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EDITED TRANSCRIPT

MFC.TO - Manulife Financial Corp at Desjardins Inaugural Toronto Conference

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CONFERENCE CALL PARTICIPANTS

Doug Young *Desjardins Securities Inc - Analyst*

PRESENTATION

Doug Young - *Desjardins Securities Inc - Analyst*

We have Colin Simpson, CFO of Manulife Financial.

You've been CFO now for how many --?

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

2.5 years, I think.

Doug Young - *Desjardins Securities Inc - Analyst*

2.5 years.

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

Yeah. Exciting times, but I met you before I was CFO of Manulife.

Doug Young - *Desjardins Securities Inc - Analyst*

When you were at Aviva.

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

That's right.

Doug Young - *Desjardins Securities Inc - Analyst*

And that was, well, this was when you were in [Aviva] Canada.

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

That's right.

Doug Young - Desjardins Securities Inc - Analyst

And it's been a while. Thank you very much for participating in the conference – our inaugural conference in Toronto. We do appreciate that, and I think it's -- I've been starting with big picture kind of strategic priorities, but you're a bit different because you've come out with a refreshed strategy and a video with it, which is interesting.

QUESTIONS AND ANSWERS

Doug Young - Desjardins Securities Inc - Analyst

So, maybe you can talk a bit about the new refreshed strategy. More importantly, what's different? Maybe, I'll start there, and then we can kind of dig into it a bit.

Colin Simpson - Manulife Financial Corp - Chief Financial Officer

Yeah, Doug, I think, when you look at a company like Manulife, we've got so much forward momentum and we issued new targets last year to generate an 18%-plus ROE. I'm sure we'll get onto that. It wasn't the time and the place to go, "We're going to throw everything out and start all over again", because we've just got such good momentum and we've got a new CEO who's been in the business for a decade.

At the same time, we wanted to send a message that this is a different company. And I'll give you a classic example. I think if you'd listened to this conversation, maybe when I joined Manulife, you would have heard a lot about Asia and GWAM. And it's like Asia, GWAM, Asia, GWAM. That's what we want to be. We want to be a wealth and asset management, bigger in Wealth and Asset Management, and we want to have 50% of our earnings come from Asia.

Today, it's a bit more balanced, in that you know what, we still want to be much bigger in Asia and Asset Management, but we've got these great businesses in Canada and the U.S. And so we want to grow those as well because we want to be that stable, global champion that people gravitate towards. Because when I look around, and that's what drew me to Manulife, is I genuinely don't feel that there are other life insurance companies that offer the same level of geographic diversification that we do and quality of earnings.

And so if we can grow them together, then that protects us in a very uncertain world. So, that's different. And then we use the opportunity to really underscore how important AI is, distribution, people, and culture; and then, also health, wealth, and longevity.

Doug Young - Desjardins Securities Inc - Analyst

Yeah. AI came up, and you gave a specific dollar target. Can you define what goes into that, cost versus other items that would go with it? I think it was \$1 billion.

Colin Simpson - Manulife Financial Corp - Chief Financial Officer

That's right. \$1 billion of value created from AI and that will come through three areas: just straightforward earnings increase, that will often come from operational efficiency. The other is CSM growth. And for those of you who are not familiar with life insurance, CSM is really our store of future earnings. So, if we're able to grow more through AI, then that's going to increase our CSM. And the third area, which is going to frustrate you probably the more out of the three, is cost avoidance. Because I'd love to say to you, we made -- and I get told this all the time as the CFO, "You should be really happy. We have avoided \$500 million of costs". And I was like: "Well, actually, I didn't even know we were at risk of losing that \$500 million".

So, cost avoidance is something that is important to us, and we need to work on it but it's not something that you track as a separate item, nor should you; and it doesn't feed into earnings. So this is a long way of me saying: "The \$1 billion is real, we're going to track it, but it's not necessarily going to drive the \$1 billion of incremental earnings".

Doug Young - Desjardins Securities Inc - Analyst

So when you talk about CSM growth, how does AI grow CSM?

Colin Simpson - Manulife Financial Corp - Chief Financial Officer

Yeah, sure. So, when you think about what AI can do for us and -- a lot of our business, particularly in Asia, comes from agents and distributors. When you think about how an agent goes out to hunt for new business, they wake up in the morning and they go: "Who am I going to call today?" And we have an AI tool that says: "Today you've got one of your clients, Peter; he has just had a kid. Why don't you congratulate him for having a kid and then offer to sell them three different products?"

