

# FINAL TRANSCRIPT

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## **MFC - Q1 2009 Manulife Financial Corporation Earnings Conference Call**

**Event Date/Time: May. 07. 2009 / 2:00PM ET**

May. 07. 2009 / 2:00PM, MFC - Q1 2009 Manulife Financial Corporation Earnings Conference Call

## CORPORATE PARTICIPANTS

**Amir Gorgi**

*Manulife Financial Corporation - VP, IR*

**Donald Guloien**

*Manulife Financial Corporation - President & CEO*

**Peter Rubenovitch**

*Manulife Financial Corporation - SEVP & CFO*

**John DesPrez III**

*Manulife Financial Corporation - COO*

**Scott Hartz**

*Manulife Financial Corporation - EVP-US Investments*

**Simon Curtis**

*Manulife Financial Corporation - EVP & Chief Actuary*

**Hugh McHaffie**

*Manulife Financial Corporation - EVP-US Wealth Management*

**Warren Thomson**

*Manulife Financial Corporation - EVP-MFC Global Investment Management*

**Beverly Margolian**

*Manulife Financial Corporation - EVP & Chief Risk Officer*

## CONFERENCE CALL PARTICIPANTS

**John Reucassel**

*BMO Capital Markets - Analyst*

**Tom MacKinnon**

*Scotia Capital - Analyst*

**Michael Goldberg**

*Desjardins Securities - Analyst*

**Doug Young**

*TD Newcrest - Analyst*

**Mario Mendonca**

*Genuity - Analyst*

**Jim Bantis**

*Credit Suisse - Analyst*

**Darko Mihelic**

*CIBC - Analyst*

## PRESENTATION

**Operator**

Please be advised that this call is being recorded. Good afternoon, and welcome to the Manulife Financial Q1 2009 financial results conference call for May 7, 2009. Your host for today will be Amir Gorgi. Mr. Gorgi, please go ahead.

May. 07. 2009 / 2:00PM, MFC - Q1 2009 Manulife Financial Corporation Earnings Conference Call

**Amir Gorgi** - *Manulife Financial Corporation - VP, IR*

Thank you, and good afternoon. I would like to welcome everyone to Manulife Financial's earnings conference call to discuss our first-quarter 2009 financial and operating results.

If anyone has not yet received our earnings announcement, statistical package and slides for this conference call and webcast, these are available in the Investor Relations section of our website at [www.manulife.com](http://www.manulife.com).

As in prior quarters, our executives will be making some introductory comments. We will then follow with a question-and-answer session.

The speakers who follow may make forward-looking statements within the meaning of securities legislation. Certain material factors or assumptions are applied in making forward-looking statements, and actual results may differ materially from those expressed or implied in these statements. For additional information about the material factors or assumptions applied, and about the material factors that may cause actual results to differ, please consult the slide for this presentation for this call available on our website, as well as the securities filings referred to in the slide entitled "Caution Regarding Forward-looking Statements."

When we reach the question-and-answer portion of the conference call, we would ask each participant to adhere to a limit of one or two questions. If you have additional questions, please re-queue, and we will do our best to respond to all questions.

With that, I would like to turn the call over to Donald Guloien, our new President and Chief Executive Officer. Donald?

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**Donald Guloien** - *Manulife Financial Corporation - President & CEO*

Thank you, Amir, and good afternoon, ladies and gentlemen. Thank you for joining us on this call.

In terms of today's agenda, I am going to open with a few remarks, and then pass it over to Peter Rubenovitch, who is going to talk about the quarter in more detail. And given the topical interest in investments, and particularly private placements and mortgages, we've expanded our disclosure this quarter, which Peter will also speak to.

Finally, John DesPrez, our new Chief Operating Officer, is going to speak to you about risk management and growth initiatives.

In terms of the quarter, earlier today, we reported a net loss of CAD1.068 billion. The quarter's net loss was primarily driven by continued declines across all equity markets, particularly in the United States, and to a much lesser extent, fair value adjustments and provisions for credit impairments and downgrades. Peter will take you through the numbers in some detail in a few moments, so I won't dwell on them here.

But as we look forward, knowing that there is risk of turmoil in capital, markets our focus is going to be on balancing our business mix, reducing risk and strengthening our capital levels. While I tend to have an optimistic view of equity markets going forward, we can't bank on that, and therefore, we must consider more pessimistic scenarios in our capital planning.

I would now like to spend a moment discussing the leadership transition between Dominic and myself. First, some things that won't change. Manulife will remain committed to those core values that we've identified on previous calls -- professionalism, real value to the consumer, integrity, demonstrated financial strength and employer of choice. These values have guided Manulife well through prosperity and challenging times, and are as relevant today as they were when we drafted them 15 years ago.

Second, Manulife will continue to be hard driven, ambitious and aggressive. They are great attributes. These will be married with a strong risk management culture that is also part of our DNA, but needs to be continuously and vigorously reinforced.

May. 07. 2009 / 2:00PM, MFC - Q1 2009 Manulife Financial Corporation Earnings Conference Call

Third, we will be equally demanding of our people. Manulife is a meritocracy with a strong performance culture. We expect the best, and we are very proud of that.

And fourth, we will continue to pursue a healthy balance of organic and strategic growth. Our first priority in these unsettled times is to ensure that our financial position continues to be strong. But we also have an unparalleled opportunity to be the consolidator, taking advantage of the current disorder amongst financial institutions worldwide.

Unchanged will be the high degree of discipline and precision in execution that we have brought to every merger in our history.

So what are the differences? And first, let me clarify, these differences have less to do with differences in style or vision between Dominic and me and more to do with today's different circumstances.

When Dominic joined the Company 15 years ago, we were a high-quality company, but smaller and not particularly well known. He drove us to far greater standing, and, needless to say, produced a shareholder return over the last 10 years of about 12% per annum. We are very proud of that.

But as we've grown our capabilities and our reach, we have different challenges. We also have different ambitions. John and I would like to see the Company diversify our product offerings in areas where we have shown great capability. The goal is to balance the business mix, as we have balanced our investment portfolio. It doesn't matter whether you look at it from a risk management perspective or a marketing management perspective; balance is highly important.

We do a great job of designing and managing insurance products, but we are also great providers of bank services in Canada, 401(k) products in the United States, Mandatory Provident funds in Hong Kong, fixed interest products, mutual funds and institutional investment management services in many countries around the world. We offer reinsurance solutions, manage real estate, timber, oil and gas, private equity and other assets as capably as anyone. I would like to see us expand these offerings in both breadth and depth.

We also expect sometime over the next five years to have the opportunity to broaden our geographic reach, whether that is through acquisitions or aggressive new market entry strategies that give us access to Europe, India or Korea or other parts of the world.

To be clear, right now, we have more organic and strategic opportunities in North America and Asia than we ever thought possible. So for the near- and mid-term future, those will remain our focus. But we believe our mindset and preparation must deal with the inevitability that Manulife might indeed have the opportunity to outgrow its current geographies.

