of customer segments. And we have a wide range of product capabilities to serve our customers across wealth bands and at various life stages with compelling propositions to fulfill life, health, wealth, and retirement needs.

But to bring our products to customers, distribution is critical and agency is of particular importance. Our agency has grown over time to over 98,000 in 2023. And Manulife Asia is ranked number three globally in 2023 in terms of number of MDRT, million dollar round table members. And we expect this cohort of high-performing, highly-productive agents to be a key driver of growth into the future.

Bank distribution is also important, and we have more than 100 partnerships across the region, including 10 exclusive partnerships and a long-term regional partnership with DBS covering four markets around Asia. DBS, of course, is Southeast Asia's largest bank and tomorrow, you'll have an opportunity to hear directly from the CEO of DBS, Piyush Gupta, in his fireside chat with Roy. We are very much looking forward to that session.

Now, as I referenced, we have unique synergies that set us apart from our peers. On a global basis, we're able to leverage our brand and reputation, our experience in risk management, our global capabilities in product among many other things. And then regionally, we also have synergies, which include our ability to share best practices across markets, our ability to share resources and expertise between markets.

And we have common regional admin systems and digital tools. An example of this is electronic point-of-sale, ePOS, that's a regional digital tool, and ManulifeMOVE is our regional, behavioral insurance platform. You heard from Paul earlier today on the importance of the synergy between GWAM and our insurance operations in Asia. This is a particularly important differentiator for Manulife in Asia. And it's an area that none of our peers come close.

Now as an example of our leading digital capabilities, I wanted to talk about our bancassurance channel in Singapore. By jointly leveraging our digital capabilities with DBS, we've been able to co-create simple and seamless application processes for insurance.

Over half of our sales in the Singapore bank channel are now digitally originated and 86% of insurance submissions are processed without any human intervention. It's now possible to purchase a policy from application all the way through to issuance in less than five minutes compared to days under a traditional bancassurance process, just illustrates how important digital is in making our processes more customer friendly and more efficient.

And so as we wrap up this section on looking back at our progress in Asia, I do want to reiterate that Asia is already our largest segment by core earnings, and the majority of the company by new business metrics, accounting for approximately 70% of APE, new business value and new business CSM. And when you look at the balance sheet, the IFRS 17 contractual service margin balance, Asia is approximately 62% of the group, suggesting a contribution to core earnings from Asia can grow for many years to come.

The new business that we are adding to the portfolio is high quality, which generates material value for shareholders. We will continue to be disciplined in the consumption of capital with strong lifetime returns on capital. And in 2023, that was more than 25%, and importantly, a capital payback of only three years.

This has enabled us to remit US\$1.3 billion in 2023, contributing to shareholder dividends and share buybacks. And the scale, quality, and capital generation of our Asia operations provide a powerful foundation for our next chapter of growth in the region. So in summary, the megatrends support sustainable growth for many years to come. We have an excellent track record of execution, and we are outpacing our peers and we have a clear right to win in Asia.

So let's now look ahead as we embark on the next chapter of our growth. We have a clear ambition to deliver high quality, sustainable growth by being the number one choice for our customers in Asia. We have a clear plan to deliver on this ambition and full conviction in our ability to execute.

And we recognize the diversity of the Asia region, the uniqueness of each of our businesses across the region, and have tailored customized strategies to capture the growth in each of our markets. And in translating that ambition into near-term financial metrics, we expect Asia to continue to be a growth driver for the group and for core earnings to contribute more than 50% of the group's core earnings by 2027.

Through this profitable growth and increasingly important scale benefits, combined with our focus on capital efficiency, we expect to be able to deliver 21% core ROE by 2027, in turn supporting the 18%-plus core ROE target of the group. And as you can see on the slide, we have execution plans to support that 21% core ROE by 2027. And these include accelerating growth, delivering holistic solutions to our customers as well as maximizing operational excellence.

What I want to do now is cover each of these areas to explain how we will deliver, starting with accelerating growth. We already have strong momentum and we'll build on it. In agency, we will drive growth through our highly productive professional agency model and the rollout of Manulife Pro, our comprehensive, top-tier agency program.

Manulife Pro agents are qualified based on productivity criteria and receive financial and non-financial incentives and support to deliver on a range of metrics, including growth metrics, customer metrics, quality, as well as recruitments. And this all comes together to build an entrepreneurial agency model that rewards highly-capable, highly-productive, full-time professional agents and agency leaders.

One of the best parts of my job is actually spending time with our agents who support our customers day in and day out in recognizing the tremendous work they do. It's a truly energizing experience for me. The motivation levels are incredibly high. And for those of you in Jakarta, I can guarantee to you, you will feel this first hand on the ground.

