MANULIFE FINANCIAL CORPORATION
SCOTIA CAPITAL FINANCIALS SUMMIT 2011
SEPTEMBER 8, 2011 – 9:00 AM

Transcription Services Provided By: Wall Street Webcasting

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Donald is a Manulife veteran, having been with the company for 30 years now, where he began his career as a Research Analyst. Don has held leadership positions in both the investment management and insurance operations, and last served as Senior Executive Vice President and Chief Investment Officer, until taking on his current role, bringing a wide range of experience throughout Manulife's global operations.

I would like to welcome Donald, and turn the podium over to him.

Donald Guloien, *President and Chief Executive Officer, Manulife Financial Corporation*

[Title slide]
Thank you, Joanne. I really appreciate that introduction, not necessarily the one about me personally, but about our industry and it's certainly true.

And if it wasn't obvious to the Graham and Dodd investors out there, I think Joanne's signaling that the life insurance industry might be a great buy. I don't know about the whole industry, but I would humbly suggest that Manulife fits into that category.

What I am going to talk to you about today, the talk is entitled, "Seizing the Future." And some of you might be surprised and say, "Surely that's not Donald Guloien talking about that, he's usually the doom and gloom guy." The two years since I've been the CEO of this company, I think most of what I have had to address with you are the challenges that we face as a company and how we're dealing with those challenges. I am very proud of how we dealt with the challenges, but now it's time to talk about seizing the future, gathering momentum and delivering shareholder value.

I've said before, that I think 2010 was in fact one of the best years in the company's history. And while it didn't always look like that from the outside, because it enabled us to deal with our issues and most significantly get hedging done towards the end of the year and early 2011, which has put us in an incredibly good position to deal with the volatility that we're experiencing in today's markets.

[Slide 2]
Here's the customary caution regarding forward-looking statements, and nothing I can say today can be construed as guidance, although I'll give you my best views on the long term trends.

[Slide 3]
So the outline of today's presentation is outlined on this slide, addressing our issues, we've largely addressed them. I mean not perfectly, I'm not going to suggest that. But we've done a tremendous job gaining momentum. You know we never took our eye off the ball, focusing on our core businesses. I think a lot of investors were focused on the exposure Manulife had to equity markets and interest rates, and indeed that was a sensible thing to do, because if we were forced to go back to equity markets or raise more debt, that would have deleterious impact on shareholder value. The fact is that we have taken very pragmatic steps to contain those issues.

At the same time we have been focusing on building our core businesses and the results of the momentum there is nothing short of fantastic. So I think this will now allow investors when they realize that some of the issues of capital markets are behind us, focus more on the momentum that we're establishing. And furthermore, we're putting in place some very, very sound footing for seizing opportunities that will emerge over the longer term.

[Slide 4]
In terms of some of the things we've done to make us exceptionally strong, we strengthened our reserves and that was not without pain. We raised capital, we dramatically increased our hedging, and we reduced the risk profile of our new business, cutting back businesses and in some cases by 85 and 100% - getting out of lines entirely, sharply cutting back others. We also increased the price of various products around the world. We strengthened and supported risk management, more than doubling our risk management resources, and we delivered continued strong asset performance on the investment side.

[Slide 5]
The next couple of slides I'm going to go through very quickly. You can go through these and others at more leisure, they are provided in the deck. They're illustrations of how much we have reduced the risk profile of the company.

We dramatically reduced the variable annuity net amount of risk, down 77%, from CAD25.3 billion to CAD5.9 billion, as a result of markets and hedging activities. That remaining CAD5.9 billion is further reduced by approximately CAD6 billion of macro hedges that are in place.

[Slide 6]
We increased our variable annuity guaranteed value hedge to reinsured. It now represents 64% of the business in hedging programs or reinsurance programs.

[Slide 7]
We achieved 88% of our 2014 goal for equity market risk reduction. When we talked to you--it wasn't a long time ago, it was less than a year ago--about our goals for 2014 and 2015--income goals for 2015, hedging goals for 2014--a lot of people thought it was overly ambitious and given the context of the market at the time, it certainly looked like that. Who would have guessed that, barely six months later, we would have achieved very close to 88% of our goal? The amount that we're hedging is continuing as we speak.

