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PRESENTATION

Operator

Thank you for standing by. This is the conference operator. Welcome to the Manulife Financial Corporation Fourth Quarter and Full Year 2025 Results conference call.

The conference is being recorded.

I would now like to turn the conference over to Mr. Hung Ko, Global Head of Treasury and Investor Relations. Please go ahead.

Hung Ko - *Manulife Financial Corp - Global Head of Treasury and Investor Relations*

Thank you. Welcome to Manulife's earnings conference call to discuss our fourth quarter and full year 2025 financial and operating results. Our earnings materials, including the webcast slides for today's call, are available in the Investor Relations section of our website at manulife.com.

Before we start, please refer to slide 2 for a caution on forward-looking statements and slide 41 for a note on the non-GAAP and other financial measures used in this presentation. Please note that certain material factors or assumptions are applied in making forward-looking statements, and actual results may differ materially from what is stated.

Turning to slide 4, we'll begin today's presentation with Phil Witherington, our President and Chief Executive Officer, who will provide highlights of our full-year 2025 results and the progress made toward our new and elevated strategic priorities.

Colin Simpson, our Chief Financial Officer, will discuss the company's financial and operating results in more detail.

After the prepared remarks, we move to the live Q&A portion of the call.

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

Philip Witherington - Manulife Financial Corp - President, Chief Executive Officer

Thanks Hung, and thank you everyone for joining us today.

2025 was a defining year for Manulife. We delivered strong financial results, announced our refreshed enterprise strategy to shape Manulife's next chapter of growth, and are laser-focused on executing against our vision through targeted strategic investments. While macroeconomic and geopolitical uncertainty remains, we're confident that the diversified nature of our business positions us well to navigate the current environment and capitalize on the opportunities ahead. So, let's start with our 2025 financial results which we announced yesterday.

We delivered strong topline results with new business CSM growth exceeding 20% in each insurance segment, contributing to a double-digit growth in our CSM balance and supporting our future earnings potential. Despite experiencing net outflows in the second half of 2025, Global WAM continues to deliver strong margins and core earnings growth. The strong results in Global WAM, combined with the double-digit earnings growth in Asia, contributed to our record core earnings this year. Together with the benefit of continued share buybacks, we delivered 8% Core EPS growth. We also continued to generate attractive returns with Core ROE expanding 30 basis points from the prior year, and we're tracking well towards our 2027 target of 18%-plus.

Moving to our balance sheet, we generated \$6.4 billion of remittances this year and returned nearly \$5.5 billion of capital to shareholders. Our LICAT ratio of 136% and leverage ratio of 23.9% provide significant financial flexibility; and I'm pleased to share that we announced a 10% increase in our quarterly common share dividend.

In addition, we have received OSFI approval for a new NCIB program, which will allow us to repurchase up to 42 million shares or approximately 2.5% of issued and outstanding common shares, highlighting our continued commitment to returning capital to shareholders. We plan to commence buybacks under this new program in late February, subject to approval by the Toronto Stock Exchange.

Moving on to slide 7.

In November, we introduced our refreshed enterprise strategy, which builds on our strengths, is growth-focused, and is anchored in our ambition to be the number one choice for customers. There is tremendous enthusiasm across the company as we execute on our new and elevated strategic priorities, which provide logical continuity as we progress in our new chapter with refreshed ambition. As a result, we've already made meaningful progress in 2025.

Starting with our winning team and culture, our world-class talent is one of our greatest strengths; and this year marked our sixth consecutive year of top quartile employee engagement. I'm encouraged by the energy and commitment of our colleagues around the world, who've embraced our ambition to be the number one choice for customers. Together, we will continue to bring focused execution and innovation to the work ahead. And, as we drive high-quality sustainable growth, we will maintain a balanced, diversified business model. This year, we've made strategic investments, both organically and inorganically, to further strengthen our portfolio.

We acquired Comvest Credit Partners, announced a joint venture to enter the India life insurance market, and entered into an agreement to acquire Schroders Indonesia, with the latter two subject to regulatory approval. We also became the first international life insurer to establish an office in the Dubai International Financial Center, dedicated to advising on and arranging life insurance solutions for high-net-worth

customers. And, we've expanded our customer solutions, including a new indexed universal life offering in the U.S., while in Canada, we launched a simplified specialized lending suite of products in Manulife Bank.

As Colin will highlight, the benefit of a diversified portfolio was evident in our fourth quarter results and I expect our diversification to serve us well amidst rising global uncertainty.

Onto slide 8 and our focus on being the most trusted partner in health, wealth, and financial well-being. We took meaningful steps to further empower our customers this year, including a significant milestone in our ambition to be the health partner of choice in Asia. Through a strategic collaboration in Hong Kong with Bupa International, we will offer greater choice and sustainable healthcare solutions that empower individuals and communities to live healthier and more fulfilling lives.

In Canada, we became the first insurer to offer access to GRAIL's Galleri multi-cancer early detection test, supporting earlier detection and longevity for our customers. And, in the U.S., we're providing additional resources and offerings to eligible U.S. customers to proactively manage their health and wellness. These actions deliver measurable benefits for customers while generating value for Manulife and we're proud to be a leader in this space.