Finally, we would like to build our brand, to be better known everywhere where we do business. When people hear the name Manulife, we want them to think reliable, strong and trustworthy. We want them to instinctively think that Manulife and John Hancock are the best places to entrust with the biggest financial decisions of their lives.

Other institutions can dominate in credit cards, stockbrokerage and transactional banking, but saving for retirement, planning for estate transition, providing income for life, these are the needs that we can address better than anyone else.

So with that, I'd like to ask Peter to take us through the numbers in more detail. Peter?

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**Peter Rubenovitch** - *Manulife Financial Corporation - SEVP & CFO*

Thank you, Donald. As indicated, we reported a first-quarter loss of CAD1.068 billion. The continued declines in global equity markets in the quarter resulted in charges of CAD1.4 billion, largely in relation to segregated fund guarantees.

May. 07. 2009 / 2:00PM, MFC - Q1 2009 Manulife Financial Corporation Earnings Conference Call

Accruals for credit downgrades and credit impairments totaled CAD193 million in the quarter, and declines in the appraisal value of our commercial real estate and, to a lesser extent, of our private equity portfolios resulted in reserve strengthening charges of CAD277 million.

The cash provided by operating activities in the first quarter was CAD2.5 billion, confirming the non-cash nature of these accounting charges. Excluding these items, this quarter's earnings would have been CAD803 million.

Slide 9 outlines in more detail the impact of equity markets on our results. As noted, the biggest market declines were in the US at 12% and Japan at 9%, while markets in Canada and Hong Kong were down some 3% to 6%. Of the CAD1.4 billion of equity-related charges, CAD1.15 billion related to the increased reserve accruals for segregated fund guarantees.

The remaining CAD255 million in equity-related charges included CAD142 million of primarily OTTI impairments accrued on equity positions in the Corporate and Other segment, CAD63 million related to declines in equity values in our liability segments, with other items totaling CAD50 million.

Turning to slide 10, post-tax charges for credit downgrades and credit impairments totaled CAD193 million in the quarter. As discussed in prior quarters, our actuarial practices require us to strengthen our reserves upon credit downgrades, and therefore, we took a charge of CAD72 million in the current quarter for reserve impact of credit downgrades.

Net credit impairments were CAD121 million, of which over CAD100 million related to impairments on our residential mortgage backed securities holdings. These RMBS charges reflect an increase in the anticipated loss on these exposures based on actual recent experience, and is similar to results being reported by others in this area. In light of the macroeconomic environment, we continue to be satisfied with the credit performance of our investment portfolio.

Looking to slide 11, real estate and other investments had book fair value adjustments of CAD277 million post-tax. Of this, over CAD200 million is in relation to lower appraisal values on our commercial real estate portfolio backing our long-duration policy liabilities.

Although real estate is carried at an adjusted cost base for accounting, which reflects a gradual move-to-market on our balance sheet, our actuarial liability calculations reflect current period market value changes, despite the very long-term nature of these holdings.

Appraisals are generally done on an annual basis, staggered throughout the year. Because of the downturn in the economic environment and the results of the actual Q1 appraisals, we have extrapolated the declines in the estimated fair values across the majority of this portfolio. Lower real estate valuations are being driven by rising capitalization rates which reduce current valuations, even though our rent renewal roll this year is below 5%, and vacancies for this portfolio have not changed.

Turning now to source of earnings, the impact of investment markets on our first-quarter results stands out very clearly. Expected profit on in-force, while up noticeably, is only up 2% on a constant currency basis. The impact of new business was consistent with prior periods.

The entire experience loss is driven by the three key items that just discussed -- equity markets, lower valuations for real estate and credit-related charges. On a pretax basis, these items amounted to CAD2.5 billion.

Equity markets also impacted the earnings on surplus, where impairment charges for OTTI on equities and other market-related effects lead to a pretax loss of CAD146 million.

There were two related items which largely offset each other in the quarter, but which are reported on different lines. Management actions and changes in assumptions reflect an actuarial charge of CAD271 million, which was mostly offset by a tax-related gain of CAD208 million. Both of these items were largely in respect to segregated funds in our Japanese operations.

May. 07. 2009 / 2:00PM, MFC - Q1 2009 Manulife Financial Corporation Earnings Conference Call

Excluding this tax item, income taxes for the quarter reflect a recovery in light of this quarter's loss.

Looking at slide 13, we have an updated cash flow graph for our overall segregated fund guarantees. We have shown two levels of cash flows for these guarantees with different lines, each reflecting different CTE or confidence levels for the underlying cash flows.

The orange line represents CTE(0) or the expected level, and the blue line represents CTE(70), which is the midpoint of the permissible range for establishing reserves, and is the level that our reserves were at on March 31.

The cash flows shown are the level of payments we would pay under these guarantees, less the component of fee income associated with these guarantees. Because these are shown as net liability cash flows, negative cash flows represent inflows to the firm, while positive cash flows represent outflows from the firm.

As you can see in the first years, we expect revenues that we will collect will exceed the guaranteed benefits that are payable. Under the orange line, which is the expected level or CTE(0), there are cash inflows for the first eight years, followed by cash outflows, for which the maximum in any one year is estimated at CAD300 million.

Benefit payments do not occur until the customers' segregated fund assets have been depleted. In fact, under the expected scenario, on a present-value basis, fully reflecting where markets were at March 31, the fees charged for these guarantees is only estimated to fall short of the expected cost of the guarantees by some CAD600 million. When we also include the net revenues on the base contracts, we would expect to make a modest profit.

The blue lines represent the cash flows at CTE(70); the midpoint of our target reserve level and the level of our quarter-end reserves. As a reminder, CTE(70) can be thought of as being equivalent to assuming average market returns of less than 2% per annum for the next decade.

The blue line shows that we expect cash inflows for the first six years, followed by annual cash outflows that have been fully reserved for, with a peak maximum of CAD1 billion. Even after extreme declines in global equity markets, the annual expected income from the non-variable annuity businesses are anticipated to be well in excess of the worst single-year cash outflows that we are estimating for the variable annuity business under this conservative scenario.

The key message is that even after fully reflecting the latest quarter-end markets, these obligations are extremely long-dated, and at conservative confidence levels, the costs associated with these cash flows are expected to be quite manageable.

Turning now to slide 14, we show a breakdown of our total reported seg funds under management. As shown in this chart, our reported seg fund balance includes some CAD82 billion of wealth, group and insurance products that do not have variable annuity style guarantees.

Finally, adjusting for reinsurance and other items, this slide provides reconciliation to the guaranteed segregated fund value that is disclosed in our SIP and that I will discuss on the next slide.

Slide 15 shows a summary of the details of our reserves and capital in relation to segregated fund guarantees. I'd point out that this quarter we've expanded our supplementary information package disclosures on our segregated fund guarantees.