[Slide 8]
And 90% of our goal for interest rate risk reduction!

[Slide 9]
In summary, we implemented macro hedging, and dynamic hedging, resulting in accelerated equity risk reduction, offsetting even that remaining CAD5.9 billion, of net amount at risk. Our hedging is not perfect. There are many things that we don't hedge, intentionally, and there's not perfection in the hedging process. But in the most volatile markets that we've experienced in the last little while, namely the last month and a half, our hedging has been working actually better than expected. The results are good. It's not a panacea, but it's certainly a much improved position from what we had before. Getting ahead of schedule has dampened the impact of lower equity markets and interest rates on both earnings and capital. It allows investors to focus on the core business, thanks to our progress in risk reduction.

I would not be honest with you if I did not say that accounting and regulatory risks remain significant. In fact, that is what we think now is the most significant risk facing our company. We're not alone in that. I saw a recent survey of financial company CEOs around the world, and virtually all of them responded that accounting and regulatory risk was their number one risk.

We think the direction of regulatory risk is going to be to require more capital, a more conservative regime. Operating in one of the most conservative regimes in the world, here in Canada, we think we're well-positioned for that. What we look forward to is something of a level playing field.

The direction of the regulatory and accounting regime, also, is going to go more towards mark-to-market, which other areas do not have. Again, having lived with mark-to-market, during the most odious time of mark-to-market, we think, again, we're very well-positioned for that. What we look forward too is more of a level playing field on the regulatory and accounting side.

[Slide 10]
Focused on growing the right product. Two years ago we had a number of products that, as a result of re-looking at the risk profile, or the earnings profile or the capital profile, we didn't want to sell. We wanted to detune or reduce. Mike made the comment to investors in his first quarterly call as CFO. People said, “How are you going to improve ROE?' He said, 'Well, we're going to allocate capital to areas that have high ROE and we're going to take it away from areas that have low ROE.” I've said it before, I'm sure a lot of people on the call said, “I hope the guy didn't get a Harvard MBA for that observation.” The fact is, he knew that with the broad spread of product and geographies of Manulife around the world that we had the capacity to do that. In fact, we have done that.

The goal was to lower risk, to get higher returns, less capital intensive products. What did we do? We re-priced and redesigned products starting with variable annuities, life insurance with guarantees. We eliminated single premium deferred annuities in the United States. Long-term care, both new and in force price increases. We realigned distribution. We did this very carefully, reassigning wholesaling forces that had worked on variable annuity to mutual funds, and working very closely with our distribution partners.

This is important. We get the question sometimes. “Why don't you just cut out the sales entirely? Just announce one day it’s not for sale.” Well, I don't know if you've ever sold to a wirehouse. It's kind of difficult when you're speaking to the key account manager and you tell him that you're not going to sell a product tomorrow. That represents 30% of his or her income. Then you

come in the next week and say, “Boy, we've got a really great mutual fund we want to show you.” They don't tend to take the call the same way.

We were very sensitive in making that transition and we have been able to keep the support of all our distribution partners in selling new products. That is a constant around the world how we deal with our distribution partners.

So we changed the product mix, selling more of the products targeted for growth, combined with an overall more diversified sales mix. Of course, growth in Asia has been an important component of that. As a result, you see that insurance sales targeted for growth have gone from 79% of the mix to 91% of the mix. It will shortly be 100% of the mix. And wealth sales targeted for growth where two years ago, frankly half of our product mix we didn't want to sell lots more, or approximately half. Now it's 88% and that is moving towards 100%.

[Slide 11]
We're pursuing four unique growth strategies around the world in our operating businesses. In Canada, it's executing a diversified financial services strategy where they basically cover a wide range of financial services dealing with people's most important needs, focusing on high return businesses and leveraging our in-force business through cross selling a product quite successfully.