We also continued to invest to make it easier for customers to buy, and advisors to sell, our solutions. We renewed our bancassurance partnership with China Bank in the Philippines, extending the exclusive partnership to 2039. In Singapore, we leveraged our digital capabilities to enhance our Manulife iFUNDS platform. Through using a single platform and leveraging AI-powered analytics, advisors can deliver more personalized and insightful financial guidance. And, in the U.S., we expanded our wholesaling team to accelerate our penetration into the high-net-worth and mass-affluent markets. By expanding our reach and scaling our digital and AI capabilities, we can more effectively reach our customers and enhance their experience.

Finally, over to slide 9.

Becoming an AI-powered organization is core to delivering on our ambitions, and, while we've been an early adopter of AI and built the underlying infrastructure necessary to support our vision, it's very important that we sustain our leadership position. We're investing with discipline and a clear focus on areas where AI can be deployed at scale, and further improve our efficiency, enhance our customer and colleague experiences, and support sustainable growth.

In 2025, we ranked first among global life insurers for AI maturity by Evident, and achieved 30% of the \$1-billion-plus of AI enterprise value generation by 2027. To drive measurable outcomes, we're concentrating on core focus areas where AI can make the greatest difference for Manulife, and we're already deploying initiatives across businesses and geographies to continue to drive value.

Across the organization, we're deploying virtual assistants that create efficiencies while equipping employees and advisors with deeper insights, more personalized outreach, and instant product guidance -- strengthening the quality and consistency of customer interactions.

In underwriting, AI is accelerating decision making by automating data analysis, enabling faster and more accurate assessments while maintaining strong risk discipline; and, we're prioritizing AI solutions that remove manual transactions, driving measurable improvements in efficiency and operational outcomes.

Within distribution, AI is enhancing client engagement through tailored sales support, leading to improved sales close ratios and outcomes. We're strengthening our internal productivity by equipping our global technology teams with modern engineering tools, helping us build better solutions, and faster. And we're also exploring how AI can help close the advice access gap and support more meaningful ongoing investor engagement at scale.

Moving forward, we're progressing towards a proprietary Agentic AI platform that will make it easier to manage and coordinate AI tools across the company, allowing us to scale AI even faster and more consistently while ensuring a robust governance process. Overall, these are high-impact areas that reduce friction, support long-term growth, and will enable us to deliver on our 2027 and medium-term targets.

In closing, I am thrilled with the progress we've made in 2025. We've delivered strong financial results and are already making meaningful strides against our refreshed strategy. As we begin 2026, we're executing from a position of strength with clear momentum and confidence in our ability to achieve our 2027 targets, while generating high-quality sustainable growth for all our stakeholders for the long-term.

With that, I'll hand it over to Colin to discuss our results in more detail. Colin.

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

Thanks, Phil, and good morning, everyone.

2025 was a fantastic year for Manulife as we delivered another year of strong financial and operational performance. Let me take a moment to walk you through the quarter's results before we open the line for Q&A.

Let's begin with our top-line results on slide 11.

We generated strong growth in new business CSM, reflecting more favorable business mix and margin improvements. This marked our sixth consecutive quarter in which new business CSM growth exceeded 20%, a testament to the strength of our balanced and globally diverse business profile. APE sales for the quarter were largely in line with the prior year.

Global WAM saw net outflows of \$9.5 billion, reflecting several large Retirement plan redemptions in the U.S. and, to a lesser extent, in Canada, as well as net outflows in our North American Retail business. This was partially offset by strong Institutional flows, including contributions from CQS and Comvest. The redemptions in our U.S. Retirement business reflect seasonally higher planned redemptions and higher participant withdrawals as market strength has given rise to higher customer balances. Our Retail business saw continued pressure on North American intermediary and Canada wealth, though I'd highlight our U.S. Retail business performed well relative to peers in what was a challenging quarter for active fund managers in the industry.

Moving on to slide 12.

I'd like to highlight some of the key earnings drivers, comparing them to the same period last year. We continued to see strong growth in our insurance businesses in Asia and Canada, driving a higher insurance service result. We generated positive overall insurance experience this quarter, including a release of P&C provisions from prior year events, as well as strong gains in Canada.

Though positive, total insurance experience was less favorable than the prior year, largely reflecting unfavorable U.S. life claims experience. Our investment results decreased a modest 5%, mainly driven by lower investment spreads. In the bottom half of the table, you will see that Global WAM reported solid pre-tax core earnings growth of 8% this quarter, supported by strong AUMA growth and margin expansion, though this was partially offset by the transition to eMPF in Hong Kong.

Turning to slide 13.

Core EPS increased 9% from the prior quarter, as we continued to grow core earnings and actively buy back shares. We reported \$1.5 billion of net income this quarter, which reflects unfavorable market experience, largely driven by a charge of \$232 million in our ALDA portfolio, primarily due to lower-than-expected returns from infrastructure, private equity, and real estate. We also reported a \$162 million loss from hedge accounting ineffectiveness, primarily due to swap spread widening in Canada and, to a lesser extent, derivatives without hedge accounting.

