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CORPORATE PARTICIPANTS

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

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

Colin Simpson *Manulife Financial Corp - Chief Financial Officer*

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

Naveed Irshad *Manulife Financial Corp - President and Chief Executive officer - Manulife Canada and Global Head, Inforce Management and Group Reinsurance*

Trevor Kreel *Manulife Financial Corp - Chief Investment Officer*

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

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

CONFERENCE CALL PARTICIPANTS

John Aiken *Jefferies LLC - Equity Analyst*

Gabriel Dechaine *National Bank Financial Research - Analyst*

Thomas Gallagher *Evercore Inc - Analyst*

Tom MacKinnon *Bank of Montreal - Equity Analyst*

Paul Holden *CIBC World Markets Corp - Analyst*

Alex Scott *Barclays Services Corp - Equity Analyst*

Darko Mihelic *RBC Capital Markets Inc - Analyst*

Mike Rizvanovic *Scotiabank GBM - Analyst*

Mario Mendonca *Cowen and Company LLC - Analyst*

PRESENTATION

Operator

(Operator Instructions) 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 first-quarter 2026 financial and operating results. Our earnings materials, including 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 33 for a note on 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 a highlight of our first-quarter 2026 results and a strategic update. Following Phil, Colin Simpson, our Chief Financial Officer, will discuss the company's financial and operating results in more detail. After their prepared remarks, we'll 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 and Chief Executive Officer*

Thanks, Hung, and thank you, everyone, for joining us today. As I reflect on my first year as CEO, I'm proud of what we've accomplished as an organization. We've moved at pace to make significant progress against our refreshed enterprise strategy; and as we look to the future, we're well-positioned to achieve our ambition to be the number one choice for customers.

I'll begin with an overview of our first-quarter financial performance starting on slide 6. We delivered solid results in the first quarter, building on our strong 2025 momentum despite heightened macro uncertainty. Our insurance businesses generated strong top-line results, with each segment achieving double-digit growth in New business CSM. This contributed to 18% growth in our CSM balance and further strengthened our future earnings potential.

Asia had strong sales this quarter, with meaningful growth from key markets including Hong Kong, Japan, and Singapore. While Global WAM posted net outflows in the first quarter, we saw sequential improvement, including continued institutional inflows supported by the recently acquired Comvest business, as well as CQS. Colin will take you through those details shortly.

From a profitability standpoint, we delivered Core EPS growth of 11%, in-line with our medium-term target. This reflects strong growth in Asia, where Core Earnings increased 22% year-over-year, as well as the positive impact of share buybacks. We delivered this result despite the impact of the transition to eMPF, which moderated Core Earnings growth in Global WAM. It was also a challenging quarter for insurance experience in Canada. Nevertheless, we continue to make progress towards our 18% plus Core ROE target by 2027 and delivered a solid Core ROE of 16.5%, up 90 basis points from the prior year.

Onto our balance sheet, our LICAT ratio remains strong, and our leverage ratio is well below our target, providing us with ample financial flexibility. In addition, our Adjusted Book Value per Share increased 6%, even as we continued to return significant capital to shareholders through dividends and share buybacks.

Moving on to slide 7, which shows the refreshed enterprise strategy introduced late last year. The organization remains highly energized about the strategy with a focus on execution to deliver high-quality, sustainable growth. Continuing our strong momentum from last year, we made meaningful progress executing the strategy again this quarter, which you can see on slide 8.

A balanced and well-diversified portfolio underpins our ability to deliver earnings resilience and long-term value creation. This is why we continue to expand our global reach and capabilities, which have proven to be especially important during periods of uncertainty. We were recently named Asia's Best Insurance Provider for Wealth Management, reflecting our innovative product suite, value-added service, and trusted relationships with our distribution partners across our high-net-worth channels.

In Global WAM, we completed the acquisition of Schroders Indonesia, strengthening our position as the largest asset manager in Indonesia. And we entered into a strategic partnership with L&G, enabling us to leverage complementary strengths in global asset management and distribution and expand access to differentiated investment solutions across institutional, retirement, and retail channels.

In the U.S., we further differentiated our Indexed and hybrid Indexed Universal Life offerings, positioning us well to meet evolving income protection and wealth accumulation needs. We also continued to expand our U.S. distribution footprint and over the past year, our wholesaling team has grown by more than 50%. This expansion enables us to deepen advisor relationships, improve execution and coverage in key markets, and better support the launch of new products and initiatives.

Becoming an AI-powered organization is a key area of focus; and we're accelerating progress through targeted strategic actions. This includes recent strategic partnerships such as our collaborations with Akka and AdaptiveML, which improve our ability to deploy AI at scale with speed and consistency.

In parallel, we're focused on increasing our capacity and accelerating the pace of our technology initiatives. By further leveraging AI tools, our developers drove a 30% increase in productivity this quarter, enhancing their ability to support business growth and develop new capabilities.