Now through the continued rollout of Manulife Pro, the continued rollout of digital tools to support productivity and our focus on top-tier recruitment, this will all come together to support an increase in the number of MDRT agents, the highly productive agents, by more than 1.5 times by 2027.

Now in our bank channels, we also see a significant opportunity to deepen penetration and improve new business productivity. Consistent with the DBS example that I shared a few moments ago, we will continue to digitally integrate ourselves with our bank partners to co-create seamless sales experiences and embed insurance solutions into bank customer journeys.

We will use data and apply our analytics and AI capabilities to equip frontline teams with quality leads and insights to both improve productivity and penetration. And we expect these actions to increase case count per active seller by 1.4 times by 2027.

So let's now look at the margin enhancement opportunity. Of course, we can generate new business value in two ways through volume growth and through margin growth, we expect both. And specifically, on margins, we can deliver higher margins through increasing our scale, improving health and protection mix, as well as growing higher-margin segments, such as high-net-worth.

On health, which is particularly important, consumer awareness has increased coming out of the pandemic. And we now have a greater opportunity than ever before to fulfill the health and protection needs of our customers.

And this is underscored by a recent Manulife Asia Care survey that highlighted that 92% of respondents to our survey -- 92% said that they were willing to spend more to protect their health. And this supports our expectation of improved overall margins through deeper penetration into the health and protection needs of our customers.

Now the high-net-worth segment is a margin opportunity for us. It's growing faster in Asia than in other regions of the world, and that's creating a whole range of wealth accumulation, asset diversification, and legacy planning needs for which we can provide solutions. And through the setup of Global High-Net-Worth in 2023, we can capture the benefits of managing this segment on a global basis.

Our intent is to further scale our Global High-Net-Worth business, broadening our distribution, demonstrating the benefits of our global product platform, and providing a globally consistent customer experience and underwriting process. Overall, we expect these actions will enable us to achieve a new business value margin of more than 50% by 2027.

Now moving on to the impact of operational excellence on ROE. It's really important that as we scale our business, we do so efficiently, with expenses growing at a slower pace than revenues. And technology is a particularly important enabler of both efficiency and improved customer experience.

By applying our digital, data, and AI, and analytics capabilities, we do expect to be able to generate high quality leads to support greater productivity in the front line and simplify the sales and underwriting processes for our customers, and in doing so making it easier, better, and faster for customers to purchase insurance.

We are further investing in data analytics and AI capabilities to reduce the need for human intervention in operations and all of our processes. And you'll hear more about this with examples to bring it to life during the digital lab tomorrow afternoon.

There are compelling reasons for us to invest in these areas. And by way of illustration, the measurable impacts from the investments that we've made in digital tools and capabilities since the beginning of 2023 are expected to deliver \$100 million of cumulative revenue benefits by the end of 2024.

We've covered a lot and there's much more for us to share about our businesses in Asia over the following sessions in coming days. Over the course of the last 10 years at Manulife, I've really become deeply proud of the leadership position that we have built here in the industry across Asia. Yet what excites me the most is not what we've achieved in the past, but what we still can achieve in the years ahead.

We have a unique and resilient business model that positions us to benefit from the megatrends across Asia. Our ambition is to deliver high-quality, sustainable growth by being the number one choice for customers, and in doing so generate superior returns for our shareholders.

And we have a well-defined strategy and plan to deliver on our ambitions, supported by a clear track record of delivery enabling us to thrive for many years to come. We are raising the bar, and I'd like to thank you for your time and introduce the CEO of our Global High-Net-Worth business, Jean Wong. Welcome, Jean.

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**Jean Wong** - Manulife Financial Corp - Chief Executive Officer, Global High-Net-Worth

Thank you Phil and welcome to the Global High-Net-Worth presentation. My name is Jean Wong, and I'm the CEO of this business. During the next 15 minutes, I'm going to share some background of the Global High-Net-Worth business, and more importantly, I'm going to share some of the exciting growth opportunities we have ahead.

As Phil mentioned, we stood up this business in 2023. It is an innovative, first of its kind, first-in-class business model. If there's one thing I'd like for you to take away today, it would be the following: we have a 20-year successful track record in this business. And now our alignment under Asia, we are uniquely positioned to capitalize on those growth opportunities ahead.

Global High-Net-Worth focuses only on the high-net-worth and ultra-high-net-worth customer segment. We do this through the international brokerage channel. We are leaders in this channel. Our 20-year track record comes from our Bermuda business, where we serve this customer segment exclusively.