Moving to the segment results, we'll start with Asia on slide 14.

APE sales decreased by a modest 3% from the prior year as double-digit growth in Japan and Asia Other was more than offset by lower sales in Hong Kong. While we expected some moderation in Hong Kong, given a strong prior year comparative, we also saw anticipated

pressure in the broker channel in the fourth quarter as distributors transitioned to new regulations. Even so, we remain confident in the outlook supported by the strength of our proprietary distribution channels. Despite softer volume, Asia's new business CSM and new business value delivered strong double-digit growth on the back of a more favorable business mix. As such, NBV margin expanded by 5.5 percentage points from the prior year to 41.2%. These top-line results demonstrate both the strength and diversity of our business in Asia.

In fact, when you look at our full year new business CSM growth, we saw greater than 20% growth in multiple markets including Hong Kong, Japan, mainland China, and Singapore. Asia core earnings in the quarter were even stronger, increasing 24% year-over-year as we benefited from continued business growth and the net favorable impact of the basis change last quarter.

Over to Global WAM on slide 15.

We maintained our growth momentum in Global WAM, delivering a solid 7% year-over-year increase in core earnings. This was supported by a higher average AUMA, the addition of Comvest Credit Partners, and sustained expense discipline. This was partially offset by lower earnings as a result of our transition to the new eMPF platform in Hong Kong in November. Net outflows were elevated this quarter, reaching \$9.5 billion as I noted earlier. Our gross flows this quarter, up 15% from the prior year to \$50 billion, continued to be strong, supported by growth across each business line. And our core EBITDA margin expanded 60 basis points from the prior year to 29.2% -- a strong result given the eMPF transition.

Next, let's head over to Canada on slide 16, where we delivered solid growth in new business metrics and core earnings.

APE sales and new business value increased by 2% and 4%, respectively, from the prior year, reflecting strong growth in Individual Insurance and Annuity sales, partially offset by lower large-case sales in Group insurance. New business CSM maintained strong momentum and continued to deliver double-digit year-over-year growth, supported by higher sales volumes in Individual Insurance. Core earnings increased by 6% year-over-year, driven in part by favorable insurance experience in Individual Insurance, higher investment spreads and business growth in Group Insurance. These tailwinds were partially offset by less favorable insurance experience in Group Insurance.

Lastly, our U.S. segment's results on slide 17.

In the U.S., we saw continued broad-based demand for our suite of products, resulting in a 9% increase in APE sales versus the prior year quarter. Together with product mix changes, we saw very strong growth in new business CSM of 34%. Core earnings decreased 22% year-on-year, primarily due to lower investment spreads and unfavorable life insurance claims experience, compared with favorable experience in the prior year.

Moving on to cash generation and capital allocation on slide 18.

In 2025, we generated remittances of \$6.4 billion, exceeding our \$6-billion expectation, positioning us firmly to meet our cumulative 2027 target of \$22 billion-plus. Over the past three years, remittances have averaged over 85% of our core earnings. And while this has been positively impacted by inforce reinsurance activities and favorable market movements, we continue to expect 60% to 70% of core earnings to materialize as cash remittances on a go-forward basis, a testament to our capital-efficient and cash-generative businesses.

As Phil mentioned earlier, we will initiate a new share buyback program in late February 2026 to repurchase up to 2.5% of our outstanding common shares. In addition, our Board has approved a 10% increase in our quarterly common share dividend. Together, these actions reflect our continued commitment to shareholder value creation.

Let's now move to our balance sheet on slide 19.

We grew our adjusted book value per share by 6% from the prior year to \$38.27, even after returning significant capital to shareholders, as well as the impact of a strengthening Canadian dollar that reduced the growth rate by 3%. We ended the year with a strong LICAT ratio of

136%, which was \$24 billion above the Supervisory Target Ratio. Our financial leverage ratio of 23.9% remained well below our medium term target of 25%. These robust metrics underpin the strength and resilience of our capital position and balance sheet.

Moving to slide 20, which summarizes how we are progressing toward our targets.

Our 2025 results reflect disciplined execution and momentum across the business, with meaningful progress towards achieving our Investor Day core ROE, remittances and efficiency targets. You can see the three year progress of our core ROE expansion in the appendix of the presentation. While our core EPS growth was slightly below our target, due in part to headwinds in our U.S. segment this year, we achieved or are tracking well towards the remainder of our targets. And by executing our refreshed strategy, I'm confident in our ability to achieve our 2027 and medium-term targets going forward.

This concludes our prepared remarks. Before we move to the Q&A session, I would like to remind each participant to adhere to a limit of two questions, including follow-ups, and to re-queue if they have additional questions. Operator, we will now open the call to questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

John Aiken, Jefferies.

John Aiken - Jefferies LLC - Equity Analyst

Colin, point of clarification in terms of your commentary on the Hong Kong sales are down because of the broker pressure and regulatory changes. Is this a step function, or can we see the sales levels maybe move back further to a certain -- back up to a run rate level in 2026?

Steven Finch - Manulife Financial Corp - President and Chief Executive Officer of Manulife Asia

Morning, John, it's Steve Finch here.

