Manulife Financial

President's Annual General Meeting Address

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DOMINIC D'ALESSANDRO
PRESIDENT AND CHIEF EXECUTIVE OFFICER
MANULIFE FINANCIAL CORPORATION

ANNUAL MEETING
MAY 8, 2008

CHECK AGAINST DELIVERY

Good morning ladies and gentlemen. I would like to add my welcome to Mr. Sawchuk's. It is a pleasure to see you all here again today. I always look forward to this event and for the opportunity to greet so many friends and fellow shareholders.

As our Chairman mentioned, it is at this time of year that we celebrate the achievements of a special group of Manulife people – our Stars of Excellence – who came from all of our various operations around the world. Last night we held our customary gala dinner in their honour which was attended by our business leaders from around the globe. It was a wonderful evening; I can't tell you how proud and enthusiastic everyone is. We feel good about our achievements and about our prospects going forward.

We had a very strong year in 2007 as revenues reached record levels, assets remained of an exceptionally high quality and operating costs were kept under good control.

In 2007, shareholders earnings amounted to $4.3 billion, a new record for us. Fully diluted earnings per share were $2.78, an increase of 11 percent over 2006. Return on shareholder's equity increased to a record 18.4 percent, substantially exceeding our target of 16 percent. These results were fuelled by record sales in virtually every line of business across the company. New business embedded value, a measure of the future profitability of the business written during the year, was also up sharply to $2.2 billion, an increase of 18 percent over the prior year.

This strong performance was achieved in spite of the adverse effect of a weakening U.S. dollar which reduced earnings by $227 million and, I want to emphasize, without any relaxation of our very disciplined reserving practices.

The diversified nature of our Company, combined with a prudent risk management framework, enabled Manulife to successfully weather a number of significant challenges which apart from currency, included volatile equity markets, adverse interest rate movements and the much publicized sub-prime crisis about which I'll say more later in my address.

In 2007, dividends paid to common shareholders totaled $1.3 billion and on a per share basis increased 21 percent over the prior year. We also repurchased more than 56 million common shares last year at an aggregate cost of $2.2 billion. In total, $3.5 billion of capital was returned to common shareholders, or more than 80 percent of our net income.

I’d like to say a few words about each of our operating divisions, beginning with Canada.

Canada

Our Canadian Division enjoyed yet another extremely successful year as both our Wealth Management and Insurance businesses reported record sales. Net income from the Canadian Division was $1.1 billion, an increase of 12 percent over 2006.

The focus on innovation and distribution excellence, which are features of all Manulife businesses everywhere, was again very much in evidence in Canada.

A particular success was the launch of IncomePlus, an investment product that provides predictable, sustainable income for life and which was expected to appeal to the very large baby boomer segment of the population. Acceptance of this product has been exceptional. With sales of more than $3.0 billion last year, this guaranteed minimum withdrawal benefit product was the first of its kind in the Canadian marketplace and has been recognized with a number of industry awards.

Another highlight was the acquisition in late August of Berkshire-TWC Financial Group which effectively doubles the size of our Canadian advisor base and which we expect will allow us to grow our mutual fund and other savings businesses here.

Also encouraging is the performance of Manulife Bank, which continued to attract a large number of new clients to its innovative ManulifeOne mortgage account and its competitive deposit offerings. The Bank surpassed the milestone of $10 billion in assets during the year and expects to continue to grow at a good pace.

The Group Pensions businesses also performed well, with new sales increasing by 120% over the prior year. The Group Benefits business also enjoyed a banner year, highlighted by the largest sale in Manulife’s history and the largest in the industry in the last ten years. Group Benefits is now the leading provider in Canada with a market share of more than 23%.

Finally in Canada, our very important Individual Life Insurance business achieved record results in 2007, as sales increased by 15 percent. I am very pleased at how this business has focused so successfully on service and operational excellence to drive its strong results.