In the last six years prior to standing up Global High-Net-Worth, we recorded four record years in those six, two of those during the pandemic in 2021 and 2022. We believe that by taking our expertise in this customer segment and helping us in Asia with our various markets, we can really accelerate our growth ambition for Asia.

Right. So Global High-Net-Worth, we are today the combination of the Manulife Bermuda business, plus those team members from Manulife Hong Kong and Singapore that support the international brokerage channel. We are 70 members in multiple jurisdictions, not a big team. We are not about volume. We are about large dollar transactions.

And on this slide, you can see our average policy size in 2023, the permanent protection life insurance policies we sold was over USD10 million. We held the number one ranking in the international brokerage channel at the end of '23.

How are we a leader? We do this in many ways, but we have a unique value proposition, which is we drive value through innovation, and it's that innovation to solve for these customer needs and partnership, how we partner with the international brokerage channel.

Through this innovation, I'm going to give you some examples of what we've done over the last number of years. In 2012, we were the first insurance carrier to launch an international index UL in the market. In 2018, we were the first insurance carrier to design our products to fund other than through premium financing.

Now in hindsight that was perfect because we are now in this era of high interest rates. That funding option has become extremely important in how we sell our products today. In 2020, we launched the first international savings plan product to the market. It's this innovation first mindset that led to the creation of Manulife's Global High-Net-Worth business, and we believe it's a competitive advantage today.

In our first year of operating, we booked \$309 million of APE, a 33% growth over '22 when we operated as three different businesses, Manulife Bermuda, Hong Kong, and Singapore. So how we got to that 33% growth? We created a global team. We unified our sale teams. So we have a global team that supports our broker distribution channel. We unified our high-net-worth underwriters across the globe, so that, again, unified team.

We created a common onboarding platform, so the submissions and the case opportunities come on one platform, we underwrite it. That decision is good whether you place that high-net-worth product with Bermuda, Hong Kong, or Singapore.

Why this is so important is because prior to Global High-Net-Worth, our brokers, our customers experienced us as three different companies. There were no consistent processes. There were no consistent requirements necessarily. And it was as if they were operating with three different companies. Now we are one and that has helped us deliver the NBV. So you could see that number \$239 million for 2023, a 29% increase, representing 20% of Asia's NBV.

The NBV margin you might note on the screen, 77%, it's a pretty big number. And so I wanted to talk a little bit about how can we earn 77%? There's many reasons but I'll touch on two. The first is that this customer segment, traditionally, there has been high barriers to entry. To really understand this customer segment to serve it well, to make sure you bring the right solutions to market, you have the expertise to price your products, to make the proper pricing assumptions, to have the large case capacity, to be able to underwrite and take these risks, whether it's from a mortality or a customer due diligence, these are all really important. And there's just not a lot of expertise around, to be honest. And so when you have these high barriers to entry and limited expertise, you don't have a lot of competition.

Second reason for some of the driver of our NBV margin is how we've approached the market with a deep understanding of this customer segment. The solutions we bring, I mentioned the innovation, well that plus also the brand, the reputation, the trust, the expertise.

I'm a high-net-worth customer. I'm going to purchase a hundred million of life insurance protection. I want to do business with a company that's going to be there, a company like Manulife that has been in Asia for over 125 years, that has the brand and the reputation, so that when that need comes, I can trust that that company will be around.

And the combination of understanding that customer, the fact that they're not just driven by price, this is not just about price and margins, it's about finding the right solutions to solve their needs and doing it in a way that provides innovation with that brand and trust and hence, some of the reasons why we do enjoy a high NBV margin.

So 2023, our first year, we had leading distributor NPS scores. We're number one in our brokerage channel, the international brokerage channel. We have a very large case capacity and behind that is a very robust and integrated risk framework. Very important, as I mentioned in this end of the market, you need to get it right. Because if you don't, it's quite costly, right. This is not where you want to make a mistake as mistakes do come back.

So we set the business model and motion in 23, we invested in our foundation, we are now in a place where we think we're poised for the growth and we have a solid right to win. To capitalize on this market, it is an attractive market, we believe we need to have a very focused vision and focused execution.

And here is where we think we are well-positioned. We have the attractive market. Besides that, we have a unique business model, a 20-year track record of serving the customer segment, and a deep understanding of the customer segment. Combined with our clear ambition and very clear strategic priorities, we believe we're ready to deliver on those growth ambitions.

So let's talk a little bit about the attractive market. I just want to center around who do we work with? In this triangle, the customer segment here in the high net worth, we focus on the top two tiers of that triangle, USD5 million in net worth and above.

