

# Scotia Capital Financial Summit 2010



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

September 16, 2010

# Legal Disclaimer

## Caution Regarding Forward-Looking Statements

This presentation 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. The forward-looking statements in this presentation relate to, among other things, our objectives, goals, strategies, intentions, plans, beliefs, expectations and estimates, and can generally be identified by the use of words such as "may", "will", "could", "should", "would", "likely", "suspect", "outlook", "expect", "intend", "estimate", "anticipate", "believe", "plan", "forecast", "objective", "seek", "aim", "continue", "embark" and "endeavour" (or the negative thereof) and words and expressions of similar import, and include statements concerning possible or assumed future results. Although we believe that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements and they should not be interpreted as confirming market or analysts' expectations in any way. Certain material factors or assumptions are applied in making forward-looking statements, and actual results may differ materially from those expressed or implied in such statements. Important factors that could cause actual results to differ materially from expectations include but are not limited to: general business and economic conditions (including but not limited to performance and volatility of equity markets, interest rate fluctuations and movements in credit spreads, currency rates, investment losses and defaults, market liquidity and creditworthiness of guarantors, reinsurers and counterparties); changes in laws and regulations; changes in accounting standards; our ability to execute strategic plans and changes to strategic plans; downgrades in our financial strength or credit ratings; our ability to maintain our reputation; impairments of goodwill or intangible assets or the establishment of valuation allowances against future tax assets; the accuracy of estimates relating to long-term care morbidity; the accuracy of other estimates used in applying accounting policies and actuarial methods; level of competition and consolidation; the ability to market and distribute products through current and future distribution channels; unforeseen liabilities or asset impairments arising from acquisitions and dispositions of businesses; our ability to implement effective hedging strategies and unforeseen consequences arising from such strategies; our ability to source appropriate non-fixed income assets to back our long dated liabilities; the realization of losses arising from the sale of investments classified as available for sale; our liquidity, including the availability of financing to satisfy existing financial liabilities on their expected maturity dates when required; obligations to pledge additional collateral; the availability of letters of credit to provide capital management flexibility; accuracy of information received from counterparties and the ability of counterparties to meet their obligations; the availability, affordability and adequacy of reinsurance; legal and regulatory proceedings, including tax audits, tax litigation or similar proceedings; our ability to adapt products and services to the changing market; our ability to attract and retain key executives, employees and agents; the appropriate use and interpretation of complex models or deficiencies in models used; political, legal, operational and other risks associated with our non-North American operations; acquisitions and our ability to complete acquisitions including the availability of equity and debt financing for this purpose; the disruption of or changes to key elements of the Company's or public infrastructure systems; environmental concerns; and our ability to protect our intellectual property and exposure to claims of infringement. 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 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 the 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.

**Hard copies of this presentation will be made available after September 23, 2010**



# 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; Constant Currency Basis; Premiums and Deposits; Premiums and Premium Equivalents; Funds under Management; Capital; and Sales. Non-GAAP financial measures are not defined terms under GAAP and, therefore, are unlikely to be comparable to similar terms used by other issuers. Therefore, they should not be considered in isolation or as a substitute for any other financial information prepared in accordance with GAAP. Return on common shareholders' 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 Company calculates return on common shareholders' equity using average common shareholders' equity excluding Accumulated Other Comprehensive Income (Loss) on available for sale securities and cash flow hedges. The Company also uses financial performance measures that are prepared on a constant currency basis, which exclude the impact of currency fluctuations and which are non-GAAP measures. Quarterly amounts stated on a constant currency basis in this presentation are calculated, as appropriate, using the income statement and balance sheet exchange rates effective for the second quarter of 2009. Premiums and deposits is a measure of top line growth. The Company calculates premiums and deposits as the aggregate of (i) premiums and premium equivalents (see below), (ii) segregated fund deposits, excluding seed money, (iii) mutual fund deposits, (iv) deposits into institutional advisory accounts, and (v) other deposits in other managed funds. Premiums and premium equivalents are part of premiums and deposits. The Company calculates premiums and premium equivalents as the aggregate of (i) general fund premiums net of reinsurance, reported as premiums on the Consolidated Statement of Operations, (ii) premium equivalents for administration only group benefit contracts and (iii) premiums in the Canadian Group Benefit's reinsurance ceded agreement. Funds under management is a measure of the size of the Company. It represents the total of the invested asset base that the Company and its customers invest in. The definition we use for capital serves as a foundation of our capital management activities at the MFC level. For regulatory reporting purposes, the numbers are further adjusted for various additions or deductions to capital as mandated by the guidelines used by OSFI. Capital is calculated as the sum of: total equity excluding Accumulated Other Comprehensive Income (Loss) on cash flow hedges; non-controlling interest in subsidiaries; and liabilities for preferred shares and qualifying capital instruments. Sales are measured according to product type. (i) For total individual insurance, sales include 100 per cent of new annualized premiums and 10 per cent of both excess and single premiums. For individual insurance, new annualized premiums reflect the annualized premium expected in the first year of a policy that requires premium payments for more than one year. Sales are reported gross before the impact of reinsurance. Single premium is the lump sum premium from the sale of a single premium product, e.g. travel insurance. (ii) For group insurance, sales include new annualized premiums and administrative services only premium equivalents on new cases, as well as the addition of new coverages and amendments to contracts, excluding rate increases. (iii) For individual wealth management contracts, all new deposits are reported as sales. This includes individual annuities, both fixed and variable; variable annuity products; mutual funds; college savings 529 plans; and authorized bank loans and mortgages. (iv) For group pensions/retirement savings, sales of new regular premiums and deposits reflect an estimate of expected deposits in the first year of the plan with the Company. Single premium sales reflect the assets transferred from the previous plan provider. Sales include the impact of the addition of a new division or of a new product to an existing client. Total sales include both new regular and single premiums and deposits. For further information regarding these subjects, see our Q2 2010 Quarterly Report to Shareholders.