So, for Hong Kong sales, maybe I'll take a step back first. For the full year, we're very happy with the Hong Kong performance. We saw strong sales for the full year, up 21%, NBV up 31%, NB CSM up 21%, and strong core earnings up 26%; so, really good results.

What we're seeing in the quarter is, as Colin mentioned in his opening both tough year-over-year comparative -- we had very strong results in Q4 prior year. But isolated to softness that we're seeing in the broker channel, and, in particular, the MCV broker channel. The distributors there -- they're adjusting to some regulatory changes; and that, you know, this is not unusual from what we see in different markets in Asia: with regulatory changes coming in, some adjustment period, and then a resumption of growth. We benefit from a diversified distribution strategy in Asia, and we saw continued growth in Q4 in both our agency and banca channel. So, as we look to the future, we're confident; you know, the underlying customer demand is still there; you know, the fundamentals are strong, so we expect that, you know, the brokers will adjust and we'll see sales increase over time.

Philip Witherington - Manulife Financial Corp - President, Chief Executive Officer

And John, this is Phil, if I can just add one thing. Consistently on this call in recent years, I've said that we have appetite for the broker channel, but we can see quarters where there'll be variability in volume. Particularly, if there are changes in the regulatory environment, which we have seen over the past six months and because of competitive factors and the competitive environment. The environment is

competitive in the broker channel. I think the really important point is that our core channels of agency, as well as banca, delivered strong growth in the fourth quarter, as Steve said.

Operator

Tom MacKinnon, BMO Capital Markets.

Tom MacKinnon - *Bank of Montreal - Equity Analyst*

Just to follow-up with respect to that and then one other question. If I look at the NBV margin, in Hong Kong it's 52.4% in fourth quarter '25 and 39.7% in the fourth quarter '24, so substantially increased. Is this due to mix? Is the agency and the banca channel certainly more profitable than broker channel? And, if so, why focus more on that MCV broker channel if the others provide better like new business value and better CSM -- new business CSM growth and better NBV margin?

Steven Finch - *Manulife Financial Corp - President and Chief Executive Officer of Manulife Asia*

Yeah, thanks Tom. It's Steve.

You noted an important point there. We saw the margin in Hong Kong NBV margin year-over-year increase over 12%, and it is a mix. We saw with the MCV broker sales dropping, that is a lower margin channel, certainly. We see it as attractive. We regularly adjust our overall focus on volume versus margin and optimize there, but the core of our business continues to be domestic agency where we've got strong margins and continue to have a strong growth. So, yeah, we're happy with that mix overall. We did see also a product mix shift. We've been emphasizing and meeting the customer needs around health and protection, and we saw an increase in our health and protection sales which also contributed to the margin expansion.

Tom MacKinnon - *Bank of Montreal - Equity Analyst*

All right, and a question perhaps for Paul.

I mean, we're just into the Comvest close here, but I think you've noted an impact from eMPF in terms of what it would be post-tax to GWAM earnings. What about Comvest? I know you've talked about overall accretion, but, I mean, you use a lot of cash to make this acquisition. How should we be looking at the GWAM segment going forward in light of the incremental earnings from Comvest?

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

Yeah, thanks Tom. It's Paul here. So just in terms of outlook, as you mentioned, we're quite pleased with -- maybe I'll start with the eMPF. Just in terms of the rationale or change there, we're about halfway, even though we've converted, I would say about half of the impact that we provided guidance is reflected in the current quarter and that's still an accurate guidance to go forward.

As relates to Comvest, we don't disclose the metrics separately at this point, but what I would say is it was a positive contributor marginally, because it closed late in the year, to gross flows, to net flows, and core earnings; and it is tracking in line with what we would've expected early. We're quite excited about it, in terms of what we're seeing, in terms of customer and demand: the category itself is expected to double. And just to give you a little bit of a proof point of why we're so optimistic: if we look at CQS, which closed a year and a half ago, which is an alternative credit, our AUM is up 40% since deal closed and it's driving a lot of positive top-line, and we expect to see similar excitement around the Comvest product suite, just because of the demand. So it's early, but we're quite optimistic and quite happy with how it's proceeding so far.

Tom MacKinnon - *Bank of Montreal - Equity Analyst*

Just to squeeze one in here, the 2.5% NCIB. You got a pretty good track record. I think it's over 3% you purchased in 2025. Colin, is there anything you can say about what your intentions would be with respect to this NCIB given that you've generally historically purchased the bulk of these NCIBs?

Philip Witherington - *Manulife Financial Corp - President, Chief Executive Officer*

Well, thanks for the question, Tom. Let me jump in on that one. It's Phil.

You're right, our last NCIB program was 3% and we completed that in full. This year we've announced 2.5% and, you know, it's hard to predict the future. But where we stand now, our intention is to complete the program in full and if anything changes there, I'm happy to update on future calls. From our perspective, our capital deployment strategy is balanced and NCIB remains an appropriate use of capital. But, at this level 2.5%, it's not something that constrains our ability to invest organically in our businesses, which is really important in the context of the refreshed strategy that we laid out three months ago.

Operator

Doug Young, Desjardins Capital Markets.