Due to the continued declines in global equity markets in the first quarter, the reported amount at risk has increased to some CAD30 billion, up from CAD27 billion last quarter. The actuarial liability of CAD7.7 billion is over 25% of the undiscounted amount at risk, and total liabilities plus 200% of required capital for these guarantees totals some CAD13.4 billion, which amounts to over 44% of the undiscounted at-risk exposures. Virtually all of the actuarial liability remains a margin for adverse deviation, as the expected pretax cost is less than CAD700 million.

May. 07. 2009 / 2:00PM, MFC - Q1 2009 Manulife Financial Corporation Earnings Conference Call

During the quarter, we successfully implemented CALM for our segregated fund guarantee reserves. This included segmenting assets to support these liabilities and using the corresponding cash flows from these assets in the liability valuation.

At quarter-end, our segregated fund reserves were at the CTE(70) level, and included a CAD323 million pretax increase recorded as changes in actuarial methods and assumptions related to implementing CALM and valuing reserves at the CTE(70) level.

During the quarter, as summarized on slide 16, we further bolstered our regulatory capital by raising CAD450 million through a new preferred share issue and by entering into a reinsurance agreement to cede certain Canadian Group Benefits related exposures. The newly issued preferred shares are non-cumulative five-year rate resets with an initial yield of 6.6%. Upon future resets, these will be priced at five-year Government of Canada's plus 4.56%, or can convert to floating-rate preferreds, which will be priced quarterly, based on three-month Government of Canada Treasury Bills plus 4.56%.

We have ceded the risk of material adverse deviations in mortality and morbidity experience from our Canadian group life and health business on a modified co-insurance basis. The agreement allows us to retain considerable upside on the business, while reinsuring the risk of losses. The reinsurance allows us to reduce the capital we hold for these exposures by approximately CAD300 million.

In response to suggestions from our shareholders, commencing this quarter, we've enhanced our Canadian Dividend Reinvestment Program and introduced a new dividend reinvestment program for US shareholders that replaces our US Investor Services program. Under these programs, investors may elect to use dividends to acquire additional MFC shares at a discount without paying a commission. Manulife may issue such shares from Treasury.

Similar programs have been recently introduced by several major financial institutions, and feedback from investors on these programs has been very positive.

On slide 18, you will note that our capital position remains strong and above historical average levels despite the drop in equity markets during the quarter. MLI's first-quarter MCCR ratio was 228%, up from 198% at Q1 '08, but down modestly from the 234% recorded last quarter. This quarter's small drop from year-end reflects the impact of declines in global equity markets, partially offset by the previously mentioned preferred share issue and reinsurance agreement.

The ratio is consistent with management's current objective of targeting a capital ratio that has a cushion above 200%, the upper end of our historic MCCR target range, for as long as equity markets remain unusually volatile and turbulent.

Slide 19 provides an updated estimate of capital and earnings sensitivities going forward. MLI's reported MCCR ratio at quarter-end was 228%. A 10% equity market correction from quarter-end levels is estimated to result in a decline of approximately 25 points in our MCCR.

From a consolidated earnings perspective, we estimate a one-time equity market correction of 10%, followed by normal market growth at assumed levels, would reduce reported earnings by about CAD1.9 billion.

The increase in sensitivity is partly due to increased in-the-moneyness of these exposures, and, to a greater extent, represents the lower present value we now ascribe to assumed tax deductions on these items.

Turning to slide 20, you will see that premiums and deposits decreased by 1% to CAD19.3 billion versus the prior year. This, however, represents a decline of 16% on a constant currency basis.

The increased premiums arising from higher sales of fixed wealth product and in-force insurance business growth were more than offset by the decline in variable wealth product deposits in light of continued market volatility.

May. 07. 2009 / 2:00PM, MFC - Q1 2009 Manulife Financial Corporation Earnings Conference Call

On slide 21, new business embedded value totaled CAD543 million in the first quarter, down from prior period levels. Consistent with historical practices, the prior period values have been updated to reflect current discount and currency rates in order to provide an apples-to-apples comparison.

New business embedded value in the first quarter of '09 was still strong at CAD543 million, but was down significantly from the prior year, partly due to declining sales in light of the challenging macro environment, but also due to the current period new business hedging costs for our variable annuities.

Turning to slide 22, total funds under management at quarter-end were CAD405.3 billion, an increase of 1% over the prior year. The impact of capital markets is quite evident in this result, as strong positive net policyholder cash flows of CAD22 billion and favorable currency of movements of CAD57 billion were reduced by CAD74 billion of net negative investment income due to market value declines.

Turning to slide 23, the continued decline in capital markets adversely affected the first quarter's results for all divisions. Because the divisional results were substantially affected by the same items I just inventoried at the total Company level, I've excluded the market and investment related variances in this table in order to isolate operational items. As you can see, all divisions had earnings after adjustments for the unusual market impacts that were not dissimilar to the result on a similar basis in the prior year, with foreign exchange, the last line in that table, being the largest source of differential.

Turning to slide 24, insurance sales for the quarter were up 3% from prior-year levels, but down 11% on a constant currency basis, reflecting industry wide impact of unsettled markets. There were some positives, as the new product offerings in Japan produced good growth and sales in Canadian Group Benefits were very strong.

US market share results were recently published, and John Hancock ranked number one in individual insurance sales over the last three years, and ranked number one in long-term care sales for the second consecutive year.

US Life sales declined significantly versus the first very strong quarter of 2008, but are in line with the first quarter of '07 sales levels.

Lower universal life and retail long-term care sales were the result of consumers delaying financial planning decisions in light of the economic downturn. But overall premiums were consistent with prior-year levels, reflecting in-force business growth.

In Canada, total insurance sales were up 14%. Group sales increased by 27% due to increases in the large-case market and expanded distribution initiatives in the small-case market. Declines in individual life sales were for reasons similar to that in the US.

In Asia, overall insurance sales were 14% higher than last year, as strong sales growth in Japan more than offset lower sales in Hong Kong. Japan sales in the quarter were up 45% versus the prior year due to the continued success of its new insurance offerings.

Slide 25 shows that wealth sales for the quarter were down by 4%, or down 17% on a constant currency basis. Sales of fixed products grew 91% in the US and 277% in Canada, and declines in the variable products across all geographies were consistent with industry trends.

In the US, fixed product sales rose by USD364 million over the first quarter of '08, as equity market volatility and credit concerns prompted investors to exit equity markets and seek fixed return products from top-rated firms.

In Canada, individual wealth sales were up from the prior year levels, as increases in fixed product sales more than offset declines in both segregated fund and mutual fund sales. Group Pension sales increased by over 300% due to higher volumes of large-case defined contribution business.

May. 07. 2009 / 2:00PM, MFC - Q1 2009 Manulife Financial Corporation Earnings Conference Call

Bank loan volumes rose by 7% over the first quarter of '08.

In Asia, overall wealth sales were 27% lower than a year ago, as volumes in Hong Kong and Japan more than offset increases in the other Asia territories. Despite the continued market turmoil, product innovation and distribution expansion initiatives continued, and new funds were launched in Indonesia and additional products were sold through our partner bank relationships in Japan.