And then the agent goes, you know: "I've just woken up. Good idea". And up pops an email that scribes to Peter and they go: "Hang on a minute, I actually know Peter a lot better than how you've written. You've written it quite formally. Let's try again". You press another button and it's like: "Hey, Peter, great news on the kid. Can't wait to see you next week".

That drives extra sales and that will increase our CSM. Our ability to reprice products and to be faster to market will drive CSM. We have this quick-quotes process in the U.S. where distributors send us a quote in and they say, "Oh, I've got a customer that I think are looking for life insurance. These are the biometrics. This is the information". And we send back a quote straight away.

It's quick. And that, in itself, allows the customer to say, "Hey, would you be interested in life insurance? I think it's going to cost you \$200 a month". Those are the sorts of things that drive CSM growth.

Doug Young - Desjardins Securities Inc - Analyst

Yeah. So, when you look at those three buckets, is it equal?

Colin Simpson - Manulife Financial Corp - Chief Financial Officer

Don't know. Honestly, don't know. We're at that stage of Gen AI and AI that we are exploring a lot and we just don't have all the answers.

Doug Young - Desjardins Securities Inc - Analyst

Yeah. So, then the other big part of the strategy has been the Legacy business. Marc, who recent -- who ran the legacy business, he did corporate development as well recently. Naveed, who's excellent, is now in charge of legacy, but he's also got a day job running Canada. And so, is this to infer that maybe there's less to do on that side in terms of the legacy businesses, in terms of reinsuring? Thoughts on that.

Colin Simpson - Manulife Financial Corp - Chief Financial Officer

Yeah. I think, by definition, because we've already done three deals, those are three deals that we don't have to do going forward. So sure, the pipeline of deals is now smaller because we've successfully done three deals. I think when I'm talking about the three-year journey that we've been on, which is easier for me to talk about because that's my tenure, we had a lot of concern over the validity of our assumptions related to long-term care.

And so, it took external transactions, highly respected external parties, validating our reserves through a transaction to get people to say, "You know what, maybe these reserves are current. Maybe management has more than just their words to put behind the reserves". So, I don't feel we need to do them quite as much. Do I want to do more LTC deals? Absolutely. I think we've got just over USD30 billion of long-term care exposure on our balance sheet. It's going really well. The experience is quite positive. We've just had an assumption review which turned out to be neutral. But the reality is, it's not a business we write going forward, and so, should the opportunity come for us to reduce it, we will take it. But just like the last transaction we did with RGA, it's not like the market turned around and gave us a huge re-rating on the back of the last LTC deal. We didn't necessarily outperform. I'm not expecting this to be a watershed moment in the investment thesis for Manulife, but that doesn't mean we shouldn't pursue it.

Doug Young - Desjardins Securities Inc - Analyst

Yeah, okay. Am I in the ballpark if I thought 25% to 30% of your equity was back in the legacy businesses? To be fair, it used to be 50%. And it's down quite a bit.

Colin Simpson - Manulife Financial Corp - Chief Financial Officer

We steered clear of putting a ring fence around legacy because the second reinsurance transaction that we did was not technically in the legacy bucket. So we steer clear around labels, but I'm not offended by that guess.

Doug Young - Desjardins Securities Inc - Analyst

Well, I would say legacy too. It's not just long-term care insurance. I would say there's opportunities probably to reinsure secondary guarantee UL stuff and your annuities are just some of the things to cite.

Maybe we can move on to the division side of things. Asia continues to be a big part of the strategy; that hasn't changed. You got some headwinds from the eMPF. You got some tailwinds from the accounting change that came through this quarter related to health products in Hong Kong.

There's some puts and takes. Maybe you can talk about some other puts and takes. But are you still comfortable with that 2027 target of mid-teen Core Earnings growth and 21% ROE? You don't give ROE by division, but where would you stand relative, or maybe I'm wrong, but maybe where would you stand relative to that 21%?

Colin Simpson - Manulife Financial Corp - Chief Financial Officer

Once a year we give ROE, so we'll give it at the end of the year for the full year. I think our last printed number was 19%. I'm seeing a nod in the audience; that's very helpful. So we're very close to 21% Core ROE for the Asia segment. So, feeling really good about that.

Puts and takes, you've called them out quite well. I mean, the reality is that in Asia, we're selling to people who haven't bought policies before. So the natural demographic growth that we are offering our customers is incredible. And that's a huge benefit for being with Manulife. We see CSM growth that other companies don't see to the same extent. And so, that in itself is great.