# Agenda

- **Vision, Strength and Priorities**
- **Addressing the Challenges Head-On**
- **Financial Strength and Business Growth**
- **Concluding Remarks**



# Manulife Vision



To be the most professional financial services organization in the world, providing strong, reliable, trustworthy and forward-thinking solutions for our clients' most significant financial decisions



# Manulife Competitive Strengths



Global competitor of significant scale with established brands, broad product offerings, proven multi-channel distribution and, as a result, leading market positions



Firmly established presences, positioned to expand in many of the fastest growing economies in the world



Diversified global platform provides multiple sources of earnings, and opportunities for capital redeployment



Strong capital position, financial strength ratings among the highest in the industry



Disciplined management of capital, financial leverage and liquidity



Superior asset quality and track record of success in management of balance sheet assets and assets managed for third parties



Financial strength is core to our brand – track record of decisive actions to strengthen capital



# Manulife Priorities

- Growth
- Maintain strong capital / financial strength
- Improve ROE
- Manage risk
- Continue to offer a quality value proposition to clients

We think of being strong, reliable, trustworthy and forward-thinking as Canadian traits.



We are proud to help bring those qualities to the world.

The passion to develop international markets has been a defining characteristic at Manulife since the days of our first President, Sir John A. Macdonald. We sold our first insurance policy in Shanghai in 1897, shortly before we expanded our business into the United States. Today we are a financial services leader in Asia, the United States and around the world – with 75% of our business now taking place outside of Canada. Achieving business success in global markets requires financial strength, reliable and trustworthy delivery on our promises and a forward-thinking ability to anticipate needs and deliver solutions. To us, this is simply the Canadian way to run a business. For your future.

To learn more, please go to [www.manulife.com](http://www.manulife.com)



 **Manulife Financial**  
| For your future™

# Key Challenges for the Company and Investor Concerns

## Key Challenges

- Equity market risk of VA guarantees
- Interest rate risk of long term guaranteed products
- Morbidity risk on Long Term Care

## Investor Concerns

- Capital adequacy
- Risk management
- Growth



- **Vision, Strength and Priorities**

- **Addressing the Challenges Head-On**

- **Financial Strength and Business Growth**

- **Concluding Remarks**



# Addressing the Challenges Head-On

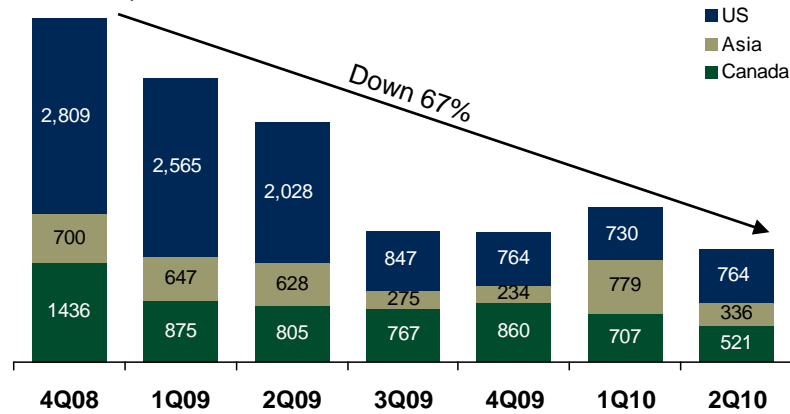
- Substantial revisions to business mix, product design and pricing
- Reallocation of capital and resources to businesses with higher margins, lower inherent volatility, lesser capital intensity, and potential for robust growth
- Providing capital to support a high degree of financial security, and to provide a buffer against capital markets volatility
- General move to reduce interest rate risk exposure by constraining the higher-risk, long-duration guaranteed businesses, particularly those with embedded optionality
- Focus on opportunistic hedging of VA-related equity risk exposure from legacy in-force business



# Reducing New Business Risk Exposures

## Variable Annuity Sales<sup>1</sup>

(C\$ millions)

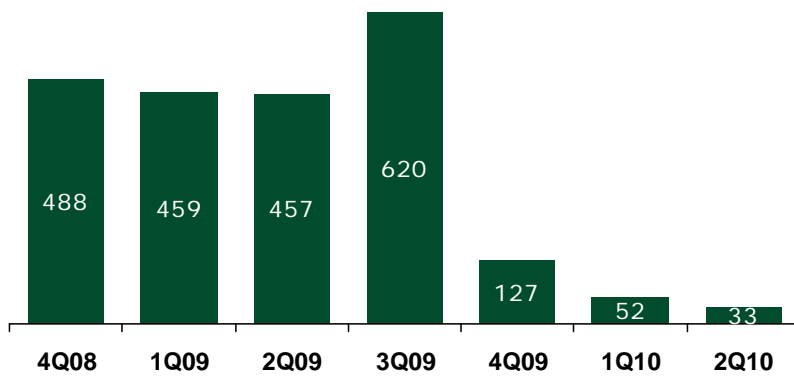


- Actively constraining variable annuity sales in all geographic markets to limit growth of VA-related equity risk exposure

