

# Fourth Quarter and Full Year 2020

Financial & Operating Results

February 11, 2021



# Caution regarding forward-looking statements

From time to time, Manulife makes written and/or oral forward-looking statements, including in this presentation. In addition, our representatives may make forward-looking statements orally to analysts, investors, the media and others. All such statements are made pursuant to 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 include, but are not limited to, statements with respect to our business continuity plans and measures implemented in response to the COVID-19 pandemic and its expected impact on our businesses, operations, earnings and results; the Company’s strategic priorities and 2022 targets for net promoter score, employee engagement, its high potential businesses, expense efficiency and portfolio optimization; and its medium-term targets for core EPS growth, core ROE, leverage ratio and common share dividend payout ratio; near-term core earnings run-rate; our invested asset portfolio strategy and performance; and also 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 “will”, “expect”, “estimate”, “believe”, “plan”, “objective”, “continue”, and “goal”, (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 the performance, volatility and correlation of equity markets, interest rates, credit and swap spreads, currency rates, investment losses and defaults, market liquidity and creditworthiness of guarantors, reinsurers and counterparties); the severity, duration and spread of the COVID-19 outbreak, as well as actions that may be taken by governmental authorities to contain COVID-19 or to treat its impact; changes in laws and regulations; changes in accounting standards applicable in any of the territories in which we operate; changes in regulatory capital requirements applicable in any of the territories in which we operate; 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 provisions against future tax assets; the accuracy of estimates relating to morbidity, mortality and policyholder behaviour; the accuracy of other estimates used in applying accounting policies, actuarial methods and embedded value methods; our ability to implement effective hedging strategies and unforeseen consequences arising from such strategies; our ability to source appropriate assets to back our long-dated liabilities; level of competition and consolidation; our ability to market and distribute products through current and future distribution channels; unforeseen liabilities or asset impairments arising from acquisitions and dispositions of businesses; 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 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 or divestitures, and our ability to complete transactions; environmental concerns; our ability to protect our intellectual property and exposure to claims of infringement; and our inability to withdraw cash from subsidiaries.

Additional information about material risk 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 in our 2020 Management’s Discussion and Analysis under “Risk Factors and Risk Management” and “Critical Actuarial and Accounting Policies” and in the “Risk Management” note to the Consolidated Financial Statements for the year ended December 31, 2020 as well as elsewhere in our filings with Canadian and U.S. securities regulators. The forward-looking statements in this presentation are, unless otherwise indicated, stated as of the date hereof and are presented for the purpose of assisting investors and others in understanding our financial position and results of operations, our future operations, as well as our objectives and strategic priorities, and may not be appropriate for other purposes. We do not undertake to update any forward-looking statements, except as required by law.

# Conference Call Participants

## **Roy Gori**

President & Chief Executive Officer

## **Mike Doughty**

General Manager, Canada

## **Steve Finch**

Chief Actuary

## **Marianne Harrison**

General Manager, U.S.

## **Scott Hartz**

Chief Investment Officer

## **Rahim Hirji**

Chief Risk Officer

## **Naveed Irshad**

Head of North American Legacy Business

## **Paul Lorentz**

President & CEO, Global Wealth and Asset Management

## **Anil Wadhvani**

General Manager, Asia

## **Phil Witherington**

Chief Financial Officer

# Agenda

- **Overview and strategic update**  
Roy Gori, President & Chief Executive Officer
- **Financial and operating results**  
Phil Witherington, Chief Financial Officer
- **Question & Answer session**



# Overview and strategic update



**Roy Gori**

President & Chief Executive Officer

# Full year 2020 financial highlights

Net Income

**\$5.9bn**  
**+4%**

Core Earnings

**\$5.5bn**  
**-9%**

APE Sales

**\$5.6bn**  
**-8%**

MLI's LICAT Ratio<sup>1</sup>

**149%**  
**+9 pps**

Total AUMA<sup>2</sup>

**\$1.3tn**  
**+10%**

Global WAM  
Net Flows

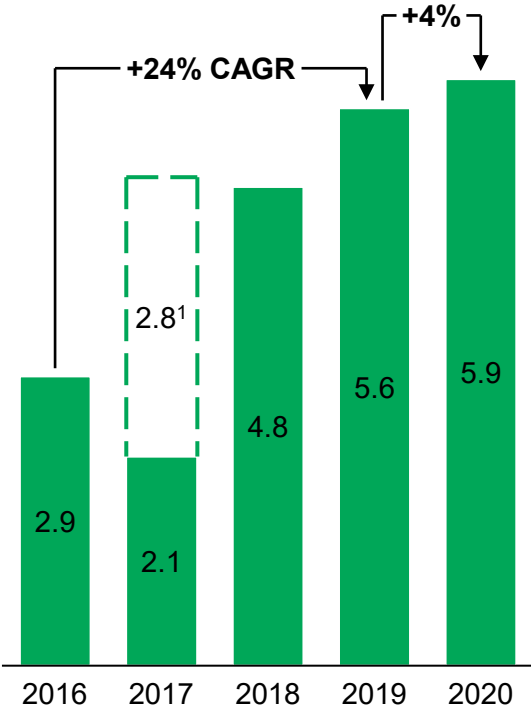
**\$8.9bn**  
**+\$9.8bn**

Note: Comparison to full year 2019. Percentage changes in net income attributed to shareholders, core earnings, APE Sales, and Total AUMA are stated on a constant exchange rate basis, a Non-GAAP measure. See "Performance and Non-GAAP Measures" below.

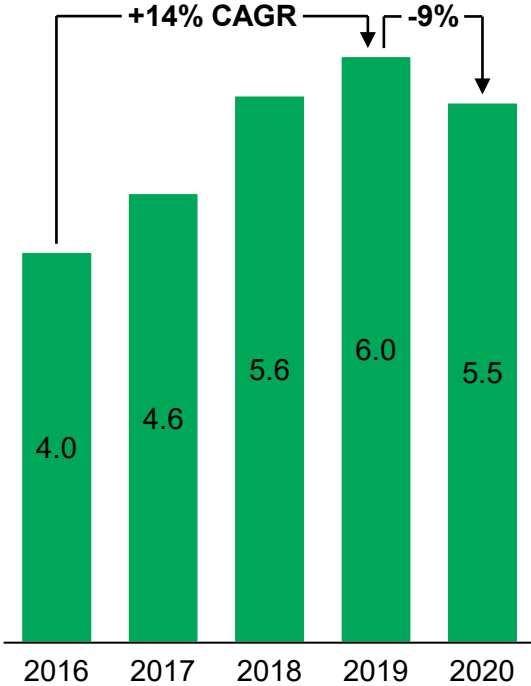
<sup>1</sup>Life Insurance Capital Adequacy Test (LICAT) Total Ratio of The Manufacturers Life Insurance Company (MLI) as at December 31, 2020. <sup>2</sup>Total Assets Under Management and Administration as at December 31, 2020.

# Delivered solid results in 2020 across all metrics, in light of the challenging environment

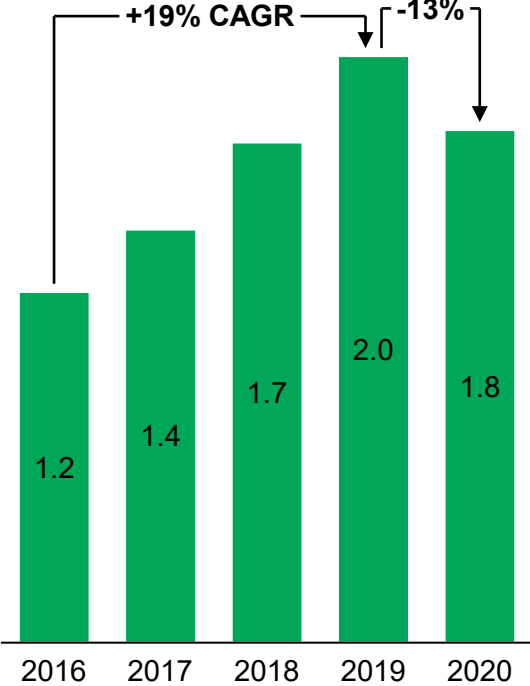
**Net income attributed to shareholders**  
(C\$ billions)



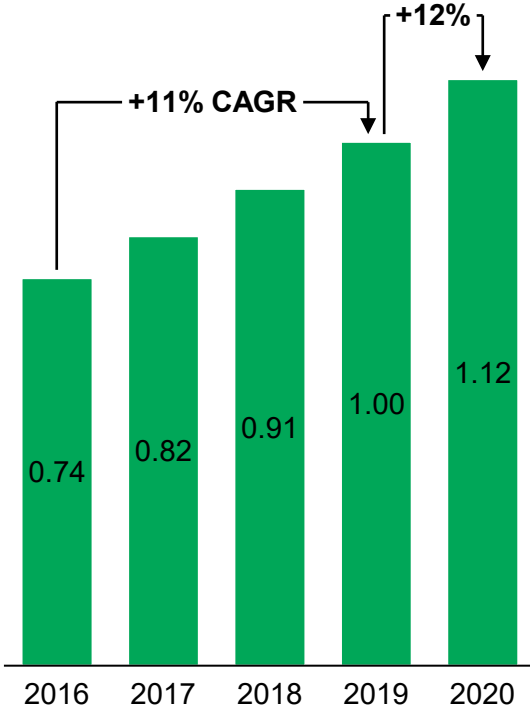
**Core earnings**  
(C\$ billions)



**New business value**  
(C\$ billions)



**Annual Dividend**  
(C\$ per share)

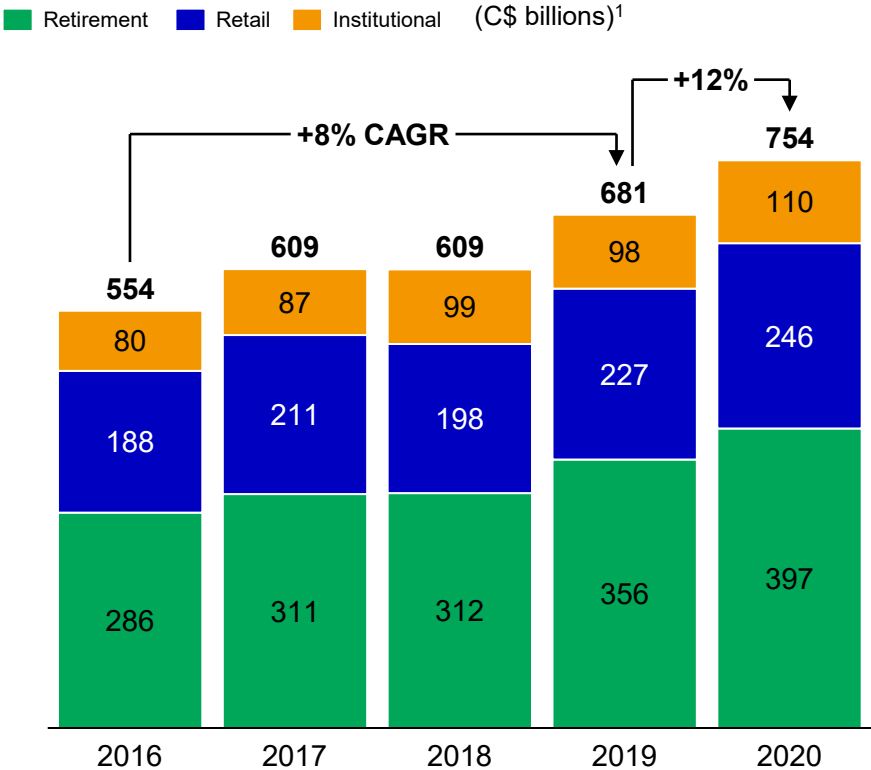


Note: Percentage changes in net income attributed to shareholders, core earnings and new business value are stated on a constant exchange rate basis, a Non-GAAP measure. See "Performance and Non-GAAP Measures" below.