In the United States, the case of rebalancing the product portfolio: once a leader in the variable annuity business, once a leader in long-term guaranteed universal life. Dramatic pullback in those products, executing price increases, leveraging distribution strength, as I mentioned before, to sell other products, namely 401K and mutual funds that have less of the risk characteristics and higher return. And maintaining brand leadership. Frankly, we spend a lot of money on branding in the United States. John Hancock is one of the best brands in the United States. It's held in stead. With all the financial turmoil, there's more and more support of the brand. But it's not worth spending money on brand, if you're not willing to charge a premium price for the product. We're trying to extract a premium price for all of the quality brand and service that we bring to the marketplace. It takes some bold steps but we're successfully doing that.

In Asia, we're driving growth in the world's fastest growing market. An interesting squib in the paper this morning that there are more millionaires now in Asia, not including Japan, than there is Europe. Given where the European economy is, I'm surprised that there's any millionaires left in Europe. Anyway, it's an indication of growth. We talked about China: 450 million people moving into the middle class. The same thing is happening in Indonesia, Philippines, other places, which is having an enormously positive, and sustainable, impact on their economies. Given that we start to serve people in the middle class--our addressable population--when they move beyond the basic needs of food and shelter, start thinking about security and education for their children, and we're there to provide it with a variety of products. Pursuing a pan-Asian strategy, a little bit different in each country, but the core elements are the same; expanding our distribution capabilities throughout Asia. We used to be more of a leader on the agency side, and we continue to be a leader on the agency side, but more and more we're adding bank distribution to the mix, very successfully.

Investments, run by my friend Warren Thomson; delivering excellent general account investment results; and also growing a global wealth management business.

[Slide 12]
Let's talk a little bit more about some of the momentum established in each of these geographies.

In Asia, we signed four bancassurance deals this year, very significant ones, two of those actually with the Bank of China or its affiliates: some in China, some in Hong Kong.

Our contracted agency increased by 16% year-to-date, given it's a very large base, roughly 42,000 agents, that's a very significant contributor. Ours are active agents, as opposed to just people signed up.

China expansion continues, now in 48 cities, the widest geographic platform in China.

Achieving targeted sales growth. Record insurance sales, a record for our company. Again, when people focus on the exigencies related to capital markets, and so on, sometimes they don't look beyond the cover and see what's going on inside: record insurance sales increasing 35% year-to-date, and wealth management sales up 81% year-to-date.

Record insurance sales in Philippines and Vietnam. Solid insurance sales, near-record, in Indonesia. Hong Kong wealth sales up 46% year-to-date. Manulife TEDA, our asset management company, is a major addition to our platform of nine asset management companies, and doing extremely well in China, but the best is yet to come.

[Slide 13]
As you can see in slide 13, we're gaining momentum in growing our diversified financial services in Canada. Building out the capabilities of the mutual funds has been a major priority. Second fastest growing complex in percentage terms in Canada.

Launched 11 new fund classes, expanding distribution of full service brokers. Leveraging variable annuity expertise to meet clients' needs with a new de-risked product, and re-priced product. InvestmentPlus sales up 36%.

Continued to grow the Manulife Bank as an alternative to the brick-and-mortar banks. Increasing distribution penetration and productivity. Expanded product and service offering. Loan volumes up 15%.

Demonstrated leadership in insurance, launching Synergy, the first of its kind in Canada: a product that combines life insurance, long-term care, and critical illness in a package that meets the clients' needs, but is also cleverly designed to minimize our risk exposure and learn from other markets.

Delivering strong sales growth in our Affinity business, where we serve customers across a variety of groups.

[Slide 14]
Gaining momentum in the United States. John Hancock successfully executed a transformation, include re-pricing of its core products, and pull back in others, a realignment of distribution, a rebalancing of the overall portfolio. This helps drive results from our targeted growth products a

78% increase in life businesses. That's 78% coming from those products compared with 47% before as I showed.

