Manulife

Manulife announces $5.4 billion reinsurance transaction with RGA, including $2.4 billion of long-term care

November 21, 2024

Caution regarding forward-looking statements

From time to time, Manulife makes written and/or oral forward-looking statements, including in this presentation. In addition, our representatives may make forward-looking statements orally to analysts, investors, the media and others. All such statements are made pursuant to the "safe harbour" provisions of Canadian provincial securities laws and the U.S. Private Securities Litigation Reform Act of 1995.

The forward-looking statements in this presentation include, but are not limited to, statements with respect to the disposal of ALDA assets, the expected closing time of the reinsurance transaction referred to in this document and its associated capital release, possible share buybacks, and the impact of organic LTC initiatives and optimization including future claims savings and also relate to, among other things, our objectives, goals, strategies, intentions, plans, beliefs, expectations and estimates, and can generally be identified by the use of words such as "may", "will", "could", "should", "would", "likely", "suspect", "outlook", "expect", "intend", "estimate", "anticipate", "believe", "plan", "forecast", "objective", "seek", "aim", "continue", "goal", "restore", "embark" and "endeavour" (or the negative thereof) and words and expressions of similar import, and include statements concerning possible or assumed future results. Although we believe that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements and they should not be interpreted as confirming market or analysts' expectations in any way.

Certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such statements. Important factors that could cause actual results to differ materially from expectations include but are not limited to: general business and economic conditions (including but not limited to the performance, volatility and correlation of equity markets, interest rates, credit and swap spreads, inflation rates, currency rates, investment losses and defaults, market liquidity and creditworthiness of guarantors, reinsurers and counterparties); the satisfaction of customary closing conditions in connection with the reinsurance transaction described herein; the ongoing prevalence of COVID-19, including any variants, as well as actions that have been, or may be taken by governmental authorities in response to COVID-19, including the impact of any variants; changes in laws and regulations; changes in accounting standards applicable in any of the territories in which we operate; changes in regulatory capital requirements; our ability to obtain premium rate increases on in-force policies; our ability to execute strategic plans and changes to strategic plans; downgrades in our financial strength or credit ratings; our ability to maintain our reputation; impairments of goodwill or intangible assets or the establishment of provisions against future tax assets; the amount of contractual service margin recognized for service provided; the accuracy of estimates relating to morbidity, mortality and policyholder behaviour; the accuracy of other estimates used in applying accounting policies, actuarial methods and embedded value methods; our ability to implement effective hedging strategies and unforeseen consequences arising from such strategies; our ability to source appropriate assets to back our long-dated liabilities; level of competition and consolidation; our ability to market and distribute products through current and future distribution channels; unforeseen liabilities or asset impairments arising from acquisitions and dispositions of businesses; the realization of losses arising from the sale of investments classified as fair value through other comprehensive income; our liquidity, including the availability of financing to satisfy existing financial liabilities on expected maturity dates when required; obligations to pledge additional collateral; the availability of letters of credit to provide capital management flexibility; accuracy of information received from counterparties and the ability of counterparties to meet their obligations; the availability, affordability and adequacy of reinsurance; legal and regulatory proceedings, including tax audits, tax litigation or similar proceedings; our ability to adapt products and services to the changing market; our ability to attract and retain key executives, employees and agents; the appropriate use and interpretation of complex models or deficiencies in models used; political, legal, operational and other risks associated with our non-North American operations; geopolitical uncertainty, including international conflicts, acquisitions or divestitures, and our ability to complete transactions; environmental concerns, including climate change; our ability to protect our intellectual property and exposure to claims of infringement; and our inability to withdraw cash from subsidiaries and the fact that the amount and timing of any future common share repurchases will depend on the earnings, cash requirements and financial condition of Manulife, market conditions, capital requirements (including under LICAT capital standards), common share issuance requirements, applicable law and regulations (including Canadian and U.S. securities laws and Canadian insurance company regulations), and other factors deemed relevant by Manulife, and may be subject to regulatory approval or conditions, our ability to sell ALDA assets and our ability to execute our plans for inorganic LTC initiatives and close the reinsurance transaction described in this document.