- Substantially reduced sales of book value fixed deferred annuities to reduce exposure to risks of long term interest rate guarantees and optionality

## Book Value Fixed Deferred Annuity Sales<sup>1</sup>

(US\$ millions)



- US LTC product re-positioned and substantial rate increases filed for new business and in-force policies to increase margins

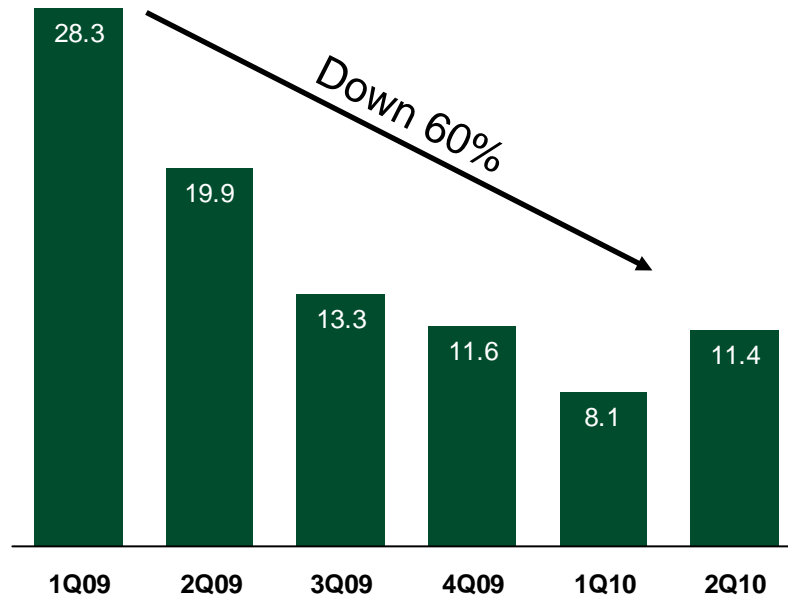
<sup>1</sup> Non GAAP measure. See "Note to Users – Performance and Non-GAAP Measures".



# Reducing VA-related Equity Market Exposure

## Amount at Risk (Unhedged)

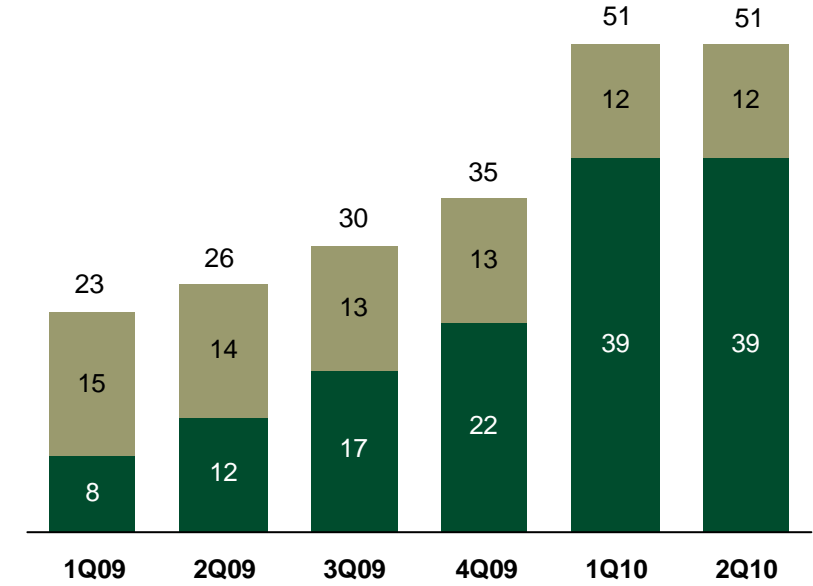
(in-the-money amounts) (C\$ Billions)



## VA Exposure Hedged or Reinsured

(as a % of Gross Guarantee Value)

■ Hedged ■ Reinsured



- 51% hedged or reinsured at June 30, 2010
- Targeting 70% hedged or reinsured
- Held \$3.2 billion in reserves on the unhedged block at June 30, 2010

# More Products Growing than Shrinking

## U.S Insurance

### JH Life

Variable Universal Life  
 Universal Life  
**Guaranteed Universal Life**  
 Term Life  
 COLI

**JH Long-Term Care**

## U.S Wealth Management

### JH Wealth Asset Management

Defined Contribution  
 Mutual Funds  
 Privately Managed Accounts  
 College Savings

### JH Fixed Products

Payout Annuities  
 Spread-based Products  
 Fee-based Products  
**Fixed Deferred Annuities**

**JH Variable Annuities**

## Canada

### Individual Insurance

Universal Life  
 Whole Life  
 Term Life  
 Living Benefits  
 Affinity Markets

### Individual Wealth Management

Annuities  
 Fixed Rate Products  
**Segregated Funds**  
 Manulife Bank  
 Mutual Funds

### Group Businesses

Group Life and Health  
 Group Savings and Retirement Solutions

## Asia & Japan

### Hong Kong

Individual Insurance  
 Group Life and Health  
 Group Pensions  
 Mutual Funds

### China, Taiwan, ASEAN

Individual Insurance  
 Group Life and Health  
 Group Pensions  
**Variable Annuities**  
 Mutual Funds

### Japan

Individual Insurance  
 Fixed Annuities  
**Variable Annuities**

## Reinsurance

### Life & Non-Life

Life  
 Property and Casualty  
 International Group Program:  
 Group Life and Health  
 Group Pensions

