



## Financial Strength

Manulife Financial is a leading Canadian-based financial services group, serving millions of customers in 22 countries and territories worldwide. Operating as Manulife Financial in Canada and Asia, and primarily through John Hancock in the United States, we offer clients a diverse range of financial protection products and wealth management services through an extensive network of employees, agents and distribution partners.

**For over 120 years, millions of customers have chosen Manulife Financial and John Hancock to assume and deliver on long term, financial promises. Selecting any financial partner requires detailed evaluation, especially when the purchase involves a long term obligation such as a life insurance policy, pension or annuity. Clients must feel confident that the partner they choose will be there when needed most. We understand that financial strength is at the core of our clients' decision-making process. Our high quality investment portfolio, diverse business platform and prudent risk management practices are key reasons clients choose Manulife Financial and John Hancock. We are committed to delivering on obligations today, and for many years to come.**

### Well Recognized Brands with a History of Financial Stability

Manulife Financial and John Hancock are internationally recognized brands which have stood for financial strength and integrity for more than a century. As one of the largest life insurance companies in the world today, our ability to meet our commitments remains undiminished. Our strong brands reflect our solid reputation as a strong, reliable, trustworthy, and forward-thinking financial partner. Our core values of professionalism, providing real value to customers, acting with integrity, demonstrated financial strength and being an employer of choice also inspire our customers' trust.

### Ratings Among the Strongest in the Industry

Credit ratings are a comprehensive measure of financial strength. Our financial discipline and record of strong operational performance over time have resulted in our main operating subsidiaries having among the highest ratings in the insurance industry from A.M. Best, Dominion Bond Rating Service (DBRS), Fitch Ratings, Moody's Investor Service and Standard & Poor's (S&P).

| Rating Agency                | Rating  | Outlook      |
|------------------------------|---|--------------|
| A.M. Best                    | A+ (Superior – 2 <sup>nd</sup> of 15 ratings)     | Under Review |
| Dominion Bond Rating Service | IC-1 (Superior – 1 <sup>st</sup> of 6 ratings)    | Stable       |
| Fitch Ratings                | AA- (Very Strong – 4 <sup>th</sup> of 21 ratings) | Stable       |
| Moody's Investor Service     | Aa3 (Excellent – 4 <sup>th</sup> of 21 ratings)   | Under Review |
| Standard & Poor's            | AA (Very Strong – 3 <sup>rd</sup> of 21 ratings)  | Negative     |

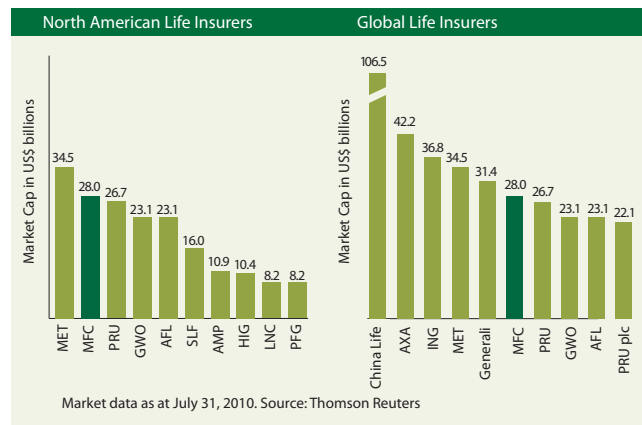
Financial Strength Ratings apply to the main life operating companies of Manulife Financial Corporation including The Manufacturers Life Insurance Company, John Hancock Life Insurance Co. (USA), John Hancock Life & Health Insurance Co., and John Hancock Life Insurance Co. of New York. All Ratings as at August 10, 2010.