I'd now like to take a moment to provide a brief update on our investment portfolio, which continues to perform strongly. In response to requests from the investment community, we have expanded our SIP disclosures to provide more detail on our investment holdings, including details on our private placements, alternative investments and unrealized losses. I've also included over 20 slides in this investment deck. In the interest of time, I will now attempt to cover the highlights of these slides.

Slide 26 indicates that we continue to have a liability-driven investment philosophy, based on conservative evaluation protocols.

Slide 27 confirms that we continue to benefit from a high-quality, diversified asset mix, which is defensively positioned for this challenging environment.

We have limited exposure to today's more topical in the news investment items. Specifically, as outlined on slide 28, we have limited exposure to European Bank Hybrid securities, with a cost representing one half of 1% of our total investment portfolio.

Slide 29 shows that our fixed income securities portfolio, our below investment grade holdings only total 5.7% of fixed income assets, and that 70% of these are rated BB, which compares very favorably with the overall high-yield marketplace.

Slide 30 indicates that both our public funds and private placements are highly diversified by industry. Slide 31 shows you that public bonds and private placements are well-rated and balanced by geography. No single non-government position represents more than 1% of our invested assets.

On slide 32, our private placements benefit from covenants and collateral which provide for better recoveries on default and better protection from credit deterioration. Most importantly, they are a great source of diversification by name, industry and geography, often offering investment opportunities that are not available in the public market.

Slide 33 shows that our fixed income financial holdings are diversified by sector and geography, with over 80% rated A or higher.

The majority of our bank exposure is in the Senior US debt side, as noted on slide 34, and the majority of our insurance exposure is in Senior debt of the operating companies, as shown on slide 35.

Moving on to our securitized assets, our RMBS holdings are described on slides 36 and 37, and are limited to one-half of 1% of invested assets, with originations concentrated in years 2005 and prior.

You will recall the majority of our impairment charges this quarter related to our RMBS holdings. These charges reflect an increase in the anticipated loss severities.

The second chart on this slide reflects our prudent internal credit ratings for RMBS holdings, which are significantly more conservative than their current external ratings, and are reflected in both our reserves and our capital calculations.

Our ABS holdings are described on slide 38 are highly diversified, highly rated, with over 95% rated AA and above.

And on slide 39, you can see our CMBS holdings, which are of exceptional quality, with over 90% rated AAA, virtually all of which is in the Super Senior tranches and well seasoned, with 90% originated in 2005 and prior.

May. 07. 2009 / 2:00PM, MFC - Q1 2009 Manulife Financial Corporation Earnings Conference Call

Moving now to our mortgage portfolio, we provided significant details on various holdings on the next two slides. Our commercial mortgages, as depicted on slides 41 and 42, have been conservatively underwritten and continue to have low loan-to-values and high debt service coverage ratios.

The values reflected in our commercial mortgages loan-to-value ratios are conservative internal appraisals that are based on long-term sustainable values, and in recent years, these have generally been 10% to 15% lower than the external appraisals we receive.

Canadian residential mortgages on slide 43 includes high quality residential mortgages issued by Manulife Bank in Canada, the majority of which are insured by CMHC, a federal government agency. Of the exposures not sovereign-insured, the average loan-to-value was only 30%, and all residential mortgages are Canadian exposures.

The final component of our mortgage portfolio are agricultural loans, and as shown on slide 44, these loans are well diversified by business type and geography.

Slide 45 shows our commercial real estate portfolio, that mostly consists of unlevered, high quality urban office towers, concentrated in cities with highly diverse economies. The real estate portfolio continues to benefit from high occupancy rates, with less than 5% of leases subject to renewal in '09. You will recall that lower real estate valuations driven by rising capitalization rates resulted in a significant charge in the quarter. This is despite the fact that the cash flows of this portfolio remain undiminished, and it is our intent to hold these properties for the long term.

As summarized on slide 46, our alternative assets are largely composed of private equities, power and infrastructure, oil and gas, timber and agriculture. These have provided strong historic returns and diversification from traditional equity markets. Though limited in size, this well-diversified portfolio is a good fit for long-duration liabilities and surplus.

We also provided on slides 47 and 48 a detailed update on gross unrealized losses on our fixed income securities, as well as the progression over the last three quarters. Gross unrealized losses are essentially unchanged from year-end at roughly CAD9 billion, and still represent a relatively modest 8% of our total fixed income portfolio. Although overall spreads in our corporate holdings narrowed marginally during the quarter, this was fully offset by increases in Treasury yields over the period. As previously indicated, we have the ability to hold these securities until maturity, and have provided for expected levels of defaults in our actuarial reserves.

Fixed income securities trading down 20% or more for at least six months increased to CAD1.5 billion this quarter. Although up from the CAD1 billion in the prior quarter, due to the further aging of financial and securitized holdings, exposure to this category remains at a modest level, given the size of our portfolio.

In terms of unrealized losses on equities that are designated as available-for-sale securities, due to declining equity markets, gross unrealized losses in this portfolio have increased modestly from CAD828 million to some CAD877 million, which represents 27% of the original value of this portfolio.

AFS equity securities trading down 20% or more for at least six months totaled CAD269 million, again, a very modest amount given the size of the portfolio.

With that, I'd like to pass this call over to John DesPrez, our new Chief Operating Officer, who is going to talk about our plans for managing equity risk exposure and growth opportunities in the future. Thank you.

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**John DesPrez III** - Manulife Financial Corporation - COO

Thanks, Peter, and good afternoon.

May. 07. 2009 / 2:00PM, MFC - Q1 2009 Manulife Financial Corporation Earnings Conference Call

Going forward, as Donald indicated, the Company will focus on rebalancing its product portfolio to diversify its sources of income and its risk positions. The next few slides speak to what we are doing to reduce our risks related to segregated fund guarantees, as well as to one of my first initiatives in my new capacity as Chief Operating Officer, which will be an analysis of growth opportunities for our Company.

There are a number of fronts on which to manage our equity exposure, but in summary, they involve eliminating VA expansion to new markets; hedging all new business and opportunistic hedging of the in-force block in established markets; reducing the risk on the in-force block; and changing product features and margins on new products to ensure business is profitable after hedging costs.

As you will see on slide 51, we have made significant progress on hedging our new business. In the US, all new business has been hedged since November 2008. In Canada, we leveraged off our US infrastructure and hedging strategies, and effective April 1, all new GMWB business is being hedged, and we are targeting to hedge other products starting in October 2009. As well, given recent market levels, we took the opportunity to hedge CAD1.6 billion of in-force Canadian business written between November 2008 and March 2009.

In Japan, we intend to start hedging new business by the end of the year. All told, we are now hedging approximately CAD10 billion of guaranteed value at quarter-end. We have a fully dedicated hedge program team of over 20 people, plus a number of dedicated resources in each of our VA seg fund businesses.