### *Legend*

**Growing Products**  
**Constrained Products**



# Focus on Higher Return Products and Markets

## *So what is growing?*

### Insurance

- Insurance sales<sup>1</sup> up 14% on a constant currency basis in 1H10 vs. prior year, led by:
  - Hong Kong up 47%<sup>2</sup>
  - Japan up 39%<sup>2</sup>
  - Other Asia up 21%<sup>2</sup>
  - Canada Individual Insurance up 9%



### Wealth Management

- Wealth Management (ex VA) sales<sup>1</sup> on a constant currency basis up 17% in 1H10, led by:
  - JH Mutual Funds up 75%<sup>2</sup>
  - JH RPS up 45%<sup>2</sup>
  - HK Individual Wealth Management (ex VA) up 58%<sup>2</sup>
  - Canada Mutual Funds up 218%



<sup>1</sup> Non GAAP measure. See "Note to Users – Performance and Non-GAAP Measures".

<sup>2</sup> On a constant currency basis



- **Vision, Strength and Priorities**
- **Addressing the Challenges Head-On**
- **Financial Strength and Business Growth**
- **Concluding Remarks**

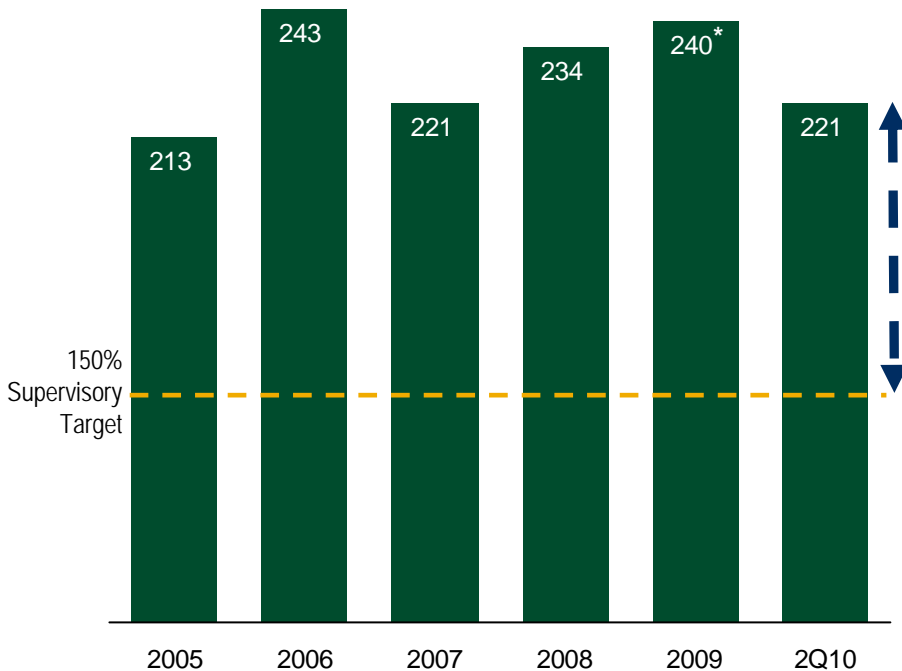


# Capital Strength

## MCCSR Capital Ratio (MLI)<sup>1</sup>

Manulife has a history of operating with an MCCSR well above 150%

Strong MCCSR of 221% as at June 30, 2010...







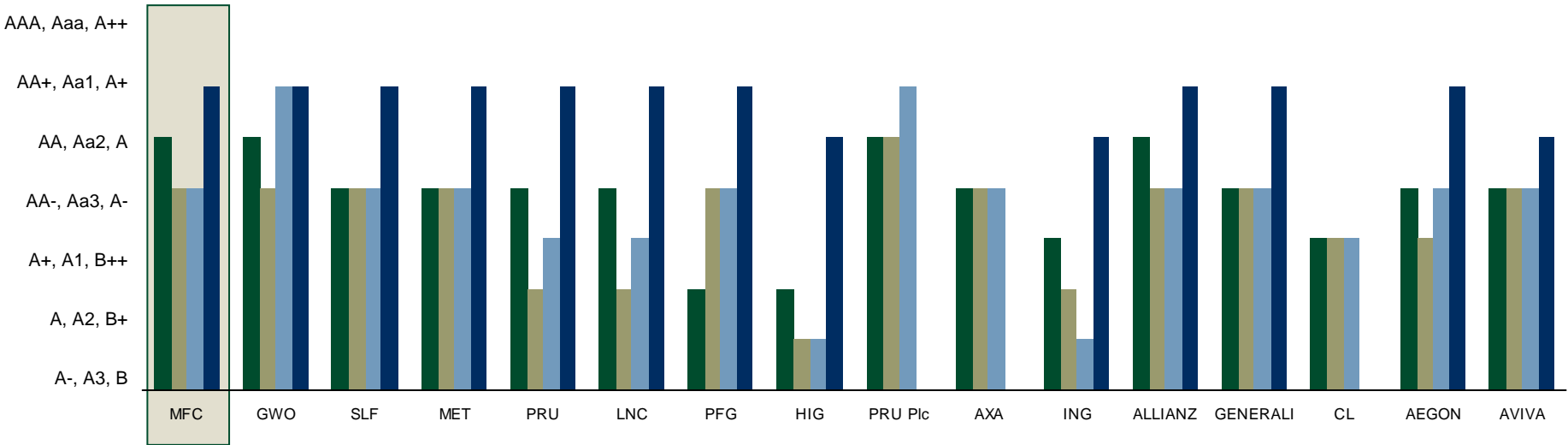
- ...with a cushion for equity market and interest rate movements
- ...after having strengthened reserves for today's interest rate environment
- ...with 51% of VA-related equity risk now having been hedged or reinsured
- ...after absorbing the impact of the U.S. legal entity reorganization