In Global WAM, we deployed an AI-powered sales platform in the U.S. Retail that has driven a 40% increase in meaningful advisor interactions and is supporting higher flows. We also continued to roll out AI tools across Asia to enhance agent and advisor productivity, including the launch of a new distributor AI tool in Vietnam and enhancements to our advisor AI tool in Japan. These initiatives support faster access to information, enhanced customer service, and enable further improvements to distributor productivity and wider customer reach.

In the U.S., we expanded our Quick Quote support tool, automating nearly half of preliminary assessments and reducing average turnaround time from days to minutes. These examples illustrate how we're scaling digital and AI capabilities across the enterprise to deliver measurable improvements in efficiencies, customer experience, and value.

And finally, we're committed to empowering health, wealth, and longevity for our customers across all stages of their lives, and we continue to deepen our leadership in this space. During the quarter, we announced a new partnership with Guardant Health, offering eligible customers in Asia access to the Shield Multi-Cancer Detection blood test. We're proud to be the first insurer in Asia to offer this test, expanding access to early cancer detection. In Canada, we've partnered with Osara Health to offer evidence-based cancer support programs to eligible Group Benefits customers, helping them navigate the daily challenges of living with cancer, obtaining treatment, and recovery.

Overall, I'm pleased with the progress we're making. We're taking decisive action to strengthen our competitive differentiation, which is positioning us for long-term success and contributed to our solid operating results this quarter. Our financial and operating performance underscores the strength of our strategy, the discipline of our execution, and the quality of our global franchise. We remain steadfast in our commitment to delivering on our targets and driving sustainable growth, and we're confident in our ability to do so.

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

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

Thanks, Phil and good morning, everyone. This quarter marked another period of solid execution for Manulife through a volatile macro environment. Before opening the line to questions, I'll walk you through this quarter's results.

Let's begin on slide 10 to discuss our top line. We delivered solid new business results in the first quarter with 16% growth in New business CSM, underpinned by double-digit growth from each insurance segment. This was supported by strong APE sales growth in Asia and the U.S. Canada's APE sales declined as growth in individual insurance sales were more than offset by lower large case Group Insurance sales, which tend to be lumpy. In Global WAM, headwinds in active mutual funds in North America Retail and, to a lesser extent, U.S. Retirement, led to net outflows of $4.4 billion.

Turning to slide 11, you'll note a few of the key drivers behind our earnings this quarter compared to the first quarter of 2025. Strong business growth in Asia and Canada, along with the net impact of last year's actuarial assumptions review, drove a higher net insurance service result.

Overall insurance experience improved compared to the prior year, reflecting claims gains in U.S. Life and LTC, as well as the non-recurrence of a P&C provision in the first quarter of 2025, partially offset by unfavorable experience in Canada Group Insurance. I will provide more color on our insurance experience in a few moments.

Moving down the DOE table and onto our net investment result where we saw a decrease of 5% versus the prior year, primarily driven by lower investment spreads in the U.S. Our expected credit loss, or ECL, was a $39 million pre-tax charge, largely in-line with the prior year and our medium-term guidance. Lastly, Global WAM generated modest pre-tax earnings growth.

Turning to slide 12, core EPS was up 11% year-over-year, reflecting strong growth in core earnings alongside the impact of continued share buybacks. Net income for the quarter came in at $1.1 billion, reflecting a charge from market experience, driven primarily by public equity performance. It's worth highlighting that while we're only halfway through the second quarter, most equity markets have largely reversed their first quarter underperformance. We also saw a $242 million charge in our ALDA portfolio, primarily related to lower-than-expected returns across real estate, timber, and private equity investments.

Moving on to results by segment, we'll start with Asia on slide 13. You'll notice that we've expanded our regional disclosures for certain sales and other metrics to now include Mainland China and Singapore on a quarterly basis. This additional granularity gives you a sense of the diversity and scale of our Asia footprint. APE sales increased 11% from the prior year, supported by double-digit growth in Hong Kong, Japan, and Singapore.

After a softer fourth quarter in Hong Kong, focused execution from the team drove 18% year-on-year growth in APE sales, reflecting higher Agency and Bancassurance sales and resulting in record quarterly sales. Overall New business margins modestly expanded, supported by a more favorable business mix. From a Core Earnings perspective, Asia delivered another quarter of impressive results. Core Earnings increased 22% year-on-year, reflecting continued business growth and the net favorable impact of last year's basis change, partially offset by less favorable insurance experience.

Now, moving on to Global WAM on slide 14. Despite generating record gross flows this quarter, net flows were challenged. In Retail, we experienced higher active mutual fund outflows, primarily driven by higher redemptions through third-party intermediaries in North America, including a few large model redemptions in the U.S., while U.S. Retirement outflows were primarily driven by higher plan redemptions.

These were partially offset by strong Institutional inflows, including contributions from Comvest and CQS. We also saw strength across Canada and Asia Retirement, North American ETFs, and Canadian wealth, as well as Asia Retail, highlighting the strength of our diversified platform. Our Core EBITDA margin expanded 60 basis points from the prior year, supported by AUMA growth, the Comvest acquisition, and continued expense discipline, partially offset by the impact of the eMPF transition in Hong Kong and lower performance fees, which can be lumpy.

