



Variable Annuities: Significant Changes Ahead

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Legal Disclaimer

Caution Regarding Forward-Looking Statements

This document contains forward-looking statements within the meaning of the “safe harbour” provisions of Canadian provincial securities laws and the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements 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”, “suspect”, “outlook”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “plan”, “forecast”, “objective”, “continue” 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. 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 performance of equity markets, interest rate fluctuations, currency rates, investment losses and defaults, movements in credit spreads, market liquidity and creditworthiness of guarantors and counterparties); level of competition and consolidation; changes in laws and regulations; Company liquidity, including the availability of financing to satisfy existing financial liabilities on their expected maturity dates when required; accuracy of information received from counterparties and the ability of counterparties to meet their obligations; accuracy of accounting policies and actuarial methods used by the Company; the ability to maintain the Company’s reputation; legal and regulatory proceedings; the ability to adapt products and services to the changing market; the ability to implement effective hedging strategies; the ability to attract and retain key executives; the ability to complete acquisitions including the availability of equity and debt financing for this purpose; the ability to execute strategic plans; the disruption of or changes to key elements of the Company’s or public infrastructure systems; and environmental concerns. Additional information about material 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 the body of this document as well as under “Risk Factors” in our most recent Annual Information Form, under “Risk Management” and “Critical Accounting and Actuarial Policies” in the Management’s Discussion and Analysis in our most recent annual and interim reports, in the “Risk Management” note to consolidated financial statements in our most recent annual and interim reports and elsewhere in our filings with Canadian and U.S. securities regulators. We do not undertake to update any forward-looking statements except as required by law.



History of Product Evolution



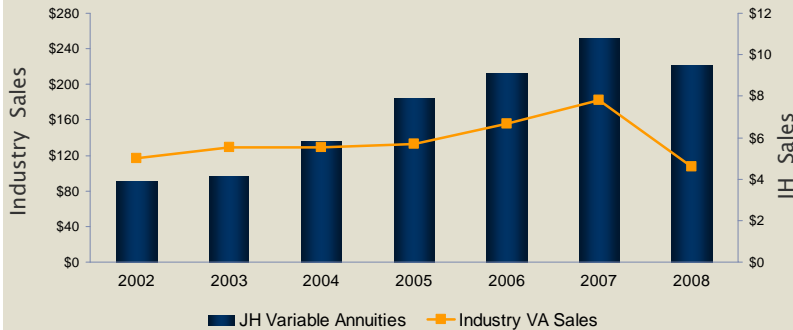
- Prior to 1998**
 - Manulife offering consisted of Death Benefit (DB) products
- 1998**
 - Manulife introduced 1st generation Income Benefit (IB) product
- 2001**
 - Manulife launched the 2nd generation IB product
- 2003**
 - Manulife launched the 3rd generation IB product
 - Manulife began transition from IB to Withdrawal Benefit (WB) products
- 2004 to 2007**
 - Market increasingly competitive with designs (investment credits, step ups, lifetime income benefits, age based banded withdrawals and bonus resets)
- 2008 to 2009**
 - Sharp decline in equity markets put significant strain on industry earnings and capital; resulting in participants revisiting product risk profile through pricing and features



Sales & Distribution



John Hancock vs. Industry Sales (\$b)