<sup>1</sup> Refers to the Minimum Continuing Capital and Surplus Requirements ratio of The Manufacturers Life Insurance Company (the principal regulated insurance subsidiary)



# Ratings Among the Strongest in the Industry

Agency	 STANDARD & POOR'S	 Moody's Corporation	 FitchRatings <small>KNOW YOUR RISK</small>	 A.M. BEST
Financial Strength Rating	AA	Aa3	AA-	A+
Rating Outlook	Negative	Under Review	Stable	Under Review



\* Financial Strength Ratings apply to the main life operating companies of MFC, including MLI, JHUSA, JHLH and JHNY. The ratings above are based on proprietary rating scales that vary between the rating agencies. All ratings are current as of September 1, 2010.

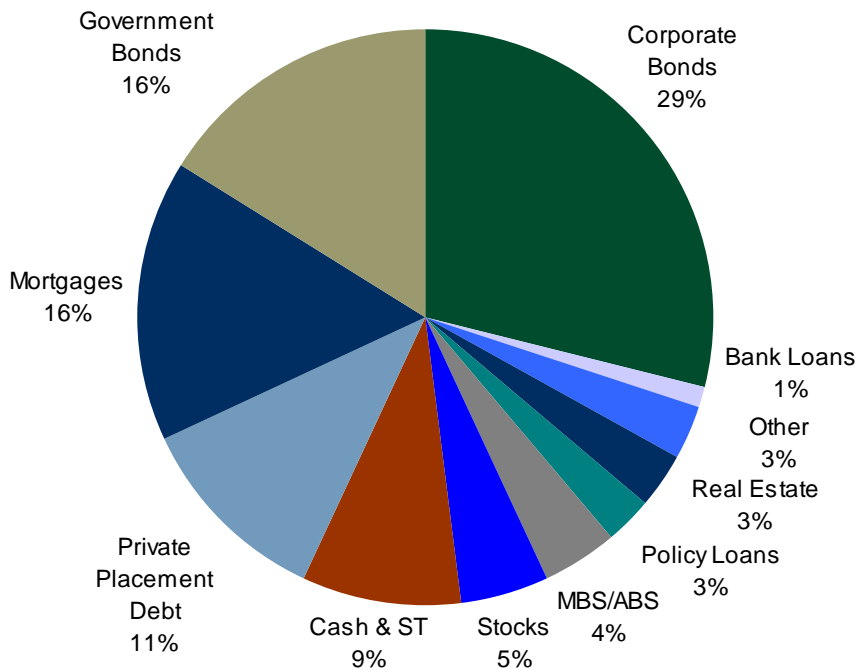
# Risk Management

- Manulife Financial is among only a small number of North American insurers that have earned a "Strong" Enterprise Risk Management designation from *Standard & Poor's*
- Manulife Financial continues to focus on its risk management culture; significant resources are devoted to the office of the CRO
- Increased hedging and reinsurance of risks of long term guaranteed products (new business and in-force)
- Board has created a separate Risk Committee and has added four new members with extensive financial, capital markets and risk management expertise
- Manulife Financial is a founding member of recently announced Toronto-based *Global Risk Institute in Financial Services*



# Diversified High Quality Asset Mix Remains A Strength

## Total Invested Assets (C\$199.3 billion)



## Diversified, high quality portfolio:

- 12% in Cash & Policy Loans
- 16% in high quality Mortgages
- 60% in high quality Public & Private Bonds
- 95% of Bonds are Investment Grade, highly diversified by geography and sector
- 89% of CMBS rated AAA with 88% originated in 2005 and prior
- Commercial Mortgages have low Loan-to-Values ~ 64% and high Debt Service Coverage ~1.6x
- Unlevered Commercial Real Estate with 91.9% occupancy and 5.6 years average lease term

## Limited Net Exposure<sup>1</sup> to:

- RMBS
- Monoline wrapped bonds
- European bank hybrids
- Sovereign debt of "PIIGS" nations
- Hedge funds (No exposure)
- Credit default swaps (No exposure)

**Diversified high quality asset mix has consistently added to balance sheet strength**

As at June 30, 2010, Carrying Value

<sup>1</sup>Net Exposure excludes par and pass-thru and reflects the impact of downgrades on reserves.