And where's the growth of these millionaires? You can see the bar chart on the right. It's Asia and it's Middle East. It happens to be South Asia. We just heard about the boom in that area and that region. Now everyone knows about our rich history in Asia, but in the Middle East through Manulife Bermuda, we have been active in this market for the last 15 years.

So we are ready in the markets that are expected to grow the most. Our job now is to capitalize and deliver that. And I'm going to share with you our plan to do that. So in the bottom of this chart, you will see three strategic priorities, expand our reach, maximize our distribution, and scale for growth. I will speak to each of those in the next slides.

Upon delivering these three, we expect to deliver a minimum 15% growth year over year. Expand our reach is the biggest strategic priority for us with the biggest opportunity. And we've already talked about the geographic markets, South Asia, Middle East.

I also want to talk about underserved markets. High-net-worth is a pretty big customer segment. And when we started looking at where we support the high-net-worth customers, there are underserved segments. Combine that with those global demographic trends, I think we heard Roy mention it, I think we heard Paul mention it, older ages.

I know we think about this as a retirement opportunity. In the high-net-worth market, this is also a legacy planning, generational wealth planning opportunity. It is therefore a protection opportunity as well. And when you combine that with our expertise in older age underwriting, which comes from quite frankly, our years of being part of the US segment, we have a great combination of capabilities with the demographics to really penetrate into the older age market.

I want to talk about maximizing distribution. We talk about deeper relationships, cross pollinating, new high-quality relationships, perhaps the best way to share this is with an example. So in 2023, when we set up Global High-Net-Worth, we looked at the broker relationships we had between Bermuda, Hong Kong, and Singapore, and it wasn't necessarily the same. Some of the brokers we worked with in Bermuda were not the same as Singapore and Hong Kong.



So in 2023, what we did was we signed up these distributors, so that they could represent all three markets. So now I'm a distributor in Hong Kong. Perhaps before Global High-Net-Worth, I could show Hong Kong products to solve for the customer needs. Now under Global High-Net-Worth, I can show Singapore products and Bermuda products, along with Hong Kong products. I have a suite of high-net-worth products from multiple jurisdictions to solve for that customer need. We have just multiplied our opportunities to help place business and that was all set up in '23. We're starting to see the benefits clearly of that is what helped grow 33% year over year. And that's one example.

What we did in 2024, pretty simple, but we organized our sales team, our unified global sales team and put them into teams by accounts. And so, a case may start in Singapore, top of the day in Singapore. The Singapore sales team, ops team works on that case. When Singapore goes to bed, that case moves over to the North America team who continues to work on that case throughout Singapore's night until the morning when Singapore wakes up, the case has moved along through the whole onboarding process. So we can really leverage our sales team internally to keep the business moving. And that's part of the benefit of having quite frankly, a global sales team.

Last of our strategic priorities is to scale our growth. I mentioned we're not a volume shop. Our success in servicing this customer segment is about high touch, high service. And so we need to scale a high-touch, high-service model. We started with our onboarding platform which we launched last year, a digital platform to bring in the business. But there's more we can do, it's digital, it's IT, there's a lot of opportunity here, but we will need to continue to invest in order to hit the top NPS scores that we have enjoyed thus far.

So in summary, I just want to say that we play in a very attractive market. We are uniquely positioned to win because we have a unique business model, a 20-year track record of understanding how to serve this customer and a deep understanding of the market. Combined with our ambition and our three key strategic priorities, we are set to deliver and I am extremely excited about the opportunities ahead. So with that, I'd like to thank you for your time and attention, and I would like to ask Hung to come back to the stage. Thank you.

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## QUESTIONS AND ANSWERS

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

Welcome back everyone. Hope you had enjoyable labs and get a greater understanding on some of the most exciting markets in Asia for us. I'd like now to welcome each of our presenters for the last few presentation to come on stage for the last Q&A panel for the day.

As a reminder, please introduce yourself and your firm before you ask the question. I would like to welcome Phil, Venice, Sachin.

All right. This is the biggest panel for today, and I hope you have a lot of good questions for them. One at the back.

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**Doug Young** - *Desjardins Securities Inc. - Research Division – Diversified Financials and Insurance Analyst*

Doug Young from Desjardins Capital Markets. Phil, I think if I recall, you used to have an explicit Asia core earnings growth target of 15%, you can correct me if I'm wrong, but I didn't see anything mentioned about that in any of the presentations. Do I have that right? The numbers would suggest that, that is actually the case, but just curious.

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

Good question and we don't have an explicit core earnings target in any of our segments. We have the 10% to 12% EPS target at the group level. And of course, that's EPS rather than absolute core earnings to give us some flexibility in terms of capital deployment, either organic, inorganic or share buybacks.