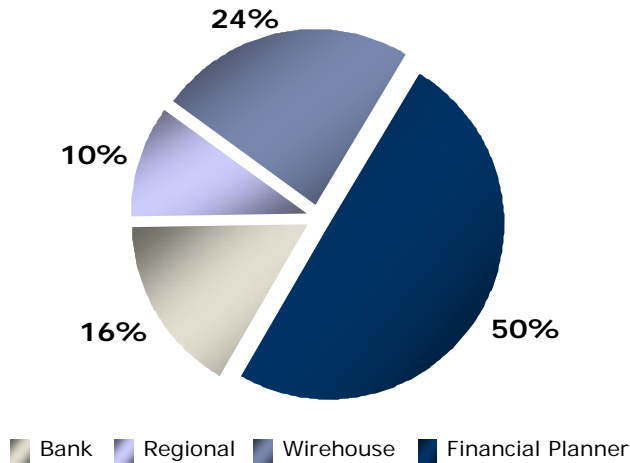
Source: VARDS

2008 Market Share – Non Proprietary

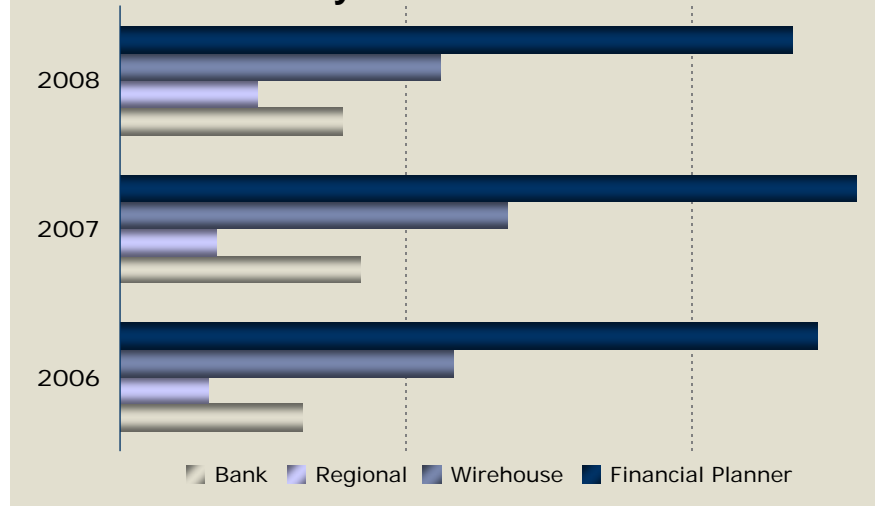
Rank	Peer	Market Share
1	Lincoln	10.42%
2	ING	10.08%
3	MetLife	9.02%
4	John Hancock	8.86%
5	Prudential	8.18%