In light of continued equity market volatility and sensitivity, the Company has conducted a strategic review of its segregated fund product portfolio, including both fund offerings and product features, and started implementing changes in the last two quarters. Features vary somewhat by geographic markets, but as outlined on slide 52, our goal with respect to fund offerings is to improve hedge effectiveness by reducing the equity component, increasing the index component and eliminating components that are difficult to hedge. This affects both the in-force and new business.

With respect to product features, we want to reduce those that cannot be hedged or where the fees and risks are not aligned. As such, in the quarter, maturity benefit products were withdrawn in Canada and Japan, and the US has withdrawn three of its four core VA products.

In our largest market, the United States, we reduced our bonus level from 7% to 5% on May 1, our resets are now annual instead of quarterly, and we have increased fees, all of which significantly reduce the risk profile of our current VA offering.

In addition, in June, we intend to introduce a new product in the United States -- low-cost, based on one index fund, low optionality and fewer resets -- an effort to redefine the category in a more appropriate place on the risk-reward spectrum.

A time of transition is also a time to reflect on the growth direction, so it is important to review the markets we are in and the markets we are not in but should be in. Slide 53 shows the markets and geographies where we currently operate.

As you know, our philosophy has been not to dabble in markets, but to compete where we are and can become a major player. Having said that, there is a lot of white space on this map, both in terms of geography and the scope of our business operations. Consequently, we are conducting a strategic review of our business mix, with an eye to presenting a plan to our Board in December of this year outlining Manulife's go-forward growth strategy.

As outlined on slide 54, the areas we are focusing on are how we can accelerate growth in our core businesses, whether we want to move into adjacent markets and whether we should move into new markets and geographies. Our review is in its very early stages, but we do believe that our core values and competencies will enable us to pursue a healthy balance of organic and strategic growth.

With that, I will turn it back to Donald, who has some closing remarks.

May. 07. 2009 / 2:00PM, MFC - Q1 2009 Manulife Financial Corporation Earnings Conference Call

**Donald Guloien** - *Manulife Financial Corporation - President & CEO*

Thank you, John. So in conclusion, continued declines in equity markets have reduced this quarter's reported earnings substantially, and the broader economic slowdown has affected our sales volumes. But our core earnings continue to perform well, exclusive of these market-related items, and our diversified product offerings continue to meet the changing needs of consumers.

We also continue to have strong capital levels despite volatile equity markets, and we continue to enjoy access to capital markets.

Our investment portfolio continues to be well-positioned for the challenging credit cycle, with limited exposure to noteworthy items. And finally, our global franchises remain strong despite unprecedented market conditions, which we expect will provide new expansion and diversification opportunities that we are well-positioned to consider.

Operator, that concludes our prepared remarks. We would be happy to take any questions.

## QUESTIONS AND ANSWERS

**Operator**

(Operator Instructions) John Reucassel, BMO Capital Markets.

**John Reucassel** - *BMO Capital Markets - Analyst*

Thank you. Just first, thanks for the additional disclosure on the asset portfolio and the seg funds. so there is a lot of information here, so I guess I'm limited to two questions. But let me start, Don, with you, and maybe John. When you talk about a more balanced business mix, I assume you're talking about more protection and less wealth management. Is that where you are leading, or --?

**Donald Guloien** - *Manulife Financial Corporation - President & CEO*

No, John, you might have some of the direction. You know, we are very proud of the guaranteed products, the VAs. They are a good product. They serve a real need. But there is obviously some risk associated with them. So what we want to do is have a balance of basically those products with all other products. We would like to expand Wealth Management products.

We would like to expand Insurance and things like Group Life and Health, 401(k) business, other forms of pension business, institutional retail investment management -- a whole range of businesses that we would like to see expand to produce a better balance.

**John Reucassel** - *BMO Capital Markets - Analyst*

Okay, so in the past -- and Don, I know you've only been in the chair half an hour -- but in the past, Manulife has talked about a medium-term target of 15% EPS growth. Is that -- I guess the dust has to settle out there, but is that too ambitious a goal for the new Manulife, or is that something you are still trying to aim towards?

May. 07. 2009 / 2:00PM, MFC - Q1 2009 Manulife Financial Corporation Earnings Conference Call

**Donald Guloien** - *Manulife Financial Corporation - President & CEO*

Well first of all, John, you promoted me to the chair. I just made President this morning, and Dr. Cook-Bennett might be a little upset to think I'm trying -- vying for her job already.

But on the comment about the ROE goals or earnings growth goals, we will have to assess that. I think in the short term, obviously there is going to be some challenge from the sales, the new business activity, in terms of what it is adding to the bottom line, in terms of the cost of hedging, which will be reflected going forward on a new business basis.

I also believe that regulators around the world are going to take a look at capital standards once things stabilize. And if you had to guess, right, they're probably not going to have them go down in the future; they would probably go up. I have no inside information there, but being a betting man, I'd go in that direction.

So I think we are going to take a good part of the rest of the year to pause and reflect on things, and then we will talk to you maybe about new ROE goals and earnings growth goals going forward.

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**John Reucassel** - *BMO Capital Markets - Analyst*

Okay, and last question. On the private placement portfolio, I know it has been five years since the Hancock deal, but what portion of that private placement portfolio is legacy from the Hancock deal, or is most of that runoff?

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**Scott Hartz** - *Manulife Financial Corporation - EVP-US Investments*

This is Scott Hartz. It is probably about half and half. We are continuing to invest, and we have a private placement shop in Canada, which is also putting new deals on the books. But it is probably a seven- to 10-year average life portfolio, so you kind of do the math and I would guess it is about 50-50.

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**John Reucassel** - *BMO Capital Markets - Analyst*

Okay. Thank you.

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**Donald Guloien** - *Manulife Financial Corporation - President & CEO*

John, I want to pick up after Scott on that one. Runoff would be the wrong term to use to apply to that business. The Hancock was a wonderful deal. We were actually trying to get into the private placement business in Canada and the United States, Manulife on its own prior to the merger.

So we had a chance to merge with the Hancock that already had fantastic experience and resources there, and that was a highly desirable commodity. We see huge advantage to private placements in enabling us to diversify our fixed income investment risk. So that is an asset. That is not something that is in runoff mode.

And I think if you were to ask the CIOs of any of the other Canadian companies, they would tell you the same. They feel better because some of the covenants and provisions associated with privates and the lower loss given default rates that they -- privates are a prized possession, and we have one of the best origination capabilities now in Canada and the United States.

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**John Reucassel** - *BMO Capital Markets - Analyst*

Okay. I'll change my terminology. Next time, I'll use that, since the merger. Thank you.

May. 07. 2009 / 2:00PM, MFC - Q1 2009 Manulife Financial Corporation Earnings Conference Call

**Donald Guloien** - *Manulife Financial Corporation - President & CEO*

No offense taken, John.

**Operator**

Tom MacKinnon, Scotia Capital.

**Tom MacKinnon** - *Scotia Capital - Analyst*

Thanks very much. Two quick questions, then maybe a follow-up from that. Just the new reinsurance deal that you struck, what was the impact on the MCCSR? Do you have that handy?