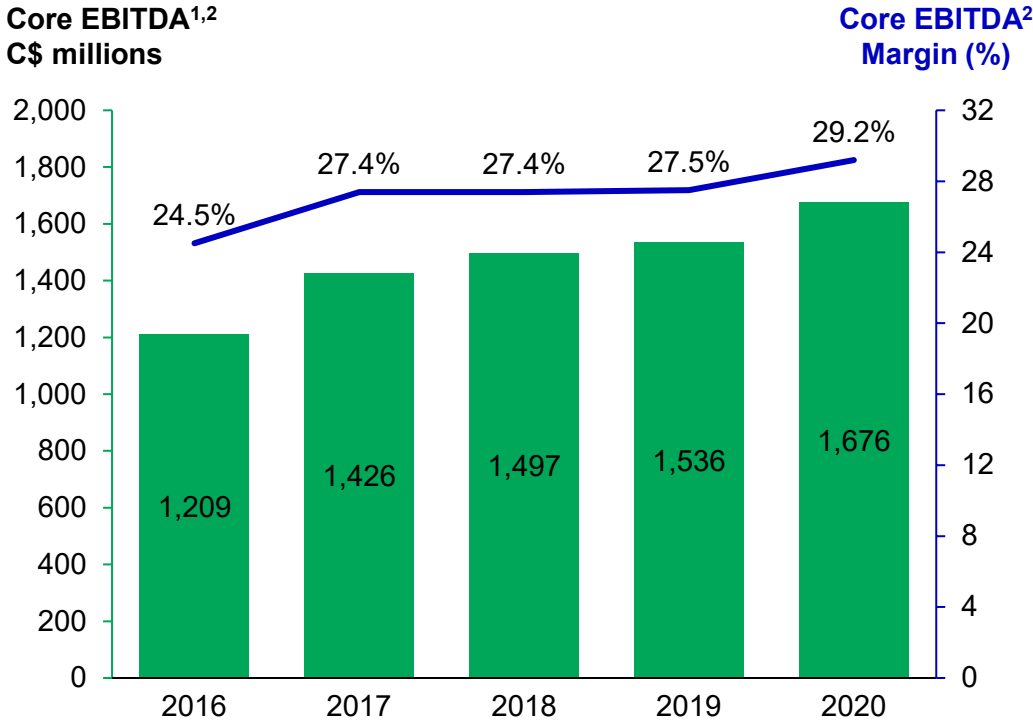
<sup>1</sup> Reflects the charge in 2017 related to the impact of U.S. Tax Reform, and changes to the portfolio asset mix backing certain legacy businesses.

# Our Global WAM business performed very well in 2020, AUMA grew by 12% and our Core EBITDA margin continued to expand and reached 29.2%

## Strong growth in assets under management & administration across all global business lines...



## ...and a resilient core EBITDA margin

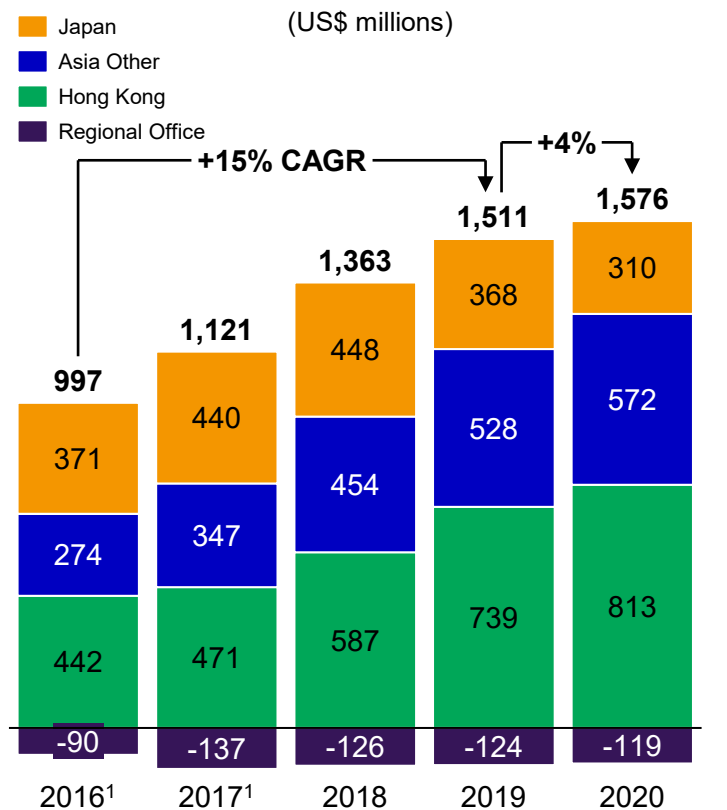


Note: Percentage change in assets under management and administration is stated on a constant exchange rate basis, a Non-GAAP measure. See "Performance and Non-GAAP Measures" below.  
<sup>1</sup> Global WAM AUMA and core EBITDA for 2016 and 2017 have been updated to reflect changes in reporting.  
<sup>2</sup> Core EBITDA and core EBITDA margin are non-GAAP measures. See "Performance and Non-GAAP Measures" below.

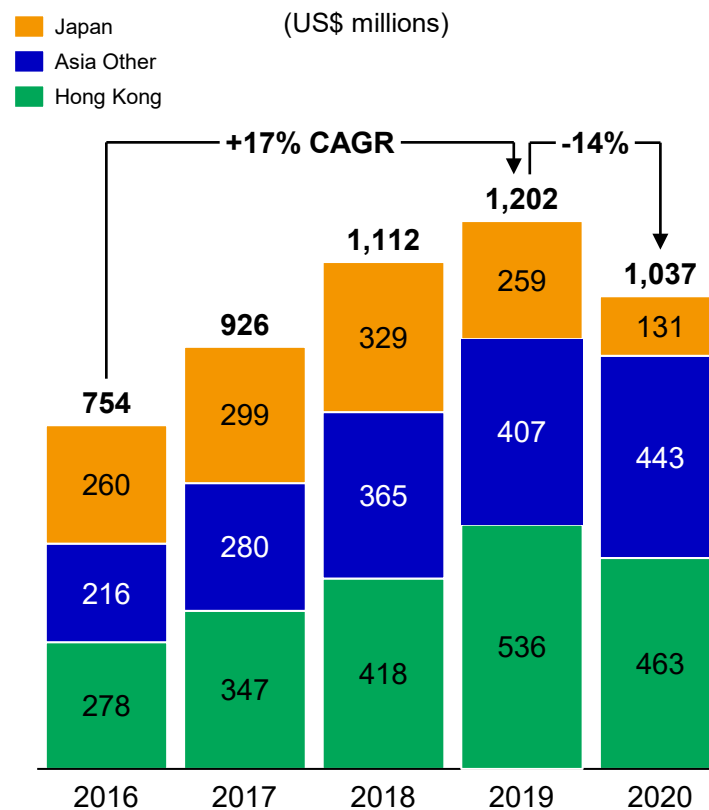


# The diversity of Manulife's Asia business was a key factor in the resilience that we demonstrated throughout 2020

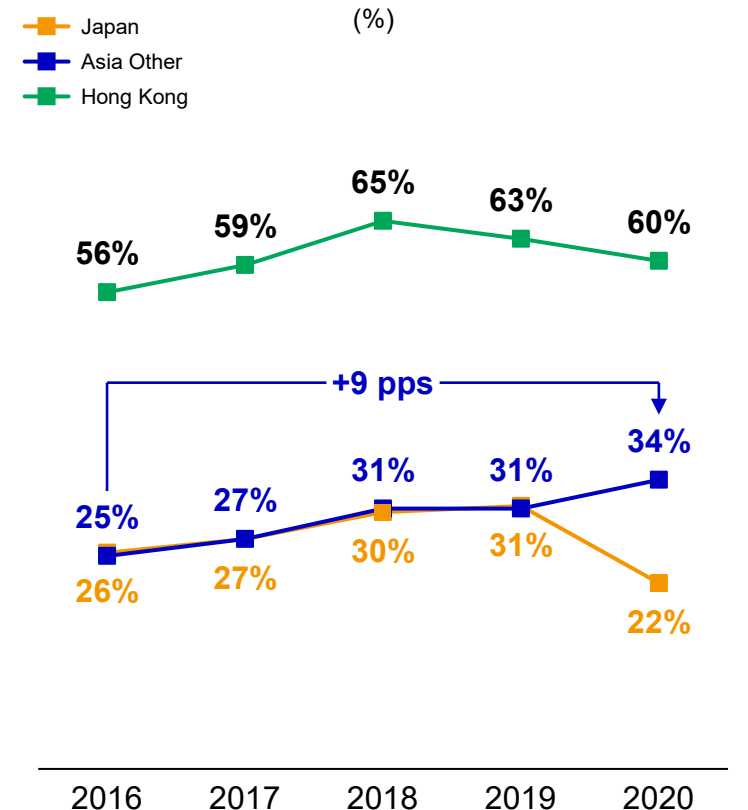
## Solid Core Earnings growth fueled by Hong Kong and Asia Other



## Robust NBV contribution from Asia Other showcases the emerging market opportunity



## Hong Kong NBV margin in line with industry leaders and Asia Other NBV margin trending upwards as we scale













Note: Percentage changes in core earnings and new business value are stated on a constant exchange rate basis, a Non-GAAP measure. See "Performance and Non-GAAP Measures" below.

Order of the vertical bars on the chart correspond to the order in the legend.

<sup>1</sup> Restated for the change in reporting segments effective March 31, 2018.

# Manulife Asia emerged from 2020 in a stronger position, with higher market rankings in 6 markets; Manulife is ranked in the "Top 5" in 7 markets in Asia

APE Sales	Rank	▲
 Hong Kong	#5	▲2
 Hong Kong MPF <sup>1</sup>	#1	-
 China <sup>2</sup>	Top 3	▲1
 Singapore	#3	▼1
 Vietnam	#1	-
 Indonesia	#8	▲1
 Malaysia	#8	▲1
 Cambodia	#1	▲1
 Philippines	#4	▲1
 Japan <sup>3</sup>	#4	-

## Agency

- **+21% growth** in Agency Headcount in 2020; **>115,000** insurance agents

### Agency APE Sales Rank:

#1 in Vietnam	#1 in Cambodia	Top 3 in China <sup>2</sup>	#3 in Hong Kong	#3 in Indonesia
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## Bancassurance

- **9** exclusive bank partners gives us access to **16 million** customers
  - Including VietinBank<sup>4</sup>: **10** exclusive bank partners and access to **30 million** customers
  - Early extension of bancassurance agreement with PT Bank Danamon Indonesia to **2036**
- **>100** bank partners



### Bancassurance APE Sales Rank:

#1 in Singapore	#1 in Cambodia	#2 in Vietnam	#7 in Indonesia	#8 in Hong Kong
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Sources: Data published by local regulators, competitors and insurance associations and informal (industry exchange) market share data

Note: APE Sales information is as of 3Q20 YTD except for Philippines which is based on FY2019. Myanmar started operations in 2H20. APE Sales is a Non-GAAP financial measure. See "Performance and Non-GAAP Measures" below

<sup>1</sup> Hong Kong MPF based on net flows. <sup>2</sup> China pertains to agency business (foreign insurers only). <sup>3</sup> Rankings are based on foreign players only. <sup>4</sup> The exclusive bancassurance agreement with VietinBank is pending regulatory approval.

# Full year 2020 strategic update

## Progress update

### Portfolio Optimization

- Released a total of \$5.9 billion of capital through portfolio optimization initiatives since 2018, including \$780 million in 2020
- Achieved 2022 target three years ahead of schedule

### Expense Efficiency

- Core general expenses<sup>1</sup> declined by 3%<sup>2</sup> in 2020 compared with 2019
- Expense Efficiency ratio of 52.9% in 2020
- Delivered cumulative expense efficiencies of \$1.0 billion in 2020, two years ahead of schedule

### Accelerate Growth

- Highest potential businesses contributed 66% to core earnings in 2020, vs. 57% in 2019
- Entered an exclusive 16-year bancassurance partnership with VietinBank<sup>3</sup> and extended our bancassurance agreement with PT Bank Danamon Indonesia to 2036
- Increased the number of insurance agents in Asia by 21% in 2020 (>115,000)
- Completed the formation of our joint venture with Mahindra Finance in India

### Digital, Customer Leader

- rNPS score of +12, 11 point improvement from 2017 baseline and 4 point improvement from 2019
- Invested over \$650 million in digital capabilities since 2018

### High Performing Team

- Ranked in the 80<sup>th</sup> percentile amongst global financial services and insurance peers on our 2020 employee engagement survey
- Named a *World's Best Employer* by Forbes, ranked in the top 100 best employers globally
- Committed to invest more than \$3.5 million to promote diversity, equity and inclusion in our workplace and communities we serve

## 2022 Target

Free up  
**\$5 billion**  
in capital

**<50%**  
expense efficiency  
ratio

**2/3**  
of core earnings  
from highest  
potential businesses

Relationship NPS  
**+30 points**

**Top Quartile**  
employee  
engagement

# Summary

 Demonstrated Manulife's resilience and delivered solid results in 2020

 Our strategy is sound and our five strategic priorities have not changed

 Manulife is in a position of strength and we remain committed to our medium-term financial targets