We continue to see great progress on long-term care in-force price increases. I guess a lot of people were skeptical when we did our basis change last year that it accurately reflected what was likely to happen with price increase. I think a lot of you were skeptical, as I was, about our ability to get in-force rate increases. We put a huge effort into that and we're having tremendous success, approval so far from twenty states, and significant states are included there. We're generating strong mutual fund sales. We had gross sale of $7 billion for the first half, net sales of $3.1 billion, up 61%. Rank is number 4 in our category year-to-date in the United States. I can't think of what that ranking was a few years back. It may have been 20 or 30.

We're getting diversified growth also. Those of you who know the mutual fund business, if you get to that level with one product it can be risky because that product can become a poor performer with the whim of markets. Nice thing is this very diversified growth. In fact our top three selling funds were only 35% of year-to-date sales. A few years back the top three funds would have represented 76% of sales and I think that's more typical of the typical fund family.

We're enhancing distribution by increasing the sales force and deepening existing relationships. We also enjoy a leading position in Lifestyle/Lifecycle assets where we combine a variety of asset classes that produce a very nice balance of risk and return for clients, giving them more steady returns than they would have from choosing any single asset class. With record assets under management of $75.3 billion in that category, and in the category where our performance is good we have acknowledged industry leadership and the capacity to do that.

We now have 401K business with 1.7 million participants and over 44,000 plans and we plan to grow that as well. I'll talk more about that a bit later.

[Slide 15]
Investments has been a great strength of our company. On the left hand side is the traditional role. We're generating very strong general account investment results. We're executing on our long-tailed investment strategy in alternative assets, pursuing prudent ALM practices, avoiding risk concentration with a diversified, high-quality portfolio, achieving excellent credit experience despite the markets of the last few years. As you know, that strategy has helped us avoid major credit accidents including all the real notable items there and noted in other places.

On the right-hand side of the slide we have what's changing. I think Investments can make a bigger contribution to the company than it has historically. First is effectively and efficiently executing equity and the interest rate hedging programs. The investment group is taking over a much more active role in the management of variable annuity risk and so far, again, the results are excellent. The second thing is they're playing a more active role in asset-liability matching. None the least of which is attenuating our interest rate risk. Third, they're growing the wealth and asset management business globally, which is helping the company despite the fact that we've pulled back on a number of products that used to be headliners for our company. Despite the volatility of markets, we're still achieving record funds under management of $481 billion for the enterprise, which is a heck of an achievement given the markets and the amount of pullback we've had in certain things.

Again, with strong mutual fund net sales growth in the states and Canada.

[Slide 16]
The case study is one of our products and the strategy is Strategic Fixed Income. It's a global strategy. The John Hancock Strategic Income Opportunities Fund has been ranked the number one global bond fund by Bloomberg. It's gets a lot of attention. The John Hancock Strategic Income Fund also won the 2011 U.S. Lipper Award. The Manulife Strategic Income Fund here in Canada won 2011 Canadian Lipper Award. The core management, as you would guess, is the same but being put on different platforms. The product is now available for sale internationally in the United States, Canada, Japan, Hong Kong, and Singapore. It is sold in multiple forms through different distribution channels -mutual funds, segregated funds, closed end funds and institutional pool funds.

The further success year-to-date 2011, North American retail sales, $1 billion. Four institutional mandates for close to $800 million, new closed end fund here in Canada, $100 million. Now, we've grown it from $3 billion to $8.8 billion under administration or under management over the last three years.

[Slide 17]
Seizing the future, so what are we doing about that? Well, number one we have asset management companies in 9 of our 10 Asian territories that we span. Obviously the propensity to save and invest in Asia is prodigious and we intend to take advantage of that with our great experience.

In Canada, the pooled retirement pension opportunity brought in by our federal government, which is a great plan designed to meet the needs of small and medium sized businesses. We have a lot of experience with that here in Canada being a market leader in defined contribution pension plans, also in the United States with our 401k offerings and mandatory provident fund in Hong Kong, which is actually similar to what has been proposed here in Canada. We'll use the expertise gathered from all those groups to make sure that we have a very nice market share in this new market.