**"Fitch's favorable view of MFC's business profile considers the organization's strong market positions across multiple products and geographical regions. The company continues to maintain very strong leadership positions in the Canadian and U.S. life insurance markets, where it sells a diversified mix of life and annuity products through multiple distribution channels"**

*Fitch Ratings, August 10, 2010*

### Significant Scale

Manulife's size and scale translate into a higher capital base, a diversified operating platform and ample resources to fund growth opportunities – all factors indicative of our financial strength. As at July 31, 2010, our market capitalization was US\$28.0 billion (C\$28.9 billion), making Manulife one of the largest life insurance companies in the world.



# Prudent Risk Management Practices

Risk management is a core strength and focus of our business – from the roots of the design of every individual product we sell, through the direct oversight of the company's senior management.

## Recognized Enterprise Risk Management

Manulife Financial has a rigorous risk management framework that is applied globally. This framework requires each individual product in every market to meet strict enterprise-wide risk management criteria on its own merit. Manulife Financial is among only a small number of North American insurers that have earned a "Strong" Enterprise Risk Management (ERM) designation from Standard & Poor's.

## Reducing Equity Market Exposure

As part of our ongoing strategy to reduce our equity market exposure as it relates to variable annuity guarantees, we have implemented changes to our product offerings. We commenced hedging new business written in Japan in the fourth quarter of 2009, and substantially all new business in North America continues to be hedged on an ongoing basis. As at June 30, 2010, we are now hedging or reinsuring approximately 51% of our Gross Guarantee Value (12% was reinsured and 39% was hedged). If markets increase to levels that will allow us to hedge more of the in-force at appropriate margins we intend to do so, and our target is to have at least 70 per cent of our variable annuity guaranteed value hedged or reinsured by the end of 2012.

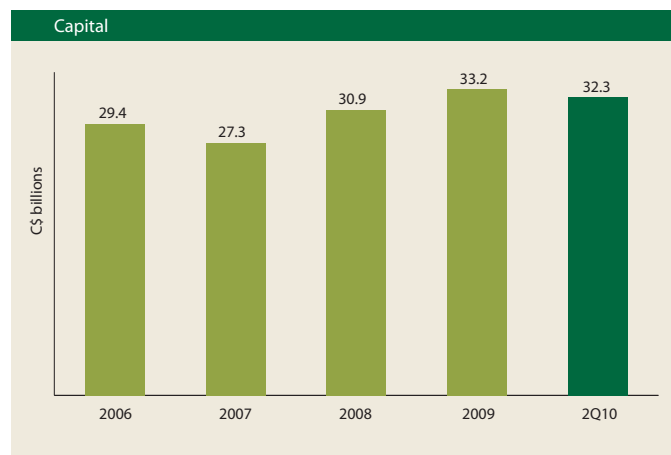
## Significant Liquidity

In today's changing economic climate, liquidity is critical to any financial institution. Manulife Financial is fully self-funded, meaning our businesses generate enough cash flow to sustain our operations without being dependent on the commercial paper markets or other short-term funding arrangements. We have consciously avoided businesses which give rise to immediate liquidity needs and this allows us to maintain high levels of liquidity. Manulife Financial consistently retains a high level of cash and high grade short-term assets, which totaled C\$17.5 billion as at June 30, 2010.

## Strong Capital Levels

Strong and stable capital levels are also a good measure of financial strength. Having a large capital base enables us to sustain high credit ratings, finance new opportunities, and most importantly, maintain our commitments to our policyholders.

Despite the continued volatility in global equity markets, our consolidated capital levels totaled C\$32.3 billion as at June 30, 2010. Additionally, The Manufacturers Life Insurance Company's Minimum Continuing Capital and Surplus Requirements (MCCSR) capital ratio ended the quarter at 221%, well above regulatory requirements.



**"Our goal is to maintain very strong levels of capital, to have the financial flexibility to respond to both risks and opportunities from a continued position of strength."**

**Michael W. Bell**

Senior Executive Vice President and Chief Financial Officer

# A Diverse Business Platform

At Manulife Financial, we have successfully built a diverse business platform that offers a range of financial products in both developed and developing markets around the world. We address the needs of clients in 22 countries and territories worldwide, with a mix of products and services that is relevant and tailored to the needs of consumers in diverse economies. Diversity in geography, product, and distribution are key contributors to our financial strength.