Doug Young - *Desjardins Securities Inc - Analyst*

Maybe just going to the U.S. division. It feels like, and correct me if I'm wrong, that you've had unfavorable mortality experience for three to four quarters or for sure unfavorable claims experience or experience in general for about three to four quarters in a row. I'm just hoping you can unpack what you're seeing this quarter. I think it's mortality, is there a particular product line? We have heard a little bit more about competition on mortality side in the U.S. market. So, just trying to kind of gauge, kind of what you're seeing and what to expect going forward.

Brooks Tingle - *Manulife Financial Corp - President and Chief Executive Officer - John Hancock*

Hi, Doug, it's Brooks Tingle. Thanks for the question.

And I guess let's start with a quick reminder that we operate at the very high end of the market in the U.S., quite large policies. Now, that's a very attractive segment of the market, and you see that reflected in our new business value metrics. It does result in some variability quarter-to-quarter and even year-to-year from a mortality perspective. And you'll recall that Q2 of '25 represented a particularly unusual level of variability, but we're pleased that Q3 showed significant normalization improvement from there, and Q4 still further improvement from there. And I'd actually characterize where we finished Q4 is within sort of a normal range of variability and I'll probably leave it at that.

Doug Young - *Desjardins Securities Inc - Analyst*

So, you're not seeing a particular trend here that would, in the end, result in some form of actuarial or reserve increase that's required for these businesses? I guess that's where I'm trying to go.

Stephanie Fadous - *Manulife Financial Corp - Chief Actuary*

Hi, it's Stephanie here.

I think Brooks covered it well. What we saw this quarter is sequentially improved claims experience, and I really view this as normal variability due to slightly elevated severity. And we'll see variability from time to time, given we are in the large-case business. I don't view this as a trend. In fact, same quarter last year, we had -- and for the full year of 2024, we saw claims gains through P&L in this business.

Doug Young - *Desjardins Securities Inc - Analyst*

Okay, and then second question maybe for Colin or for Phil: I guess my question is, can you achieve an 18%-plus core ROE target by 2027 with the level of excess capital that you have and you're under levered as well or do those things need to kind of normalize? And I assume you're going to say yes, but maybe if you can map out how you get from 16.5% to 18%-plus in the next two years? Just to give a sense of what those drivers could be. And then maybe we can kind of tie in, like, why not be more aggressive on the NCIB given the amount of capital or cash that you're generating and the amount of excess capital you currently sit on?

Philip Witherington - *Manulife Financial Corp - President, Chief Executive Officer*

So, Doug, this is Phil.

I will hand over to Colin, but I do want to say, yes, we do remain confident that we can get to the 18%-plus core ROE target and there are various reasons underpinning that, but I'll let Colin walk through it.

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

I think the important point to note is we've mapped out a number of scenarios to get us to the 18%. We're confident that we're going to get there. We were at 18.1% last quarter, 17.1% this quarter, so the trajectory is good. We live in a fluid environment, and we will use share buybacks not as the primary driver to get to the 18% ROE but as a lever to pull in order for us to get there.

You mentioned excess capital being a drag on our ability to grow ROE. That's certainly the case. We have got around about \$10 billion above our upper operating limit, but that becomes a competitive strength in either difficult times or in a whole range of scenarios, so we're in no hurry to deplete what is a very favorable capital position.

Operator

Gabriel Dechaine, National Bank Financial.

Gabriel Dechaine - *National Bank Financial Research - Analyst*

Actually, just to follow-up on that mortality issue in the U.S.. So you're confident this isn't some trend. I guess one way to confirm your view more or less is: is there any impact from what's happening in this business mortality-wise on your appetite for LTC dispositions, because that business would be as a hedge to higher mortality?

Philip Witherington - *Manulife Financial Corp - President, Chief Executive Officer*

We're here, Gabriel.

Just I think it's probably best for Brooks to take a start on that and maybe Naveed will comment from an LTC perspective.

Brooks Tingle - *Manulife Financial Corp - President and Chief Executive Officer - John Hancock*

Yeah, I would just say that certainly, we don't view this as a long-term trend. We look at it very carefully. There's variability for sure. If you look at our Q4 results, from a core earnings impact, you see a little bit more -- it looks a little bit like an outsized impact because we actually had a gain the prior Q4, which again reflects that variability. But if you look at sort of post-COVID, the range of tailwind and headwind from mortality in the life segment in the U.S., it's been within a reasonably tight range and the Q4 result was in that range. So, we're pleased to see it normalizing, though there'll always be some amount of variability. Again, I would point to that: while there is that variability associated with operating at the high end of the market, the value metrics are very strong. You saw that last year and we're very confident about our ability to continue to grow that business.

Naveed Irshad - *Manulife Financial Corp - President & CEO, Manulife Canada; Global Head, Inforce Management and Group Reinsurance*

Naveed here, I would just add that, given that we don't feel the mortality is a sort of long-term trend. It's not really affecting how we're thinking about LTC transactions. As you know we've done two significant transactions with different counterparties, at around book value, which provides sort of external validation of our assumptions on LTC; and we're continuing to focus on evaluating opportunistic transactions that drive shareholder value -- that won't go away.