United States

In the U.S., where most of our business operates under the John Hancock name, our exceptional distribution capability and strong product development focus continued to drive impressive results. Our U.S. Division contributed almost $1.9 billion to consolidated earnings in 2007.

In 2006, we reported that our U.S. Life business emerged as the leading provider of individual life insurance in the U.S. market in terms of new sales. Through the launch of 10 new products and ongoing service enhancements, this business has maintained its #1 market share position and once again produced record sales in 2007, up 15 percent over the previous year. Similarly, our Long Term Care business also had record sales, with success in the large group market propelling this unit to a 24 percent sales increase over 2006.

U.S. Wealth Management also experienced a strong year, despite challenging equity markets. Perhaps most notable was the performance of Variable Annuities, which recorded sales of US$10.8 billion, an impressive 18 percent increase over the previous year. These robust results reflect the popularity of our recently enhanced guaranteed minimum withdrawal benefit product.

Our U.S. Group Pensions business remained a strong performer, with sales exceeding US$5 billion for the first time. In mid-2007, U.S. Group Pensions also surpassed US$50 billion in funds under management, underscoring our continued leadership in this market.

U.S. Fixed Products continued to make an important contribution to our earnings in 2007. However, the continuing low interest environment makes it difficult to generate an acceptable level of profitability on new fixed rate business and, accordingly, because of scheduled maturities, we expect that our funds under management in this segment which stood at $38 billion at the end of 2007, will continue to decline modestly in the periods ahead.

We are pleased with the position of our U.S. Division and are particularly encouraged by the success it is having in expanding its already formidable distribution capabilities. A number of new third party distribution agreements were concluded during the year, including the very promising Edward Jones agreement which went live early in 2008. As well, John Hancock Financial Network, already a strong distribution channel is growing its agent base for the first time in several years.

Asia and Japan

Our Asia and Japan Division is well diversified by product offering, geography and increasingly by distribution channel. We have operations across ten countries and territories and in many markets we enjoy a leading position. In 2007, each of the operating units performed well and, all together, the Asia and Japan Division produced record earnings last year of $858 million, up by 17 percent from the $734 million in the prior year.

Our distribution capability in the region was noticeably expanded during the year as our professionally trained agency force grew by 15% to 28,000 and a number of new distribution agreements with local financial institutions were established. As well, we continued to leverage our variable annuity expertise in Hong Kong, Singapore and Taiwan introducing the first guaranteed minimum withdrawal benefit products in each of those markets.

Because of time constraints I can't go into a detailed review of each of our operations in the region. However, I would mention that our important operation in Hong Kong, where we do business with more than 1.4 million customers, continues to do very well and is rapidly growing an important savings business to complement its large life insurance block. In Japan, we continue to enjoy success with our variable annuity offerings and have added a number of new distribution partners for this attractive product.

In China we continue to move quickly to establish a broad footprint in that important market. During 2007, we received a number of new licenses and now have operations in 30 cities, up from 17 a year ago.

It is gratifying to see that our Company's leadership and professionalism in Asia is being acknowledged. Manulife was named the "Life Insurance Company of the Year" by the Asia Review Awards and was ranked fourth by Fortune Magazine in their Greater China survey of "Top Companies for Leaders".

Reinsurance

Our Reinsurance Division remains the leader in life retrocession in North America and continues to provide property catastrophe and aviation coverage on a selective basis to other reinsurers. As well, the division offers international employee benefit management services to multinational corporations. The division had a good year in 2007 and was nicely profitable with earnings of $263 million. Particularly pleasing was that for the second consecutive year, there were no significant claims from the Property and Casualty business.

Investments

As noted previously, I am happy to report that our Company's longstanding philosophy of financial discipline and rigorous risk management ensured that we avoided the problems arising from sub-prime loans, third party asset-backed commercial paper, monoline insurers and other exposures that have afflicted so many other financial services companies. Using a disciplined approach to building our asset base, and its blend of asset types, we have managed to keep our portfolio well diversified and of an exceptionally high quality.