Additional information about material risk factors that could cause actual results to differ materially from expectations and about material factors or assumptions applied in making forward-looking statements may be found in our 3Q24 Management's Discussion and Analysis under "Risk Management and Risk Factors Update" and "Critical Actuarial and Accounting Policies", in our 2023 Management's Discussion and Analysis under "Risk Management and Risk Factors" and "Critical Actuarial and Accounting Policies", and in the "Risk Management" note to the Consolidated Financial Statements in our most recent annual and interim reports and elsewhere in our filings with Canadian and U.S. securities regulators.

The forward-looking statements in this presentation are, unless otherwise indicated, stated as of the date hereof and are presented for the purpose of assisting investors and others in understanding our financial position and results of operations, our future operations, as well as our objectives and strategic priorities, and may not be appropriate for other purposes. We do not undertake to update any forward-looking statements, except as required by law.

Conference call participants

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Transacting on a *younger* LTC block to *further transform* our portfolio and *unlock significant value* for shareholders

1. **Second LTC reinsurance transaction represents another milestone to further transform our portfolio to higher return and lower risk**
   - Entered into an agreement with **RGA**, a highly-rated global reinsurer, to reinsure $2.4 billion of LTC reserves[1]
     - **Our second LTC reinsurance transaction in less than 12 months**
     - Upon closing, will have **cumulatively reduced LTC reserves by 18% and LTC morbidity sensitivity by 17%**
   - Transaction also includes a legacy block of U.S. structured settlements with $3.0 billion of reserves
   - Disposing **$1.5 billion of ALDA**

2. **Transacting with an experienced counterparty, on a younger LTC block, further validates LTC reserves and assumptions**
   - **Full risk transfer** on a younger LTC block, with a **greater proportion of active life reserves** than our previous LTC reinsurance transaction[2]
   - **Modest negative 4%[3] LTC cede** further validates our reserves and assumptions
   - Proven ability to transact on both mature and younger LTC blocks, **demonstrating the market's growing interest in LTC blocks**

3. **Transaction unlocks significant value for shareholders**
   - **Close to 1.0x book value[4]**
   - Expect to **release $0.8 billion of capital**; plan to return full amount to shareholders via share buybacks[5]
   - **Accretive to core ROE[6]**, as well as an **attractive core earnings[6] multiple at 11.4x**[7] with neutral impact to core EPS[6]

4. **Focused on further unlocking shareholder value via organic LTC optimization; remain open to further inorganic opportunities**
   - Expect organic optimization to reduce future range of outcomes, generating **significant shareholder value**

Note: See "Caution regarding forward-looking statements" above. All data as of September 30, 2024, unless otherwise noted. All figures and estimates are expressed in Canadian dollar, based on exchange rate of US$1.00 to C$1.351 All footnotes are on slide 15.

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Unlocking *significant value* for shareholders

Attractive deal multiples

$0.8B
Capital release

11.4x
Core earnings multiple

~1.0x
Book value multiple

$70M
Foregone core earnings[1]

$50M
Foregone net income[1]

Accretive to ROE; neutral to EPS
(pro forma, post-share buybacks)

+0.14pps
Core ROE accretion[2]

+0.19pps
ROE accretion[2]

neutral
Core EPS and EPS impact[2]

Note: See "Caution regarding forward-looking statements" above. All footnotes are on slide 15.

Transacting with *RGA* on a *younger LTC* block

Overview of LTC block characteristics

- Transacted LTC block has **similar policyholder benefits** compared with our retained LTC blocks

	Previous transaction	Current transaction[1]	Retained Blocks
Counterparty	Global Atlantic	**RGA**	-
Average issue date[2]	1999	**2008**	2005
Average attained age on active life reserves (ALR)	83	**75**	73
ALR % of reserves[3]	65%	**88%**	80%
Lifetime benefits (%)[4]	19%	**6%**	10%
Inflation protection for policyholder (%)	72%	**85%**	55%
IFRS reserves ($ billion)[5]	$6.5	**$2.4**	$39.4

Transaction offers validation of LTC reserves and reinforces existing robust reserving practices

- Second LTC reinsurance transaction; compared with the previous transaction, the LTC block has **younger characteristics, including a greater proportion of active life reserves** and refined underwriting
- Counterparty is RGA, a **highly-rated global reinsurer**
- We continue to accumulate LTC experience data, **further supporting the ability of third parties to validate our reserves and assumptions**, including our younger LTC blocks
- Modest negative cede on transacted LTC block further validates our reserves and assumptions
- IFRS reserves of $39.4 billion[5,6], which includes $5.6 billion of risk adjustment (**17% buffer over best estimate liability**), were **strengthened only once over more than a decade** through four comprehensive assumption reviews[7]

Proven ability to transact on both mature and younger LTC blocks,
demonstrating the market's growing interest in LTC blocks from different vintages

Note: See "Caution regarding forward-looking statements" above. All footnotes are on slide 15.