Gabriel Dechaine - *National Bank Financial Research - Analyst*

Okay, and I guess just to continue down that path with regards to legacy book dispositions. Hey, quickly, is the mortality issue tied to a legacy block? But, the real question is: when I look at the transactions that you've announced in the past and how you've neutralized the earnings per share impact from the disposition is buying back stock. Is that dynamic much more challenging now, i.e., makes dispositions a lot more difficult to do and make them EPS neutral because, you're -- it's a different discussion when your stocks at 2 times book versus, just over 1 time when the first deal was announced a couple of years back? Or I guess another -- are you committed to making dispositions earnings per share neutral?

Brooks Tingle - *Manulife Financial Corp - President and Chief Executive Officer - John Hancock*

So Gabrielle, thanks. It's Brooks. I'll turn to Naveed on the broader question of legacy dispositions or not, but I will say on the claims. We've seen, really in Q2 '25 and a little bit beyond, it's not anything notable as it relates to a particular block. Incidents, the number of claims, is actually favorable. It's really, again, because we write these large policies, a confluence in a quarter of a small number of large cases that drive -- that drove that result. So, there, it's not early duration business -- this is generally business written 20-plus years ago, so nothing really abnormal there. It just works out to variability quarter-to-quarter, year-to-year.

Naveed Irshad - *Manulife Financial Corp - President & CEO, Manulife Canada; Global Head, Inforce Management and Group Reinsurance*

I would just add that, on our legacy businesses, I feel really good about how we're managing them organically. You've seen our success in obtaining premium rate increases on LTC, that contractually allowed -- we've continually beat our assumptions on that. We're investing significant amounts on fraud, waste, and abuse. We connect regularly with the market in terms of opportunistic transactions. There is interest in the market and we continue to follow-up with them; and I don't think we're constrained with respect to what we can do there.

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

Yeah, I think Gabe, just to pile on there.

You talked about the book value multiple and the shares. I mean that that is not a constraint for us to grow our earnings per share. We'll look at each deal on an individual basis and then make any according capital allocation decision based on that deal on its own merits. So, I wouldn't read anything into how the current share price is affecting our ability to do future deals.

Operator

Michael Ward, UBS.

Michael Ward - UBS AG - Analyst

I was curious about the Japan business actually. One of your global kind of peers has run into a little bit of a hiccup in terms of just distribution in Japan. So I'm just wondering what you see in this kind of high-net-worth market for insurance and wealth products in Japan and if you see any disruption or change -- anything changing there in terms of the market structure?

Steven Finch - Manulife Financial Corp - President and Chief Executive Officer of Manulife Asia

Yes, I'm well aware of what's been reported by one of our peers in Japan, and it's not directly applicable to Manulife. One thing I'd point out is we're very experienced in running a multi-channel distribution model in many countries in Asia, including Japan. And over time, we've built and continue to build strong controls and compliance programs. Whenever there are isolated issues, we address them very swiftly.

And then to your point around the Japan market, what we're seeing is some strong success in the Japan market. You see from our numbers: double-digit growth this year. We've been executing on a strategy to capitalize on customer needs and some of those needs are driven by interest rates that are structurally higher than they have been in the past; an aging society with long longevity, so a big need for retirement planning. We've expanded the product portfolio to meet more of these customer needs, in terms of unit-linked product, whole-life product; and that's been driving our success, and we're optimistic as we look forward in Japan.

Operator

Paul Holden, CIBC.

Paul Holden - CIBC World Markets Corp - Analyst

I want to ask a couple follow-up questions related to topics that have already been discussed. So, first one is around Asia sales and I guess Hong Kong particularly. You give us a number of different measures or metrics to follow and I think we've all been conditioned to follow APE sales because of IFRS 4 accounting.

But now maybe there's an argument that shouldn't be the number one metric to follow. Maybe it should be new CSM growth because that's what's really going to drive future earnings. So, point A is like: do you agree with that if you were to focus on one metric that should be the most important one? And then second part of the question: like does that influence or to what degree does that influence how you think about sales mix?

Steven Finch - Manulife Financial Corp - President and Chief Executive Officer of Manulife Asia

Yeah, thanks, Paul. It's Steve here.

And you hit on an important point. I mean, the way we think about this under IFRS 17 when we see sales variability, it does not translate into core earnings variability as the CSM amortizes into income. So, we are focused on generating the most value for shareholders; NBV and NB CSM -- we report both. They're both a good indicator of the value that we're generating for different reasons, so we focus on both of those. And we drive maximum dollar magnitude, with an important guiding light of the company's medium-term ROE target of 18%-plus. So, we optimize for dollar value while meeting that -- meeting or exceeding that hurdle rate and that's what we're looking to optimize.

Paul Holden - *CIBC World Markets Corp - Analyst*

Okay, so if I measure this quarter on that basis, then it was a really good result for Asia sales.

Steven Finch - *Manulife Financial Corp - President and Chief Executive Officer of Manulife Asia*

Yes, as Colin noted, NBV up, for the segment, of 10% and NB CSM up 19%, helping drive year-over-year CSM was up organically 11%, total 19%, and a little over USD2 billion.