These factors also contributed to modest Core Earnings growth of 2%. With a reduction in one-time eMPF related expenses incurred in the first quarter, along with more trading days, we expect the Q2 Core Earnings run rate to increase by approximately $25 million. And if equity markets were to hold at current levels, they would provide a tailwind to the normalized amount.

Next, turning to Canada on slide 15. This quarter, APE sales declined 15% year-over-year, reflecting lower Group Insurance sales. This was partially offset by higher sales in Individual Insurance as we saw continued strong demand for our participating life products. Overall, we also saw a decline in New business value. New business CSM, however, increased 13%, reflecting the strong growth in Individual Insurance.

Core Earnings declined 6% year-over-year, primarily reflecting unfavorable insurance experience in Group Insurance, compared with favorable experience in the prior year. This was driven by a combination of higher incidence and lower recoveries in our long-term disability business, along with higher expenses to support business growth and transformational investments. We expect recoveries and experience to normalize throughout the year. And we continue to invest in our Canadian business to improve customer experience and help our customers return to work. The impact of this experience was partially offset by business growth, the net impact of last year's basis change, and a lower ECL provision charge.

Lastly, let's discuss our U.S. segment's results on slide 16. APE sales grew 29% year-over-year, driven by continued strong demand for our insurance accumulation products and translating into robust growth in New business CSM. Core Earnings decreased modestly, primarily reflecting lower investment spreads, though this was partially offset by favorable insurance experience. It's worth noting that this included claims gains in our U.S. life business, reinforcing our view that the unfavorable experience last year was a result of normal course variability rather than the sign of an underlying trend. Also of note, LTC insurance experience was positive across the P&L and CSM this quarter.

Moving on to our book value on slide 17, you'll note we continued to grow our Adjusted Book Value per Share, which was up 6% from the prior year at $39.01, even as we returned $5.3 billion of capital to shareholders over the past year.

As previously announced, our new buyback program began in late February, allowing us to repurchase up to 2.5% of common shares outstanding. Between dividends and share buybacks, we returned $1.2 billion of capital to shareholders during the quarter.

Let's now turn to our balance sheet on slide 18. Our LICAT ratio remains strong at 136%, $25 billion above our Supervisory Target Ratio, and our Financial Leverage ratio of 22.5% remain well below our medium-term target of 25%.

In what remains a dynamic and volatile macroeconomic environment, our balance sheet has held up extremely well. These results highlight the strength and resilience of our capital position and provide us with confidence in our ability to navigate uncertainty while maintaining financial flexibility.

Finally, turning to slide 19, you'll find an overview of our continued progress against our 2027 and medium-term targets. While we face some headwinds this quarter, overall, we are very pleased with our financial performance underpinned by the strength and resilience of our diversified business. Strong underlying business growth and disciplined execution keep us on track to deliver against our targets.

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

John Aiken, Jefferies.

John Aiken - *Jefferies LLC - Equity Analyst*

Good morning. Wanted to drill down the performance in Asia, if I may. I actually want to look at Japan in particular. We've seen several quarters of improving Core Earnings growth. Wanted to discuss what the outlook is for the region, what you're doing in terms of product development and how sustainable are these earnings level or even growth trajectory?

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

Thanks, John, for the question. It's Steve here. As Phil and Colin noted, we were really pleased with the overall Asia results with the strong growth in our new business metrics. And Japan was a key part of that. We're pleased with the new business performance, the APE sales growth, and the value metrics all grew very strongly. What we're seeing there: this is really a combination of a couple of things. First is a continuation of the momentum that we had in 2025. We've been really focused on broadening our product propositions, our portfolio, to cover a wider range of customer needs across distribution channels. And then, we also note that in Japan there can be some quarter-to-quarter variability, somewhat due to market conditions.

We saw a bit of that this quarter, but the fundamentals, the sustainable part, the business performance – that part is sustainable. We've introduced some new Whole Life products; we've introduced ILP products; all of which have hit the mark in terms of customer needs. Our outlook there is quite positive. What we're seeing is that the environment is supportive of insurance, building on customers' needs to build retirement savings. The interest rate environment has helped the attractiveness of insurance products. We're quite optimistic as we look out there, particularly with the products having hit the mark.

John Aiken - *Jefferies LLC - Equity Analyst*

Thanks for the color, Steve. I'll re-queue.

Operator

Gabriel Dechaine, National Bank.

Gabriel Dechaine - *National Bank Financial Research - Analyst*

First question is on the experience in group. Can you break that down between expense and the disability, and why this quarter might be just a bit of a blip as opposed to something we got to worry about for a few more quarters? I mean, I looked last year, it's not like group had a big sales surge, and 2024 was pretty high – I don't know if there's any connection there. Sometimes you have big sales and the pricing with it needs to be adjusted.