Our Investment Division experienced another excellent year, producing healthy returns across all asset classes, generating $10.3 billion of investment income and performing well against industry benchmarks. On an exchange neutral basis, assets managed for external clients increased by 11% driven by growth in retail and institutional mandates. Alternative asset classes performed exceptionally well in 2007, with notable strength in real estate, agriculture and timber.

Since the time of the John Hancock merger, our bond quality has steadily improved. Credit provisions were well below plan again this year and the Company's General Account maintained a very strong credit quality with 96% of its bond portfolio at investment grade or better.

Q1 2008

Earlier this morning we announced that our earnings for the first quarter of 2008 were $869 million, which is down from the $986 million reported in the first quarter of last year. The decrease in earnings is largely attributable to the sharp decline in equity markets that occurred in the U.S., Hong Kong and Japan since the beginning of 2008. These markets have declined by 10% in the U.S., and 18% in both Hong Kong and Japan. Our actuarial practices require us to assume that these declines are permanent and to adjust our reserves for future benefits accordingly. In the quarter, an after-tax charge of $265 million was recorded. I want to clarify that this is a non cash charge which, in the absence of further market declines, will not recur in future quarters. Should markets recover, the reserve adjustment will be reversed. All other aspects of our business remains highly satisfactory. Sales continued their positive momentum from last year and were up nicely in the quarter, while operating costs and investment returns generally were at expected levels. I will be reviewing the details of our first quarter results with investment analysts later this afternoon and invite any of you who are interested to join the call.

Looking Forward

Notwithstanding the somewhat soft first quarter results, I remain optimistic of our prospects. While the coming quarters may very well bring additional market volatility and uncertainty, I believe they may also provide important opportunities which Manulife is well positioned to take advantage of. And, despite widespread concern about a continued downturn in the U.S. economy, our Company's operations in Asia, with its robust markets, offer countervailing opportunities. And, again, I want to mention that our diverse asset portfolio, very stable funding base and strong liquidity position are such that we can expect to do well no matter how turbulent financial markets may get.

Going forward, we will continue to take full advantage of important demographic shifts such as the aging baby boomer generation and extended life spans. These trends require creative, sophisticated products that can respond to the needs of a population whose health and longevity concerns are intersecting with the desire for wealth accumulation. Manulife has shown that it can provide product leadership in this new era. We intend to grow our businesses in both mature and emerging markets, backed by the finest distribution network and suite of customer-tailored offerings in the industry. This is a recipe for success that has served us well.

It is also worth remembering that Manulife remains one of only two publicly traded life insurance companies in the world whose life insurance subsidiaries hold Standard & Poor's highest AAA rating. In 2007, we were also upgraded by Moody's Investor Services' to an Aa1 rating, which is further validation of the quality of our financial and risk management processes.

Undoubtedly our robust financial position will stand us in good stead.

I'm also very pleased that once again Manulife rated first overall in the Globe and Mail's annual survey of corporate governance practices in Canada. We have led this survey in four of the past six years. These ratings, too, recognize our stability and discipline – both integral to our work today and in the future.

Financial Crisis

I'd like now to comment on the extraordinary difficulties that currently exist in the financial markets around the world. I will admit that I am stunned at the extent of the problems and at the damage that has been done not just to many of the largest and most sophisticated financial institutions in the world, but also to millions of investors and homeowners. The losses of nearly $300 billion reported to date are simply staggering and, if the latest forecasts are to be believed, there are significantly more losses yet to come.

I've done a lot of reading about the subject to try to get an understanding of how the situation could have gotten as bad as it is. Every day there are new revelations about what went wrong. Not all of what happened is easy to understand.

Until five or six years ago, sub-prime lending was a small and relatively unimportant part of the U.S. lending market. However, because of low interest rates and the steady price appreciation of residential real estate, more Americans than ever before wanted to become homeowners. Mortgage lending exploded, facilitated by ridiculously loose lending standards and the growth in demand for securitized assets.