Paul Holden - *CIBC World Markets Corp - Analyst*

Yeah, okay, good.

And then my second question again to follow-up to prior discussions is on the U.S. core insurance experience. So, the questions were a little bit more focused on the short-term, but if I think about the U.S. segment over the long-term, negative experience or unfavorable experiences kind of being the issue or concern for investors for a long, long period of time for different reasons.

So given the refreshed strategy and the renewed focus on wanting to grow the U.S., I think it'd be helpful to give people more comfort around the experience there and how you're growing. So, I don't know if there's any actions you can take to kind of get that experience to more neutral or positive, or again how you're thinking about that. Because I think addressing that issue again would give people a lot more comfort around this renewed growth emphasis on U.S., so just thoughts, comments there.

Philip Witherington - *Manulife Financial Corp - President, Chief Executive Officer*

Hey Paul, this is Phil.

It's an excellent question and thank you for asking it. In our strategy refresh, one of the things that we emphasized was the importance of having a diversified portfolio. And when I think about that, of course diversification is a risk mitigant, but, in particular for the U.S., there are many things that the U.S. business, John Hancock, contributes to Manulife that we value a great deal -- including the earnings generation, including the capital generation and the stability of our capital generation. And one of the things that we changed, as part of the strategy refresh, is actually having a clearer appetite to invest in that business, so that we can sustain for the long-term earnings and capital generation.

Now, when we're talking about investing in the business, it's not about going back to where we've been before. It's actually growing in product lines that we have demonstrated tremendous value and success in recent years. And the drivers of adverse experience that you've referenced are quite different lines of business. The short-term matter that we've discussed on this call, of some mortality variability, we do believe that's short-term variability, but I think it would be helpful to hear from Brooks, some of the specific initiatives that we're taking in the U.S., and build that confidence that they're profitable, they're sustainable, and, from a risk perspective, within our appetite.

Brooks, over to you.

Brooks Tingle - *Manulife Financial Corp - President and Chief Executive Officer - John Hancock*

Sure, thanks, Phil, and thanks, Paul.

Just quickly on policyholder experience, you look at it and certainly over a very long period of time, yes, whether it's mortality, persistency, or LTC experience, lots of attention there. But we've taken a whole range of options with respect to the U.S. segment to optimize shareholder value and that's really resulted in, I think a winnowing of a lot of that policyholder experience variability: LTC experience in Q4 was benign; the life claims experience, as I've said, was really represented a particularly unusual level of variability in Q2 -- now normalizing. So, we actually feel quite a bit better about policyholder experience in the U.S. But to pick up on Phil's point, I feel really great about our ability to contribute to strong and profitable growth for Manulife via our new business franchise in the U.S. and I won't go on too long about this, but I think everyone knows we've got a strong brand; we have an innovative and broad product suite; we have top relationships with independent distribution. And I'd point out a couple of the fastest growing segments in the U.S. economy are the so-called wellness economy and longevity economy, and we remain the only carrier in the US that offers such services to their policyholders, early cancer screenings, things like that, very strong consumer appeal. And you see that reflected in our new business value metrics for last year.

Similar to the discussion you had with Steve, our APE was up nicely last year, 24% for the full year, but new business CSM up 42%. So, lots of other initiatives, in the interest of time I won't get into, backing a quite ambitious growth plan for the U.S.. And we feel very good about the risk and expected policyholder experience profile of that business we're putting on the books.

Operator

Darko Mihelic.

Darko Mihelic - *RBC Capital Markets Inc - Analyst*

I just had a modeling question, maybe looking for a range here. I actually want to be switching gears here and look to Canada for a moment. When I look at 2024 in Canada, you had a 43% increase in Group sales -- this year it's down 24%. So, when I think about 2025, you had 12% growth in your expected earnings on the short-term business, and now that we've had a very big decline in sales, I wonder if you can give me an idea of what we could expect with respect to that important line item? I don't think we should think about a decline, but maybe you can give me a sort of a range or some sort of an outlook on expected earnings on short-term business for 2026.

Naveed Irshad - *Manulife Financial Corp - President & CEO, Manulife Canada; Global Head, Inforce Management and Group Reinsurance*

Hi, Darko, it's Naveed here.

So what you saw in 2024 was a very large case that we sold -- a jumbo case. So, as in this business, it's a normal large-case variability. You have small- and medium-sized cases that generally have a consistent trend year-over-year that you get these large cases that jump around year-over-year. What we look at in addition to sales is our persistency and our sort of overall inforce premium and that continues on a good trajectory. And so, I think you can -- our recent sort of trends on PAA profits is something that should continue going forward.

Darko Mihelic - *RBC Capital Markets Inc - Analyst*

But at a similar pace, or should we at least expect a slowdown of the pace?

Naveed Irshad - *Manulife Financial Corp - President & CEO, Manulife Canada; Global Head, Inforce Management and Group Reinsurance*

Yeah, no, at a similar pace because again our persistency remains very strong.

Operator

Mario Mendonca, TD Securities.