And then when you look at the wealth hubs that come from Singapore and Hong Kong, and we recently opened an office in Dubai, that's an attractive opportunity. So, when you consider, is it all about hopefully, Asian markets grow and demographics take us through? Well, yes, but at the same time, we're seeing centers, wealth centers, pop up in the world that weren't there before.

And we want to be there and we want to be a key part in people's savings decision. And that's serving all parts of demographics from people who've never bought an insurance product before, to people who have quite a lot of money and who are looking to diversify their wealth.

So, lots of tailwinds in Asia. On the headwinds, we're in 14 different markets when you include asset management. And these markets all operate independently to a large extent, so some things can happen that you don't expect. But our diversification allows us not to be derailed by any particular market that has an issue.

Doug Young - Desjardins Securities Inc - Analyst

So, no change to the targets. And then, you've talked about entering, or you are entering the Indian insurance market. And so, it wasn't long ago in India that there were some issues around the selling in unit-linked products, lapsation and, I mean that was a while back. And it seems like it's worked through the system, and the mix has changed, and the economics have changed.

Is that your sense? Are you getting in at a period of time of inflection or is it already inflected in India or --?

Colin Simpson - Manulife Financial Corp - Chief Financial Officer

I mean, let's also be clear. It's going to take 12 to 18 months before we start a single policy. So, this is not Manulife trying to time the market. This is us taking a very long-term view on a mega economy – and three mega economies: China, U.S., and India. And fantastic that we're now on all three of them.

I feel that the regulatory environment in India has improved quite a lot. Whether it be foreign ownership limits, whether it'll be banks opening up their shelves to more providers, some of the product structures, I think that's benefited a lot. But also, the Indian consumer is incredibly digital native, and so the opportunity for us to sell through maybe channels that weren't quite as developed as they were 20 years ago is extreme.

And so we've also -- and being a fast follower, well, we're not necessarily fast, but being a follower, it also gives us the opportunity to see where others have made mistakes and avoid those. So, it's a combination of a lot of factors, but as I said, it's going to be a long time before we get the business up and running. A long time, 12 to 18 months, before we sell a policy. And then we've got to scale the business in a way that is responsible as well. It's going to be exciting for us and it's going to be exciting for the future generations of management.

Doug Young - Desjardins Securities Inc - Analyst

So three to four years before you break even, is that typical? Depends on sales?

Colin Simpson - Manulife Financial Corp - Chief Financial Officer

You know, I think that's not unreasonable.

Doug Young - Desjardins Securities Inc - Analyst

Yeah. The other region that you were in way back in the day you're not in is South Korea.

Colin Simpson - Manulife Financial Corp - Chief Financial Officer

Yeah.

Doug Young - Desjardins Securities Inc - Analyst

Any interest in other regions in Asia, and not just ones that popped up?

Colin Simpson - Manulife Financial Corp - Chief Financial Officer

No, and I won't go into South Korea in a lot of detail because the local players there, Samsung Life, they're dominant there. It would be very difficult for us to come in there and make inroads.

Geographic expansion is not key to us beyond the India debate, which we've been having for a number of years. We feel that we've got wonderful opportunities on an organic basis and plenty to keep us busy with, and that we don't need to go to new countries or regions.

Doug Young - Desjardins Securities Inc - Analyst

And then lastly, just on Asia, like I think it was many Investor Days ago, that it was conveyed that maybe China would one day contribute more in Manulife than Canada would.

And so it always stuck with me, and clearly that hasn't been the case, and there's been a bunch of headwinds, and we don't need to kind of do a full history lesson. But what is the outlook for China – a big country, a lot of population, underpenetrated, hard maybe to drive the profitability that you expected?

Colin Simpson - Manulife Financial Corp - Chief Financial Officer

We own a 51% JV in China. So not all of the earnings go to us. We've got a fantastic JV partner in Sinochem. I think what you just described, and maybe the hope for China's contribution to Manulife's earnings not materializing in the same magnitude is exactly why we're pursuing a balanced strategy. It is very difficult in today's day and age to figure out where what economy is going to be the number one winner. What geopolitical environment is going to happen? And so, we need an element of diversification.

Did China, you know, not grow quite as much? Did we expect the Chinese's long end of the yield curve to be where it is now? Absolutely not. But we take a prudent approach when we write insurance products; we're not overly exposed.

