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PRESENTATION

Mike Rizvanovic - *Scotiabank GBM - Analyst*

Thanks, Phil. So, I'd like to introduce our next guest, Phil Witherington, President and Chief Executive Officer of Manulife Financial.

Phil Witherington - *Manulife Financial Corp - President & CEO*

Well, thank you, Mike. Here we go.

Mike Rizvanovic - *Scotiabank GBM - Analyst*

Welcome, Phil.

Phil Witherington - *Manulife Financial Corp - President & CEO*

Thank you so much. Thanks for the invitation. It's great to be here. Where do you want me to sit?

Mike Rizvanovic - *Scotiabank GBM - Analyst*

Maybe here.

Phil Witherington - *Manulife Financial Corp - President & CEO*

Sure. Yeah. And thank you all for joining this session today. It's great to see so many familiar faces among the audience.

QUESTIONS AND ANSWERS

Mike Rizvanovic - *Scotiabank GBM - Analyst*

Awesome. So with that, maybe kick it off, and probably great to start with -- obviously you've been in the role for a few months now, relatively new still. Congrats on the appointment.

Phil Witherington - *Manulife Financial Corp - President & CEO*

Thank you, Mike.

Mike Rizvanovic - Scotiabank GBM - Analyst

And obviously you're a longtime MFCer, so you've been CFO, you run the Asia business. I'm sure that's made it a lot easier, but you've also moved from Hong Kong to Toronto recently.

Phil Witherington - Manulife Financial Corp - President & CEO

Yeah.

Mike Rizvanovic - Scotiabank GBM - Analyst

It seems like you've been very busy the last little while. How you sort of balanced all that?

Phil Witherington - Manulife Financial Corp - President & CEO

Thank you for asking that question. And yet there has been, I won't describe it as chaos, but what I will say is life has been very full recently from a personal perspective and a work perspective, which is all good.

Thankfully, from a personal perspective, the kids are now back in school here in Toronto, first day yesterday, which is good. And then from a professional perspective, the fact that, I've worked for Manulife. I'm now in my 12th year, and I've had roles across the organization, Asia CFO, Asia CEO, sort of twice on that job as interim, and then I came back a few years later as in the official position, but also Group CFO and now Group CEO.

Having seen so many different angles, it's really helped with this transition with Roy, so it's been incredibly smooth by way of CEO transitions, and I do want to acknowledge our stakeholders in this process. So I've had tremendous support from our Board of Directors, from our colleagues around the world, as well as external stakeholders, and I very much value that.

And the fact that it feels as if we're coming home as a family. Manulife is naturally somewhat, I see it as part of my family, but it feels as if we're coming home to the head office, and the fact that the only common citizenship -- we're in an international family, the only common citizenship in our household is Canadian. It sort of feels natural that I'm back. So thank you, Mike. It's a great opening question.

Mike Rizvanovic - Scotiabank GBM - Analyst

Awesome. Maybe on the longer term, I'd love to hear more about -- I'm sure everyone in the room would love to hear more about what excites you, not just in the near term, but say over the next 5 to 10 years. What are you most excited about? Obviously, you've got a lot going on. A lot of different things you can touch on, but just high level, what do you really love about Manulife's position here?

Phil Witherington - Manulife Financial Corp - President & CEO

Well, that's a great point. And when I reflect on what I've been through over the past 100 days, and I just celebrated my 100 days as a Group CEO, and long may that continue, but I've had the opportunity to travel across Canada, to visit our offices in the US, back to our offices in Asia, and most recently I was in London to meet our teams there.

And the overwhelming common feature across all of our colleagues and markets and offices that I've visited has been the sense of optimism about the future. There is a recognition that yes, we've been through a transformation since 2017. It's been a hugely successful transformation. Manulife is a very different company now to what it was back then. And that lays a fantastic foundation for this next chapter, and that's where the optimism is. But when I reflect on our portfolio, we've got a portfolio of businesses around the world that have at-scale businesses in some of the fastest growing markets in the world. That's truly an enviable position, and combine that with the fact that we have capital to deploy, capital to deploy in

fast growing markets which generate high ROEs. It's a great portfolio, and combine that with one of our key differentiators as an organization, our talent and our culture, that -- it's that magic dust that really makes things happen.