Naveed Irshad - *Manulife Financial Corp - President and Chief Executive officer - Manulife Canada and Global Head, Inforce Management and Group Reinsurance*

Hi, Gabriel. Naveed here. Thanks for the question. You highlighted that we did have unfavorable insurance experience in Canada, specifically in our long-term disability business. What we saw there was modestly higher incidence and lower recoveries. It's worth noting though that we're seeing overall less favorable experience in this business across the industry in the first quarter, we did also see experience losses on our travel insurance business due to recent global disruptions, which we do not expect to persist going forward.

Finally, group insurance had higher expenses in the quarter to support recent growth and transformational investment to elevate the customer experience. On the long-term disability, we are taking targeted actions on the business to address the lower recoveries that I previously mentioned.

Specifically in 2025, we started to hire extra case managers as our disability caseloads had exceeded our target levels due to business growth. Again, if you sell the business, you mentioned the really strong sales year in 2024, it did take some time for those disability cases to come in. We did need to really ramp up our case managers to deal with the growth. It does take some time to onboard and train the new case managers. We did see higher expenses and lower recoveries contributing to deterioration in experience. Now, going forward, we do expect Canada segment total insurance experience to improve and trend to get to more normal levels by the end of the year.

Gabriel Dechaine - *National Bank Financial Research - Analyst*

Okay.

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

Gabriel, this is Phil. Just to add, you did ask about sales momentum, and I think the word that Colin used, the adjective he used in his remarks was that group business can be lumpy. I think that's absolutely right. If you look at the next level of detail below sales. In Canada, the individual insurance sales are actually very strong, and that's the driver of the 13% growth in New business CSM in Canada. I would expect that group sales continue to be lumpy. A better metric, actually, for group business is to look at persistency. And our persistency remains strong.

Gabriel Dechaine - *National Bank Financial Research - Analyst*

Okay, great. Now, turning to the investments, I think everybody's focused on private credit exposure, and your disclosures help. I want to ask about the impact of the oil price shock on your Asia footprint. There are different countries that are positioned differently with regards to how it's impacting them – level of reserves they have, for instance. I'm just wondering if you could talk about if there's any impact on consumption or sales that is noteworthy, but more importantly: the credit exposure – whether it's in the public or government portfolio or maybe the corporate portfolio – if you're starting to see any signs of stress that are tied to this issue.

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

Okay, great, Gabriel. This is Phil. Let me take the start. There's quite a lot in there. Then, I'll hand over to Steve on Asia and Trevor on Private Credit.

Gabriel Dechaine - *National Bank Financial Research - Analyst*

Yeah

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

Just in relation to where you started on the impact of the oil price shock and the potential impacts on our business, if I, maybe, start, actually, in the Middle East and highlight that we actually don't have much by way of direct exposure to the Middle East.

To the extent that we do have direct exposure, it's very modest. We have seen in the quarter some disruption to our International High Net Worth business from Middle East customers. However, that's not particularly visible because it's been more than offset by, actually, very favorable momentum in some key hubs in Asia: Hong Kong and Singapore, for example, in the high-net-worth segment, have done very well. In terms of the broader impact on Asia, there's nothing that is currently visible in terms of declines in consumer sentiment.

I will hand over to Steve at this point to elaborate further.

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

Thanks, Gabe. Phil covered it quite well. At this point, you can see from the strength of the Q1 results that we don't see a material impact. We're watching closely for how this plays out over time. As you noted, I think some of the markets are, in Southeast Asia, more exposed to oil supply. But we haven't seen it yet, and our capital positions are resilient and strong, so we feel quite good overall.

I'll pass it to Trevor on the investment-specific.

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

Thanks, Steve. And thanks, Gabe, for the question. So, two elements there. First, getting on the private credit side: most of that exposure is really in the U.S. There's very limited exposure to either the Middle East, or Asia, or, in fact, oil. So, I think very low concern there at all.

Gabriel Dechaine - *National Bank Financial Research - Analyst*

Right.

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

With respect to Asia...

Gabriel Dechaine - *National Bank Financial Research - Analyst*

I meant it more the plain vanilla portfolio – I'm thinking about more.

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

Yeah. Just to the plain vanilla investment portfolio in Asia, it's probably mid-90s investment grade. It's largely government and sort of quasi-government exposures, and even the below investment grade exposure in Asia tends to be sovereigns and quasi-sovereigns in places like Vietnam to match local liability. We're not really seeing anything at this point. I think, as I said, I think the quality of the portfolio is quite strong, so no particular concerns. Thanks.

Gabriel Dechaine - *National Bank Financial Research - Analyst*

All right. Thank you.

Operator

Thomas Gallagher, Evercore ISI.

Thomas Gallagher - *Evercore Inc - Analyst*

Morning. First question: just to follow up on Asia, would you say Q1 earnings are a good baseline to build off of or anything unusual there? Because investment spreads look pretty good and expenses low. Just wanted to see if you would adjust that at all when you think about the roll forward into 2Q.

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

Thanks, Tom. It's Steve here. The short answer is: Q1 is a good baseline to look at for future growth, subject to normal variability, but Q1 is a good base.