I like our position in China because I think some of the regulatory change that's happening in the market is something that we've seen elsewhere in the world. We're able to adapt to it quite well. Our product suite is not overly exposed to the long end of the curve going down. When you look at the foreign insurers' share of profitability for the industry, it's only 8% and that's grown a couple of percentage points. In my opinion, that 8% is going to grow and we're going to be a key beneficiary to it, but the bigger contribution for the foreseeable future will be from Hong Kong.

Doug Young - Desjardins Securities Inc - Analyst

Yeah, okay. And then maybe going out of Asia to the U.S. renewed, kind of, focus strategy. At some point, if you're running off a business, you have to either sell or grow, and I guess that's kind of where we're at in the period of time where you're looking to grow. And maybe I'll ask it this way: what will the US division look like in four to five years; like, very simplistically, size or ROE or return, however you want to describe it?

Colin Simpson - Manulife Financial Corp - Chief Financial Officer

So the U.S. right now, makes about USD\$250 million – that's what it made in Q1. And we had two quarters of adverse mortality experience that shouldn't happen. And so we need to have stable mortality experience and overall policyholder experience. I think in some time, our long-term care reserves will peak. And there will be a natural decline in earnings from long-term care business.

That is good in the sense that some of that risk is running off, but it's also a challenge because it means our earnings are not going to grow at double-digit unless we do something about it. So, I would say that \$250 million grows steady single-digit earnings. And what's important is that we don't see declines. If you look back over the last two to three years, you've seen the U.S. earnings come down because we have done transactions that have reduced earnings, and we have had a basis changes that have right-sized the earnings of that business.

So, we need to make sure that we harvest what is a fantastic brand in John Hancock. We've got the licensing rights to Vitality on behavioral insurance. We're going to really empower our customers to live longer, healthier lives, and they're going to reward us by being loyal [and great risks]. I feel really good about the U.S., but I don't think we're talking step change here. I just think it's a strong commitment to growing the earnings in a stable, responsible fashion.

Doug Young - Desjardins Securities Inc - Analyst

So when does that pivot point happen in long-term care?

Colin Simpson - Manulife Financial Corp - Chief Financial Officer

We're a few years out. Again, it changes with basis changes, but it's certainly not in the next two to three years.

Doug Young - Desjardins Securities Inc - Analyst

Yeah, okay. Canada, renewed focus on Canada. Again, mass market, what's driving that? What areas? Can you give some examples of where you think you can take some market share?

Colin Simpson - Manulife Financial Corp - Chief Financial Officer

Really, the obvious place to look is where we don't have the same level of market share that we have in some of our individual business or group benefits. So, a classic example is the bank. We have the number eight bank in the market. It's core to us. We now believe that there's opportunity for us to take market share. We're not talking about huge market shares against much bigger competitors, but it's just an opportunity for us to do more with what we have.

I think the health space in Canada is really interesting. And so, when you look at the current balance of provision of healthcare between public and private, is that going to be the same forever? I don't think so. So, can we take more market share, not necessarily from our competitors, but maybe from what's done by other providers in a way that is responsible and a win-win? So that'll be a gradual win.

At the same time, can we improve our customer experience? Can we improve our systems? Can we use AI to become more efficient? All of those are absolutely yes. But Canada's a fantastic country to operate in – margins are good, margins are stable. And there should be -- once we get to a more normalized population growth, that provides some decent GDP growth and, again a great economy to be a leader in.

Doug Young - Desjardins Securities Inc - Analyst

Okay. Capital – excess capital, buybacks. You know, you've been active; you bought back \$1.74 billion year-to-date, '25, I think, is -- you've got \$6 billion of excess capital and capacity. By our math, you expect 60% to 70% of Core Earnings to be Cash Remittance and \$6 billion this year.

Why not be more aggressive on buybacks? And I know you've got the Comvest deal that you're spending money on, but it seems like you've got a lot of flexibility. Or is there a renewed focus, potentially more on M&A? You've done the Comvest deal. Is there other areas where you see opportunities to capitalize on acquisitions?

Colin Simpson - Manulife Financial Corp - Chief Financial Officer

I can see why buying back stock makes a lot of sense for us, and that's why we bought back 5% last year and why we're buying back 3% this year. And it definitely acts as a, you know, to gear up our Core EPS growth.

The question mark that I think every good management team should ask themselves is: can we get synergies from buying something else? Is there a gap in what we offer that we need to plug in? And clearly, Comvest was one of those gaps. We didn't have a private credit manager that we used or built in-house. And so that was a fantastic opportunity for us to plug a gap.