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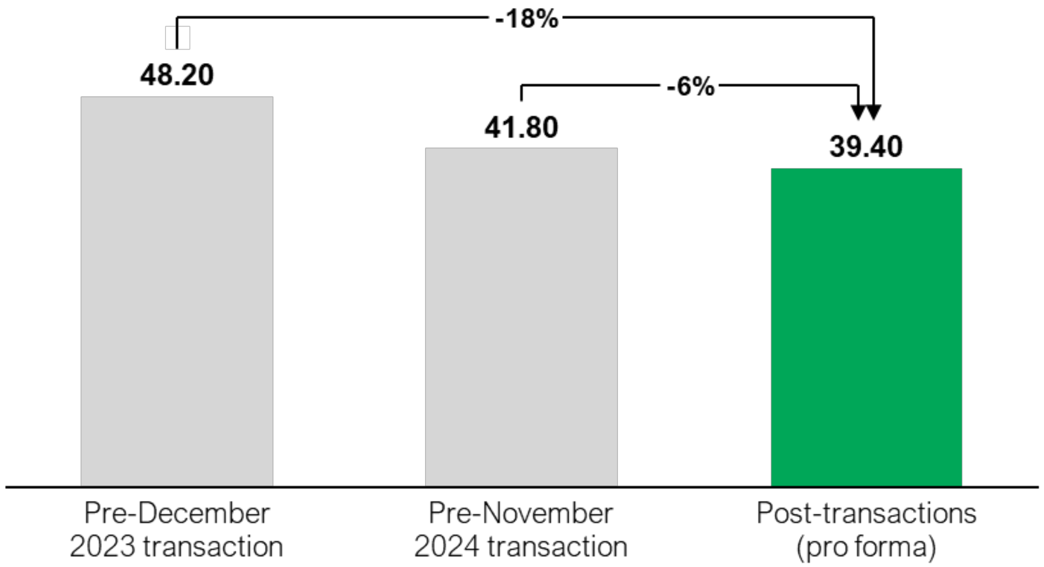
Further reducing risks **from LTC**

Reduces LTC IFRS reserves[1]

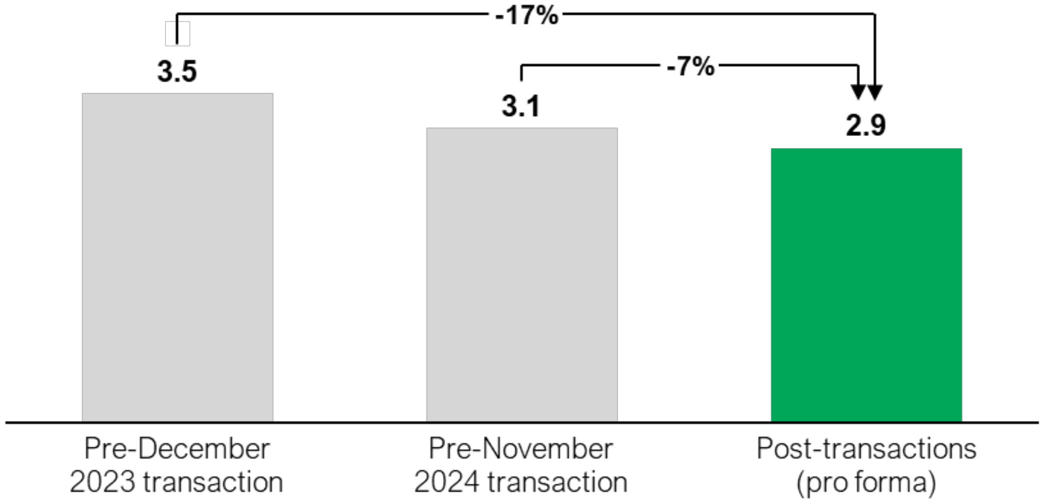
($ billions)



- LTC U.S. statutory reserves will decrease by $2.3 billion to $34.3 billion[2] upon closing; including the prior transaction, will represent a 20% cumulative reduction in statutory reserves

Reduces LTC morbidity sensitivities[1]

($ billions, post-tax, potential impact on reserves[3] for a 5% adverse change in LTC morbidity assumptions)



- Largely proportional reduction in morbidity sensitivity illustrates the transacted blocks have similar risk profile to remaining blocks
- Sensitivity does not assume any benefits from our ability to contractually raise premium rates in such events

Note: See “Caution regarding forward-looking statements” above. All footnotes are on slide 15.