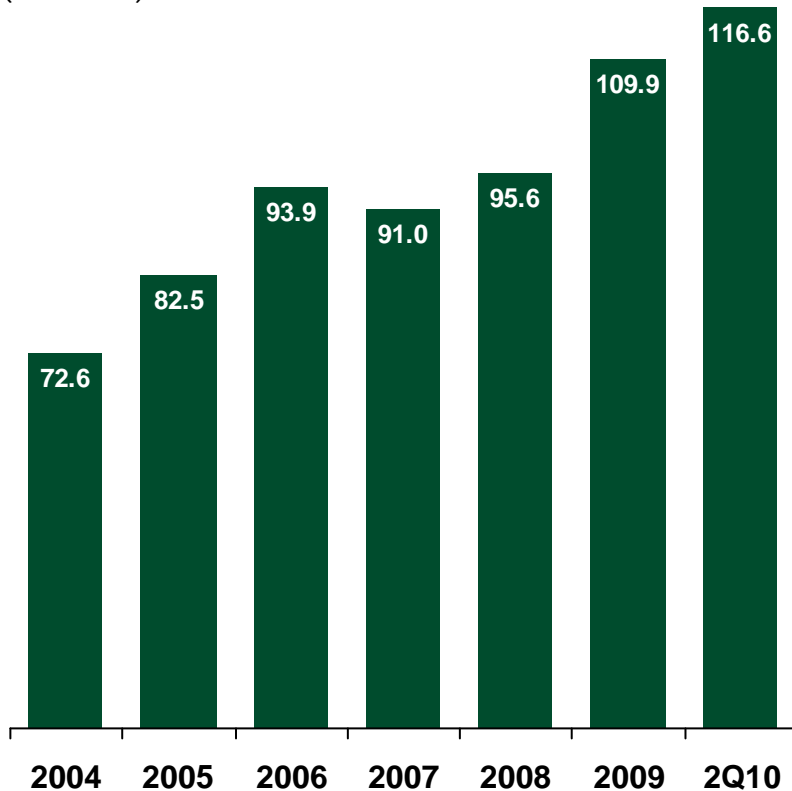
Note: "CMBS" refers to Commercial Mortgage-backed Securities, "RMBS" refers to Residential Mortgage-backed Securities, and "PIIGS" refers to the nations of Portugal, Italy, Ireland, Greece and Spain.



# Assets Managed for Third Parties: Growth, Market Share, Recognition

## External Client AUM<sup>1</sup>

(C\$ Billions)



<sup>1</sup> Non GAAP measure. See "Note to Users – Performance and Non-GAAP Measures".

## John Hancock Funds

- YTD sales<sup>1</sup> up 75% vs. prior year
- Gross sales market share<sup>2</sup> increased from 0.98% last year to 1.27%
- Ranked<sup>2</sup> sixth in net new flows<sup>1</sup> this year through July
- Mutual Fund AUM up 31% YoY
- 19 funds with a 4 or 5 star rating

## Manulife Mutual Funds

- YTD sales<sup>1</sup> up 218% on strong performing funds
- Mutual Fund AUM up 153% YoY
- 13 funds with 4 or 5 star ranking
- Received Morningstar Stewardship rating of "B"

<sup>2</sup> Source: Strategic Insight, Non-Proprietary Channel



# Assets Managed for Third Parties: Recognition for Outperformance

**Bloomberg** has recognized John Hancock Global Opportunities Fund as the top mutual fund in global equities

- John Hancock Global Opportunities Fund rated #1 Global Equities Fund by Bloomberg Markets Magazine
- John Hancock Strategic Income Fund rated in the Top-10 for Global Bond Funds
- Rankings based on 1, 3 and 5 year total returns, as well as the 3 and 5 year Sharpe ratio

Rank	Fund	Score*	Total Return as of Jun 30, 2010		
			1yr	3yr	5yr
1	<b>John Hancock Global Opportunities</b>	97.7	30.7	2.1	10.2
2	ING Global Value Choice	88.0	19.0	2.0	9.9
3	First Eagle Global	75.8	15.4	-0.6	7.2
4	Oppenheimer Global Opportunities	73.9	25.2	-3.1	6.0
5	Invesco Van Kampen Global Franchise	70.9	19.6	-3.8	4.9

Source: Bloomberg Magazine, October 2010, pages 78-88



# Actively Managing the Manulife Brand

## Objective:

- Reinforce our key qualities: *Strong, Reliable, Trustworthy, Forward-Thinking*
- Support growth and premium pricing
- Facilitate increased cross-selling
- Attract and retain the best talent

## Communicating:

- Much more than insurance; *“For your future”*
- Significant Asian franchise not reflected in our stock price
- Value to the Canadian economy

People are currently excited about Asian markets. We opened in Hong Kong over 100 years ago. We'd call that



forward-thinking.

Being ahead has its benefits. We started doing business in Asia in 1897. Today we have fast growing operations serving millions of customers in 11 Asian countries and territories. That includes more than 1.5 million customers and 12,000 employees in China alone. With 75% of our business now outside of Canada, we see the world as our market. Exporting our expertise helps us to expand employment and other economic benefits right here at home. Success also comes from anticipating solutions for our clients' most significant financial decisions. And we'll continue to do that today, tomorrow and for your future. To learn more, please go to [www.manulife.com](http://www.manulife.com)



**Manulife Financial**  
For your future™

# Asia Growth Strategy

**MFC is one of only a handful of companies with a significant *pan-Asian strategy*.**

**Our competitive advantages in Asia include our *long-established presence* and the breadth of our *professional agency force distribution*.**

People are currently excited about Asian markets. We opened in Hong Kong over 100 years ago. We'd call that



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Being ahead has its benefits. We started doing business in Asia in 1897. Today we have fast growing operations serving millions of customers in 11 Asian countries and territories. That includes more than 1.5 million customers and 12,000 employees in China alone. With 75% of our business now outside of Canada, we see the world as our market. Exporting our expertise helps us to expand employment and other economic benefits right here at home. Success also comes from anticipating solutions for our clients' most significant financial decisions. And we'll continue to do that today, tomorrow and for your future. To learn more, please go to [www.manulife.com](http://www.manulife.com)