Thomas Gallagher - *Evercore Inc - Analyst*

Okay. Thanks, Steve. The follow-up is: there's been some recent M&A activity in the U.S., and just curious how you're thinking about your position and footprint in that market, and whether you think M&A, in that region, may make sense for Manulife.

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

Well, Tom, this is Phil. I think it's probably best for me to take that one. We, actually, quite recently released our refreshed strategy at the end of last year. Our focus right now is on the execution of that strategy. And it's very much an organic focus plus execution of the transactions that we have already done. We have done a sequence of M&A transactions in recent months, quarters, in the last couple of years: CQS, Comvest, as well as Schroders in Indonesia.

I do acknowledge we are in a strong capital position. We have, through our refreshed strategy, expressed appetite to invest not only in Asia and GWAM, but also in our insurance markets in the U.S. and Canada. We have a strong capital position. But the bar is high when it comes to inorganic deployment. I don't rule inorganic deployment out, but the bar is high, and our primary focus is organic execution.

Thomas Gallagher - *Evercore Inc - Analyst*

Thanks, Phil.

Operator

Tom MacKinnon, BMO.

Tom MacKinnon - *Bank of Montreal - Equity Analyst*

Yeah, thanks. Good morning. Question about the U.S. where sales continue to be strong here. Maybe you can provide a little bit as to what's happening here: is it just expanded distribution? Is the product working? How is it working? Is it piggybacking on Vitality, brand strength? Maybe a little bit about the type of products that are driving that growth. They appear to be a bit more CSM type products. To me, that indicates better earnings visibility going forward, but maybe you can dig a little bit deeper into those exceptional sales growth you're getting in the U.S.

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

Thanks, Tom. It's Brooks. I appreciate the question. Yeah, Q1 represented the seventh quarter in a row of really strong new business growth, including the underlying value metrics. We're quite pleased with that, and it's a combination of many of the factors you mentioned and some others. Phil mentioned in his introductory remarks that we substantially increased the size of our wholesaling force over 50% up from a year ago, but, really, more than double from, say, 18 months ago. So, substantial investments there that are paying off nicely. We have a highly differentiated story.

I would say in your own lives, if you think about the hot topics these days: longevity, wellness, things like that – they're some of the fastest-growing segments of the economy. And we continue to be the only U.S. life insurer offering life insurance with those embedded features and benefits – very, very strong appeal there. We've introduced a number of new solutions recently: something called Vitality Pro, which is a companion app to our customer-facing Vitality app. The Vitality Pro is for advisors, and it's intended to drive engagement. Just as we have engagement with our customers around health and wellness, it drives engagement with our advisors and ultimately loyalty. A whole series of initiatives underway there, frankly, with many more planned. Not only do we feel good about the recent growth and the value it's creating, the ability to restore the CSM balance that you commented on, we're quite optimistic about the future as well. Thank you.

Tom MacKinnon - *Bank of Montreal - Equity Analyst*

As a follow-up, are these largely more adjustable type products, i.e. the level of guarantees on these things would be certainly not as high as what's in your legacy book?

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

Great point, Tom. We were really the first U.S. insurer to move away from long-duration guarantees in a meaningful way all the way back 2010. We had substantially migrated away from them. In the past 15 years, our block is virtually entirely adjustable.

Tom MacKinnon - *Bank of Montreal - Equity Analyst*

Okay. Thanks so much for that.

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

Tom, this is Phil. Just to make a connection between what Brooks just said and how we expect earnings in the U.S. to emerge in the future: given this shift from sort of the past of guaranteed products to the future and current state of adjustable products, you would expect the net investment income in our core earnings to actually decline over time. The core insurance component of earnings driven by CSM generation amortizing and then amortizing through earnings – you'd expect that to increase. We should expect that change in dynamics in U.S. earnings. Overall U.S. earnings: I think a good baseline or benchmark for us to look at in terms of run rate is in that sort of Q4, Q1 range that you've seen, $230 million to $240 million US dollars.

Tom MacKinnon - *Bank of Montreal - Equity Analyst*

A bit of a shift in geography, but probably to higher quality items...

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

Absolutely right.

Tom MacKinnon - *Bank of Montreal - Equity Analyst*

...in your DOE. Okay. Thanks for that, Phil.

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

Thanks, Tom.

Operator

Paul Holden, CIBC.

Paul Holden - *CIBC World Markets Corp - Analyst*

Thank you. Good morning. Want to ask you first on the GWAM earnings. So down slightly year-over-year and obviously a few moving parts there. Hoping maybe you can parse it out for us, really, I guess, to get a better sense of sort of how we should be modeling growth going forward. Maybe if you can provide any further breakdown on sort of the eMPF impact, impact from the recent Comvest acquisition, et cetera. Again, anything you can help us sort of with to model what kind of growth rate we should be using going forward. Thanks.

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

Yeah. Great. Thanks, Paul. It's Paul here. I'll take the question. Yeah, in terms of the run rate earnings this quarter, as Colin mentioned, they were lower than our expected run rate for the quarter. We did have some one-time items. Just to clarify, the impact of the MPF is reflected in the quarter, and it is consistent with our guidance of USD25 million -- that was about CAD33 million in the quarter.