Securitized sub-prime mortgages rose from roughly $60 billion per year in the late nineties to over $200 billion in 2003 and an even more phenomenal $450 billion in each of 2005 and 2006. In hindsight it is obvious that there was a lethal self reinforcing cycle of lending and price gains taking place.

To meet the mortgage demand, investment banks and others developed an ever more exotic array of financial instruments and funding vehicles. Everyone got in on the act. Rating agencies used what proved to be less than robust models as the basis for assigning investment grade ratings to the sub-prime borrowings; monoline insurers, for a small fee, provided credit guarantees which made the loans even more marketable. With the high ratings and the monoline guarantee in place, the sub-prime assets were purchased by investors from around the world including as has been well publicized some European Banks. As well, some of the banks distributing these products chose to create special investment vehicles to hold the sub-prime assets. Under the rules, moving the assets into conduits allowed the banks to up-front a large portion of the future income while concurrently reducing the amount of capital they needed to hold. The SIV's and conduits had very, very little capital and made extensive use of money market and other short term deposits to fund their assets. At the end of the process, the world's financial system had in addition to the credit risk inherent in the sub-prime loans, been infected with an unprecedented level of leverage and liquidity risk.

Of course everyone along the way collected fees: the mortgage brokers, the appraisers, the packagers, the bankers, the distributors, the rating agencies, the monolines, and the man on main street was able to own a home. It was a win-win-win-win.

Until, that is, housing prices stopped rising and actually started to decline across the entire country…. a development that none of the sophisticated financial models, upon which everything rested, had anticipated. As housing prices began to decline, the ultimate lenders to the sub-prime borrowers couldn't be repaid and the "perfect storm" was unleashed leading to the enormous losses I referred to earlier.

On a positive note, I am pleased that although not completely immune, the situation in Canada is a far less troubled one – largely because our mortgage lending practices are far more disciplined and because the securitization process was not as aggressively developed as in the U.S.

To their great credit, authorities around the world are acting boldly and decisively to contain the damage. Central banks are providing liquidity to the markets on a massive scale. The unprecedented intervention in the Bear Stearns affair, was both timely and necessary. The banking system is rapidly deleveraging as institutions are successfully replenishing depleted capital levels. And, problem assets are being written off at a rapid pace. So, while much remains to be done and many sectors of the markets remain stressed, I am hopeful that the worst is behind us.

As a result of the global financial crisis, we can expect that a number of far reaching and profound changes will be made to the regulations governing how our financial institutions operate. Already, there are many lessons that can be drawn from the sad recent experience. Here are a few that I think are particularly important and which I hope will shape the actions of policymakers going forward.

Policymakers ought to rid themselves once and for all of the attitude that the "market is always right". It is this attitude – which events have shown to be naïve and dangerous – which more than anything else is at the heart of the current crisis. It should be obvious that sound regulation is necessary if markets are to operate properly. That such regulation should be harmonized and consistent across geographies and markets goes without saying. The challenge, of course, will be to keep regulation intelligent – we don't need another SOX 404 for example; but we do need rules of the road.

As a matter of some urgency, policymakers should carefully examine the operations of hedge funds and the derivative markets in order to assess the extent to which they might pose systemic risk. Based on what has been reported about their size, complexity and use of leverage, it would appear that they do. If so, then these activities ought to be subjected to the same regulatory oversight as would apply to more traditional financial pursuits.

Questions could also usefully be asked as to whether or not recent innovations in the financial markets are proceeding in a reckless and uncontrolled manner. Again, it is now obvious that many of the innovative instruments at the center of the current crisis are fiendishly complex, not properly understood by anyone and certainly not well controlled by any of the risk management systems in effect at many of the world's largest financial institutions. I for one do not believe that a slow down in the pace of innovation to allow for a more comprehensive assessment of risk would be a bad thing.