So all of that comes together to create this remarkable sense of optimism about the future. And if I was to talk about a couple of things that really could impact the next 10 years, I think I would be negligent if I didn't reference AI and GenAI and digital as being really important drivers of this next chapter.

But one thing that I can assure you as we go through the process of thinking about the strategy, the future of Manulife. The customer will be really important to that future, and of course, all of our stakeholders are important. But if we get things right for our customers, then that will be rewarding to our shareholders. It will be the right thing for our communities, and it will allow our employees and colleagues to thrive. So I'm really excited about putting the customer at the center of our strategy.

And I did say on our earnings call, Mike, that the executive leadership team of Manulife is currently in the process of reviewing its strategy, reviewing the strategy for the company, and I look forward to sharing more on that, but it's nothing to worry about.

This isn't because we have any doubts about our ability to deliver on our 2027 targets that we released at our Investor Day in 2024. We're fully confident about that. This is about the long-term view, and you referenced 10 years, but making sure that we are responding to the external environment and all the forces that are evolving to position us to thrive, not just for 2027, but for the next decade and beyond, and that long-term high-quality sustainable growth is so important.

Mike Rizvanovic - Scotiabank GBM - Analyst

Thanks for that thoughtful response. Maybe to talk about the Comvest acquisition a little bit, just because it seems like it's like the first stamp of your tenure here. You're sort of making your mark, and maybe talk a bit about Comvest, what you like about it, what your long term vision there is? Obviously, it's a pretty sizable deal. It gives you enhanced capabilities, and combined with your existing capabilities, it looks like you're going to move the needle on what you can offer your clients.

Phil Witherington - Manulife Financial Corp - President & CEO

That's right. And when I came into the role, actually I was appointed CEO, our Group Chairman, Don Lindsay, spent quite a bit of time with me, and one piece of advice that he gave to me was, don't be afraid to take the shot.

And it's really interesting when I watch sports games and I see people passing back and forth, nobody wants to take the risk sometimes to take that shot. It's a bit different with hockey here in Canada, but when I watch soccer, it can go back and forth.

And that resonated with me, and as we go through this first -- went through that first 100 days, we've been looking for a long time at opportunities to fill one of the gaps we had identified in our Global Wealth and Asset Management business.

So we've identified GWAM as a high opportunity growth business. Within GWAM, we've publicly talked about for years private markets being a huge opportunity for the organization. And then within private markets, private credit.

We've done all the work to look at the portfolio of potential targets, and we found one that was in the sweet spot, not too big, not too small, with a very close strategic fit, and we had the confidence to take the shot, and it worked. So, when I think about the impact that this deal has on the organization, yes, it's highly strategically relevant.

But I don't think of Comvest as just a standalone entity. I think of Comvest as a capability that we can bring, so it's a profitable, immediately accretive capability that we can bring into Manulife and leverage it across both our lines of business, institutional, retail, and retirement, and we're all keeping track of the developments in the US about potentially bringing private assets and private credit into retirement funds.

But then also thinking, okay, this is a US business, how do we take this capability outside the US to fulfill the demands for this type of strategy around the world, and we have this presence around the world. And even for US dollar business, there is huge demand across Asia. So, I think this is one of the reasons why Comvest liked Manulife, one of the reasons why we like Comvest and brought it into the Manulife family.

Mike Rizvanovic - Scotiabank GBM - Analyst

Okay, thanks for that color. Maybe looking at some of your different business lines, the US, a little bit less of a performer last quarter. You had some noise on credit. You had a bit of noise on mortality. Maybe talk about those two factors.