**Simon Curtis** - *Manulife Financial Corporation - EVP & Chief Actuary*

Yes, Tom, it's Simon here. It's about a CAD300 million reduction in required capital. So that would be about six to eight points on our MCCSR ratio.

**Tom MacKinnon** - *Scotia Capital - Analyst*

Okay. And then maybe if I want to look -- or maybe the other quick one would be implications of Hartford's decision to pull out of the variable annuity market in Japan. Has that opened up any opportunities there, or if you can comment just with respect to the landscape there?

**John DesPrez III** - *Manulife Financial Corporation - COO*

This John DesPrez. Certainly it opens up the competition a little bit. Hartford had developed a very significant business in Japan, which may afford us some additional opportunities in that market.

**Tom MacKinnon** - *Scotia Capital - Analyst*

I guess the real question -- or the one I'm thinking about here is, if I kind of even look at the underlying earnings growth here and strip out all the stuff that kind of happened, even with respect to some of the tax stuff, it might be around CAD0.52, CAD0.53. I mean that is not much more than a 13% ROE sort of.

Now, you do have a 16% hurdle. Is there a certain level that we have to get equity markets back up to before you can really kind of hit that 16% hurdle, or is this something that we might have to kind of readjust our thinking of going forward?

**Peter Rubenovitch** - *Manulife Financial Corporation - SEVP & CFO*

Tom, I think your arithmetic is approximately right, but I think the thing that is awkward in that kind of calculation is we've got a lot of investments that typically throw off investment gains which we are not enjoying. In fact, it is quite the opposite. And so that wouldn't be embedded in that calculation.

And then our sales are a bit softer than we are used to seeing. And we have quite a bit more cash than we normally hold, and we are giving up a fair amount of spread on that liquidity. And the liquidity is there partly because the ability to get new long-term

May. 07. 2009 / 2:00PM, MFC - Q1 2009 Manulife Financial Corporation Earnings Conference Call

assets of quality is taking a little more time than we like. There has been a period with very limited issuance, and so a scarcity of quality assets. And it will take us three to six months to get even to where we think is the appropriate level as markets give us more investment opportunity.

So the combination of those things doesn't fundamentally change what you could earn -- in a normal market. We haven't seen one of those for a little while.

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**Tom MacKinnon** - Scotia Capital - Analyst

Okay. Maybe one quick final question for Don here. I get the impression that there is a bit of a pause and reflect on things here, and a strategic review really of your risk profile. I guess the danger is here you take your eye off the ball with respect to external opportunities as you kind of re-jig internally here. How can you reassure us that is not the case?

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**Donald Guloien** - Manulife Financial Corporation - President & CEO

It wouldn't make good economic sense for our shareholders to do that, and that is why we have John leading this growth task force to find growth opportunities. I mean, we want to de-tune risk in one element of what we do. Now, it's a significant element. We are not going to lie to anybody about that. But we want to retool growth in a variety of other places, and we have some very good ideas on how to do that.

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**Tom MacKinnon** - Scotia Capital - Analyst

All right. Thanks, Don.

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**Operator**

Michael Goldberg, Desjardins Securities.

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**Michael Goldberg** - Desjardins Securities - Analyst

Thanks. First, can you give us some idea of where you plan to set your DRIP stock purchase plan discount and what kind of participation rate you are aiming for?

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**Peter Rubenovitch** - Manulife Financial Corporation - SEVP & CFO

We are initially setting the discount at 3%, which is consistent with what some others are doing in this marketplace. And the shareholders will determine the amount of participation. We are going to make sure people are aware of the opportunity. And typically, there is a fair interest in these plans, but we will be responsive to whatever demand there is.

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**Michael Goldberg** - Desjardins Securities - Analyst

And that will be the same in Canada and the US?

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**Peter Rubenovitch** - Manulife Financial Corporation - SEVP & CFO

That's correct. The programs are slightly different, but the economics would be the same.

May. 07. 2009 / 2:00PM, MFC - Q1 2009 Manulife Financial Corporation Earnings Conference Call

**Michael Goldberg** - *Desjardins Securities - Analyst*

Okay. Now turning to your at-risk in-the-money guarantees, could you give us some idea of how these actually move with equities? Specifically, how much would markets have to increase in order to reduce the CAD30 billion of in-the-money guarantees by, say, 50%, all other things being equal?

**Peter Rubenovitch** - *Manulife Financial Corporation - SEVP & CFO*

I don't know if you can have a shot at that one, Simon.

**Simon Curtis** - *Manulife Financial Corporation - EVP & Chief Actuary*

Well, indirectly, the way I often look at this myself is that if you take that notional amount of guarantee value, which is about CAD100 billion today, and apply sort of a 60% factor for 60% being in equities, and then you can take whatever market movement you want and multiply it by that, Michael. So if you've got (technical difficulty) in-the-money and the markets move 10%, and take 60% to that, that should in theory take that amount down by CAD6 billion.

**Michael Goldberg** - *Desjardins Securities - Analyst*

I'm sorry, I missed that. Somebody coughed or something.

**Simon Curtis** - *Manulife Financial Corporation - EVP & Chief Actuary*

Basically, since all the guarantees are in-the-money today, that CAD100 billion exposure is mostly for contracts in-the-money. So if you had a 10% market movement on the CAD100 billion guarantee value, you would have sort of a 10%, CAD10 billion movement in that notional amount. And you could take sort of 60% of that to get you how much the guarantee value should go down. Because 60% is in equities and 40% is in a mix of other investments.

**Michael Goldberg** - *Desjardins Securities - Analyst*

Okay, thank you.

**Operator**

Doug Young, TD Newcrest.

**Doug Young** - *TD Newcrest - Analyst*

Good afternoon. Just first on slide 15, talking about your reserves and capital as a percent of your amount at risk, I think you said 44%. One of your Canadian competitors came out with disclosure today and showed that theirs is at 70%.

Is there something I'm missing, or is that the wrong way to look at it, or is that not comparable? I guess that is the first question.

And second, in terms of -- if you were to let your CTE go up to 80 and then afterwards reserves would have to be released, at what point -- how much do markets have to go up before you hit the CTE(80) level? Thank you.

May. 07. 2009 / 2:00PM, MFC - Q1 2009 Manulife Financial Corporation Earnings Conference Call

**Simon Curtis** - *Manulife Financial Corporation - EVP & Chief Actuary*

The comment -- I think I heard that comment this morning, about the coverage of the in-the-money amount relative to reserves plus required capital, and in our case, it being 44%.

The problem with directly comparing it between companies is you really need to understand the underlying mix of the types of guarantees and when they may be coming due. So our guarantees are generally quite long dated, which is going to reduce the accrual you would make today, both for discounting and future fee income offset, and for some likelihood of the markets recovering.

As an example, if I had a sort of CAD10 billion of notional in the money guarantees today, if they were a maturity guarantee one year from now, you would expect to have your reserves and capital covering virtually all of that. If it was against the death benefit guarantee 40, 50 years out, you would have a much lower amount set aside because of both discounts and offsetting fee income and chances of markets recovering.