Extending our leadership in the 401(K) market through a product solution designed to address larger plan needs, basically we want to have a variable annuity offering now with limited guarantees. You don't have to get worried about that. What we want to do is a mutual fund offering which allows us to meet the needs of medium sized businesses more effectively, large and medium sized businesses.

We have still a tremendous opportunity to expand on our Mandatory Provident Fund market in Hong Kong where we have roughly an 18% market share second only to Hong Kong Shanghai Bank. And with plans the government makes there, the funds under management there will be growing enormously over the next few years.

Private pensions in China - the Chinese are turning their attention to pensions. A part of the next five year plan is a specific focus on pension needs of the population. We expect that the Chinese government will be rolling out a pension pilot in Shanghai that we hope to be a part of, and it's not by happenstance that we bought an asset management company which will help prepare us for that opportunity.

The Chinese government is also considering opening up the sale of mutual funds to life insurance agents which heretofore has not been allowed. And with 14,000 agents on the ground selling life insurance and an asset management company with excellent performance and an excellent reputation, you can see the obvious synergy that would emerge.

And our limited exposure to Europe will create a comparative advantage, and provide opportunities not necessarily just in Europe but around the world.

[Slide 18]
We talked to you last Fall about our objectives. You'll be happy to know that despite the volatility in capital markets and a variety of different outlooks for where our economy is going, we continue to commit to those objectives.

Four billion dollars in net income by 2015 despite current markets we're committed to that objective.

Maintaining strong capital and financial strength is another objective. We have an MCCSR of 241% at the end of the second quarter.

Needless to say we have far less equity in interest rate risk and again hedging is not perfect but even during volatile markets, hedging has been working as expected or better.

13% ROE, We've achieved a much healthier business mix repricing and growth of Asia being major contributors of that. We remain committed to that objective as well.

Managing risk. We now have 14 billion of equity hedges in place, that's a 3 billion increase from the end of the second quarter. As I said before, we achieved 88% and 90% of our 2014 goals for equity market and interest rate sensitivity reduction.

In terms of offering value to clients, we have 27 new products and services around the globe, many of them very innovative. Four Lipper Awards in Canada, six in the United States, the Best Insurance Company of the Year at the ASEAN Business Awards in 2011 and our quality of products is being reinforced everywhere through our branding efforts.

[Slide 19]
With that, I guess I'd like to take questions and answers.

Q & A

Joanne Smith -

OK. I guess I will pose the first question. Donald can you talk about how a 2% 10-year bond yield could impact the interest rate sensitivity that you've provided in the past if rates were to stay where there are now for the next 12-24 months?

Donald Guloien -

Joanne, let me broaden it to say what's the impact of interest rates? The first is it does increase our interest rate sensitivity. Mike gave an estimate on the last quarter and said where rates are, it could possibly increase by say 20%. We're not trying to be precise about guidance but that's an order of magnitude sense of it. It's one of the reasons for both equity markets and interest rates, we ran ahead of plan for the fear that if rates did fall off, we wouldn't have to go at the worst times in order to get back on our long-term targets. So we're comfortable with letting it rise up a little bit, but we will get it contained by 2014 consistent with our goals.

The second impact is things like reserve hits and the good and bad news is most of that is behind us. We took a hit in the second quarter of 2010 of $2 billion under Canadian GAAP, most of that was a related to interest rates. On a U.S. GAAP basis, we took no hit associated with interest rates. It's just a difference in accounting regime. The same company measured two different ways. On the Canadian GAAP basis most of this is behind us, so that's positive. We will have the adjustments as Mike said to a thing called a URR, which is the ultimate reinvestment rate. We had an impact in the second quarter of $370 million. If rates stay where they are, you would expect to see that, not necessarily the same amount, but on an annual basis more or less. But not the devastating hit that we took in the second quarter of 2010.

I think the more significant impact, frankly, given that most of that is behind us is that, in fact, it forces you to re-price products. People are no longer debating whether rates could go down. They are down. It's a question of how long they will stay down.