Source: VARDS

2008

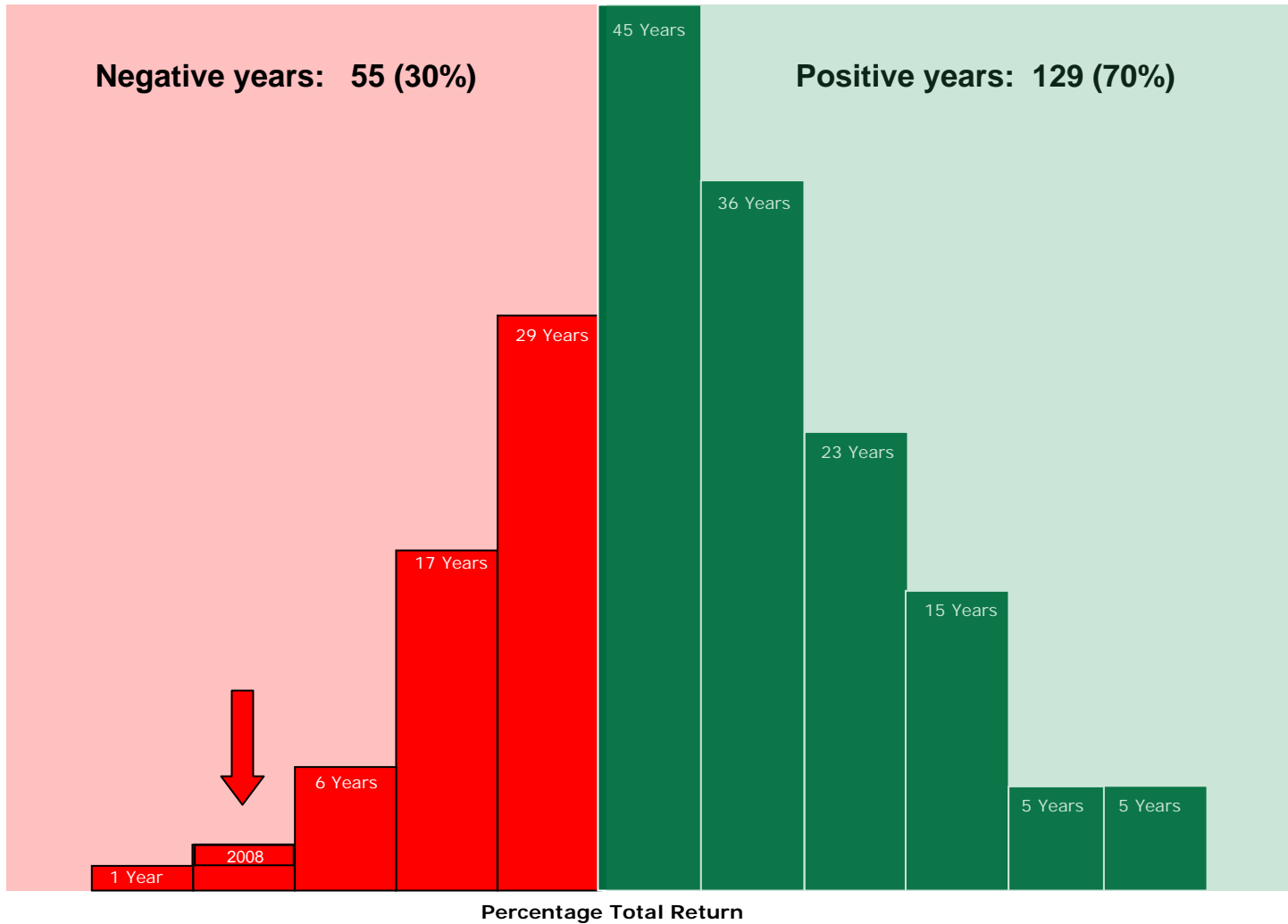


Sales by Distribution Channel





S&P500 Total Returns 1825 - 2008



Source: Value Square Asset Management, Yale University



Equity Market Impact on Earnings



Equity Markets	31-Dec-07	31-Dec-08	Change
S&P TSX	13,833	8,988	-35.0%
S&P 500	1,468	903	-38.5%
Hang Seng	27,813	14,387	-48.3%
Nikkei 225	15,308	8,860	-42.1%

Impact on 2008 Earnings (C\$ millions):

Segregated Fund Guarantees	2,824
Equities supporting general account liabilities	443
Variable Life Reserves	203
Fee Income	78
Surplus segment equity impairments	<u>199</u>
Total Impact	\$3,747



Earnings Analysis



(C\$ Millions)

2008 Reported Earnings	517
Equity Market Impact on Earnings	3,747
2008 Earnings excluding Equity Market Impact	4,264
2007 Reported Earnings	4,302

- Excluding equity market impact, 2008 earnings were in line with the strong prior year levels
- Cash provided from operations was \$7.9 billion in 2008, up from \$7.2 billion in 2007, reflecting the non-cash nature of the equity market impact on earnings



Segregated Fund Guarantees Reserves & Capital



December 31, 2008
(C\$ Millions)

Fund Value

Net of amounts reinsured

74,422

Amount at Risk

Excess of guaranteed values over fund values, net of amounts reinsured

26,809

Expected Profit

PV of fees minus PV of costs based on average of all scenarios (CTE0)

135

Balance Sheet Reserves

PV of costs minus PV of fees based on average of worst 35% of all scenarios (CTE65)

5,783

Total Reserve + 200% of Required Capital

Balance sheet reserves plus 200% of MCCSR Required Capital

10,681

- Balance Sheet Reserves increased by over \$5 billion; Reserves + Capital up by almost \$9 billion over 2007 levels
- Coverage of 40% of current amount at risk
- Assets supporting total reserves plus 200% of required capital exceed expected result by over \$10 billion
- Entire balance sheet reserve is a margin (PfAD) given expected result