 The importance of insurance has been heightened by the pandemic, for both health protection and financial planning

 Manulife is set up for success as the global economy transitions to recovery and we continue to focus on execution

# Financial and operating results



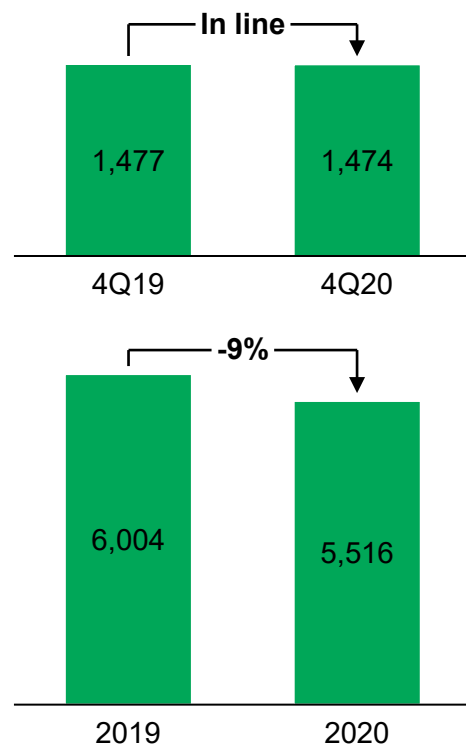
**Phil Witherington**  
Chief Financial Officer

# 4Q20 and full year 2020 financial summary

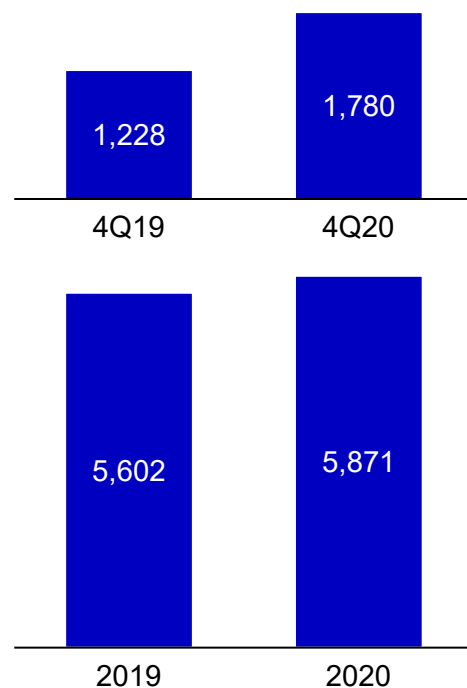
		Fourth Quarter			Full Year		
(C\$ millions, unless noted)		4Q19	4Q20	Change <sup>2</sup>	2019	2020	Change <sup>2</sup>
Profitability	Net income attributed to shareholders	\$1,228	\$1,780	▲ 44%	\$5,602	\$5,871	▲ 4%
	Core earnings	\$1,477	\$1,474	In line	\$6,004	\$5,516	▼ 9%
	Core return on equity (annualized)	12.5%	11.6%	▼ 0.9 pps	13.1%	10.9%	▼ 2.2 pps
	Expense efficiency ratio	54.2%	52.7%	▼ 1.5 pps	52.0%	52.9%	▲ 0.9 pps
Growth	APE sales (C\$ billions)	\$1.5	\$1.4	▼ 5%	\$6.0	\$5.6	▼ 8%
	New business value	\$526	\$489	▼ 7%	\$2,050	\$1,802	▼ 13%
	Global WAM net flows (C\$ billions)	\$4.9	\$2.8	▼ \$2.1	\$(0.9)	\$8.9	▲ \$9.8
	Global WAM AUMA (C\$ billions)	\$681	\$754	▲ 12%	\$681	\$754	▲ 12%
	Global WAM average AUMA (C\$ billions)	\$668	\$733	▲ 10%	\$651	\$698	▲ 6%
Balance Sheet	MLI's LICAT total ratio <sup>1</sup>	140%	149%	▲ 9 pps	140%	149%	▲ 9 pps
	Financial leverage ratio	25.1%	26.6%	▲ 1.5 pps	25.1%	26.6%	▲ 1.5 pps
	Remittances (C\$ billions)				\$2.8	\$1.6	▼ 43%
	Dividend per common share	25.0¢	28.0¢	▲ 12%	\$1.00	\$1.12	▲ 12%

# Delivered core earnings of \$5.5 billion and net income of \$5.9 billion in 2020, a strong outcome given the challenging backdrop

## Core earnings (C\$ millions)



## Net income attributed to shareholders (C\$ millions)



## Earnings reconciliation for the fourth quarter of 2020 (C\$ millions, except per share amounts)

	Post-Tax	Per Share
Core earnings before core investment gains	\$1,474	\$0.74
Core investment gains	–	–
<b>Core earnings</b>	<b>\$1,474</b>	<b>\$0.74</b>
Investment-related experience	585	0.30
Direct impact of interest rates	(674)	(0.34)
Direct impact of equity markets	351	0.18
Reinsurance transactions	44	0.01
<b>Net income attributed to shareholders</b>	<b>\$1,780</b>	<b>\$0.89</b>

# Solid core earnings driven by in-force growth, lower expenses, and higher fee income from higher average AUMA in Global WAM

## Source of earnings<sup>1</sup>

(C\$ millions)

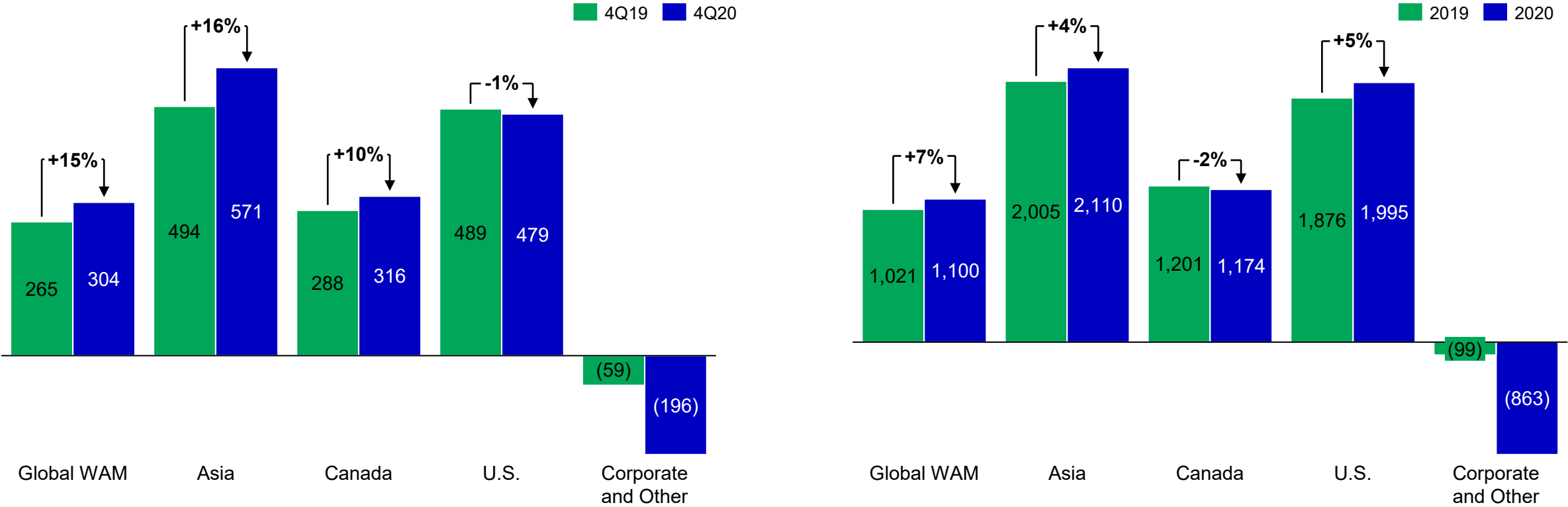
	Core Earnings		Net Income	
	4Q19	4Q20	4Q19	4Q20
Expected profit from in-force business	1,012	1,080	1,012	1,080
Impact of new business	286	285	286	285
Core investment gains	128	–	128	–
Experience gains (losses) (excluding core investment gains)	(143)	(57)	(659)	(248)
Management actions and changes in assumptions	12	8	62	234
Earnings on surplus funds	186	154	235	317
Other	42	48	47	52
<b>Insurance</b>	<b>1,523</b>	<b>1,518</b>	<b>1,111</b>	<b>1,720</b>
<b>Global Wealth and Asset Management</b>	<b>294</b>	<b>361</b>	<b>294</b>	<b>361</b>
<b>Manulife Bank</b>	<b>51</b>	<b>65</b>	<b>51</b>	<b>65</b>
<b>Unallocated overhead</b>	<b>(129)</b>	<b>(177)</b>	<b>(129)</b>	<b>(177)</b>
<b>Income before income taxes</b>	<b>1,739</b>	<b>1,767</b>	<b>1,327</b>	<b>1,969</b>
<b>Income tax (expense) recovery</b>	<b>(262)</b>	<b>(293)</b>	<b>(99)</b>	<b>(189)</b>
<b>Earnings available to shareholders</b>	<b>1,477</b>	<b>1,474</b>	<b>1,228</b>	<b>1,780</b>

- In-force growth driven by Asia and the U.S.
- Impact of new business reflects favourable product mix in Hong Kong and Vietnam, offset by lower sales volumes in Canada Individual Insurance and U.S. International
- Absence of core investment gains
- Unfavourable policyholder experience in 4Q20 driven by losses in U.S. Life, partially offset by gains in U.S. LTC and Canada Long-Term Disability
- Lower earnings on surplus driven by lower yields and change in asset mix, partially offset by higher average asset levels and gains on seed money investments
- Higher earnings in Global WAM driven by higher average asset levels



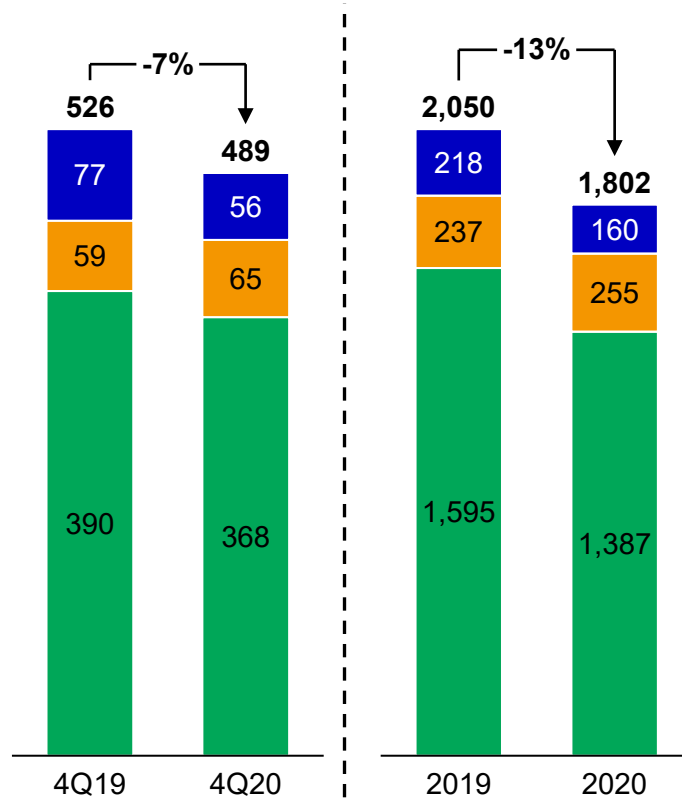
# Double-digit core earnings growth in Global WAM, Asia, and Canada in 4Q20