But it wasn't at the expense of a share buyback. I'm very focused on making sure Manulife is not just all about being a share buyback because that lacks the ability to create value through real growth. And so, I think it's a great tool. And I will say to you, if we don't buy back stock, if we stopped our share buyback program, it would be incredibly difficult to hit our 18% ROE target. So, it is a tool that we use and we see good use in. But I want Manulife to be more than just a company that earns money and then gives it back to shareholders through share buyback despite it being the reasonable tailwind on the share price, I suspect.

Doug Young - Desjardins Securities Inc - Analyst

Yeah. Has the tone changed on M&A in the last six months to a year?

Colin Simpson - Manulife Financial Corp - Chief Financial Officer

Yeah. It definitely has, but not because we're like, "Oh, you know, let's -- we've got money that's burning a hole in the pocket and let's go out and buy it". I think it's more under Roy, our former CEO's leadership, we had so many fires to fight. It was like, we've got to go out and do reinsurance transaction to do. We've got to right-size expenses. We had so many different fires to fight along the way since 2017.

Now, we've got Phil in, and he's come at a time when it's like, "okay, we've done a lot". And, actually, when you have a share price that has better reflected valuation itself, it allows us to think longer-term as opposed to, well, the real job of the day is to try and get our share price to adequately reflect the quality of the business. And we're getting closer to that point. But when we traded at 21 forever, it was much more -- it was very difficult to take a 10-year view and take the view that, "oh, I'm sure investors will be fine if we don't show demonstrable progress in the near term".

Doug Young - Desjardins Securities Inc - Analyst

Yeah. What would be the areas of interest in M&A? Is it Asia? Is it Wealth? Is it --?

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

I would look at any opportunity in Canadian wealth. I think that's a wonderful -- it's a great market for us, great brand, margins are attractive. And so, anything we would do there, I think would look good. I think within the U.S., anything that adds to our scale. And if a small book of retirement business came up for acquisition, I think to add to our \$260 billion of retirement assets, that would make sense.

I don't think chasing wealth in the U.S. makes sense from where we're coming from. And then in Asia, you've got distribution agreements that come up from time to time that we absolutely would look at, but nothing transformational. We've got a lot of exciting opportunities organically, actually.

Doug Young - *Desjardins Securities Inc - Analyst*

And then you brought up ROE, or probably 16% give or take core ROE by our math in '25, target 18%-plus. Buybacks could be a big contributor. You know, you've got a lot, like, I calculate 1% of LICAT at 25 basis points to ROE. So, you know, you more than easily can add 1 to 2 percentage points by bringing your LICAT up. But like what's that path from 16% to 18%?

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

I think a better place to start is the Q3 number because the basis change did change the earnings trajectory a little bit, \$30 million a quarter. So, I would take the -- we had an 18.1% ROE in the third quarter of this year. If you normalize for credit and some of the tax benefits we've got, you get down to 17%. So, 17% versus 18%-plus by the end of 2027, we're not far off. On top of that, you've got adverse mortality. So, if mortality normalizes, that's going to be a tailwind.

We still got a buyback program to complete this year. I made some other comments on buyback programs. So, that's a lever to build to get there. And then on top of that, we've got -- we're growing well. Our CSM growth is double-digit this last quarter and so that should feed future earnings. But one of the great things about IFRS 17, and this is another thing that's been underappreciated, is it produces quite stable earnings.

So we should be a lot more boring than sometimes we trade. And part of that is because our earnings stability is underappreciated. So, I don't have too many rabbits that I plan to pull out of a hat to get to the 18%. It's just lock and tackle, get the earnings up. If buybacks makes sense, do the buyback and get to the 18%.

Doug Young - *Desjardins Securities Inc - Analyst*

Yeah. Well, with that, I know we're coming down towards the very end here. But I'll pass it over to you for any closing remarks or anything you want to touch on that maybe we didn't touch on?

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

No, I think the investment thesis, in my opinion, is very clear. We are on a journey to be a quality, world-renowned franchise, and I think we've got all the ingredients. And we want to think long-term. We want to continue delivering; we've got a lot on our plate. And we really thank our shareholders for being with us, and we look forward to welcoming many more. The journey is exciting ahead. So, thanks again for having us.

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Doug Young - *Desjardins Securities Inc - Analyst*

Well, I appreciate you, again, contributing to and participating in our inaugural conference, and I look forward to next year too. We'll also talk about all this again. Have a great rest of the day.

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

Thanks a lot, Doug.

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