And then as a follow up, maybe talk about the US more broadly, what do you like about the US, where you focus? Obviously, the business has gone through quite significant changes over that longer term. So two-part question.

Phil Witherington - Manulife Financial Corp - President & CEO

Sounds good. And if I forget any of that, I'm getting old, if I forget any of that, bring me back to it. But let me hit your first point head on. Q2 is a weaker quarter for us in the US. Now, that's not necessarily as visible from our group results because we have a diversified organization and that diversification factor really helps us to be resilient to particular headwinds that may emerge.

But in the second quarter there were two notable headwinds in the US. One was the elevated mortality rates, and that was a small number of wealthy individuals with high-value policies that happened to pass away earlier than we would typically expect, and it's highly unusual but a function of timing that it happened, a handful of lives that happened in the same quarter. So that created a bit of a headwind. I don't expect that to recur.

The other element was the credit charges, the ECL charges, and we have a full IFRS 9 ECL charge that we recognize in core earnings. It's quite distinctive for Manulife in the insurance peer group. And there were a handful of names in our small portfolio of below-investment-grade names that we took charges for.

But again, when I look to the future, I don't expect those items to recur. I expect typical ECL to be \$30 million to \$50 million per quarter. Last quarter was more in the sort of \$80 million to \$100 million range.

So I think -- if I look to the future, a better run rate for the US than Q2 would be looking back to Q1, which is about USD100 million higher than Q2, so maybe a one quarter anomaly is what I would expect. But then you ask the strategy in the US and a lot has changed. And if you look at the transformation over the course of the past seven or so years, we've been really focused on reducing risk in the US as part of a number of reinsurance transactions we started off with fixed annuity back in 2019, and variable annuity, I think it was the back end of 2020, 2021.

Then we moved into fixed annuity, variable annuity. There are some other Universal Life transactions along the way. Then long-term care, and we've done a couple of long-term care transactions. And what all of those transactions have in common is that they have demonstrated the appropriateness of the reserves on our balance sheet, and that confidence has clearly come through in the market's perception of Manulife and the multiple improvement that we've seen in the past two or three years. So that's very important.

But alongside all of that de-risking and inforce management exercise, we have been transforming our new business footprint in the US, so embracing a wellness-oriented behavioral insurance program, jointly with Vitality, so John Hancock Vitality, that provides true differentiation in the US market. We are the only insurance player that does this. And what that's meant is that the profitability of our new business in the US has gone from being something that essentially delivered the discount rate, so we would have new business value of zero to being something that delivers a very similar margin to Asia.

So it's a sort of a niche strategy. We're selective about what products that we write, and we create differentiation and when you have that attractive product with differentiation, we can command high margin.

And I think that now raises the question, how do we scale it? We've got a competitive edge. How do we scale that in the US? And the US, to the last part of your question, is a really important part of our portfolio. It's an important -- it's got a scale portfolio. It generates capital, and it's the largest economy in the world. So, I just want to be clear. While our biggest businesses are Asia and Global Wealth and Asset Management, both the US and Canada are also important.

Mike Rizvanovic - Scotiabank GBM - Analyst

Okay, thank you for that. And I do have to ask at the risk of annoying you, but I'm sure you hear it all the time, the LTC, anything there in terms of additional reinsurance optionality. I know investors love to see that capital release, so just any updates you can offer. I know there was some discussion on the last call but anything --

Phil Witherington - Manulife Financial Corp - President & CEO

Right. So on the long-term care portfolio, we are constantly challenging ourselves as to what more we can do, from an organic management perspective, to improve the outcomes for that line of business, and that can range from embracing the concept of wellness for our long-term care customers, help avoid those customers needing to go into care, either at home or in care facilities.

It can include, and it does include, digital solutions to identify fraud, prevent fraud, detect fraud. It does include preferred provider arrangements to make the provision of care for customers that need care much more efficient, reducing the cost of claims, and of course, really maximizing the opportunity that we have to achieve premium adjustments, premium re-rates, so that's all organic, and it feeds into the inorganic component, the possibility of transactions.