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Continued momentum in reducing *legacy and low ROE* business and freeing up capital to return to shareholders

Notable transactions

Capital release (from all transactions by year announced)

$12B

	Notable transactions	Capital release
2018	Reinsurance of U.S. payout annuities to Jackson and RGA, and Canadian universal life (UL) to RGA	+$3B
2019	Reinsurance of Canadian payout annuities risks to PartnerRe	+$2.1B
2020	Reinsurance of U.S. BOLI to Global Atlantic	+$0.8B
2021	Reinsurance of U.S. variable annuities to Venerable	+$2.4B
2022		+$0.7B
2023	Reinsurance of LTC, U.S. structured settlement (SS) and Japan life liabilities to Global Atlantic	+$1.4B
2024[1]	Reinsurance of LTC and SS to RGA and Canadian UL to RGA	+$1.6B

Share buybacks (2018)

Share buybacks (2021–2024)

$9B[2] Cumulative share buybacks (2018-2024 pro forma)

Note: See "Caution regarding forward-looking statements" above. All footnotes are on slide 15.

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Advances in digital experiences, analytics capabilities and healthy aging solutions, offer new LTC organic opportunities; *reducing the range of outcomes* by driving *future claims savings*, estimated at 5%+

5-year value sequencing

Eliminating fraud, waste and abuse	• Expect to achieve nearly 3% of claims savings in 2024, doubling 2023 savings • Utilizing advanced analytics models to evaluate disparate, unstructured data, identifying anomalies that signal potential fraud • Enabling digital controls (e.g., proof of payment, geolocation) that change customer behaviour and proactively prevent fraud (85% of fraud savings to-date) • Optimize internal efficiency and drive a modern digital customer experience
Developing preferred provider networks	• Leveraging scale to offer high-quality services to policyholders at discounted rates • Targeting 5-15% discounts with a portion of home care customers and facilities[1]
Helping customers live a healthier and better life	• Utilize incentives, gamification tools, emerging technology and rewards to influence behaviour and improve health outcomes (ultimately delaying, shortening, or preventing care requirements)

Fueled by our global expertise, we are delivering innovative shared value solutions which are good for our customers and our company

Note: See "Caution regarding forward-looking statements" above. All footnotes are on slide 15.

Additional LTC *optimization* levers

Premium increases

Contractually entitled to premium increases; will seek additional price increases if experience deteriorates

Strong history of approvals

US$12B

Cumulative actual premium increase approvals since 2008[1]

Conservative reserving

Only 30%

Amount of assumed future premium rate increases embedded in our reserves, out of a total estimated ask of ~US$6.5B

Strong execution

>90%

Current approval of future premium rate increases embedded in our reserves[1]

Alternative protection solutions

Proven track record of providing alternative protection solutions; meeting the evolving needs of policyholders while reducing risk

Landing spot option

Began offering in 2010; ~50% acceptance to-date

Cash buyout option

Alternative to premium increases; 3-5% acceptance to-date

Exchange programs

Currently exploring

Note: See "Caution regarding forward-looking statements" above. All footnotes are on slide 15.

Key messages

1. **Our second historic LTC reinsurance transaction in less than 12 months, representing another milestone in transforming our portfolio**

2. **Reinsuring $5.4 billion of reserves, including $2.4 billion of reserves on a younger LTC block**

3. **Transacting with an experienced counterparty further validates LTC reserves and assumptions**

4. **Unlocking significant shareholder value with attractive deal multiples**

5. **Focused on organic LTC optimization to continue generating significant value; remain open to inorganic opportunities**