## Geographic Diversity

Manulife Financial has market leading positions across North America and Asia. Our diverse international operations allow us to leverage our people, products, technology and expertise efficiently across markets while providing natural hedges that ensure our risks and opportunities are effectively diversified. Our deep geographic footprint enables us to extend our brand, gain synergies, and benefit from economies of scale. This in turn provides operating earnings stability and a broadly diversified balance sheet, all of which help maintain our long-term financial strength.

## Product Diversity

Manulife Financial is a market leader in both financial protection and wealth management businesses. We provide a full suite of products and services to meet the current and future needs of individual and group customers. Financial protection products and services include individual life insurance, group life and health insurance, and long-term care. Wealth management products and services include pensions, annuities, mutual funds and banking. We pride ourselves on providing the very best financial protection and investment management services, tailored to customers in every market where we do business.

## Multiple Distribution Channels

Manulife Financial has a strong, well diversified distribution platform which includes independent and in-house agents, financial planners, brokers, dealers and other distribution partners. We have deep and growing relationships across multiple channels worldwide. This allows us to meet the varying needs of our international base of customers, regardless of their chosen distribution channel.

**“Manulife will continue to pursue a healthy balance of organic and strategic growth. Whether from a risk management or marketing perspective, our goal is to further diversify our product offerings in areas where we have shown great capability.”**

**Donald A. Guloien**  
President and Chief Executive Officer

## Sales Rank



|    |                             |
|----|-----------------------------|
| #1 | Group Pensions              |
| #1 | Individual Fixed Annuities  |
| #2 | Group Benefits              |
| #2 | Individual Life Insurance   |
| #2 | Individual Segregated Funds |



|    |   |
|----|---|
| #1 | Group Long-Term Care Insurance <sup>1</sup> |
| #1 | Individual Long-Term Care Insurance         |
| #1 | Small Case 401(k)                           |
| #3 | Fixed Products                              |
| #4 | Individual Life Insurance                   |
| #9 | Variable Annuities (non proprietary)        |



|    |                                       |
|----|---------------------------------------|
| #2 | Hong Kong Pension                     |
| #3 | China Insurance <sup>2</sup>          |
| #3 | Vietnam Insurance                     |
| #5 | Philippines Insurance <sup>3</sup>    |
| #6 | Japan Variable Annuities <sup>4</sup> |
| #6 | Singapore Insurance                   |
| #8 | Hong Kong Insurance                   |
| #8 | Indonesia Insurance                   |

### Sources:

Most recent market data available (based on 1Q10 figures unless otherwise specified) from various independent market surveys including LIMRA, Tillinghast, Fraser and other sources

<sup>1</sup> LTC Group market rank and share is only available semi-annually. Data shown represents full year 2009

<sup>2</sup> Represents the market rank of joint venture life insurance company, Manulife-Sinochem Life Insurance Co. Ltd.

<sup>3</sup> Estimate based on informal market share statistics collected through a roundtable of CEO's from the top nine companies