And we do feel a responsibility to look at the possibility of transacting on more long-term care components of the portfolio, but our threshold is it has to make financial sense to do so. So, there is interest in those blocks from various external counterparties. If it makes financial sense relative to managing the block organically, we will transact.

Mike Rizvanovic - Scotiabank GBM - Analyst

Thanks for that. Maybe switching over to GWAM, obviously something you're very excited about. First off, the performance has been really strong. Q2 was really strong. Maybe talk about what's working in the business, and then dovetail that into the dynamic between the geographic parts of the portfolio of the business.

Phil Witherington - Manulife Financial Corp - President & CEO

Okay, so GWAM is -- it's a great business. It's at scale. And it has a global footprint, with many markets that we have leading positions at scale, but what's distinctive about Manulife is that when you look at our portfolio, about half of it is retirement around the world, half of the AUM is retirement.

The other half is split between retail and institutional. What I really like about retirement asset management is that each month, employees of those schemes make contributions. So, it tends to be a much more stable, longer-term investment management platform than some other lines of business. So, I think that's a key differentiating factor for our business.

In terms of what's driving the performance, steady net flows, so 14 of the past 15 years, Global Wealth and Asset Management has delivered positive net flows. Q2 was a really difficult quarter for the industry. We delivered \$1 billion of positive net flows, so maybe \$1 billion is fairly modest, but it's positive, relative to most of the industry that saw outflows in Q2. That's one driver.

The other driver is when you look at the margins that we generate from our business, we've just hit, you know -- in the second quarter, we reported 30% EBITDA margin. Go back to Investor Day 2024, we said our target was to deliver 30% EBITDA margin.

Now that will go back down. It will go down a little bit with the eMPF development in Asia, but we expect to get that back up to 30% for 2027 in line with our targets, but that makes -- demonstrates that it's profitable business.

And that EBITDA margin is supported by a combination of AUM growth as well as our cost efficiency programs, and we've been very disciplined from an expense management perspective over the past couple of years, and that's paying dividends now.

Mike Rizvanovic - Scotiabank GBM - Analyst

Got it. Maybe talk a bit about the Mandatory Provident Fund, the eMPF business. Obviously, a headwind on the quarterly starting next -- starting in Q1 of 2026, I believe. Any offsets there on that \$25 million headwind?

Phil Witherington - Manulife Financial Corp - President & CEO

Right. And firstly, I believe in full transparency. When there's a headwind emerging, let's share that headwind. So we did -- along with our second quarter results, we shared that as a consequence of the upcoming eMPF changes, we do expect there to be a reduction in earnings from GWAM of USD25 million per quarter.

One of the reasons why it's USD25 million per quarter is that we've been anticipating this would happen, and delivering offsets for a couple of years now. So, when it does happen, there's more of an impact. But to put it into context, USD25 million per quarter is two to three years' worth of growth in this portfolio.

So we're a market leader in the Hong Kong MPF industry. We've got about 28% to 30% market share, not only of AUM, but also of new cash flows into the schemes. It's a profitable line of business, and so it's one that -- while we take \$25 million reduction in earnings, now we expect to get that back fairly quickly.

There are things we can do to improve the profitability of that business, so there's further operational efficiency work we can do. There are revenue opportunities that we can pursue by differentiating ourselves further in a market that there could be further consolidation, either organic consolidation as customers move to scale providers, or subscale providers decide that it's better to join forces with a scale player. So, I actually continue to be optimistic about the future for MPF.

Mike Rizvanovic - Scotiabank GBM - Analyst

Okay, maybe pivoting to Asia. A lot to talk about there. You're in a lot of markets in Asia, maybe just talk about the couple that are the most -- that provide the most upside, the ones you're most excited about, maybe Hong Kong, Singapore maybe.