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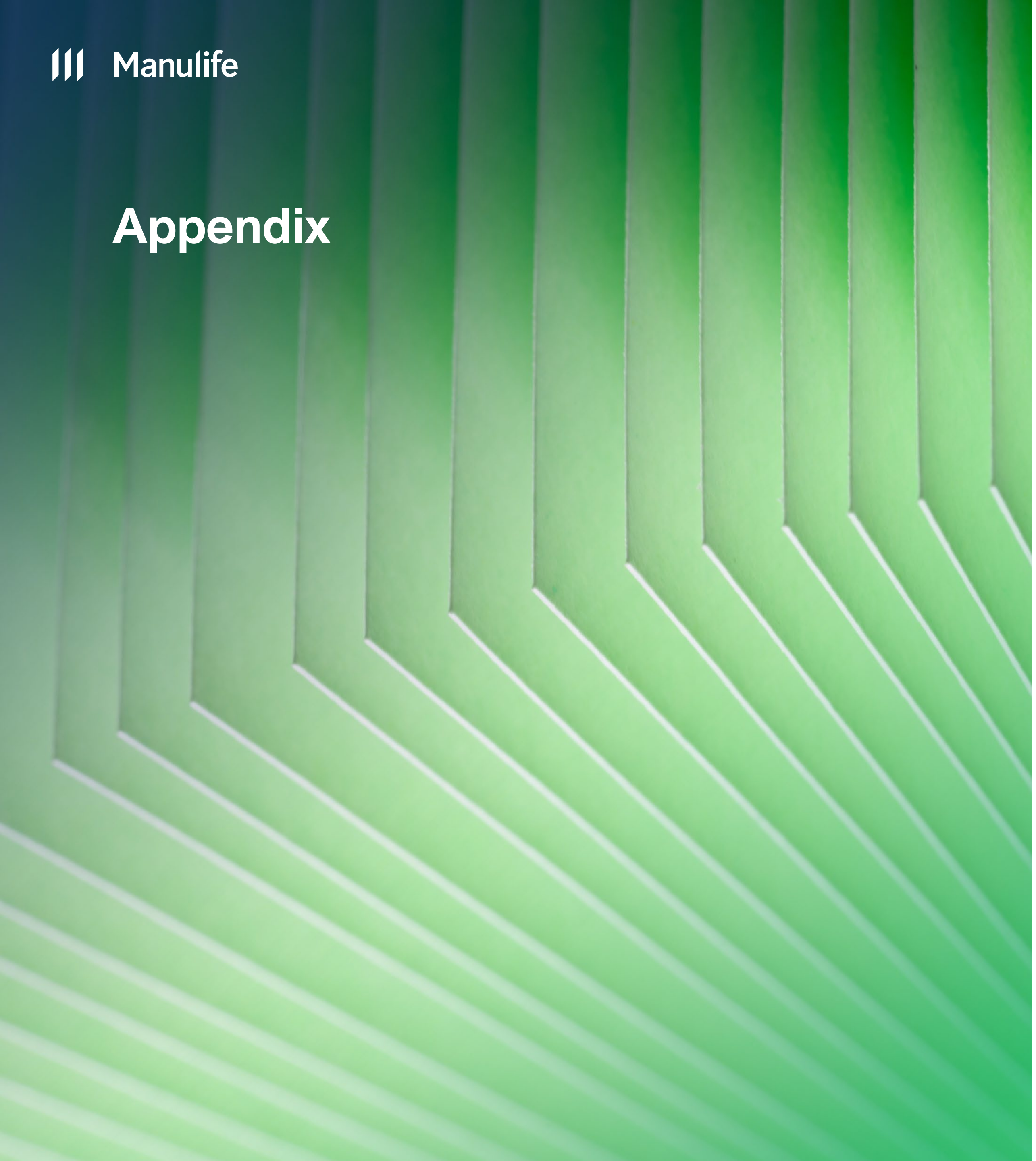