## Core earnings (C\$ millions)

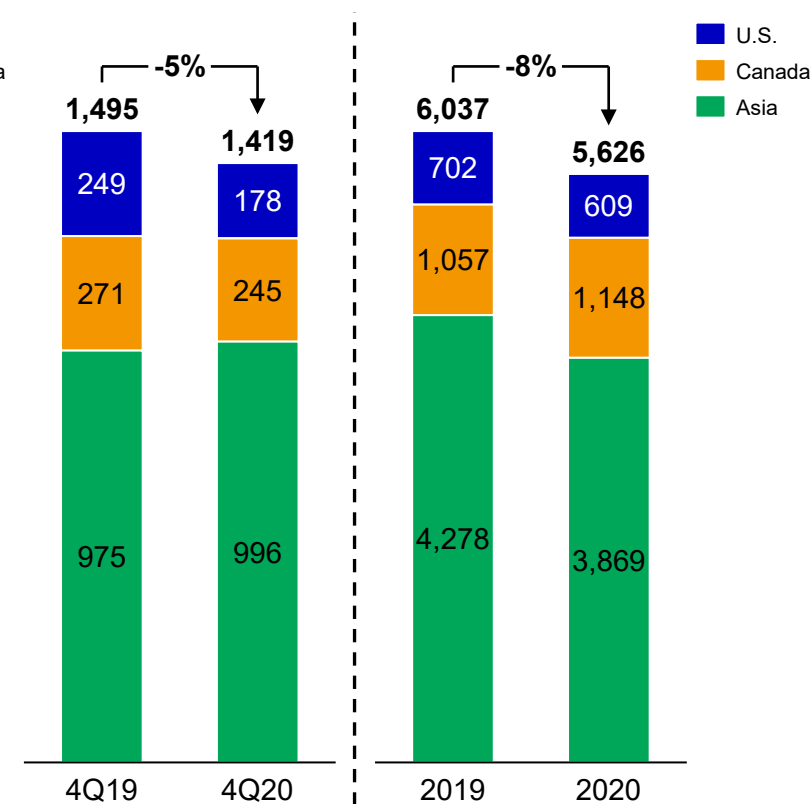


# Modest decline in NBV and APE sales in light of the challenging sales environment

**New business value (NBV)**  
(C\$ millions)



**APE sales**  
(C\$ millions)

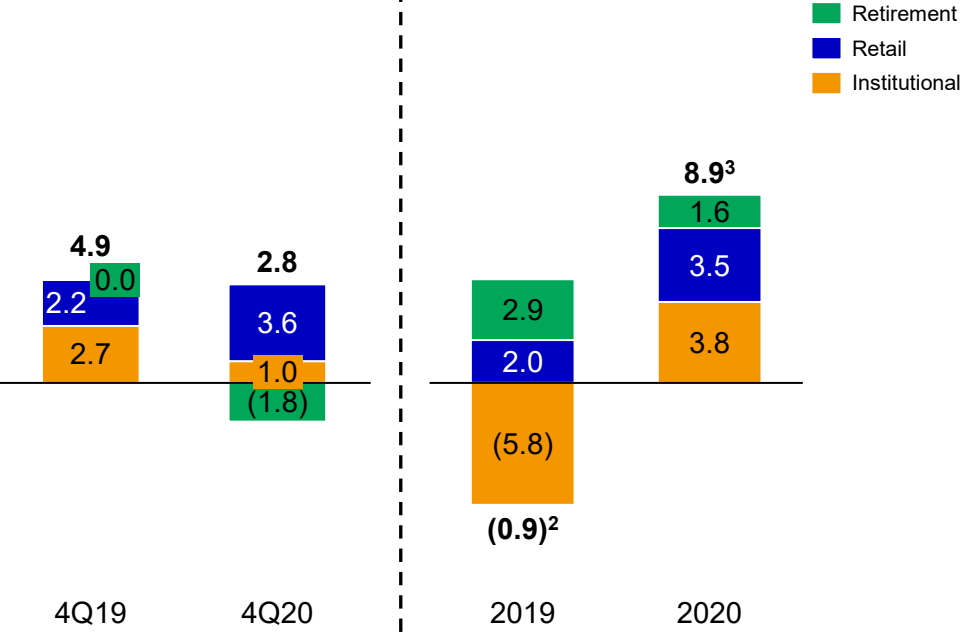


- 4Q20 NBV decreased by 7% primarily driven by lower sales volumes in Hong Kong and less favourable product mix in Japan
- 4Q20 APE sales decreased by 5% primarily driven by the U.S. and Canada
- Modest increase in 4Q20 Asia APE sales driven by growth in Japan and Asia Other, partially offset by lower sales in Hong Kong

# Delivered strong Global WAM net inflows of \$8.9 billion in 2020

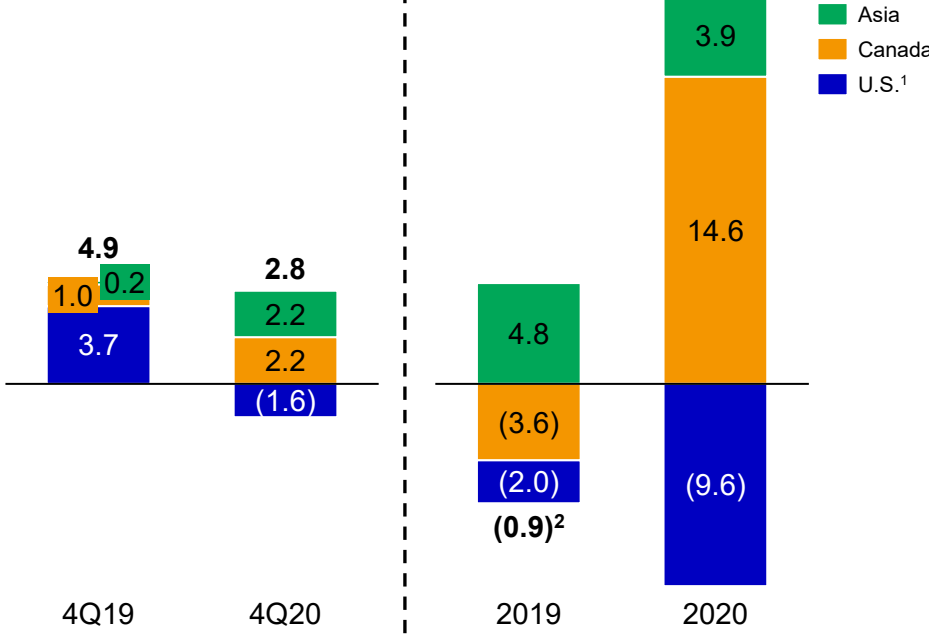
## Global WAM net flows by business line

(C\$ billions)



## Global WAM net flows by geography

(C\$ billions)

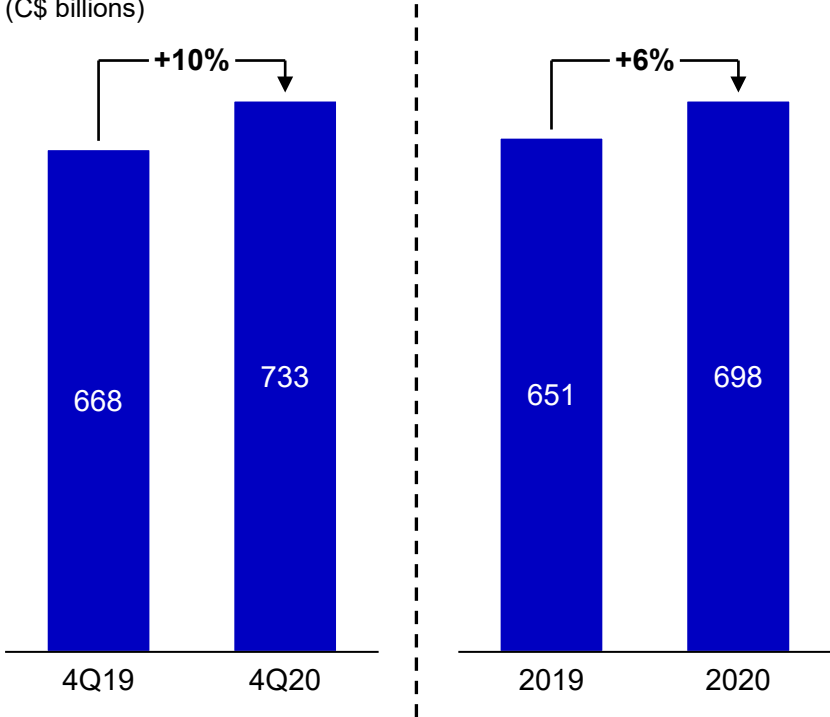


- Lower 4Q20 net inflows driven by outflows in U.S. Institutional and Retirement, partially offset by higher Retail gross flows across all geographies and lower redemptions in Asia Institutional and Canada Retirement

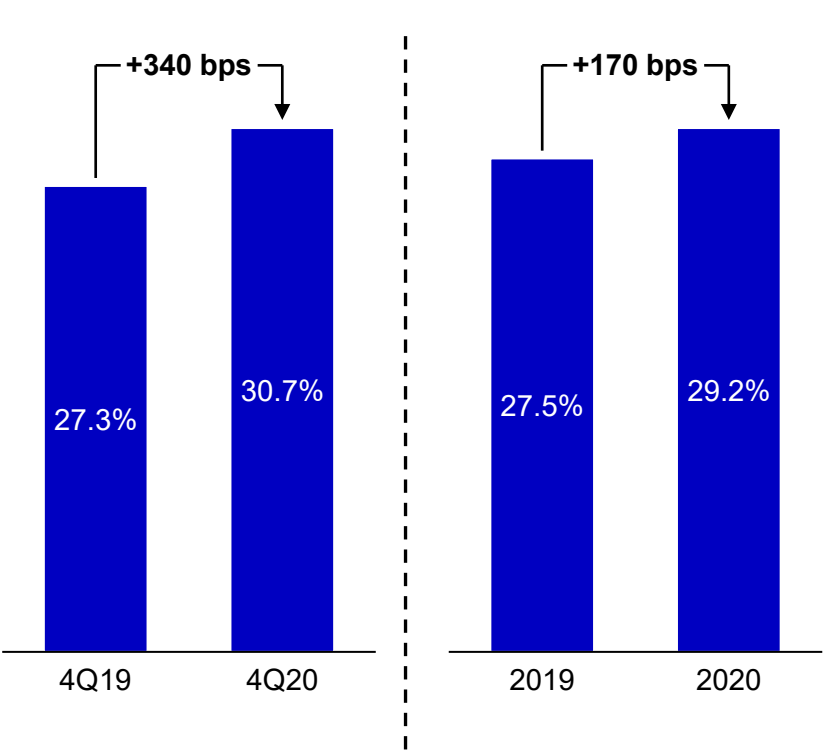
Note: Order of the vertical bars on the chart correspond to the order in the legend.  
<sup>1</sup> U.S. business line includes Europe. <sup>2</sup> Includes an \$8.5 billion redemption due to the decision by one institutional client in Canada to internalize the management of several large, primarily fixed income, mandates in 3Q19. <sup>3</sup> Includes the funding of a \$6.9 billion mandate from a new Canadian institutional client in 2Q20 and \$5.0 billion redemption of an equity mandate in Institutional Asset Management in the U.K. in 3Q20.

# Record high Global WAM average AUMA and strong Core EBITDA margin

**Average Global WAM AUMA**  
(C\$ billions)



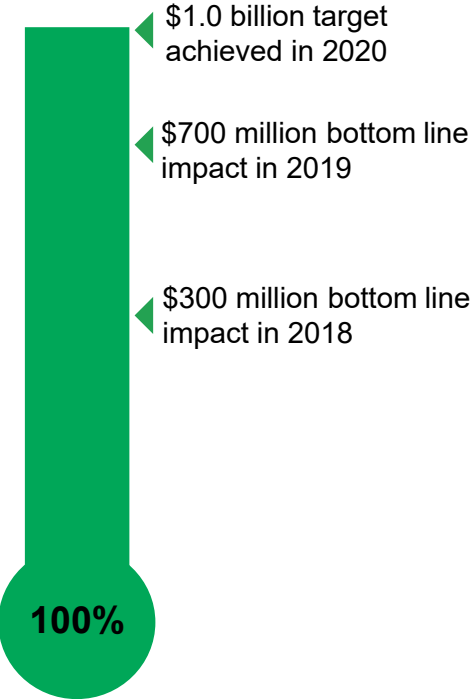
**Core EBITDA margin**  
(%)



- Increase in 4Q20 average Global WAM AUMA driven by favourable market impacts and net inflows
- Increase in 4Q20 core EBITDA margin reflecting our scale and commitment to expense efficiency