But there was also some one-time costs as we transitioned and moved in Q4 to the new platform. We do need to decommission systems, FTE, et cetera, and there are some other one-time items. When you adjust for those, and if you're looking, I guess, for outlook for Q2, as Colin mentioned, there's two fewer calendar days in Q1 as well. So, in terms of run rate for Q2, if you adjust for those items, recognizing the calendar days, and if you look at where markets would be as of now, you should expect a run rate to be approaching the $500 million mark.

Paul Holden - *CIBC World Markets Corp - Analyst*

Okay. That is helpful. Thank you. Sort of similar question on the net investment earnings or expected investment earnings, because those declined – I think it was 10% year-over-year. Obviously, you're actually growing the underlying assets, and again, I guess a number of moving pieces there. If there's any way you can kind of parse that out and help us understand what that should look like for the remainder of the year – would be super helpful. Thank you.

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

Hi, Paul. it's Trevor. Thanks for the question. Yes, in terms of expected investment spread, as you noted, it was down. That was really largely driven by all the sales, all the reinsurance that we executed, I think, at the beginning of last year, as well as some other normal course ALDA portfolio management trades in the U.S.

I would also expect to see some variability from quarter-to-quarter in this line, given sort of differences in the timing of asset maturities and other changes between assets and liabilities on the balance sheet. We did actually see some spread compression in the quarter as well. As Phil mentioned, I think we would also expect to see a slow shift in earnings from this line towards insurance service result over time. You should expect to see that in coming quarters as well. I think in terms of modeling, as a base, I think Q1 is probably a reasonable base to use. Thanks for the question.

Paul Holden - *CIBC World Markets Corp - Analyst*

Okay. Thank you.

Operator

Alex Scott, Barclays.

Alex Scott - *Barclays Services Corp - Equity Analyst*

Hi, good morning. First thing I wanted to ask about is just if you could provide a high-level update on how you're viewing remittances for this year. I know you have a longer-term plan that you've set but would be interested in any commentary you're offering up and just broader thoughts on the balance between growth and remittance.

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

Hey, Alex, it's Colin here. Remittances, as you remember: we introduced a $22 billion cumulative remittance target at our Investor Day. That would imply a $5.5 billion run rate going forward for those years. We've actually exceeded that each year and continue to look favorably on remittances. There's a couple of reasons behind that. One is the shift in our product mix to quite capital-generative products, low new business strain – that helps a lot. Two is the underlying capital strength of each of our subsidiaries. And so, we've been able to really produce good capital generation in each of our markets on the back of a strong capital foundation. We've had a couple of capital regime changes: you've got Hong Kong and right now we're working through Japan.

Both of those have actually worked in our favor because they bring the capital regime on a local basis, closer to our consolidated capital basis. Everything works towards quite a good outlook for capital generation. We said before that you should expect 60% to 70% of our earnings to convert into remittances, and we stand by that. That gives us a nice little buffer every year compared to the 35% to 45% dividend that we pay out. Everything's looking very good for remittances, actually.

Alex Scott - *Barclays Services Corp - Equity Analyst*

Great. Thanks for that. Second question is on the GWAM net flows. I'd be interested in any commentary you'd provide on the outlook, thinking through the different moving pieces there. I think in your commentary, you also mentioned some AI implementation that was benefiting your retail wealth management interactions. Is there any evidence that that is going to convert to flows as well?

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

Yeah, Alex, it's Paul here. I'll take the question. In terms of the flows, we're actually quite pleased with the momentum of the business this quarter. If you look at gross flows, it was $56 billion. That was a new record for us. It was up 13% versus prior quarter and 15% from the prior year. We also had a record quarter for ETFs across our retail businesses in North America.

So the momentum from a top-line perspective is actually quite strong. The softness came through on the redemption side in a couple of specific areas. The first is just general industry pressure and active management in North America. Colin mentioned that in his remarks. Within that, we had two model redemptions late in the quarter where partners were reallocating asset mix. It wasn't performance-related changes, but it was asset mix, and it did impact us. That was worth $3.4 billion of the $4.4 billion of outflows in the quarter.

The other area was U.S. retirement, as Colin mentioned, primarily from higher withdrawals, but not from a rate perspective. As markets continue to do well, that increases the dollar amount of withdrawals at the participant level and creates a little bit of a headwind on flows, but, obviously, a tailwind as it relates to fee revenue on the asset base. Then, if you look at the businesses within there, it's pretty broad-based on the others. We had a positive net flows in our institutional business, again, that was positive contributions from CQS and Comvest.

Asia retail and retirement were positive, our North America wealth and Canadian retirement business were also positive net flow. It's pretty broad-based. We have a couple areas, obviously, we're focused on. In terms of outlook, we're cautiously optimistic of our flows, particularly considering the strong top line. However, I would say we do expect some of these pressures in act, with market uncertainty to persist. We're still confident that we can get back to positive net flows over long term and with, to the extent, market uncertainty – starts to get some clarity there, we would expect our net flows to slowly improve over time.