But you're broadly right. For Asia, we do expect mid-teens earnings growth over the medium term, and that supports our objective that we'll get to more than 50% of core earnings of the group by 2027.

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**Doug Young** - *Desjardins Securities Inc. - Research Division – Diversified Financials and Insurance Analyst*

And then you brought exactly where I wanted to go to, the 50% of core earnings by 2027. Can you break that down between insurance and wealth.

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

Well, firstly that's a great spot that the 50% of core earnings does include Asia GWAM as well as insurance. And we do expect both insurance and Asia GWAM to contribute at similar growth rates. So the growth rates are approximately the same.

And the reason for that is that the opportunity that we have in insurance in Asia is equal on the wealth side. Michael talked earlier and Paul talked earlier about the significant savings gaps -- retirement savings gaps. And that does create value in the same way that it creates value on the insurance side through the fulfilment of customers' protection needs.

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**Doug Young** - *Desjardins Securities Inc. - Research Division – Diversified Financials and Insurance Analyst*

Thank you.

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

Next question up here.

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

John Aiken with Jefferies. Jean, in your presentation you talked about the margins 77% being very impressive and also you discussed barriers to entry. But at some point those rich margins have to be compelling from a competitive standpoint. What is the risk that if we're looking three or even five years down the road, the potential erosion of those margins just because of additional entrants or price competition from current competitors?

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**Jean Wong** - *Manulife Financial Corp - Chief Executive Officer, Global High-Net-Worth*

Yeah, very good question. Thank you, John. We do expect that there will be more competition but truly in the international space where we operate in there's just not a lot of competitors that would go into that international space.

Yes, regionally, we do expect it. And I would say this, that when you work in the high-net-worth customer segment, it really matters that you know what you're doing. Because if you don't, it's very severe in terms of making a mistake in your pricing, underwriting, decisions, compliance, onboarding due diligence concerns. And so we do expect more competition, but the question is, does that competition have that expertise? Is it backed by the brand, the reputation, the strength of Manulife because, again, it's not just about price. And I think I want to emphasize that it's about the solutions to solve for the customer needs. And if you're just competing on price, that's not enough to really earn that the ability to support that customer channel.

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

And if I could add, I mean, one thing that's really hard to replicate is a brand that has been around globally and actually in Asia for 125 years. And it very often pass through multiple generations of policyholders in the same family. Particularly when you go back in time and think before the development of capital markets in the Asia region, how would you prepare for retirement is through insurance, and that build of the brand through generations is, I believe, a barrier to entry and something that is really hard to replicate in a short period of time.

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

Question back there.

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**Connor McGrath** - *Fidelity Investments Canada - Equity Research Analyst*

Thanks, Connor McGrath from Fidelity Investments and maybe it's for kind of a broader question for the group. But maybe just on digital I mean, when we think about digital and buying insurance products through digital channels, it seems like the property casualty piece, they figure that out and they seem to have got that done. But it seems like within life insurance it hasn't maybe fully been figured out or solved. And I guess it's maybe a two-parts in terms of: A, I guess, why you think that is the case? And then B, I guess as you sort of think about the use cases for digital within your business, do you think it's more of a front-end use case in terms of selling products. Do you think it's more of a back-end benefit to agents or salespeople or some kind in terms of improving their process or productivity.

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

Great question. Thank you, Connor. And maybe I take a start, feel free from my colleagues to jump in as well. Digital is a tremendous opportunity for us and in my presentation, I did give an example of a five minute end-to-end issuance of a life insurance policy in our bank channel in Singapore and that's an example of how we can do on the life side, what has been done on the general insurance side, a seamless customer experience, a fast purchase process without the need for face-to-face advice.

However, one thing that we are finding through the pandemic and the key change in customer behavior post pandemic is a real desire to have advice and the importance of face-to-face advice. And this is really underscoring the importance of both agency and bank channels.

And so a key element of our digital strategy is digital enablement of distribution, followed by end-to-end digital self-servicing tools and these were where our priorities are on the digital side. So digitally enabling our bank and agency force, as well as making sure that we have a customer websites and apps that allow customers to self-serve, and that's where we've seen tremendous improvements in straight-through processing. So in Asia, we've gone from STP rates of 70% in 2019 to 86% in 2023. But I welcome input from any of the peers.

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**Sachin Shah** - *Manulife Financial Corp - General Manager, Emerging Markets, Asia*

If I could build on that and maybe use a bit of what we've been sharing this morning around the shift in product mix and particularly to health and protection products. And this is where there's growing opportunity to Phil's point for us to increase the interactions with customers. Health products tend to have more interactions, those interactions because you're going to have more need to be more efficiently done, and in a way that customers want them to be done, which is now more and more digital. And especially, in our emerging markets areas where you have a younger population that's just more digitally savvy and so as Phil said, that is their expectation.