# Delivered \$1.0 billion of expense efficiencies, achieving the 2022 target two years ahead of schedule

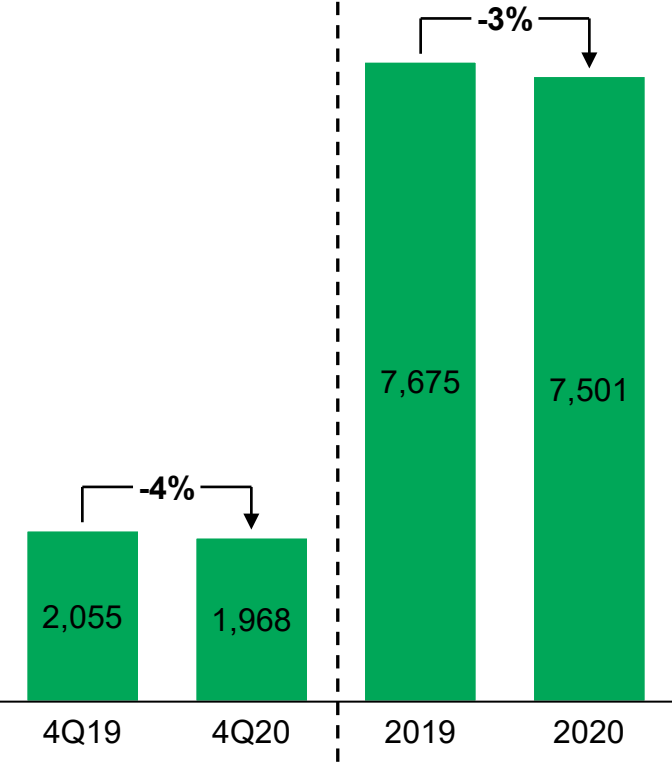
 **Total annual expense efficiencies**  
(C\$, pre-tax)



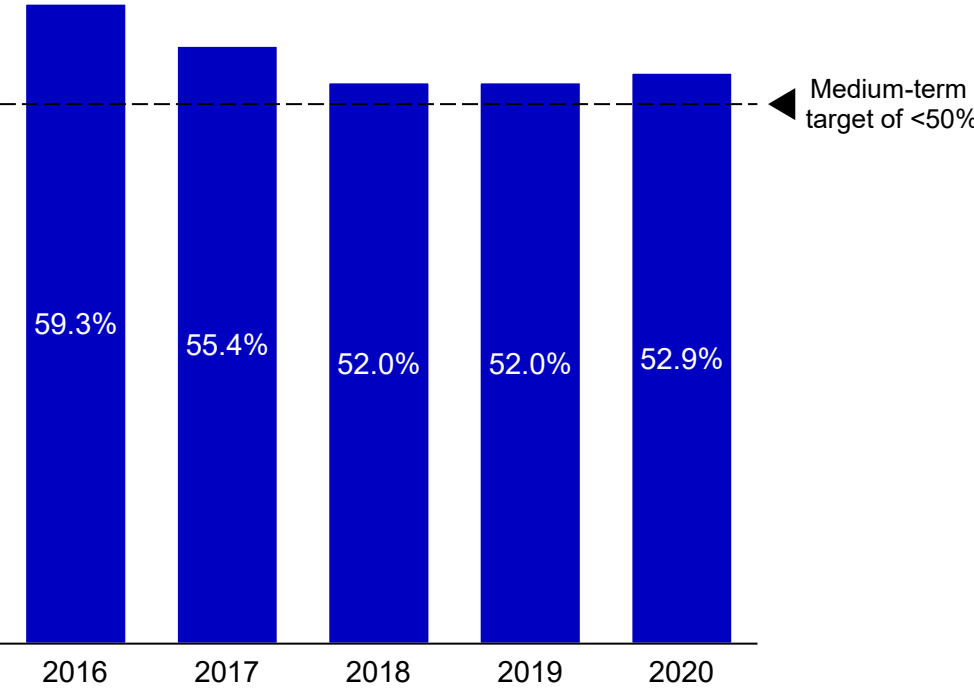
- Delivered \$1.0 billion of sustainable expense efficiencies to-date, \$300 million of which was incremental in 2020
- Expense initiatives have delivered significant efficiencies:
  - Digitization, including automation and robotics
  - Vendor management
  - People management
  - Real estate optimization
- On track to achieve the expense efficiency ratio target of <50% by 2022

# Our culture of expense efficiency has resulted in a 3% reduction in 2020 core general expenses while continuing to invest in our digital capabilities

**Core general expenses<sup>1</sup>**  
(C\$ millions)



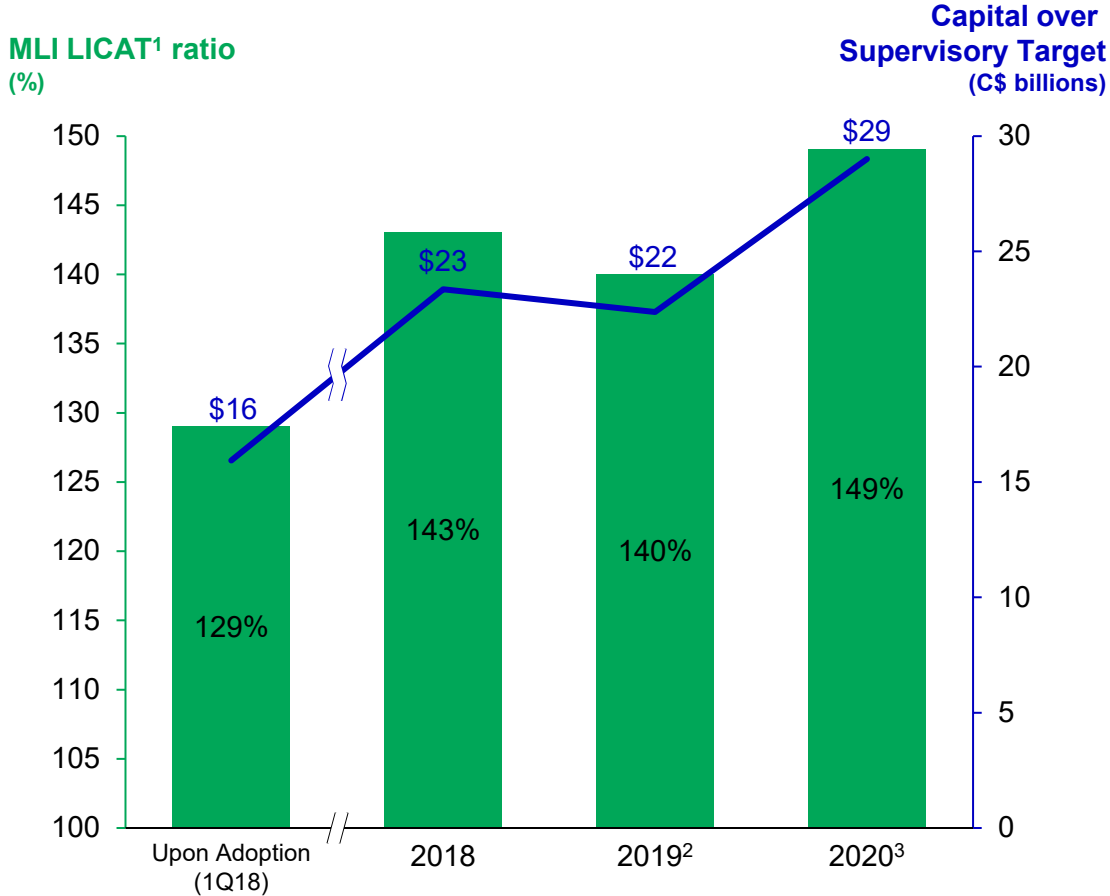
**Expense efficiency ratio**  
(%)



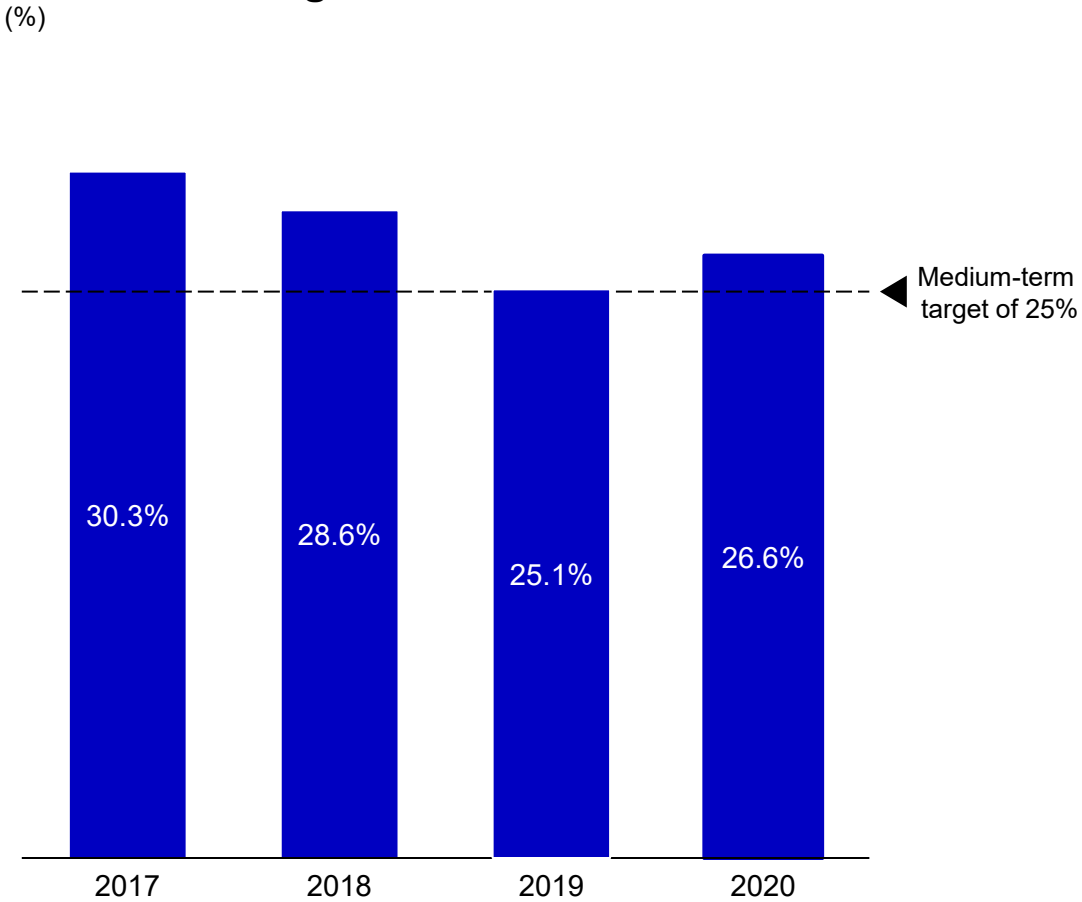
Note: Percentage changes are stated on a constant exchange rate basis, a Non-GAAP measure. See "Performance and Non-GAAP Measures" below.  
<sup>1</sup> Core general expenses are general expenses included in core earnings ("core expenses").

# Manulife maintained a strong capital position throughout 2020 despite the global pandemic

## Capital Metrics



## Financial leverage ratio (%)



<sup>1</sup> Life Insurance Capital Adequacy Test (LICAT) Total Ratio of The Manufacturers Life Insurance Company (MLI). <sup>2</sup> For LICAT, the 4Q19 ratio reflects the impact of the \$0.5 billion capital redeemed in January 2020 (announced in November 2019) as the LICAT ratio reflects capital redemptions once the intention to redeem has been announced. <sup>3</sup> For LICAT, the 4Q20 ratio reflects the impact of the \$350 million capital redeemed in January 2021 (announced in November 2020) as the LICAT ratio reflects capital redemptions once the intention to redeem has been announced.