<sup>4</sup> Asset based ranking per the Life Insurance Association of Japan

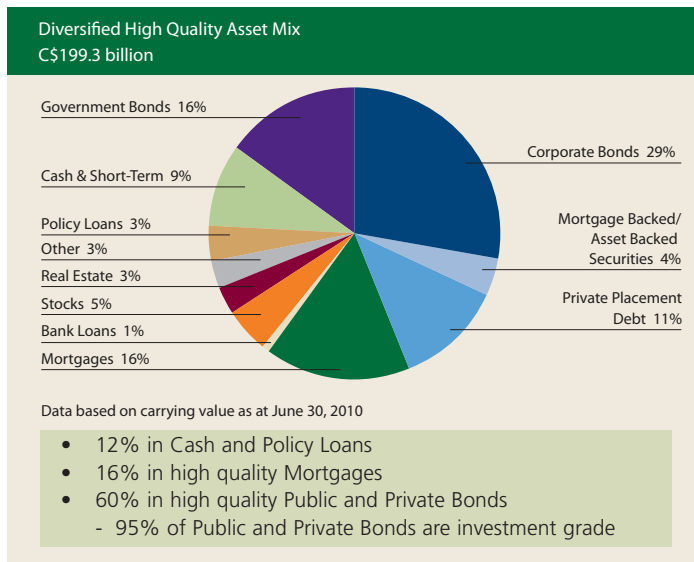
# A High Quality Investment Portfolio

The quality of a Company's investment portfolio is a strong indicator of financial strength. At Manulife Financial, our investment philosophy is rooted in a bottom-up approach to developing an asset mix that matches the needs of our underlying liabilities. We don't limit our portfolio to fixed-income investments, but hold a blend of assets that drive superior returns and risk reduction for our stakeholders. We use this disciplined approach across all our segments, and we will not chase yield in the riskier end of the fixed-income market. This philosophy has resulted in a well diversified, high quality investment portfolio.

## A Disciplined Investment Philosophy

Manulife Financial has always followed a very prudent investment approach – avoiding complexity, setting limits, diversifying and applying a healthy dose of skepticism in all our credit decisions. This philosophy serves us as well today as it has in the past.

Our invested assets total C\$199.3 billion and include a variety of asset classes that are highly diversified by geography and sector. This diversification has historically produced superior returns while reducing overall risk.



For additional details on our investment portfolio with particular emphasis on structured securities, please refer to our Investment Fact Sheet available on [www.manulife.com](http://www.manulife.com)

**“We deliberately improved our credit quality in anticipation of this economic downturn, allowing our investment portfolio to remain well positioned for a challenging credit cycle.”**

**Warren A. Thomson**

Senior Executive Vice President and Chief Investment Officer

### Investor Relations Contact:

Shad Ansari  
Assistant Vice President, Investor Relations  
200 Bloor Street East, Toronto, ON Canada M4W 1E5  
Tel: 416-852-8927

### Media Relations Contact:

Laurie Lupton  
Assistant Vice President, Corporate Communications  
200 Bloor Street East, Toronto, ON Canada M4W 1E5  
Tel: 416-852-7792

## Limited Exposure to Notable Items

Our exposure to “in the news” investments is very limited in the context of our total invested assets, which totaled C\$199.3 billion as at June 30, 2010.

- Financials fixed income net exposure<sup>1</sup> of C\$17.1 billion is well diversified by geography and sub-sector
- Gross unrealized losses limited to C\$1.4 billion or 1% of our fixed income portfolio
  - Gross unrealized losses for Fixed Income securities trading at less than 80% of cost for greater than six months of C\$0.7 billion or less than 1% of fixed income portfolio
  - The potential impact to shareholders' net income for Fixed Income securities trading at less than 80% of cost for greater than six months is limited to C\$443 million<sup>1</sup>
- Monoline insurance net exposure<sup>1</sup> of C\$625 million in wrapped bonds but we place no reliance on the guarantees
- Limited net exposure<sup>1</sup> to:
  - RMBS (C\$730M)
  - European bank hybrids (C\$329M)
  - Sovereign debt of “PIIGS” nations (C\$79M)
- No exposure to hedge funds
- We never wrote Credit Default Swap (CDS) protection
- We never add credit or liquidity risk to securities lending practices
- We avoided sophisticated and complex instruments that are performing poorly in this market (SIV, CPDO, HELOC, Synthetic Securities, etc)

<sup>1</sup>Excludes par and pass-thru and reflects the impact of downgrades on reserves  
All data based on Carrying Value unless otherwise noted; quoted as at June 30, 2010

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 **Manulife Financial**

**STRONG RELIABLE TRUSTWORTHY FORWARD-THINKING**

**For your future™**