**Manulife Financial**  
For your future™

# Manulife is Well Represented in the Top 3 Economies in the World and in 4 of the Top 10

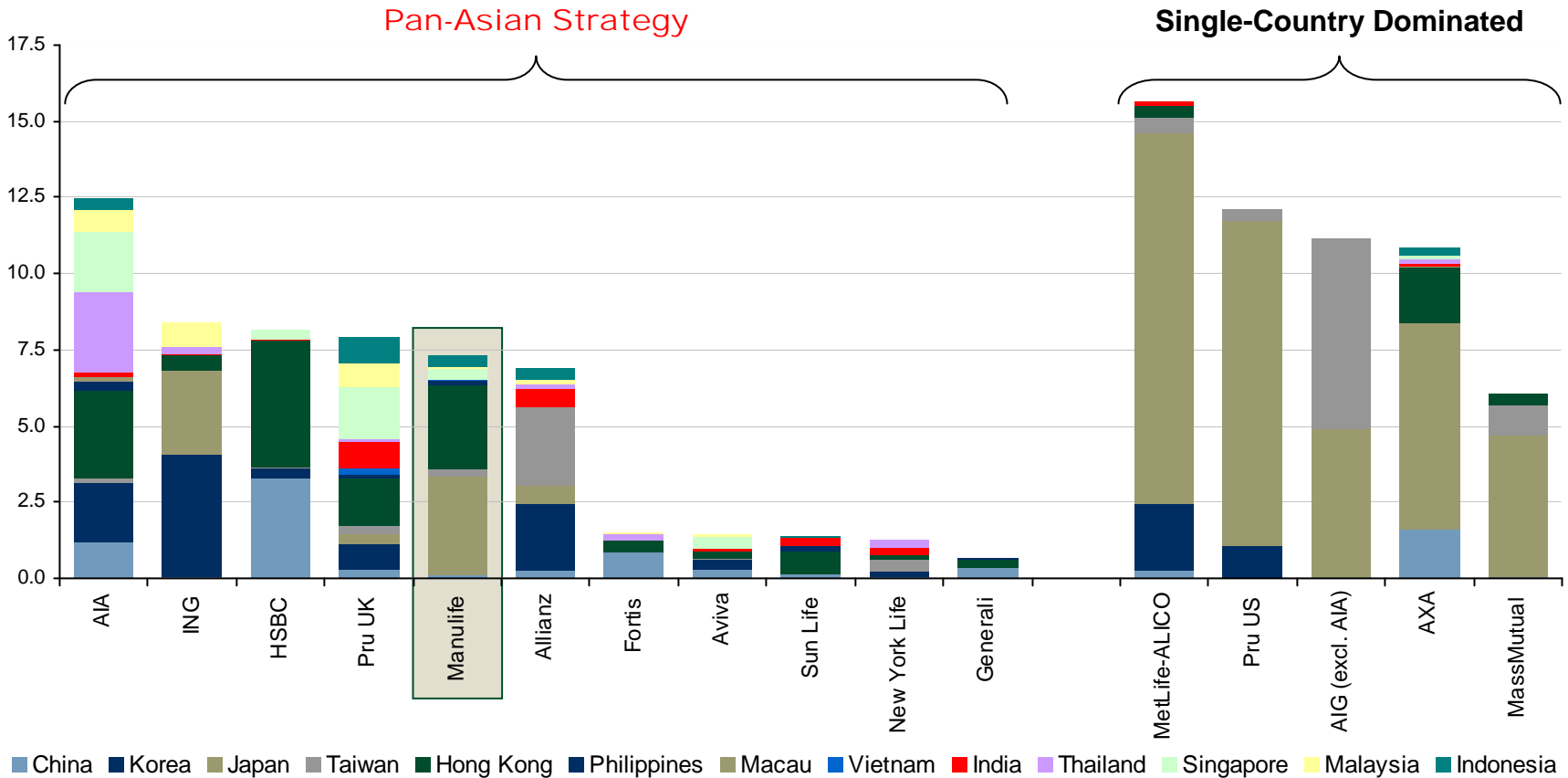


Source: Wall Street Journal, International Monetary Fund



# One of the Few Large Pan-Asian Operators

Gross Premium<sup>1</sup> of Selected Foreign Life Insurers in Asia  
(US\$ billions)



Total premium as at 31Dec08, except for Korea (Mar09), Japan (Mar09), India (Mar09), New Zealand (Jun09) and Malaysia (2007). Premiums adjusted for shareholding % in joint ventures

Source: Insurance regulators, Company reports, Infobank, Macquarie Capital

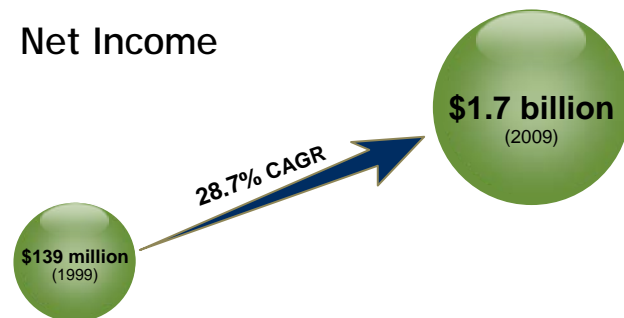
<sup>1</sup> Non GAAP measure. See "Note to Users – Performance and Non-GAAP Measures".