It is also my opinion, that we desperately need to move to a principles based system of financial reporting. Rules based systems will always be "gamed" by the clever. However, I question whether the wholesale adoption of fair value accounting as currently proposed by the standard setters is a step in the right direction. Time will show, I think, that this global financial crisis was greatly exacerbated by the accounting practices requiring that assets be written down to reflect current pricing levels regardless of the highly unsettled market conditions that prevail. Increasingly, accounting practices are being mandated which give rise to an exponential increase in the volatility of reported results, a volatility that most often has little to do with the operating fundamentals of the business.

The many adverse consequences of adopting reporting standards that greatly exaggerate performance, either positively or negatively, seem to be of no concern to the rule makers. For those organizations who have the intention and the demonstrated capacity to hold assets for the long term or to maturity, fair value is useful as supplementary disclosure; it is much less meaningful when periodic changes in fair value are co-mingled with operating results. Whatever happened to the "going concern" principle? Now, I suggest, would be a good time to pause and re-examine if the move to fair value accounting does in fact produce the improved financial reporting model we all hope for.

These are some suggestions. I'm sure they'll not find favor with everyone but I felt it necessary to put them forward anyway. As I said, there will be profound and far reaching reforms that will be enacted as a result of the sub-prime crisis. I look forward to participating in the debate.

Ladies and gentlemen before I conclude today I want to acknowledge the contribution of two individuals who have been instrumental in helping our fine company develop into the industry leader that we are today.

The first is Mr. Allister Graham who has been a Director since 1996 when he joined the Board following our merger with North American Life. Allister contributed greatly in helping us effect a smooth integration. In particular, his counsel was useful to me when following the merger we had to make important decisions about a number of North American Life's activities which were new to us. I am so glad I listened then and to his many subsequent interventions over the years.

The second departure that will take place later this year is that of our Chairman, Arthur Sawchuk. I can't tell you how grateful I am to have had Arthur to counsel me on so, so many issues over the past ten years. He's provided leadership to me and to my entire management team and I can say to the entire Board of Directors. It is Arthur that is most responsible for the wide recognition that Manulife has received for the quality of its governance practices that we are all so proud of. And it is Arthur who has so skillfully managed my moods and helped me deal with all of the many stresses that are an inevitable part of running a large company.

Allister, would you please stand. Ladies and gentlemen I'd ask you for a round of applause.

As has been announced, Arthur will be succeeded as Chair by Dr. Gail Cook-Bennett later this year. Gail knows our company very well having been a director now for 30 years and we look forward to working with her.

Ladies and gentlemen, there is one final announcement I'd like to make today.

At our next annual meeting in 2009, I will be stepping down as President and CEO of our fine company, a position that I will have held for more than fifteen exciting and eventful years.

The Board and I have been actively working on the succession process for a few years now and it is anticipated that the CEO-designate will be selected by year end.

Needless to say, it has been the greatest privilege and honor of my life to have been given the opportunity to lead this great company for so many years and to work with so many exceptional men and women in building what is, surely, the finest life insurance company in the world. I want to briefly acknowledge everyone's support today. I expect that there will be other opportunities to express my appreciation more fulsomely in the coming year.

I want to conclude my address today by thanking the thousands of employees, agents and business partners around the world for their commitment and confidence in our Company. They are the reason why we've performed so well for so long and why we are optimistic for our future.

Our Vision

Our vision is to be the most professional life insurance company in the world, providing the very best financial protection and investment management services tailored to customers in every market where we do business.

www.manulife.com

Allie McInnis, age 3, daughter of a Manulife employee, participating in the 2007 Manulife Bike & Hike for Heart.

Commitment to the Global Community

In 2007, Manulife Financial donated more than $25 million to assist more than 600 non-profit organizations around the world. Our support focused on community-building in four main areas: health care, education, community service and local volunteering.

In addition, 18,000 Manulife employees donated more than 58,000 hours of their time to support community partners in numerous ways, including running, rowing or walking for health-related charities, mentoring students, building houses, planting trees and participating in blood drives.

To find out more visit **www.manulife.com/community**

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