



Impact of Equity Markets On Capital Position

October 14, 2008



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Q3 Capital Ratios

- Manulife's equity market exposure is primarily through MLI (OSFI regulated operating company)
- MCCSR capital ratio is expected to close in Q3 within our target 180 to 200% range

C\$ Billions	Available Capital	Required Capital	MCCSR Ratio
2Q08 Reported	15.7	7.8	200%
<i>3Q08 Estimated</i>	<i>17.0</i>	<i>9.3</i>	<i>183%</i>

- Increase in required capital from equity markets offset by capital actions including re-deployment of excess capital from elsewhere in MFC



Q4 Capital Outlook

- Q4 equity markets to October 10th will put downward pressure on ratios because of segregated fund guarantees but expect to remain above regulatory minimum targets
- Continued capital initiatives, including rebalancing capital within our corporate structure
- External equity capital raising not anticipated to be necessary to maintain Q4 ratios



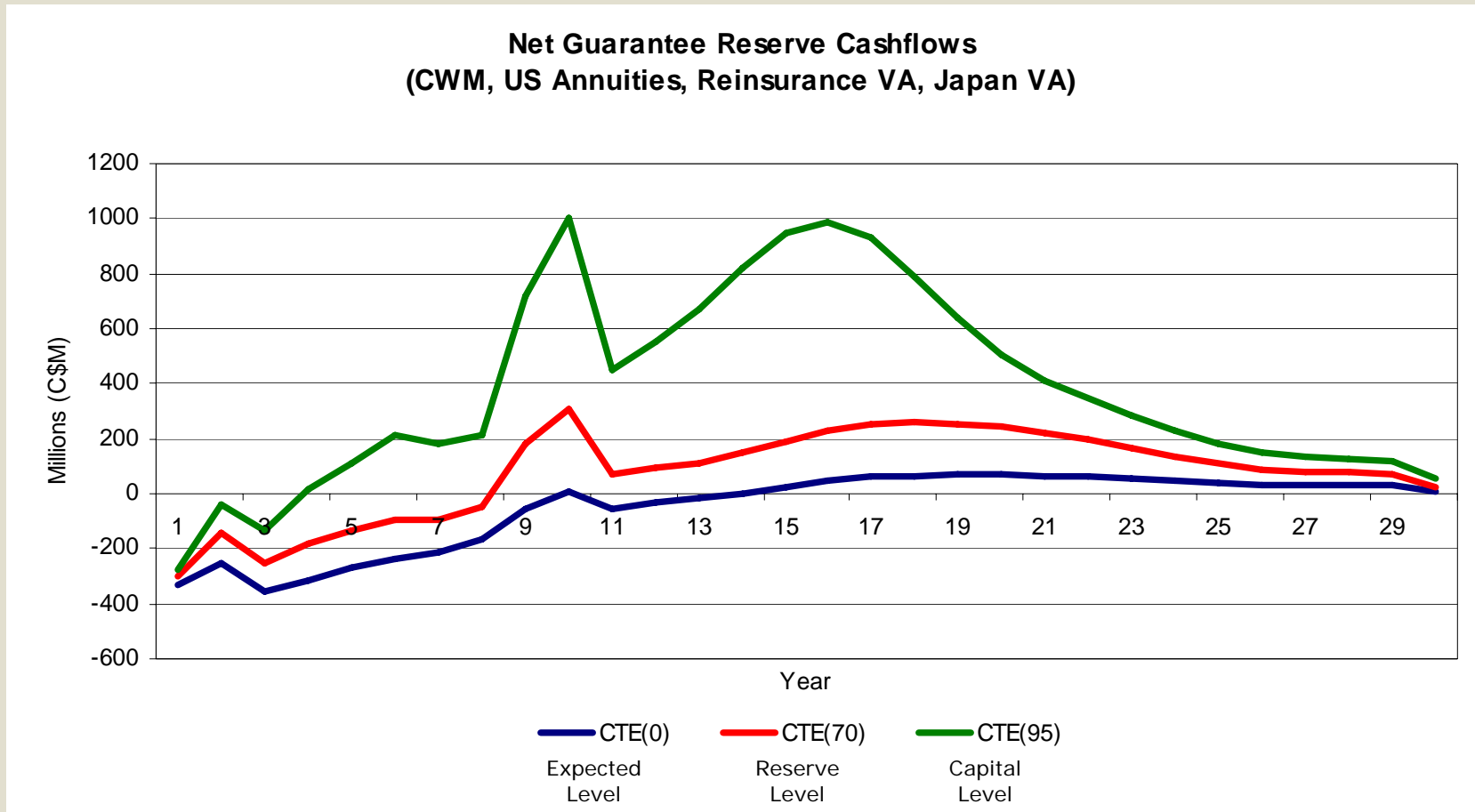
Impact of Segregated Fund Guarantees

Description of Product

- Manulife sells products with segregated fund guarantees primarily in the U.S., Canada and Japan
- The benefits are typically very long dated to be paid largely 7 to 30 years in the future
- The guaranteed benefits cannot be accelerated by the policyholder (ie: only payable on the specified dates or on death)
- The guaranteed benefits take several forms including minimum death, annuitizations, maturity or periodic withdrawal benefits
- No cash call or liquidation risk issues
- Potential costs of these benefits is within existing resources of the company



Net Cashflow Profile of Worldwide Segregated Fund Guarantees (Sept. 30th)



Cash flows are shown net of fee revenue charged for guarantee

Annual earnings stream of non-VA businesses is over \$4 billion pre-tax



Impact of Segregated Fund Guarantees Potential Cost

Current balance sheet position (as at Sept 30th)

Fund Value \$72 Billion
Amount at Risk \$12 Billion

	CTE(0) Average All Scenarios	CTE(95) Average 5% Worst