Phil Witherington - Manulife Financial Corp - President & CEO

Yeah, no problem. So, Asia is a great business, across insurance and GWAM, we have a presence in 14 markets. We are a top three, securely in the top three pan-Asian players, and that's quite a privileged spot to be in. We've made great progress over the course of the last decade.

Now you reference Hong Kong and Singapore. It's really important. When I look at the evolution of the industry in Asia, it's really clear that these two regional hubs, maybe what we used to think of as regional hubs, Hong Kong and Singapore, have grown substantially over the course of the past few years, and now they are either at or very close to being financial centers and wealth management centers on a global scale.

The days of Singapore being a domestic business, maybe with some business from Indonesia and Malaysia, those days have gone. People are traveling from the Middle East, from Europe, to do business, to manage their wealth in Singapore, to take residence in Singapore.

And similarly in Hong Kong. Hong Kong has become the go-to financial market for affluent and mobile mainland Chinese individuals who have an appetite for US dollar or other international currency-denominated products and services as a base from which they can manage the long-term wealth for their families.

And with Manulife being a scale asset manager and a scale insurance player, we are very well suited to fulfill those needs for our clients and we can -- it's not just about what you may think of as a traditional insurance policy. We help solve problems such as generational wealth transfer, the ability to switch currencies over time, so some of our products have the ability to switch from RMB to Hong Kong dollars to US dollars at spot rates at certain points in the policy life cycle.

So I think when I look at Asia, Hong Kong and Singapore have done particularly well. I'm optimistic about the future. But behind that there's a whole wave of potential growth that comes from mainland China, it comes from Indonesia, it comes from the Philippines. Lots of growth to come, and we shouldn't forget Japan, already at scale, but with a demographic profile that is very attractive in the insurance space.

Mike Rizvanovic - Scotiabank GBM - Analyst

Okay, thanks for that. So as far as the megatrends in Asia, I think those are very well understood, rising population, mass market -- mass growth in the mass affluent part of the market, which is obviously conducive to more insurance and wealth management demand. So that's well understood.

But what about the downside risks to the extent that you want to maybe talk about that a little bit, whether regulatory or competition in the market, maybe fintech, AI? Anything you're concerned about that would sort of maybe pull back your optimism to some extent in Asia.

Phil Witherington - Manulife Financial Corp - President & CEO

It's actually a great point, and you're right to pull out this sort of demographic demand that is the driver of sustainable long-term growth. You touch on regulatory changes. The way I look at the regulatory and political environment is that a characteristic of many Asian markets is the sort of low level of state support that exists for retirement, for healthcare, and this is where the private insurance sector has a very important role to play. And that creates opportunity for us in terms of retirement savings, healthcare plans, life insurance savings to look after dependents in the event that something unanticipated happens. So a really important role for the industry.

So I've sort of forgotten your question a bit, but -- the downside risk that I worry about more than anything is that competitors get there first and unlock some of that opportunity before we do, and I think it's really important therefore that we think strategically and think ahead, make the digital investments, be customer focused, have the best and highest quality distribution.

We're investing in all of those areas, and then we'll be first in the queue in terms of capturing that opportunity that comes from the demographic demand. And as you would have heard me say at our Investor Day in 2024 when I was the CEO of Asia, our ambition in Asia is to be the number one choice for our customers. And that's because if we -- if customers are choosing us, it sets -- the company sets Manulife up for success as well as setting customers up for success.

Mike Rizvanovic - Scotiabank GBM - Analyst

Okay, maybe on ROE 18%+ is your target for 2027, still 200 to 300 basis points below. Obviously there's time to -- and Q2 was a bit of a -- maybe a bit of a lower quarter because of some of the noise in the US, which you don't expect to repeat going forward.

Just on the ROE, there would have been a bit of an uplift when the transition happened with the CSM. But even beyond that you've obviously improved the ROE. So how confident are you in that target right now?