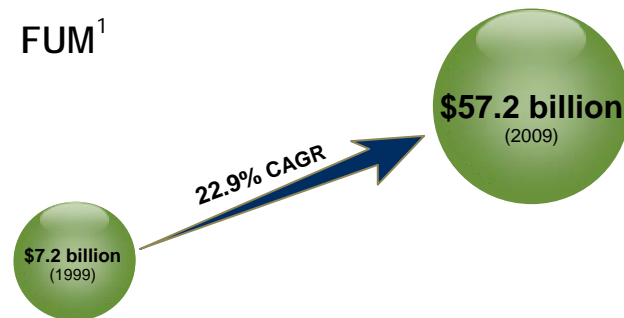
# Long Established and Well Positioned in Many of the Fastest Growing Economies of Asia



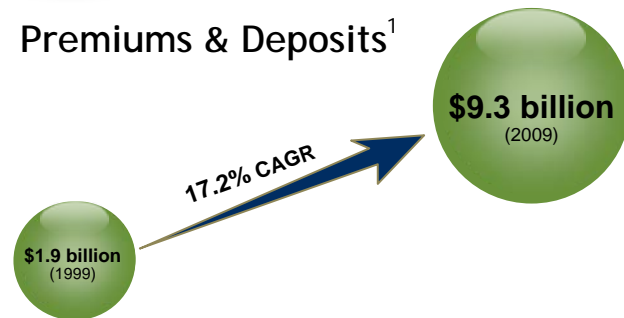
Net Income



FUM<sup>1</sup>



Premiums & Deposits<sup>1</sup>



<sup>1</sup> Non GAAP measure. See "Note to Users – Performance and Non-GAAP Measures".



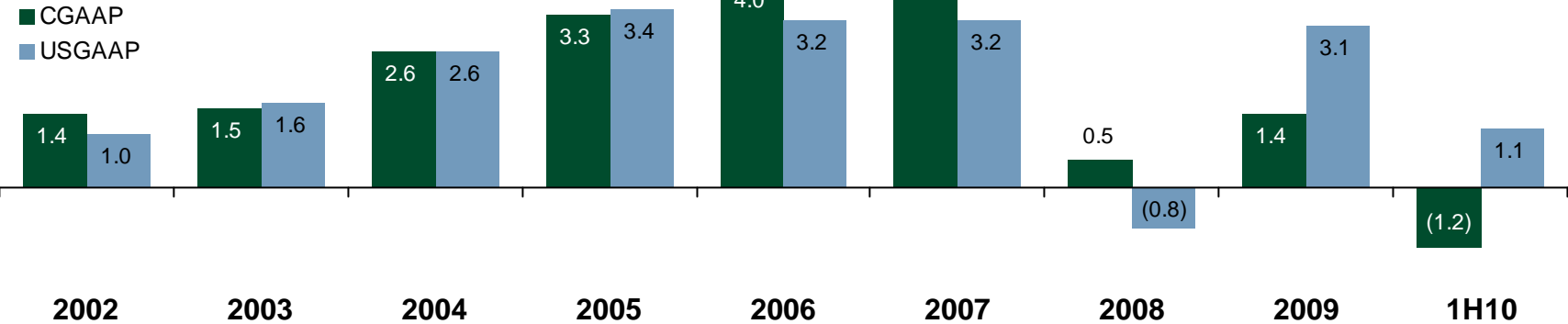
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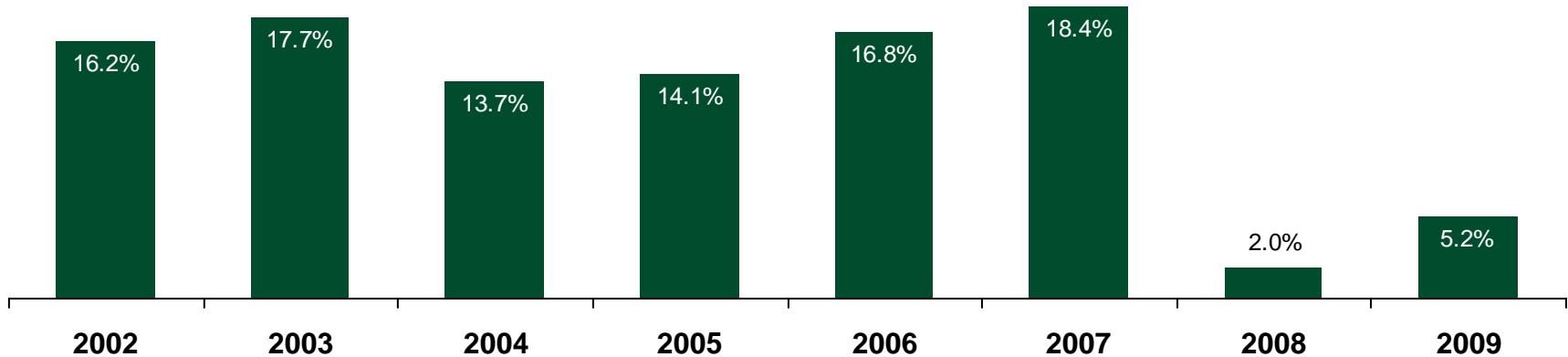
# Manulife Historic Profitability

## Net Income<sup>1</sup>

(C\$ Billions)



## Return on Equity<sup>2</sup>



<sup>1</sup> See note entitled "Material Differences Between Canadian and United States Generally Accepted Accounting Principles" in the "Notes to Financial Statements" of Manulife Financial.

<sup>2</sup> Non GAAP measure. See "Note to Users – Performance and Non-GAAP Measures".



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Disciplined management of capital, financial leverage and liquidity



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Financial strength is core to our brand – track record of decisive actions to strengthen capital



Thank You

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# Question & Answer Session