Segregated Fund Guarantees Recent Developments



- OSFI revision to MCCSR rules for segregated fund capital
 - Reduces regulatory capital sensitivity to equity market volatility
 - Improves capital strength
 - Historically set at fixed CTE(95)
 - Now based on expected payment date:
 - due in 1 year or less = CTE(98)
 - due between 1 and 5 years = CTE(95)
 - due after 5 years = CTE(90)

- Revisions to adopt more realistic model assumptions for segregated fund capital
 - Revised policyholder behavior assumptions
 - Revised discount rates

- Revisions to discount rates to be applied to segregated fund reserves in first quarter of 2009
 - Not expected to reduce reserves held initially, but will increase reported CTE levels (year end CTE65 would be above CTE70)



Hedging Program Overview



- Commenced hedging program in November 2007 on small portion of new business written in U.S.
- Hedging first order fund performance (delta) and interest rate risk (rho) on approximately 80% of the account value
- Employ exchange traded equity and bond futures and OTC interest rate swaps
- Rebalance positions intra-day as required
- Supported by dedicated full-time staff of 20+, including 2 traders
- Platform is expandable to Canada and Japan



Hedging Program Update



- Program operating effectively
- Mitigates approximately 75% of economic losses related to substantial market declines
- Program currently covers approximately \$5 billion of account value in the U.S.
- All new business written in the U.S. is currently being hedged
- Planning to extend hedging program to all new business written in Canada in 2nd quarter of 2009



Industry Trends & Outlook



Industry results expected to be poor in 2009

- Decline in equity markets likely to suppress VA sales, net flows and earnings
- Lower AUM, lower fee income and higher DAC charges expected
- Higher reserve requirements and declining statutory capital levels expected
- Despite higher fees, GMWB rider will likely remain as the best-selling feature

Industry is de-risking offerings to reflect the current economic environment by:

- Increasing fees
- Reducing annuity factors, bonus features, payout rates
- Redesigning asset allocation funds
- Adopting more passively managed funds (index funds)
- Reducing frequency of step-ups





Our Response

John Hancock

Fundamental Design

- Forced asset allocation participation
- Introduced deferral bonus option to reduce withdrawals
- Utilized reduced withdrawal rates on joint life policies

Product Changes to Date

- Fees increased by 10bps
- Step-ups now annual versus quarterly
- Additional bonus features withdrawn
- High equity content funds no longer available
- Equity exposure reduced in key funds

Future Changes under Consideration

- More hedging
- Additional fee increases
- Less frequent step-ups
- Reducing bonuses
- Reducing equity content in funds
- Other risk mitigating changes



Looking Forward



Need to offer products that can be hedged:

- Equity exposure key to hedging costs
 - Lifestyle Growth equity exposure being reduced
 - Lifestyle Balanced equity exposure being reduced
- Basis risk needs to be manageable
 - Increasing passive management (index)
 - Lowering exposure to certain asset classes
 - Natural Resources, High Yield, REIT etc...

Well positioned for future:

- Revising product offerings
- Diversifying product line-up
- Track record of successful industry leading products



Note to Users

Performance and Non-GAAP Measures

We use a number of non-GAAP financial measures to measure overall performance and to assess each of our businesses. Non-GAAP measures include return on common shareholders' equity, premiums and deposits, funds under management and new business embedded value. Return on equity is a profitability measure that presents the net income available to common shareholders as a percentage of the capital deployed to earn the income. The implementation of the new accounting standards for financial instruments resulted in unrealized gains and losses on AFS securities and cash flow hedges, which do not have an impact on reported income for the period, being reflected in a new component of shareholders' equity. Accordingly, the Company calculates return on equity using average common shareholders' equity excluding accumulated other comprehensive income on AFS securities and on cash flow hedges. Non-GAAP financial measures are not defined terms under GAAP and, therefore, are unlikely to be comparable to similar terms used by other issuers.

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