The U.S. market, which doesn't force people to take financial hits, is the one that is least reactive to that. Companies can still sell product that they priced with interest rates in effect five years ago, and show GAAP earnings and add to GAAP capital. That doesn't make them too sensitive to wanting to take those products off the market. We, on the other hand, have reacted to those things. If everybody reacts at the same time and you sell the same amount, no big impact. We wouldn't say that's likely to be the case. We think some of the U.S. companies are still going to have blinders on their eyes, and hope for 6% rates to come back.

We're going to be more realistic about it and say, "We don't necessarily believe that rates are going to go any lower, but there's no strong evidence that rates are going to go higher in the short or medium term." Therefore we will re-price our products with strong recognition of today's interest rates. That's going to have an impact on sales of some things. It doesn't have a major impact across the world. It has an impact in the United States; it has an impact, to some degree, in Hong Kong.

Having thought all that through, and checking against our 2015 objectives, we still feel very comfortable with our 2015 objectives.

Unidentified Speaker #2-

Don, I'm just curious about your thoughts on the likelihood of a Japan scenario in the US. If that scenario were to play out, how would you guys deal with that? What would be the potential impact?

Donald Guloien -

A scenario where you had very low interest rates, we've largely dealt with. Equity markets would be a pay-as-you-go basis but again, the hedging helps us for, certainly, the volatility. That would have an impact.

The part I guess I'm going to reject in your question, if you'll permit me, is calling it a Japan scenario. I can't tell you, no one in this room can tell you, that we can't have a protracted period of low interest rates, and lower growth, in the United States. But is it going to be a Japan scenario? I don't think so. The reason for that is, a lot of people like to overlay these graphs, and if you play with the vertical axis, and the horizontal axis, you can get them to look absolutely identical. It's really cool how you do that and say, "Look! Japan is unfolding here in the United States!"

That comparison just off the top of my head. Number one, Japan was hugely inflated when it went into that scenario of low market returns. Downtown Tokyo real estate was worth more than the entire state of California. The Imperial Palace was worth more than the entire island of Manhattan, with all the buildings on it. A little bit of an imbalance. Stocks traded at 50x earnings. That's a little bit different than 14x earnings, and real estate prices that have already been shocked.

The second thing is, the Japanese, as a matter of policy, delayed the realization of the problem and, in fact, disguised it in many ways: supporting artificial prices on assets, restricting the ability of financial institutions to trade assets at market prices, which delayed the impact over a long period of time.

Now they did it for their own reasons. If you went to Japan during the height of the recession, there were no broken windows, there was no civil disobedience. It was a very peaceful place. They did it for their own good social reasons I guess. But what it inevitably did is delay the impact and made it stretch over a much longer period of time. The U.S. approach is more like classic Schumpeterian “crash and burn”, tear it down, mark the assets to market and then get back on the horse and get out there.

It is interesting that the consumer is deleveraging. That's appropriate. The worst thing you'd want is consumers to get back on the horse and start loading up with LCD TVs and so on just because they can get a cheap loan. That's not the way to prosperity. So a lot of the more positive signs for long-term reformation of the U.S. economy are there.

The other really important difference that I just can't believe that people don't get, is the difference in the corporate sector. The Japanese corporate sector was market share driven, top line oriented. Frankly, didn't give a damn about return on equity. They never thought of it in those terms, many Japanese companies. This is going back to the bubble years. It was just who was the leader in various markets and market segments.

The U.S. industrial sector is in better shape than it's ever been. Our lending guys in the asset side are frustrated that they can't get clients to borrow. They can't borrow because they don't need the money. They're flush. All kinds of businesses are flush and they're doing well.

You look at the numbers being put out by heartland industrial corporations across America, and they're good. I talk to many people in many businesses. They're having great years, selling industrial products whether it's retail stuff, a whole variety of things. The services industry. There are many places where there's a tone of depression. If you ask the business leaders how they're doing in the various businesses.