# Financial targets

	2017	2018	2019	2020	Medium-Term Target
Core EPS growth	+13%	+23%	+8%	-7%	10% - 12%
Core ROE	11.3%	13.7%	13.1%	<b>10.9%</b>	13%+
Leverage ratio	30.3%	28.6%	25.1%	<b>26.6%</b>	25%
Dividend payout <sup>1</sup>	37%	33%	34%	<b>41%</b>	30% - 40%
Expense efficiency ratio	55.4%	52.0%	52.0%	<b>52.9%</b>	<50%
Capital benefits (cumulative)		\$3.0 billion	\$5.1 billion	<b>\$5.9 billion</b>	\$5 billion



**SAVE THE DATE:**

# Manulife Investor Day 2021

**When:** Tuesday, June 29<sup>th</sup>, 2021

**Where:** Virtual

Registration will open in February 2021

# Question & Answer session



# Appendix

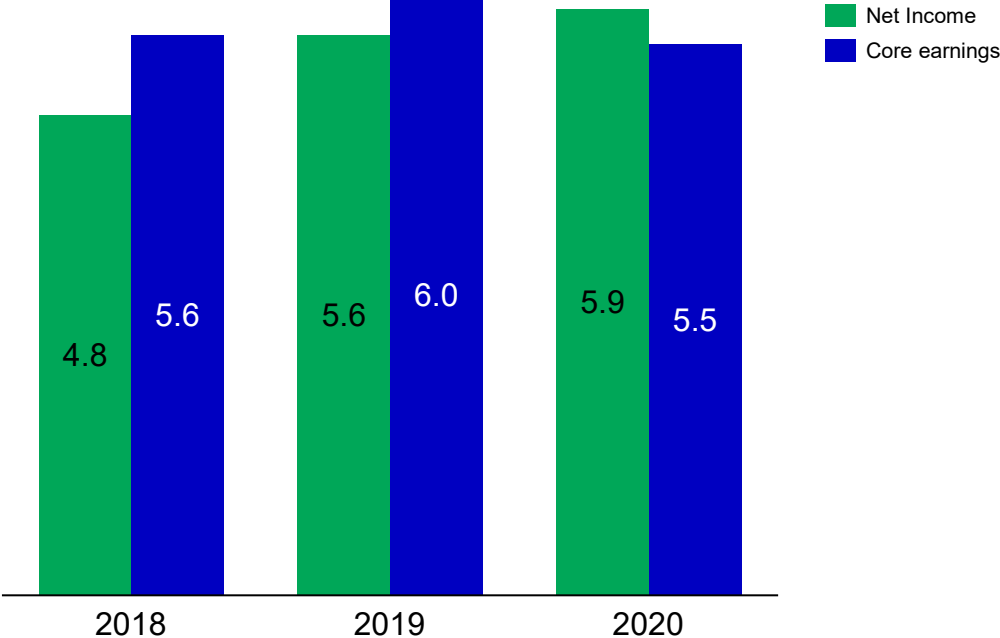
- Diversity of Manulife's business
- Digital Capabilities
- Invested Asset Mix
- Credit Experience
- Segment Performance
- Assets Under Management and Administration
- Earnings Sensitivities



# The diversity of Manulife's business differentiates us from our peers and has been a key factor in the resilience that we've demonstrated throughout 2020

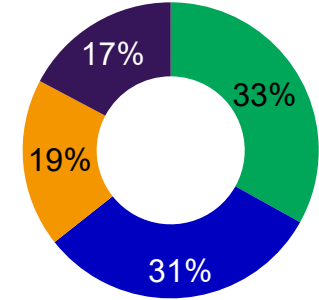
## Core earnings and net income attributed to shareholders

(C\$ billions)

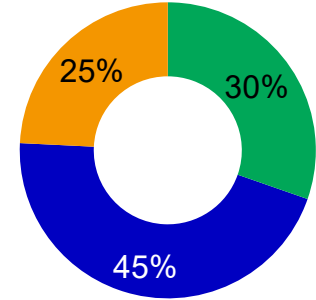


## Core Earnings<sup>1,2</sup>

Asia Canada  
U.S. Global WAM

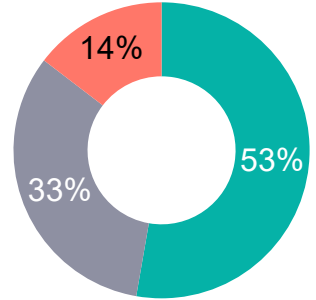


## Expected profit from in-force business<sup>1,2,3</sup>

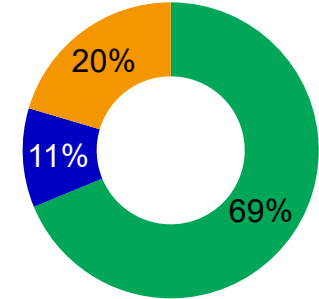


## Global WAM AUMA by business line<sup>1</sup>

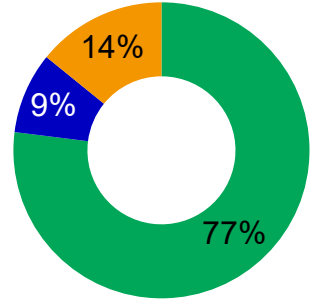
Retirement Retail Institutional



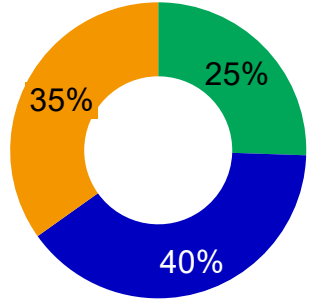
## APE Sales<sup>1</sup>



## New Business Value<sup>1</sup>

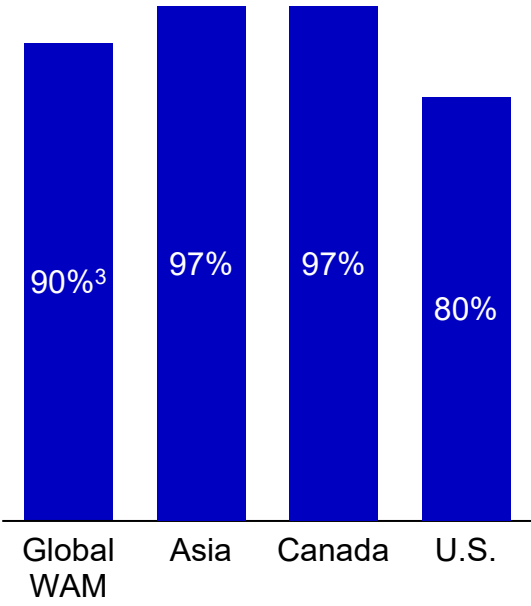


## Global WAM Core EBITDA by region<sup>1</sup>

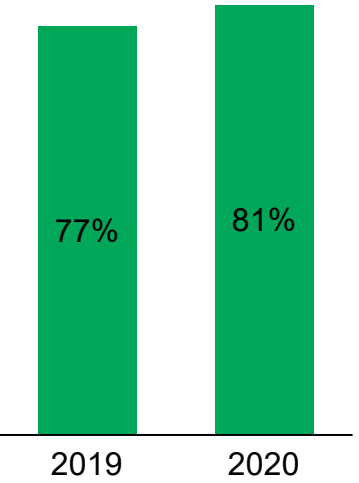


# Expanding digital channels and operations in the current environment, with sustained customer experience benefits

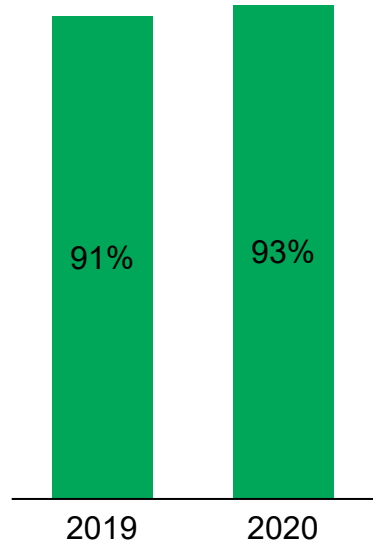
APE sales available to be sold via Virtual F2F<sup>1</sup> methods<sup>2</sup>



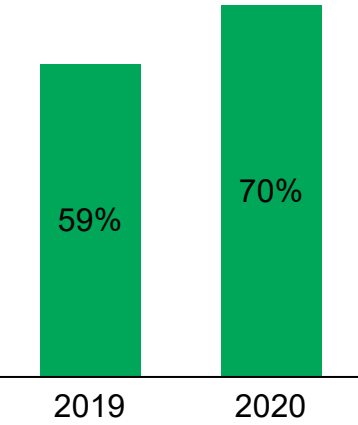
STP<sup>4</sup>



Digital claim submission



Auto-underwriting



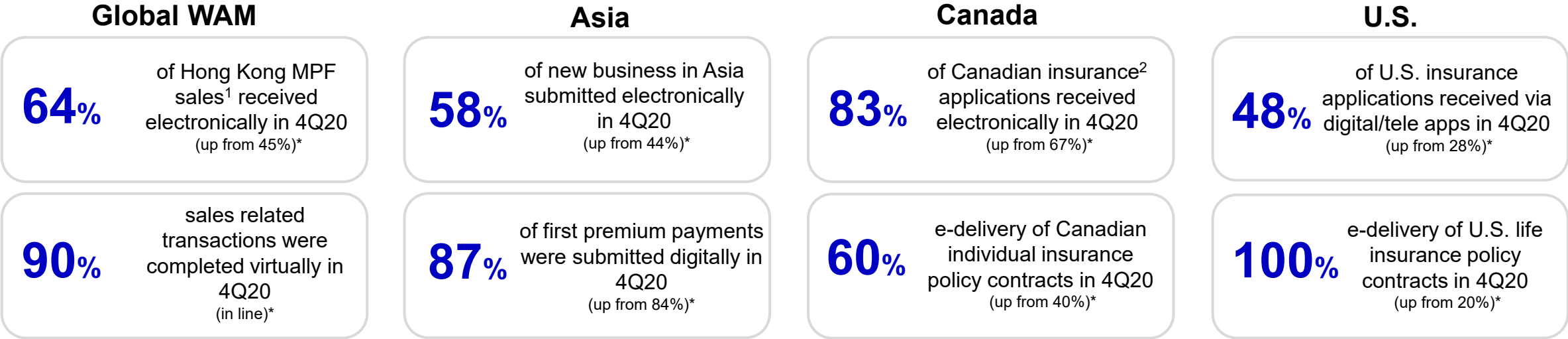
<sup>1</sup> Virtual face-to-face, includes digital as well as non-digital solutions. <sup>2</sup> Represents the percentage of 2019 APE sales that are currently available for sale via virtual face-to-face methods (applies to Asia, Canada and U.S.). <sup>3</sup> Reflects Global WAM's AUMA available to new and existing retail and retirement customers. <sup>4</sup> Straight-through processing includes money movement

# Customer adoption of our digital capabilities continued to increase in 2020, but showed signs of stabilizing

- Group Benefits Canada introduced **Health by Design**, a proactive approach using the latest science, technology and predictive analytics
- Added **Amazon Halo wellness band** to devices supported by John Hancock Vitality in the U.S.



- Launched a new **retirement planner tool** in our Global WAM U.S. business to deliver an innovative and engaging way for customers to visualize and plan for their retirement
- Launched **eClaims** in Philippines, Malaysia and Cambodia; Electronic submissions are now live in all of our markets

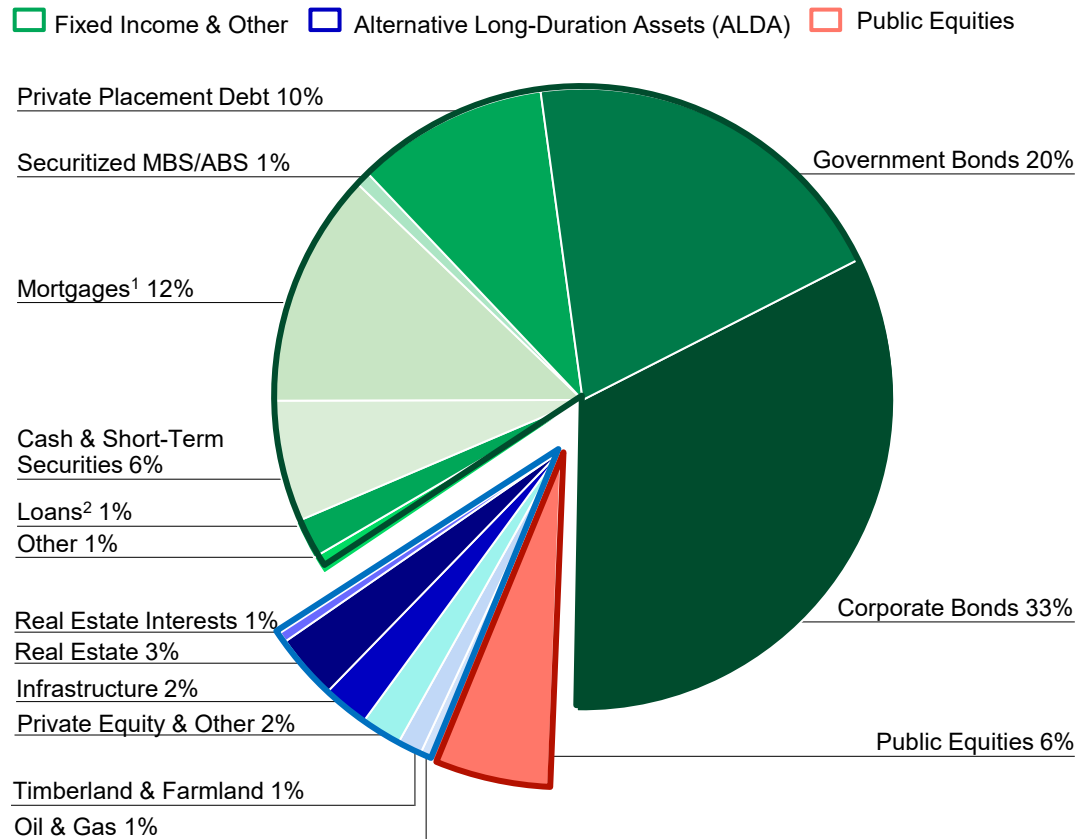


\* Compared to pre-COVID-19 levels  
<sup>1</sup> Personal Accounts and Tax-Deductible Voluntary Contribution. <sup>2</sup> Out of total eligible Retail Insurance policies.