1) PV projected amounts payable over contract lifetime starting with Sept 30 position under many return paths	\$0.7B	\$8.9B
2) PV projected fee income to offset guarantees under the same scenarios	\$5.5B	\$3.2B
3) Subtract (2) – (1) to get potential long term cost / revenue	(\$4.8B) (revenue)	\$5.7B (cost)

↓
Expected cost is
\$4.8B net revenue

↓
\$4.3B MCCSR Capital
\$1.4B Reserves



Segregated Fund Capital

– High Conservatism in Requirement

- The current notional in the money amount cannot be crystallized by policyholders and represents contingent risk capital for cash flows largely 7-30 years in the future
- The cashflows can only be monetized today by death (with over 1 million in-force policies, mortality is stable)
- If markets subsequently recover in reasonable timeframe, the capital requirement would reverse with virtually no cash cost in the interim

BUT

- We hold reserves plus target regulatory capital (at 200% MCCSR) of \$10B, \$14.8B higher than expected outcome
- Balance sheet accrual of reserves plus target regulatory capital is a full 80% of undiscounted net amount at risk

Relationship of Exposure to Capital

Billions	Fund Value, Net of Reinsurance Amounts	Amount at Risk, Net of Reinsured	Reserve	MCCSR Required Capital	Target Capital (200% MCCSR)	Total Reserve Plus Target Capital
Q4 2005	49.1	2.2	0.5	0.9	1.8	2.3
Q4 2006	64.1	1.5	0.5	0.5	0.9	1.4
Q4 2007	71.8	2.1	0.5	0.7	1.4	1.9
Q1 2008	73.8	5.1	0.8	1.6	3.2	4.0
Q2 2008	75.9	5.5	0.8	1.8	3.7	4.5
Sept 30	72.0	12.0	1.4	4.3	8.6	10.0

Coverage of over 80% of current notional exposure

Actual expected net cost is \$(4.8) billion so target assets exceed expected cost by \$14.8 billion



Conclusions

- This is a long dated deferred contingent obligation where any return to normal market conditions over the next several years will substantially reduce current observed exposure
- Our balance sheet and earnings are well positioned to cover existing exposures even if poor market conditions persist
- We have a very well diversified earnings platform with non-equity sensitive businesses to drive core earnings