As it relates to your AI question, it's a great question. We've been investing significantly across the business, across all of our distribution platforms, and we are seeing the benefit of that. One of our strategic levers is making our wholesaling team more productive but also extending the size of the team. That will take some time to do, but we're seeing the benefits of the productivity with AI. As we also expand the teams globally, we should expect that to come through our top-line results as well.

Alex Scott - *Barclays Services Corp - Equity Analyst*

Got it. Thank you.

Operator

Darko Mihelic, RBC Capital Markets.

Darko Mihelic - *RBC Capital Markets Inc - Analyst*

Hi. Thank you. I just wanted to revisit the U.S. business for a moment. Phil, in your answer to a previous question, you mentioned that the investment earnings should be lower as a result of the sort of the change product mix. Presumably, maybe there's some ALM matching going on, and you're changing the investment portfolio. In Colin's remarks, it was spreads, like investment spreads were lower. So my question: is it really, like, spreads? As you continue to alter the investment portfolio, the expected investment returns will be even lower than the current run rate going forward. Maybe you can just provide a little more color on the two sort of forces there that are impacting that and give us a sense of the run rate going forward would be helpful for the model.

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

Hey, Darko, it's Phil. Thank you for asking the question. It's quite a technical question. I will hand over to Trevor in a moment. I think the reality: there are various factors going on here, various factors at play. One is a very commercial factor that our new business mix in the U.S. is exclusively focused on or very much focused on the adjustable products, so universal life type products. That gives rise to future earnings that don't come through the net investment result line – it emerges through the core insurance result line. That's one dynamic that will happen over time.

Another dynamic is the fact that in recent years, including just over a year ago, we have transacted on some quite significant reinsurance transactions, and that relates to components of our business that, as those transactions have been executed, have resulted in a lower net investment result in our drivers of earnings analysis. I think another sort of related factor is the fact that as we have reduced our legacy portfolio, as a result of reinsurance as well as organic runoff, we are reducing our holdings of ALDA within the guaranteed segment. All of those factors are at play.

Trevor, is there anything that you'd like to add to that?

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

Not really. I think you've basically covered it. I think we have been selling down ALDA. That's obviously a driver of lower expected investment spreads going forward. I think Colin's point, obviously, lower spreads are a little bit of a headwind. But I think it's a slow emerging headwind. Though, the ALDA impacts, I think, are much quicker to manifest themselves. I think as Phil had said earlier, there is a sort of a geographic shift going on as well, effectively moving overall earnings from expected investment spread into CSM amortization over time.

Darko Mihelic - *RBC Capital Markets Inc - Analyst*

This is a good run rate? Is this the way I should factor it into the model from here?

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

Yes. This is a good run rate.

Darko Mihelic - *RBC Capital Markets Inc - Analyst*

Okay. Thank you.

Operator

Mike Rizvanovic, Scotiabank.

Mike Rizvanovic - *Scotiabank GBM - Analyst*

Good morning. Just a quick one maybe for Colin. Just wanted to get some more color on the ALDA, maybe an update on what drove the negative experience in the quarter. I guess, more broadly, more high level, should investors be concerned about maybe a change in that run rate assumption, which I think would impact your Core EPS as presented today? The 9% or 9% to 9.5% assumption, is that something that's being thought about as maybe for potential change?

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

Hey, Mike. I'll quickly pass over to Trevor on that because there's actually quite a lot going on in the ALDA portfolio.

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

Thanks, Colin. Thanks, Mike, for the question. Firstly, just in terms of performance on the ALDA portfolio for the quarter, it was actually similar to Q4. We were, however, adversely impacted by a fire on one of our large Australia timber assets, and that generated a one-off charge of about CAD50 million for the quarter. If you adjust for that, the quarter was actually better with most of the portfolio showing continued improvement, with infrastructure being quite strong while real estate was, again, largely flat. In terms of the assumptions, I mean, these are very long-term assumptions. They're not set for any specific year. They're also basically a forward-looking assumption rather than retrospective.

While we do look at our own and benchmark experience, we also look at market expectations and current transactions that we're underwriting generally with return expectations well above our long-term assumptions. You know, throughout the rest of the year, we will go through that process again. I think given the factors that I just mentioned, I think, changes in the asset mix over the last few years, including sales of underperforming office real estate, I think we do still feel the assumptions are appropriate for long-term forward-looking ALDA assumptions. Thanks.

Mike Rizvanovic - *Scotiabank GBM - Analyst*

Yeah. Just a quick follow-up, I guess it sounds like you do have the ability to shift that portfolio into something a bit more conducive to higher returns over time. You still have a lot more potential work to do there, or is it sort of later innings?

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

I think it's just normal course portfolio management. We are generally making ongoing changes to the portfolio, selling things that we think are that are at a good time to sell and buying things that we think are sort of relatively cheap, and that's how we basically managed the portfolio for the last 20 years. I think that is our expectation, that we will be transitioning into assets and asset classes that will meet those long-term assumptions.