Think the second piece, just to maybe double-click on what Phil talking about enabling our distribution. The biggest place on the front-end is online to offline. Phil touched on that example, I am sure Kah Siang has talked about that where we really got something with DBS, but we're seeing that more and more. Overall, many of our bank partners are seeing lower bank branch footfall, right. So they've got to make up that lead, so to speak, somehow. Now they all have mobile applications and web capabilities. And so it's how do we partner with them to take that customer out of their digital ecosystem and into a branch or in some cases, depending on what the data tells us, directly online here.

We've done it well with DBS, we're also now beginning to do it across some of our other emerging market banks as well. And taking that same approach into Agency. So Phil touched on Manulife-Pro as a proposition for the more professional agent who is more active with us. One of the value-added benefits for those agents is that we're taking online to offline leads to them. So we help build their book of business versus they have to go build it themselves here. So digital is playing a bigger role in sort of bringing customers to us, but not necessarily serving as sort of an end sales process, if you will.

**Venice Chan** - *Manulife Financial Corp - Chief Strategy & Transformation Officer, Vietnam*

Just to supplement with the example that we have been investing in Vietnam. So it's not just on the front-end, we also invest heavily on also the back-end. So on the front-end in Vietnam, we are almost 100% in terms of the e-submissions. And then at the back-end, we also have the eClaims. We also, in the lab sessions, I also share the M-Pro which helps us to have the increased monitoring and then also make sure that the customers are well advised and then they have the tools to enable to have them to have the customers experience.

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

Over there in the middle, table 8.

**Charles Zhou** - *UBS Securities Asia Ltd. - Security Analyst*

Thanks, Charles Zhou from UBS. Phil, I have two questions for you. One is the MCV mainland Chinese visitor business in Hong Kong. And second is about the margin. I think in your earlier slides, you show that there's a rapid increase in your MCV market share in Hong Kong so why Manulife is so proactive for the MCV business recently? And how do you see the sustainability of the MCV business, particularly given the tightened control of the capital control from the Mainland China side. Do you see any risks, the policy risks of the MCV business?

And secondly, your margin. I think you also have a chart showing that your Asian peers are struggling with the margin, but your margin is really increasing. So what are your secret sauce where your margin is going up? And going forward, I think some of your peers also emphasizing that growing the total value of new business is more important, as long as the IRR of the business is good. But why margin matters a lot for Manulife? Thanks.

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

Thanks, Charles. And there's quite a lot in there so if I forget any elements of it, please do remind me. So firstly, on MCV, we've been in the MCV space for a long time, even pre-pandemic. However, pre-pandemic MCV as a component of our overall Hong Kong business was in the region of 15% to 20%, depending upon the quarter.

Now, I think it's really important to emphasize that in Hong Kong, our focus, our primary focus is on supporting the needs of the domestic population that was true pre-pandemic it's true now. But one thing that we did during the pandemic was actually prepare to take a greater share of the MCV customer segment in the post pandemic period. We knew that reopening would come at some point and we prepared for that, by opening our customer service centers in Tsim Sha Tsui to support MCV customers, now updating our promotional materials and policy materials to include simplified Chinese in addition to traditional Chinese and English, as well as recruiting agents who are more MCV focused relative to domestic focused and then building our presence in the broker channel.

But your question, I think gets to why did we do that and a key stimulus for us to make that strategic change was the clarification about the role of Hong Kong more broadly within China, a very clear clarification, both from central government in Beijing as well as the Hong Kong SAR government that Hong Kong has a really important role to play in the GBA and in China more broadly. And really the clarification of the GBA framework and the road map to allow Hong Kong insurers to establish customer service centers onshore in Mainland China GBA cities, really gave us the confidence that this is a valid customer segment for us to fulfil in Hong Kong and gave us greater appetite to capture it.

So post pandemic, typically, you look at 2023 full year, that 40% of our Hong Kong business was MCV. And I would not expect MCV to become the majority of our business. And I do think 2023 was somewhat higher because of the bounce back, particularly in the second quarter of 2023. If I look at the first quarter, MCV was about 30% of our business. I think that's a good benchmark for some of the quarters ahead. But it's a really important customer segment, but I believe will be sustained given the genuine needs of MCV customers and the role that Hong Kong plays more broadly in China in fulfilling the international insurance needs of customers that travel to Hong Kong from Mainland China.

Now the second component of your question was on margins. I think this relates to margins as well as ROE. And there are various levers that we can pull in order to increase value generation. And this is something that creates value not only for us, but also our customers around the region.