# Diversified high quality asset mix avoids risk concentrations

## Total invested assets

(C\$411.0 billion, carrying values as of December 31, 2020)

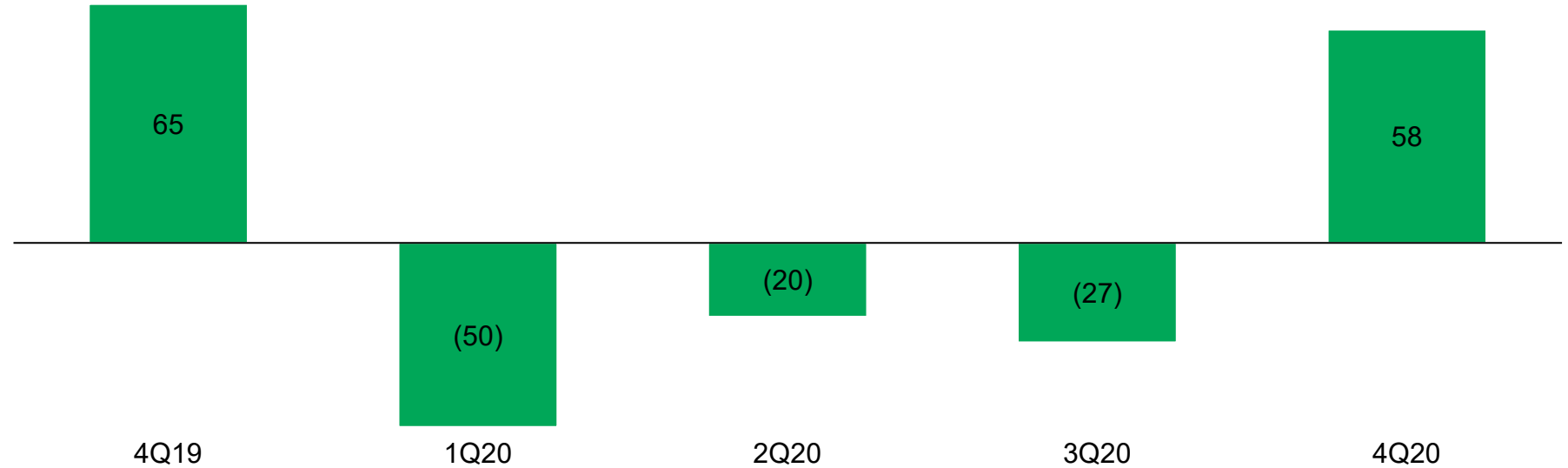


- High quality and diverse asset mix
  - 97% of fixed income assets are investment grade
  - Large holdings in defensive Government and Utility bonds
  - ALDA sell-down has reduced exposure in guaranteed segments
  - No Collateralized Loan Obligations (“CLO”) exposure
- ALDA generates enhanced yield; minimizes need to pursue riskier fixed income strategy
  - Portfolio positioned at the low end of the risk-return spectrum with ~60% in infrastructure and unlevered commercial real estate
- Robust risk management framework
  - Has supported our underwriting and favourable credit quality

# Credit experience

## Net credit experience

(C\$ millions, post-tax)

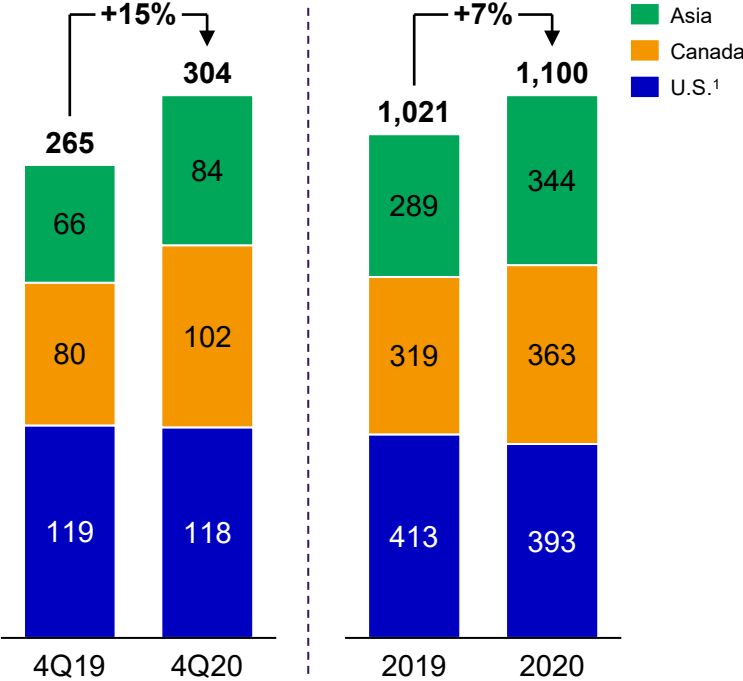


<b>Credit Experience</b>					
(C\$ millions)	4Q19	1Q20	2Q20	3Q20	4Q20
Change in ratings	11	(108)	4	(18)	1
Impairments, net of recoveries	(8)	(7)	(93)	(68)	(4)
Release of best estimate credit	62	65	69	59	61
<b>Net Credit Experience</b>	<b>65</b>	<b>(50)</b>	<b>(20)</b>	<b>(27)</b>	<b>58</b>

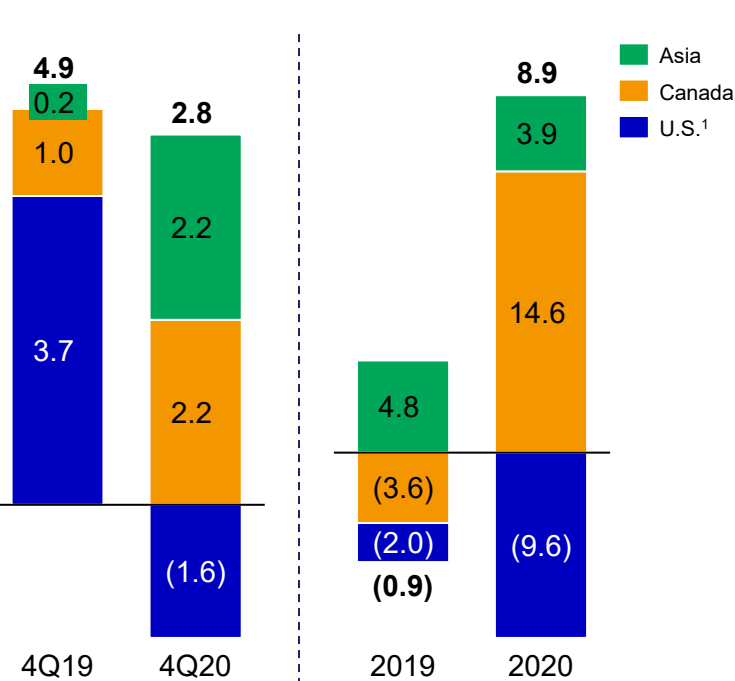


# Global WAM: Delivered double-digit core earnings in 4Q20 and strong net inflows in 2020

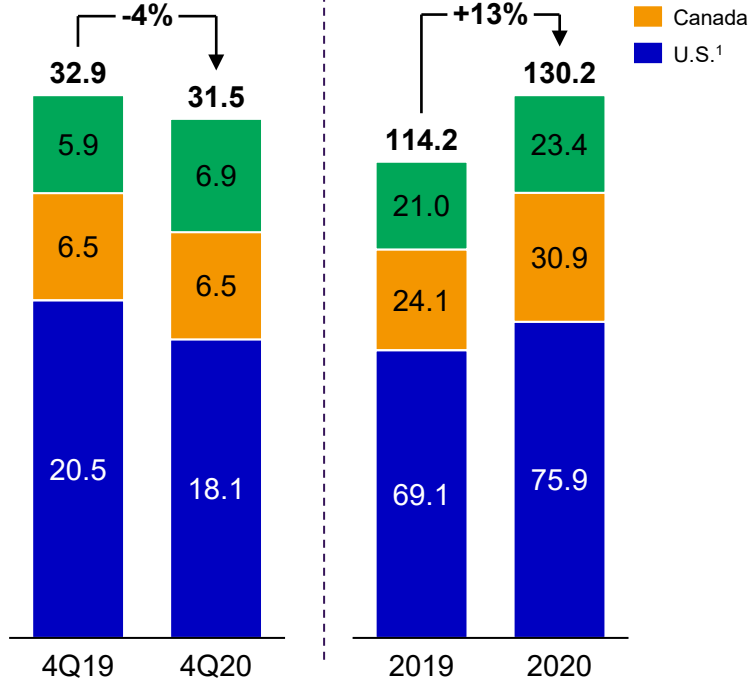
**WAM core earnings**  
(C\$ millions)



**WAM net flows**  
(C\$ billions)



**WAM gross flows**  
(C\$ billions)

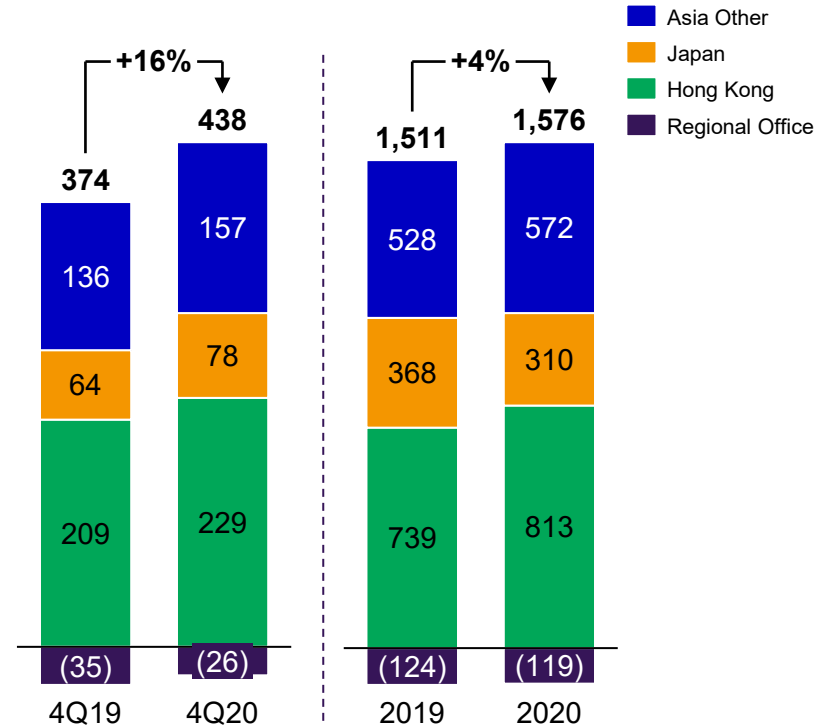


- +15% 4Q20 core earnings growth driven by higher average AUMA and disciplined expense management, partially offset by unfavourable impacts from changes in product mix, lower fee spread in the U.S. Retirement business, and lower tax benefits
- Lower 4Q20 net inflows driven primarily by outflows in U.S. Institutional and Retirement, partially offset by higher retail gross flows across all geographies
- Lower 4Q20 gross flows driven by lower sales in U.S. Retirement and non-recurrence of several large sales in U.S. Institutional in 4Q19, partially offset by the higher retail gross flows across all geographies

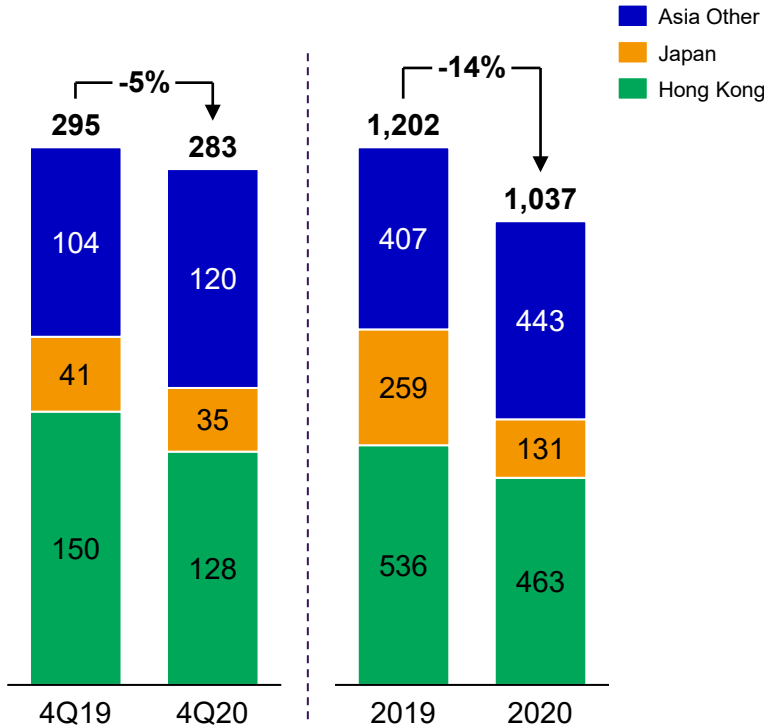
Note: Percentage changes are stated on a constant exchange rate basis, a Non-GAAP measure. See "Performance and Non-GAAP Measures" below. Order of the vertical bars on the chart correspond to the order in the legend.  
<sup>1</sup> U.S. business line includes Europe.