So without really being able to sort of dissect the two different books, it is very hard to get a good feel for what that different coverage means.

Your second -- the second question I believe was related to our level of reserve versus what a CTE (80) reserve would be?

**Doug Young** - *TD Newcrest - Analyst*

I mean at what point in time do you release reserves? How much of a market increase would have to happen? I'm assuming that you would let your CTE go to 80. At what point do you start releasing reserves?

**Simon Curtis** - *Manulife Financial Corporation - EVP & Chief Actuary*

Well, we have -- we have generally been trying to keep our reserves out around the CTE(70) level, so it is not a certainty that it would necessarily go up to CTE (80). CTE(80) reserve today would be about CAD2 billion more than the CAD7.7 billion reserve we are booking. And that is fairly close to the reserve change you would see for a 10% market movement. But I would emphasize it is not -- we would not necessarily change the reserve for the [CE] level as the reserve, as the markets moved.

**Doug Young** - *TD Newcrest - Analyst*

And just one follow-up. In terms of your redemption rates on US VAs, they seem to be down. Obviously, higher lapses would be more positive. How is this comparing -- or on comparing to your expectations that you've built in in terms of lapsed assumptions on (inaudible) product and you are reserving?

**Simon Curtis** - *Manulife Financial Corporation - EVP & Chief Actuary*

I'm going to start, and then Hugh McHaffie may make a few more comments. The lapse rates are -- we do use a dynamic lapse formula in our pricing evaluation, so we do expect the lapse rates to come in the more contracts are in the money. The lapse rates had trended down consistent with what we would've expected our models, but they are running lower than our current expectations.

May. 07. 2009 / 2:00PM, MFC - Q1 2009 Manulife Financial Corporation Earnings Conference Call

**Hugh McHaffie** - *Manulife Financial Corporation - EVP-US Wealth Management*

It's Hugh McHaffie. The lapse rates have come down. Fourth quarter, the full lapse was 5.4 and first-quarter is 4.3. So they are down, as we would anticipate to go down, as they are more in the money. And they are just slightly lower than our expectations, but within a range.

**Doug Young** - *TD Newcrest - Analyst*

So I guess is there -- I mean, if you were to have to adjust that, what type of financial impact would there be, or is that really not in consideration at this point?

**Simon Curtis** - *Manulife Financial Corporation - EVP & Chief Actuary*

I wouldn't have a number at this point, but certainly it would not -- relative to some of the impacts of the market movements you've seen, it wouldn't be that big a number.

**Doug Young** - *TD Newcrest - Analyst*

Okay. Thank you.

**Operator**

Mario Mendonca, Genuity.

**Mario Mendonca** - *Genuity - Analyst*

Good afternoon. A question about slide 47. There are CAD9.2 billion of gross unrealized losses. And there is the AFS equities, of course, the unrealized loss being about CAD900 million. There are also a fair bit of equities that are supporting also the liabilities or HFT equities. Presumably, there is a good amount of those that are -- there would be some big unrealized losses there as well. Could you help me think through that? How big a number would that be?

**Donald Guloien** - *Manulife Financial Corporation - President & CEO*

Mario, Warren Thomson is going to answer that one.

**Warren Thomson** - *Manulife Financial Corporation - EVP-MFC Global Investment Management*

The equities that we hold in our (inaudible) reliability segments actually are marked to fair market value and on a quarter-by-quarter basis. So in terms of from an earnings point of view, the general fund equities are at market value.

**Mario Mendonca** - *Genuity - Analyst*

I'm familiar with that. I figured, though, there would be some level of reserve adjustment to offset that. And I guess maybe what you are suggesting here is Manulife doesn't really do it that way. The reserves are adjusted every quarter anyway. Or sorry, the reserves are not adjusted for changes in HFT equities.

May. 07. 2009 / 2:00PM, MFC - Q1 2009 Manulife Financial Corporation Earnings Conference Call

**Simon Curtis** - *Manulife Financial Corporation - EVP & Chief Actuary*

No, Mario, it's Simon again. To the extent we have public equities backing our policy liabilities in the general account, they are held for trading. And the full impact of the mark to market effectively would go through each quarter, unless it was a pass-through product.

**Mario Mendonca** - *Genuity - Analyst*

Would go through earnings?

**Simon Curtis** - *Manulife Financial Corporation - EVP & Chief Actuary*

Go through earnings.

**Mario Mendonca** - *Genuity - Analyst*

Right, and that's what I'm getting at. So there is no reserve adjustment to offset the effects of lower equities, lower HFT equities?

**Simon Curtis** - *Manulife Financial Corporation - EVP & Chief Actuary*

No.

**Mario Mendonca** - *Genuity - Analyst*

That's what I'm getting at. Okay, that's helpful.

**Donald Guloien** - *Manulife Financial Corporation - President & CEO*

And Mario, just to clarify for the other people on the call, so in other words, when we talk about equity sensitivity and how earnings were affected by equity markets, it includes that already, because that has been taken through the income statement.

**Mario Mendonca** - *Genuity - Analyst*

I suspected that was true. I just wanted to be very clear in my own mind that that was the case.

**Donald Guloien** - *Manulife Financial Corporation - President & CEO*

No, I'm glad that you are pointing it out because not everybody would have your understanding.

**Mario Mendonca** - *Genuity - Analyst*

Sort of a related topic then. It seems like there are a lot of these assets now that are well below what you paid for them, and several of these are supporting policyholder liabilities. And it seems that there were some -- clearly there were some charges this quarter, about CAD200 million impairments, plus there was a little bit on the equities side.

May. 07. 2009 / 2:00PM, MFC - Q1 2009 Manulife Financial Corporation Earnings Conference Call

What I'm trying to understand is if in fact we are not due for our sharp V recovery here, and maybe we just sort of meander along at these levels for a while, is there some formulaic approach to recognizing impairments that would -- that you could help us out with in thinking? So as we go through over the next few quarters, is CAD200 million in impairments sort of about right on a quarterly basis if we don't have a pretty sharp recovery?

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**Donald Guloien** - *Manulife Financial Corporation - President & CEO*

Mario, we are going to refer that to Scott Hartz.

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**Mario Mendonca** - *Genuity - Analyst*

Thank you.

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**Donald Guloien** - *Manulife Financial Corporation - President & CEO*

Who runs our entire general account globally.

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**Scott Hartz** - *Manulife Financial Corporation - EVP-US Investments*

As you see on that slide, it is about 8% of the portfolio, the gross unrealized loss is about 8% of the portfolio. And that is really just reflecting the general level of corporate spreads. In fact, if you looked at the investment-grade corporate bond market, it has got an average dollar price of about CAD90, implying if you had bought those at new issue, you would have a 10% gross unrealized loss on your books.

So it is just reflecting the current market conditions. There is no doubt we expect impairments in the future, given the current market, but we will hold those until they recover. They are instruments that will mature. So unless we have real defaults, I do not expect to take charges on those.