Mike Rizvanovic - *Scotiabank GBM - Analyst*

Great. Thanks for the color.

Operator

Tom MacKinnon, BMO.

Tom MacKinnon - *Bank of Montreal - Equity Analyst*

Thanks. With respect to the reported, the impact from public equity markets seemed to be a little bit more severe than your, you guys do a pretty good job of outlining sensitivities and providing how to try to model that. We do have equity markets, particularly in the U.S. that are heavily weighted to Magnificent Seven. Is that probably why the impact was more pronounced in the first quarter, in terms of a negative impact, or just some color with respect to that? Thanks.

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

Hey, Tom, it's Trevor again. Thanks for the question. Yes, in terms of the market impact that you're seeing relative to the sensitivity: there was a larger than expected non-core charge given weak performance in some equity markets. It was really focused on the U.S. To your point, it was worse than the sensitivities, but it was largely driven by more active fund underperformance relative to local indices in what was a pretty noisy quarter. It wasn't really specific to the Magnificent Seven.

Tom MacKinnon - *Bank of Montreal - Equity Analyst*

Yeah. Like, do you think, maybe more of a question, the reported number that really impacts really the book value – I think the book value per share was probably better than people were looking for. How do you think those who look really at the reported number, do you believe they should be looking more at the book value that comes out at the end of the day? If that's better than anticipated, doesn't that indicate reasonably good quality?

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

Yeah. Tom, it's Colin. I'll take that because it's such a great question and a great debate. Do you stop at core earnings? Do you go to net income? Do you look at book value? Do you go to adjusted book value, which was up even more, actually 6% and 8% excluding FX. I personally believe that book value and book value growth encompasses everything that we or you are exposed to as a shareholder or an analyst. Book value growth is really important to us.

Obviously, on a per share basis, it's adjusted for the buyback, so that's helpful. Yeah, we saw modest book value growth this quarter, in part because of equity and ALDA underperformance. Bear in mind that equities, if markets stay where they are, should or should reverse and some. So continued book value growth and a reasonable outlook for that.

Tom MacKinnon - *Bank of Montreal - Equity Analyst*

Thanks.

Operator

Mario Mendonca, TD Securities.

Mario Mendonca - *Cowen and Company LLC - Analyst*

Good morning. Can we go back to the GWAM business for a moment? It's a business where I've become very accustomed to seeing solid positive operating leverage and margin expansion. I appreciate you're going through a transition here with the eMPF. My question is this: as you look forward a year from now, would you expect the revenue, the EBITDA margin, revenue margin to be higher? Would you expect to be delivering positive operating leverage? Once you are through this period, is it a few more quarters? Is it a few more years of transition? How would you characterize that?

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

Yeah. Hey, thanks, Mario. It's Paul here. The short answer to the question is you should expect margin expansion going forward, subject to regular markets and growth. As we discussed in the past or provided guidance, we try to manage our expense growth to 50% of revenue, and we still think we can do that with the investments of GenAI and efficiency. As we mentioned, the transition to eMPF, it is behind us. It has happened. We had some one-time costs in Q1 that will not recur in Q2. From this point forward, we provided kind of that new run rate go forward. From that, you should expect us, subject to markets obviously, to see margin improvement over time.

Mario Mendonca - *Cowen and Company LLC - Analyst*

Do you have an outlook for the EBITDA margin over the next 12 or 24 months?

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

Well, the outlook is we do have the Investor Day target that we set for next year of 30%. We feel good that we're on track to achieve that target. Again, if you look at just where we were Q1 of 29%, looking forward with market growth and our ability to manage expenses, again, we feel optimistic in terms of our outlook to achieving that next year.

Mario Mendonca - *Cowen and Company LLC - Analyst*

Okay. That brings me to the Investor Day was still -- was pretty important, so I think it's a reasonable time to ask you: does the 18% in 2027 still feel achievable? If so, how do you bridge that gap from the 16.5% today to 18% in 2027?

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

Let me start, Mario. It is Colin. I think the 16.5% is impacted by some seasonal factors in the first quarter, and I'll highlight a few. Paul talked about calendar days for GWAM. Actually, our group benefits business always exhibits an element of seasonality in the first quarter as people submit claims at a different period during Q1 versus other quarters. The P&C earnings have historically emerged much more in the second half.

Even if you look at last year's ROE numbers, the second-half ROE numbers were 18.1%, 17.1%, much closer to our target. So, while the 16.5% does seem like quite a leap to the 18%, it is 90 bps higher than Q1 last year. So, we are making progress. We've got plans in place to get us to 18%. It does need very strong execution, and that's exactly what Phil is driving through the organization with his comments around all about execution of the refreshed strategy. So, it's absolutely a big focus for us, and we have plans in place to get there.

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

And, Mario, this is Phil. Just to be clear, we stand by the 18%-plus Investor Day target by the end of 2027. I expect to see improvements from where we are at the moment: 16.5%. It's an improvement year-over-year, and I expect to see improvements as we go through 2026.

Mario Mendonca - *Cowen and Company LLC - Analyst*

Thank you.

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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