Mario Mendonca - *TD Cowen and Company LLC - Analyst*

There have been a lot of healthy discussions there on the liability side of the balance sheet. Could we flip over to the asset side? There's growing concern among investors around private equity, private debt, and that obviously draws my attention to Manulife's large private placement debt the 52 -- almost \$52 billion. You talk about how credit experience has evolved in that asset category, and what proportion of that would you would label as higher risk or sort of topical areas in that specific line that \$51.8 billion of private placement debt.

Trevor Kreel - *Manulife Financial Corp - Global Chief Investment Officer*

Hi Mario, it's Trevor. Thanks for the question.

So, as you noted, there are a wide range of definitions as to what you include in private credit, in private debt, and private placements. We have, for example, successfully participated in the investment grade private placement market for many years. We like the diversification and the spreads, the covenants that you get relative to public markets.

Just breaking down the [\$52 billion] (corrected by company after the call) that you mentioned, our investment grade portfolio is around \$45 billion and our below investment grade private credit portfolio, which to your point, I would consider to be higher risk, that's around \$4 billion to \$4.5 billion. It's about 1% of our general account assets. It is focused on middle-market loans to private equity sponsored companies, but it's also quite diverse by issuer sector and sponsors, so there's no real concentrations there. And we do manage, underwrite and rate most of those assets in-house.

And as I suggested, I would see this as being at the lower end of the risk spectrum, and about 90% of those assets are actually priced by an external vendor each quarter; and we've also executed multiple third-party sales from that portfolio, which I think also validates the asset valuations.

To your point about performance, I think our investment grade private placement portfolio has actually done the same or better than our public portfolio, so we have no concerns with that part of the portfolio. And on the private credit portfolio, performance has also been strong even with COVID and relatively recent rate increases, and our credit experience is still comfortably within our underwriting loss assumption. So, really quite happy with both parts of the strategy.

Mario Mendonca - *TD Cowen and Company LLC - Analyst*

Okay, and then looking down a little bit on that portfolio composition, private equity, the \$18 billion there. Can you talk about the ALDA-related charges this quarter and the extent to which private equity played a role or any other segment played a role?

Trevor Kreel - *Manulife Financial Corp - Global Chief Investment Officer*

Sure. Thanks for the follow-up. So, yes, in terms of ALDA performance this quarter, as I think we disclosed, the ALDA returns did improve. Both real estate and private equity were actually better than Q3. The area that was actually worse was infrastructure, which, over the long-term, has actually been very strong for us.

Private equity: it did underperform, but to your point, it is a large portfolio and so we would expect to see some variability from quarter-to-quarter. Obviously, given some of the broader economic and geopolitical uncertainty, there's going to be a little bit of noise there.

But, at the same time, I think strong public markets, the likelihood of short-term rate declines as well as, I think, improving M&A and IPO activity on the middle market, private equity, section of the market -- I think is -- I think all of those make us cautiously optimistic of an improvement in 2026.

Mario Mendonca - TD Cowen and Company LLC - Analyst

So I'll be quick here. So, if you buy the notion that sponsors are going to be active as in: returning capital to investors, IPOing, all the things you referred to. Is that supportive of ALDA performance, like the private equity performance, or, yeah, how would you describe that?

Trevor Kreel - Manulife Financial Corp - Global Chief Investment Officer

I think it would be positive. I'd be looking forward to more of the IPO and M&A activity. I think it'll improve liquidity. It'll improve price discovery and I think it will improve go-forward returns.

Operator

Darko Mihelic, RBC Capital Markets.

Darko Mihelic - RBC Capital Markets Inc - Analyst

I just wanted to follow-up on the ALDA question there, a slightly different angle though. I am curious on how you're capable of growing the ALDA portfolio but not having the sensitivity to ALDA go up, and, in fact, the sensitivity is going down? So, if I just look at it, it's up -- I don't know \$7.5 billion over the last two years, but your sensitivity is actually down a little bit. So, what is it that you're doing there to -- what is -- what am I missing in the sort of mark calculation?

Trevor Kreel - Manulife Financial Corp - Global Chief Investment Officer

Hi, Darko, it's Trevor. Thanks for the question. So, it's actually not that complicated. So we do have on the balance sheet, I think \$62 billion, \$63 billion of ALDA in total, but it backs a different group of liabilities, some of which are guaranteed, which is shareholder risk, and some of which is participating or adjustable, which is policyholder risk. So, basically we expect the ALDA backing the guaranteed liabilities to be flat and slowly decline as those liabilities age and if we do more reinsurance transactions. At the same time, the ALDA backing the adjustable and participating liabilities, where investment experience is passed back to the policyholders, will grow as those businesses grow. So, basically what you're seeing is that the overall ALDA portfolio that you see on the balance sheet may continue to grow, but not the income exposure for shareholders, and that's why you're seeing it slowly decline.

Darko Mihelic - RBC Capital Markets Inc - Analyst

Okay, I figured it was something like that, but that's great.

Thank you very much.

Operator

This concludes the question-and-answer session. I would like to turn the conference back over to Mr. Hung Ko for any closing remarks.

Hung Ko - *Manulife Financial Corp - Global Head of Treasury and Investor Relations*

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

Operator

This brings to a close today's conference call. You may disconnect your lines.

Thank you for participating and have a pleasant day.

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