I don't know if you've seen it, but people should see Warren Buffet's Charlie Rose interview. Just google Warren Buffet Charlie Rose. It was a follow on to his Op-Ed piece in the New York Times where he talked about the rich having to pay more taxes. He gives some very sensible advice to people on not only that matter but on a variety of aspects of the economy. He said, “Well I've got all these businesses, they're all, with an exception of a couple having to do with the housing sector, they're all doing really, really well including Burlington Northern”, which ships stuff, which is a pretty interesting indicator on the U.S. economy.

I'm not saying that that's going to be enough to bring consumer confidence back. When you've got a 9.7% unemployment rate, there is clearly a problem. I'm not up here wearing rose colored glasses. But this is unlike other recessions where you've got the business sector doing really, really well. I don't know. When you can get a 3.8% dividend yield on Johnson & Johnson and Kraft, I have a hard time imagining that stock markets are overvalued.

Joanne Smith -

We have time for one more question. Please, I'm going to ask that you state your name and your company when you ask a question. Thank you.

Rod Balkwill -

Sure, it's Rod Balkwill from Greystone. My first question has to do with Japan again. But more along the lines of what is happening with the strategy there in terms of distribution and otherwise. Also, any effects that are lingering from the March earthquake. Then secondly, if you could discuss any counter-party exposures you have to your hedging programs to any of the problem areas or problem financial institutions. Thanks.

Donald Guloien -

Let me deal with the second one first. It's easiest. Most of our equity hedging resolve is by shorting futures which are market traded so there's no counter-party risk, per say. There is sometimes interest rate legs associated with those, dynamic hedging, which gets us into the usual counter-party exposure associated with interest rates but we monitor that as carefully as any other credit exposure. And when you see us talk about our minimal European exposure that is taking into account all types of exposure that would exist to any European banks. So that's as carefully monitored as primary credit exposure. So I can't tell you zero issue but it's not certainly one that keeps me awake at night.

In Japan, yes, we're accessing a lot of distribution channels that aren't the traditional ones. In Japan when people look at the Japanese market, they say, "Well it's a slow growth market overall." In the insurance market, that's true. But if you look at the traditional “sales lady” channel, as it's referred to in Japan - I'm not being sexist - that's what it's called in Japan. It's actually shrinking and the major companies are shrinking in that market so if you see a flat market and some areas are shrinking, other areas are growing.

What are growing are things like financial planners, brokers and so on and that's a market that we're actually more familiar with around the world and we're providing a lot of products to those. You're going to see a bit of a slow-down in Japan because one of our products - it's a good product but again, we're very conscious about adding interest rate exposure - it's one that has I think one of the safest bets in terms of its profile, but we don't want to be adding interest rate exposure overall to the complex so we've cut that one back pretty significantly. So you'll see a little slow-down in Japan. It's not related to the Japanese economy or the Japanese market but a proactive step of ours to make sure that we're not building up too much interest rate risk.

And in other areas, of course we have interest rate falling off so we're trying to achieve a balance there.

The impact of the earthquake, knock on wood was minimal to us. We didn't have anybody directly affected. People were disrupted. They slept in their offices overnight. Emergency preparedness in Japan is very good and we were very well prepared. We had no breakdown in our systems, operating networks, policy service, essentially uninterrupted. The impact on the economy was more severe because the area that was hit was an undernourished economic area and a lot of the car companies and other manufacturers had put a lot of important component work into that region around Fukushima.

The interesting thing though is Japanese industrial production – they are amazing people - is right back where it was, in fact, higher now in Japan than it was prior to the earthquake. The Japanese stock market is the most undervalued in the world. Nobody is paying me for investment advice but unfortunately, after the earthquake came a time when people thought the whole island was going to sink into the ocean. It's not true. The Japanese have taken it in stride and more than recovered and will be learning from it as they have any other incidents like that.

And Japan is the number one exporter to China right now. They're building along that old saw. The people who made money in the gold rush were not the guys panning for gold, but the people who made the Levis and the pails and shovels. That's what Japan is doing with respect to China. So I'm pretty bullish on Japan long-term.

Joanne Smith -

OK, thank you very much.

Donald Guloien -

Thank you, Joanne