Phil Witherington - Manulife Financial Corp - President & CEO

I'm confident. So, 18%+ target by 2027. We are -- you look at Q2 as an example, 15%. 15% is a good ROE, but it can still improve, and you reference some of the headwinds in Q2. You strip out the impact of those headwinds, the sort of specific headwinds we discussed earlier. You look at the impact of currency movements which can go in both directions between now and 2027.

Normalized for those items, we're at approximately 17%, so I think that would show that we are actually on an underlying basis on track to get to that 18%+ core ROE. There's more work to do, but when I speak to the organization and I interact with our leaders, the whole organization is energized by the actions that we will take in order to get there. I've reviewed the plans and I have confidence in the plans, and confidence in our ability to execute to get to those outcomes.

Mike Rizvanovic - Scotiabank GBM - Analyst

How about on capital? Obviously a healthy LICAT ratio, but I don't think you disclose publicly an operating target on LICAT, but investors do assume there's some capacity there and then holdco level cash, debt capacity. How should investors look at MFC from the perspective of its dry powder for deployment?

Phil Witherington - Manulife Financial Corp - President & CEO

So connecting a few of the dots there, one of the things that Colin, our CFO, referenced at Investor Day 2024, was that the upper end of our internal operating range is a LICAT ratio of approximately 120%. So, if you look at where we are now 136% relative to that 120%, the excess is in the order of \$10 billion.

Now Comvest will deploy some of that excess capital, but there is absolutely no doubt that we are in a strong capital position. And this gives us the strategic flexibility to invest, to invest organically, to make sure that we fulfill the opportunities in the tremendous portfolio that we have, but also potentially move inorganically as we did with Comvest without compromising our ability to continue to give back to shareholders by way of a growing and sustained common dividend, and of course, using buybacks as a way of deploying the balancing figure of capital that we're comfortable deploying at any point in time.

Mike Rizvanovic - Scotiabank GBM - Analyst

And it's safe to assume that GWAM and Asia would be your ultimate desired destinations, assuming there's something there --

Phil Witherington - Manulife Financial Corp - President & CEO

That's good question. Asia and GWAM are our largest, highest -- high growth opportunity businesses, so that's an obvious place for us to invest, distribution expansion, scale expansion in parts of Asia that may be sort of less or sub scale relative to others.

And in GWAM, filling capability gaps. They are obvious places for us to invest. But as I said earlier, Canada and the US are also important. And I do believe that investing in our mature businesses as well as investing in our growth businesses is an important part of our overall strategy, and we have the capital flexibility to be able to do that.

Mike Rizvanovic - Scotiabank GBM - Analyst

Thanks for that great color. I'd like to turn over back to you, Phil, for any high-level remarks. What are the key messages you want investors to take away from this discussion?

Phil Witherington - Manulife Financial Corp - President & CEO

A great prompt, and maybe I reiterate three things that I think are particularly important. And that the first is that we have an enviable portfolio of scale businesses in some of the highest growth markets in the world.

The second thing is that we laid out our ambitions for the future at our 2024 Investor Day, since then we've been through CEO transition. To clear up any ambiguity, I fully buy in to those targets that we set the organization, and I'm confident that we can deliver them.

And the third point that I'll mention is when I think about the future, I'm not just thinking about 2027, I'm thinking about the next decade and beyond for Manulife. And the investments and actions that we take now is what will deliver long-term sustainable, high-quality growth for Manulife in the years to come, and the whole organization is excited about what will come in this next chapter.

So Mike, thank you for the privilege of providing me with an opportunity to sit on this chair, and thank you all for joining.

Mike Rizvanovic - Scotiabank GBM - Analyst

And thank you, Phil, for the great insights, and thanks for joining us. Super nice to see you, and to have you present at our conference. Thanks very much.

Phil Witherington - Manulife Financial Corp - President & CEO

Any time. Thank you, Mike.

Mike Rizvanovic - Scotiabank GBM - Analyst

Thank you.

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