Appendix

- Transaction summary

Transaction *summary*

Deal structure	• We have entered into an agreement to reinsure portions of our U.S. LTC and U.S. structured settlements blocks to an affiliate of Reinsurance Group of America (“RGA”) • Full risk transfer backed by trust asset collateral protection; 75% quota share on both ceded blocks • Manulife will transfer $5.5 billion of fixed income assets to RGA upon closing • Manulife will continue to administer all reinsured policies	
IFRS 17 reserves on transacted blocks (at 75% quota share)	U.S. LTC	$2.4 billion
	U.S. structured settlements	$3.0 billion
	Total IFRS 17 reserves[1]	$5.4 billion
Ceding commissions on transacted blocks	Total negative ceding commission	$94 million
	Total ceding commission (% of transacted IFRS reserves)	- 2%
	U.S. LTC	- 4%
	U.S. structured settlements	0%
Financial impact	Expected capital release	$0.8 billion
	Foregone annual core earnings, forecasted to decrease as the blocks run off	$70 million
	Foregone annual net income attributed to shareholders, forecasted to decrease as the blocks run off	$50 million
	Transacted at close to book value; plan to fully deploy the released capital through buybacks, generating core ROE and ROE accretion and neutral impact to core EPS and EPS	
	Expect to recognize in net income $0.5 billion of unrealized losses on assets currently recorded in OCI, with no associated impact to book value or LICAT capital	
Risk reduction	Reduction in potential impact on reserves for a 5% adverse change in LTC morbidity assumptions	7%
	Reduction in ALDA	$1.5 billion
Approval and timing	The deal is expected to close in early 2025 and is subject to customary closing conditions	

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Non-GAAP and other financial measures

Manulife prepares its Consolidated Financial Statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. We use a number of non-GAAP and other financial measures to evaluate overall performance and to assess each of our businesses. This section includes information required by National Instrument 52-112 – Non-GAAP and Other Financial Measures Disclosure in respect of "specified financial measures" (as defined therein).

Non-GAAP financial measures include core earnings (loss).

Non-GAAP ratios include core return on common shareholders' equity ("core ROE") and diluted core earnings per common share ("core EPS").

For more information on the non-GAAP and other financial measures in this document, please see "Non-GAAP and Other Financial Measures" of the 2023 MD&A and the 3Q24 MD&A which are incorporated by reference and available on the SEDAR+ website at www.sedarplus.ca.

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Footnotes

Slide	Footnote
4	[1] IFRS 17 current estimate of present value of future cash flows + risk adjustment + contractual service margin. [2] Refers to the $13 billion reinsurance transaction, including $6 billion of LTC, with Global Atlantic that was announced in December 2023 and closed in February 2024. [3] On IFRS basis. [4] On IFRS basis. Ratio of the market value of assets transferred to the sum of IFRS 17 current estimate of present value of future cashflows + risk adjustment + contractual service margin. [5] Subject to approval from OSFI and the TSX. [6] Core return on shareholders' equity ("Core ROE") and diluted core earnings per common share ("Core EPS") are non-GAAP ratios. Core Earnings is a Non-GAAP financial measure. See slide entitled "Non-GAAP and other financial measures". [7] On IFRS basis. Ratio of the capital release to annual core earnings impact.
5	[1] Annual, post-tax basis. Foregone net income and core earnings are expected to decrease over time as the blocks run off. [2] Includes the impact of share buybacks. Assumes the full capital release is deployed towards buybacks, calculated based on the volume-weighted average price of shares repurchased in October 2024 under our current NCIB.
6	[1] Transacted LTC block on 75% quota share. [2] Average issue dates are calculated without guaranteed purchase options. [3] As a percentage of NAIC reserves. [4] Percentage of lifetime benefit by policy count. [5] IFRS 17 current estimate of present value of future cash flows + risk adjustment + contractual service margin. [6] Pro forma. [7] In 3Q13, 3Q16, 3Q19 and 3Q22.
7	[1] All reserve figures are updated as of 3Q24. Morbidity sensitivity is based on 2Q24, grossed up for 3Q24 reserves. [2] Pro forma. [3] Impact of a change in reserves would be reported through the contractual service margin, net income attributed to shareholders, and other comprehensive income attributed to shareholders.
8	[1] Pro forma. Includes the impact of the Canadian Universal Life reinsurance transaction (announced March 2024) and this transaction. [2] Not all buybacks are directly linked to these notable transactions. Includes the execution of the remaining current NCIB program (90 million total shares), which expires in February 2025, calculated based on the volume-weighted average price of shares repurchased in October 2024 under our current NCIB.
9	[1] Aspire to 30-50% of home care customers and 10-15% of facilities with a discount provider in the medium-term.
10	[1] As of October 31, 2024.
13	Note: pro forma as of September 30, 2024, unless otherwise noted and subject to closing. All figures and estimates are expressed in Canadian dollar, based on exchange rate of US$1.00 to C$1.351. [1] IFRS 17 current estimate of present value of future cash flows + risk adjustment + contractual service margin.

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