And the more complex products that we sell that get deeper into the needs of our customers, are higher margin for us. And I also believe that they create more value for our customers, rather than simply buying financial savings alternatives in an insurance wrapper, buying true protection. And that's something that we continue to penetrate our customer base more deeply.

I think there are other levers for us to pull as well. One of the reasons why we have so much confidence in our ability to continue to improve ROE is that as we scale, we have operational efficiencies to capture. We have the benefits of digitization. We have the synergy with our general accounts and capabilities in Global Wealth and Asset Management. Every basis point of additional value that we can generate really helps. And just as an illustration of how powerful that global synergy is: the highest performing fund on the entire industry MPF platform in 2023 was a Manulife fund. It was the Manulife North American Equity Fund, which demonstrates our global capabilities being brought from North America into Hong Kong for the benefit of our customers. So we pull all of these things together, and it certainly does support higher margins from an NBV perspective and also higher ROE.

Now is 50% unreasonable? It's not an unreasonable margin. We've made great progress from 37% to 44% Q1 to Q1, 2023 to 2024. But actually our leading peers, if we look at the largest peer here in Asia, they have an NBV margin of 50%. So I think on that basis, it's very reasonable that we get there.

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

We have questions up here. Tom.

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

Yeah, thanks. Tom MacKinnon with BMO Capital. In the earlier slides, I think that Colin had up the capital payback period in Asia 2017 was seven years and that's three years. So my question is more, how is it varied by channel? Have you seen a greater reduction in the agency channel or in the bancassurance channel?

And then, I can understand you change product and more profitable product. But I'm more concerned about or my question has more to do with the how acquisition costs changed, like presumably is it just quicker and easier to underwrite now? Easier to policy issue? have you changed commission scales at all? What else is involved in that thing from that perspective.

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

Great questions, Tom. And to clarify the first point on that: it doesn't vary by channel. Our channels sell products, the products that we sell across various channels are the same. And the commissions that we pay are the same across various channels as well. I think the second, remind me of the second part of your question there?

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

How did the acquisition costs and have the commissions change some from 2017. It hasn't been a commission reduction story there?

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

Correct. It's not a commission reduction story to a large extent it's continued product shift as we look at product designs that pass through positive and negative investment return to customers to a greater extent so that we have products that consume less capital on a risk-based capital basis.

And this is where the regimes that are becoming more prevalent. The regulatory regimes that are becoming more prevalent across Asia are relevant. As we see this shift towards risk-based capital regimes rather than a percentage of reserves, factor-based capital regimes, we get rewarded for good risk management.

We get rewarded for use of pass-through mechanisms within our product design, including participation mechanisms that consume less capital. So they're the key changes. We have also made some changes to commission scales with lower commissions upfront and higher in subsequent years, and that's also to improve premium persistency. But to a large extent, it's the product risk and capital regime changes, as well as this being a favorable interest rate environment.

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

So part of that has been the treatment of capital by the regulators has changed. And so consequently, the payback period is faster, is my reading that correctly? Why I've been able to reduce it from seven to three is because the treatment of capital had changed?

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

Combine that with the type of products that we have a preference to write and that's really important. We've been very disciplined in our preference for pass-through features within our product portfolio. Not everyone in the industry has done that and now we're seeing the benefits of that come through as we see a transition to RBC regimes.

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

Okay, thanks.

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

Over there on table 4.

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

Thanks. Paul Holden, CIBC. So I think this is a really important discussion. And Phil, as a former CFO, maybe you can shed some light on. This is just the change in product mix, which theoretically fits into lower risk for shareholders investors. So how can we see that in the numbers over time like what will we look to, to demonstrate that's actually coming through to the benefit of shareholders?

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

That's a great question, Paul. And at a high level, our ROE is actually a good way of measuring that because ultimately ROE, okay, that's an in-force metric, but it will be influenced by new business metrics and the new business that we put onto the books. But to the extent that less capital is required because the product design that we have is capital efficient, then we are able to remit to our parent company and remittances from Asia will reduce the denominator in the ROE calculation. At the same time, that the numerator improves because we're writing profitable business. And so it should show up through improvements in ROE over time. And then when you factor in some of the other elements, the operational efficiency, the synergies with GWAM, the capabilities that we bring from an investment perspective. That's how we get to the in aggregate, the 21% ROE that we expect to see. So that's a good big picture metric to look at.

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

So one question.