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**Peter Rubenovitch** - *Manulife Financial Corporation - SEVP & CFO*

Two other points. To the extent they are downgraded, you know we take stronger provisions. And secondly, we look at every credit, and if there is any expectation of impairment, we take specifics. So I think we have handled them fairly conservatively.

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**Mario Mendonca** - *Genuity - Analyst*

So there isn't really a way of -- you couldn't provide us any guidance here on what the level of impairments might be from a formulaic perspective going forward? It really is just quarter by quarter, you've got to look at the securities and make the determination then? Is that fair?

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**Peter Rubenovitch** - *Manulife Financial Corporation - SEVP & CFO*

We do exactly that.

May. 07. 2009 / 2:00PM, MFC - Q1 2009 Manulife Financial Corporation Earnings Conference Call

**Donald Guloien** - *Manulife Financial Corporation - President & CEO*

Yes, that's exactly right. But as Scott said, the generalized spread widening, we would not expect anything with those characteristics to result in impairments.

But it is a tougher economy. There is no question. There is more stuff going bump in the night, and we would expect more impairments, I think, in the next 12 months then we've historically had the last couple of years. That's for sure.

**Mario Mendonca** - *Genuity - Analyst*

Thank you very much. And Don, best of luck in your new role.

**Donald Guloien** - *Manulife Financial Corporation - President & CEO*

Thanks, Mario.

**Operator**

Jim Bantis, Credit Suisse.

**Jim Bantis** - *Credit Suisse - Analyst*

A question on slide 15. I think this is John's slide, with respect to managing equity risk. John, you spent quite a bit of time talking about the changes you are making to VA products going forward and managing that risk in terms of hedging it. But there were a couple of bullets with respect to opportunistically hedge in in-force block and reduce risk on the in-force block. And I'm wondering if you can elaborate on those points for me.

**John DesPrez III** - *Manulife Financial Corporation - COO*

Sure. Let me -- I will talk about what we've done on the underlying investments to reduce the risk on the in-force block. And then maybe I can ask Bev to talk about the position that we opportunistically took out in Canada just recently, and how that might be an example of what we would want to do going forward.

With respect to -- we are contractually limited for doing very much with respect to the in-force block in terms of mitigating the guarantees. But one thing we do have the right to change is the nature in kind of the underlying investments. As you know, we use asset allocation funds as a general proposition underlying our guarantees, which give us a range in which the equity component in those funds.

And as a general proposition, what we've done is reduced the equity component of those asset allocation funds to the lower end of their ranges. So the 80/20 fund could move down to close to 70/30. We've done that. The 60/40 could move more like 50/50. We've done that. So that's one area.

The second thing we've done is we've introduced more index funds into the asset allocation portfolios. Those indexes being much more perfectly hedgeable, if you will, than some of the actively managed funds.

And a third thing we've done, sort of counterpart of where we got the money to move into the index funds, is we've removed a bunch of funds from those models that are in specialty areas that are particularly difficult to hedge. So that is what we've done on the funding side.

May. 07. 2009 / 2:00PM, MFC - Q1 2009 Manulife Financial Corporation Earnings Conference Call

If, Bev, if you want to talk about what we did in Canada as an example of what we might do in terms of hedging blocks of in-force business.

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**Beverly Margolian** - *Manulife Financial Corporation - EVP & Chief Risk Officer*

Sure. As you know, we started hedging our new business in Canada on the end of March. And what we are doing is we are taking a look at blocks that we have in force and seeing where it makes sense from an economic standpoint to hedge that, depending on where the market levels are and what happens and where interest rates are.

So we did hedge about CAD1.6 billion of in-force business in Canada at that same time. And just recently, we've hedged another CAD350 million in Canada. And we are looking at our blocks that we have in force and we'll opportunistically put on hedges as it makes sense.

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**Jim Bantis** - *Credit Suisse - Analyst*

Got it. And the type of hedges you are using are just forward contracts on the equity markets?

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**Beverly Margolian** - *Manulife Financial Corporation - EVP & Chief Risk Officer*

Yes, we are using equity futures, futures contracts, shorting them. And as well, we are using some interest rate lengthening swaps.

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**Jim Bantis** - *Credit Suisse - Analyst*

Got it. Thanks very much. I appreciate that.

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**Operator**

Darko Mihelic, CIBC.

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**Darko Mihelic** - *CIBC - Analyst*

Thank you. A question for Simon, and I apologize for the linear nature of it, but I want to dig away at the question that Doug was asking earlier about page 15, and your reserves plus required capital.

And what I'm asking is rather than try and compare it to other companies, is it -- it seems as though it is almost consistent in terms of your reserves and capital as a percentage of your amount at risk. The quarter before, it was around 40% and now it is around 44%. And the reason why I'm asking this question and I want to dig at it a little bit more is because if I look at markets today, I calculate your amount at risk would only be about CAD19 billion or so, which means you would be at 70%.

So I guess, Simon, the question is, are we looking at -- knock on wood -- markets sort of being where they are now for the quarter, could we see like a CAD2.5 billion reserve release?

May. 07. 2009 / 2:00PM, MFC - Q1 2009 Manulife Financial Corporation Earnings Conference Call

**Simon Curtis** - *Manulife Financial Corporation - EVP & Chief Actuary*

Yes, as I've described, just turn to the page, and looking at those numbers. Yes, the way I would look at this is we've disclosed what the 10% equity market is going down, the impact of that would be CAD1.9 billion. You know that's very largely driven by equity market impacts on segregated fund guarantees.

If equity markets recover and go the other way, you are going to see the segregated fund reserves reverse in exactly the same pattern. So with equity markets up between 10% and 15%, you would see a similar type of reversal in those types of guarantees, which could be CAD2.25 billion to CAD3 billion. But of course, there's 60 more days to go in the quarter to get to the final impact. But certainly if you were just putting the pen in right now, that is what you would see.

**Darko Mihelic** - *CIBC - Analyst*

Okay, that --

**Donald Guloien** - *Manulife Financial Corporation - President & CEO*

Darko -- you ruined it for me. I was hoping that was going to happen. I was going to take credit for it as the new CEO and say it is a much improved situation over the last guy. But you've now made it public that it is all due to equity markets.

**Darko Mihelic** - *CIBC - Analyst*

I apologize for that. Thanks a lot, gentlemen.

**Operator**

Thank you. There are no further questions registered at this time. I would like to turn the meeting back over to Mr. Gorgi.

**Amir Gorgi** - *Manulife Financial Corporation - VP, IR*

Thank you, operator. We will be available after the call if there are any follow-up questions. And with that, I would like to thank everyone for joining us on this call today.

**Donald Guloien** - *Manulife Financial Corporation - President & CEO*

Thank you.

**Operator**

Thank you. The conference has now ended. Please disconnect your lines at this time, and thank you for your participation.

## May. 07. 2009 / 2:00PM, MFC - Q1 2009 Manulife Financial Corporation Earnings Conference Call

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