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**Michael Chang** - *China Galaxy Securities International - Security Analyst*

It's Michael Chang from China Galaxy Securities International. Just two questions. Firstly, on the ROE, right now, 16% going up to 21%. Could we get some light on the regions with a higher ROE is currently within Asia, and then what's driving the rise to 21%? Are there any key markets that's really driving that rise? And then secondly, actually let's start off with that one first.

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

Okay, so I've talked a bit about how do we get to the 21% ROE and how do we get there. What scale was an important factor and the most important factor, actually that we called out on the chart, was operational efficiency, and in the middle was holistic solutions. We do expect all markets to contribute to that. Operational efficiency is very much a regional phenomenon as we digital -- digitize our back-office, make ourselves more efficient and leverage our regional platforms. For example, our customer website is a regional platform. Our customer app is based on a regional platform that's rolled off out across multiple markets.

But when it comes to scale and I suppose tied to that is the impact of holistic solutions, deeper penetration of the customer base with more holistic solutions. Then it's really the markets that you would expect to grow faster that make the largest contribution and the fastest growing markets for us are the emerging markets and Sachin's portfolio. We also expect growth from Vietnam. But let's not ignore the fact that we have tremendous opportunities to continue to grow in Singapore to continue to grow in Hong Kong, including through MCV.

And as Jean laid out in her presentation we also expect growth through high net worth. So it's fairly broad based in order to be able to get there. But the fastest, the most significant increases in isolation will be the emerging markets.

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**Michael Chang** - *China Galaxy Securities International - Security Analyst*

Sure. Thanks. And the second question relates to the health and protection element because I think that was mentioned as one of the key drivers of the increase in new business value, new business value margin. But your health and protection is quite widely defined within Asia it could be unit products with riders or it could be critical illness. So maybe you can shed some light on which markets you're actually seeing. Do you see a much greater penetration of critical illness driving the H&P mix and which markets are more unique and rider driven then.

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

Great question. I talked about that some of the megatrends and the annual premium equivalent of closing the health protection gap is USD500 billion. It's an absolutely massive opportunity. The largest opportunity there is Mainland China given the sheer scale of the population. But it's true across all of our markets in Asia.

Generally speaking, the emerging markets critical illness is very important, both the stand-alone as well as rider. Hospital cash is very important. And then in the more mature markets of Hong Kong in particular, medical reimbursement is very important. But we're also seeing an increasing demand for medical reimbursement in our emerging markets of Asia. And with the right controls, that's something that is successful and profitable.

When I think about the future of health, I think it's about building on our existing success. So we are a top three player in Hong Kong through VHIS, but we also have great health credentials around the region.

Our medical reimbursement business in Mainland China is profitable and it's at scale. We've built an ecosystem riding off our Manulife Move behavioral insurance platform. And that's something that helps to differentiate us from our peers.

And when we get on the ground in Indonesia, very much looking forward to showcasing Halodoc, our online doctor consultation tool that actually allows customers to get greater access to doctor consultations with very short notice periods. Instant on-demand doctor consultations and for us, it's very low cost. So I think that's very much a win-win type scenario.

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

With that -- okay, maybe I take one last one. Please go ahead.

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

Meny Grauman from Scotiabank. We talked about the changing product mix and the benefit of that. Just wondering if there's a distribution mix story you showed at a chart showing the balance between agency and bancassurance.

But wondering as you move forward, trying to put what you said together in terms of where that mix goes between agency and bank assurance over the next few years. Do you try and keep it balanced or is there a story there where one gets bigger than the other?

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

This is a fantastic question, Meny. I think we start with a great point where we have a balanced distribution portfolio across agency, banca and other channels that does include broker. It's hard to predict the future but what I have confidence in is that given our diversified channel footprint, we are able to accommodate customer preferences but there are, in fact, advantages and disadvantages of each channel.

The banca, for example, does provide deep reach and across customer segments to do it efficiently. But on the other hand, agency tends to be more effective at driving those health and protection solutions and spending the time to unearth those with customers. So we'll retain the ability to pivot across customer segments. But it's hard to know which channel over the medium term will prove to be the customer choice.

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

Just as a follow-up, I think you said it, but just to confirm, the profitability between the two channels is equal or is there a difference there?

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

We do actually see the lowest margin overall we see in broker channel, we see banca in the middle and agency the most profitable, highest margins. But I would draw your attention to the fact that that's not because we pay higher commissions to the bank channel. It's actually because the agency channel is more effective at solving those very deep customer needs. You know that the deeper level of protection for health products and those are products that are higher margin for us and higher commission for the distributors. So consistent commissions, but more effective in unearthing those customer needs in our agency.

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

Thank you.

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

With that, I would like to thank our Asia Segment leaders for insightful discussion. We will let you get off the stage and I will provide some logistical updates for folks for the evening activities.



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