# Asia: Strong double-digit core earnings growth in 4Q20; lower NBV and APE sales amid the challenging sales environment

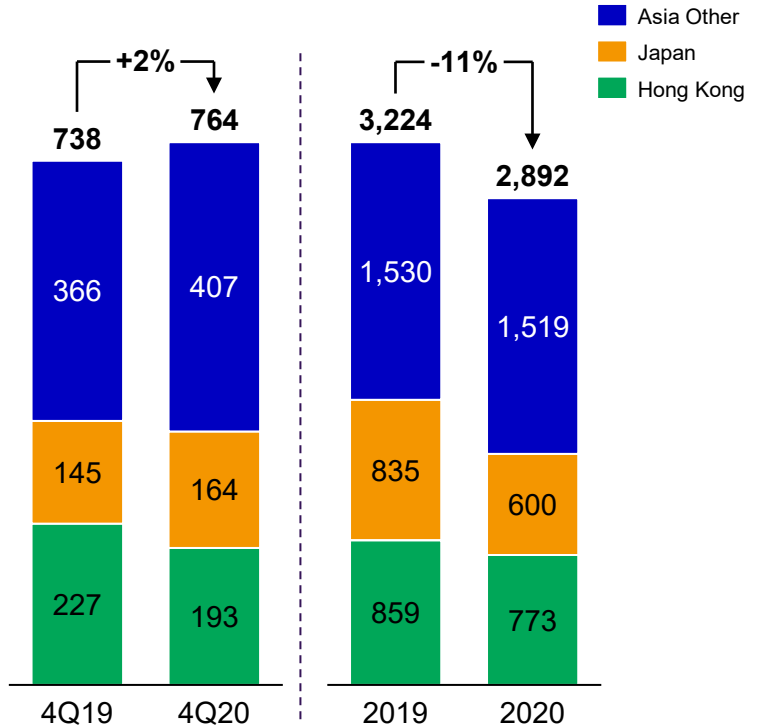
**Core earnings**  
(US\$ millions)



**New business value**  
(US\$ millions)



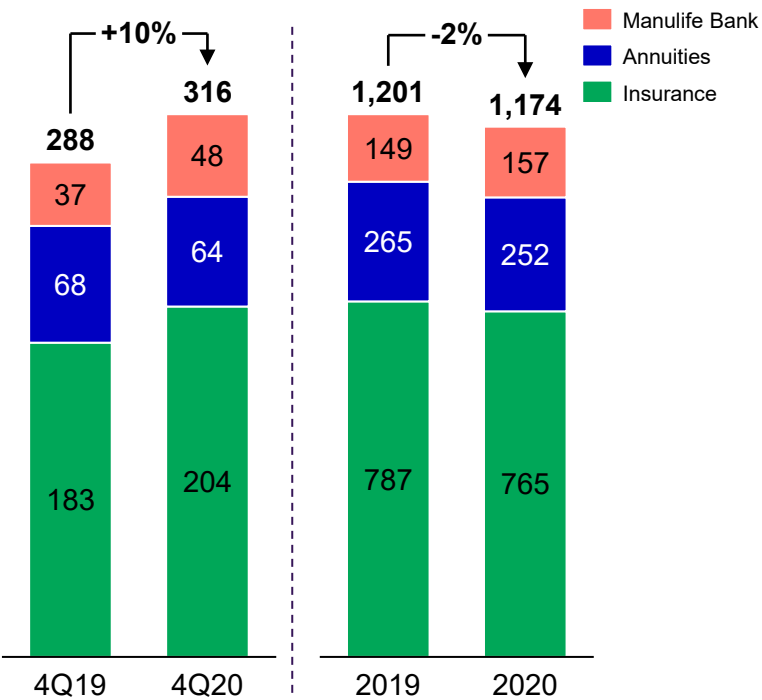
**APE sales**  
(US\$ millions)



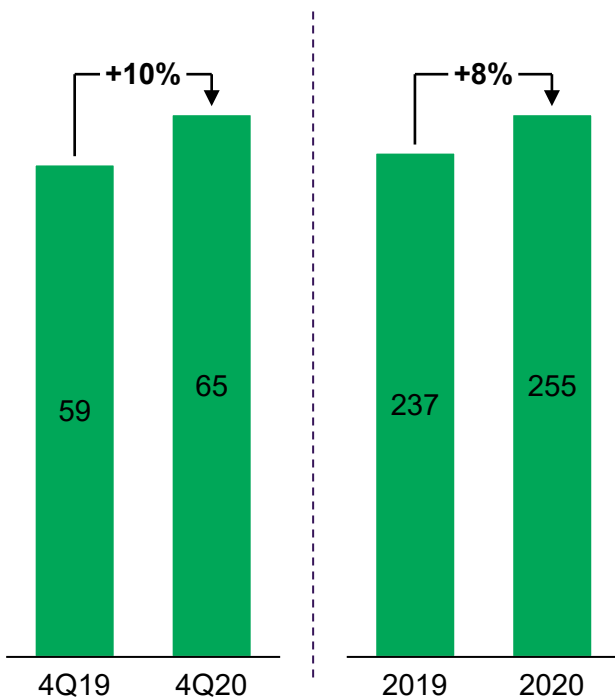
- +16% core earnings growth in 4Q20 primarily driven by in-force business growth across Asia, favourable new business primarily from product mix in Hong Kong and Vietnam, and disciplined expense management, partially offset by lower new business volumes in Hong Kong
- Decline in 4Q20 new business value due to lower sales volumes in Hong Kong and less favourable product mix in Japan, partially offset by higher sales and more favourable product mix in Asia Other
- Delivered modest 4Q20 APE sales as growth in Japan from COLI and higher Asia Other sales from Vietnam and Singapore, were partially offset by lower sales in Hong Kong, due to tightening of COVID-19 containment measures

# Canada: Delivered double-digit core earnings growth in 4Q20

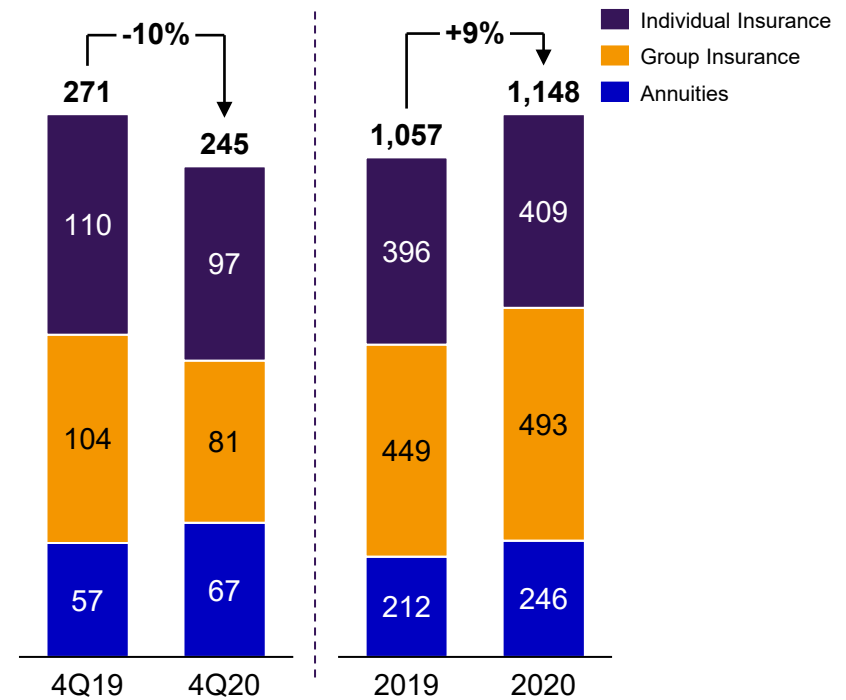
**Core earnings**  
(C\$ millions)



**New business value**  
(C\$ millions)



**APE sales**  
(C\$ millions)



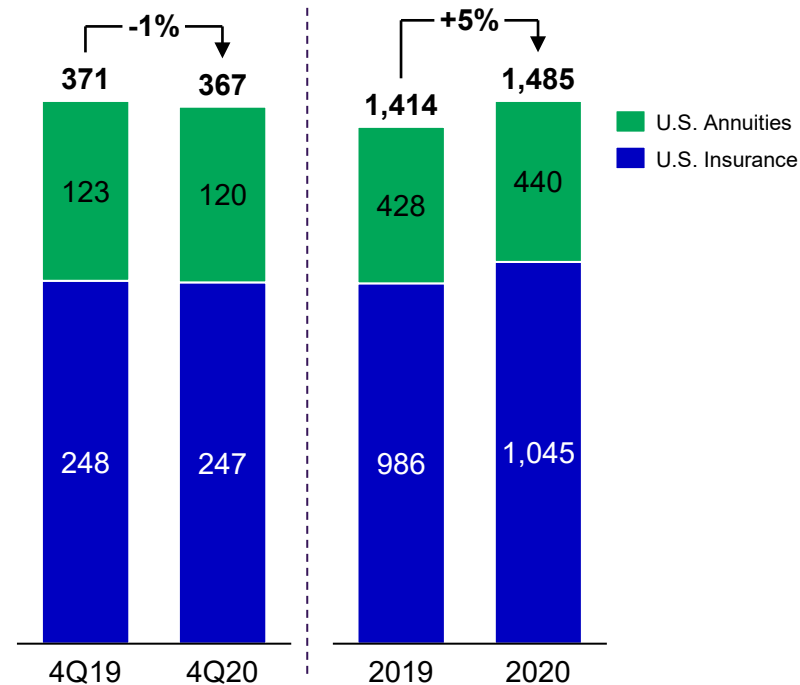
- Higher 4Q20 core earnings primarily reflecting favourable insurance policyholder experience, partially offset by a number of small experience-related items
- Higher 4Q20 new business value primarily driven by higher margins across all business lines, partially offset by lower volumes in small and mid-size group insurance and individual insurance
- Lower 4Q20 APE sales driven by lower small and mid-size group and individual insurance sales due to the adverse impact of COVID-19, partially offset by higher sales in our lower risk segregated funds



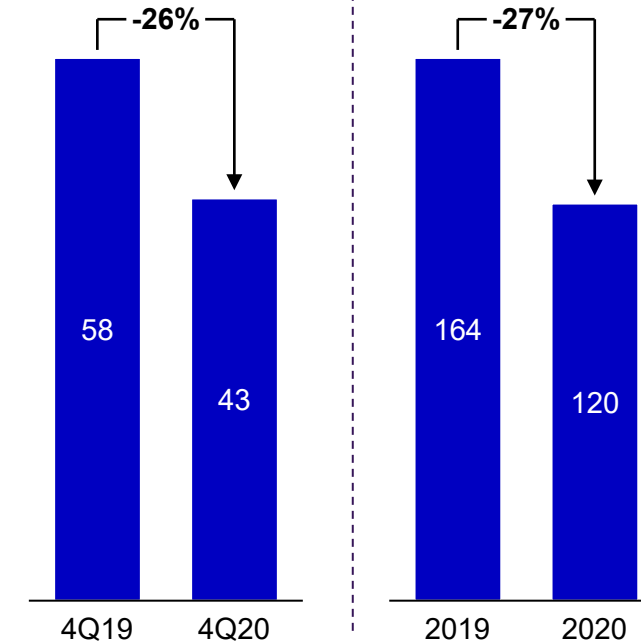
Note: Order of the vertical bars on the chart correspond to the order in the legend.

# U.S.: Solid core earnings, and lower new business value and APE sales due to the COVID-19 pandemic

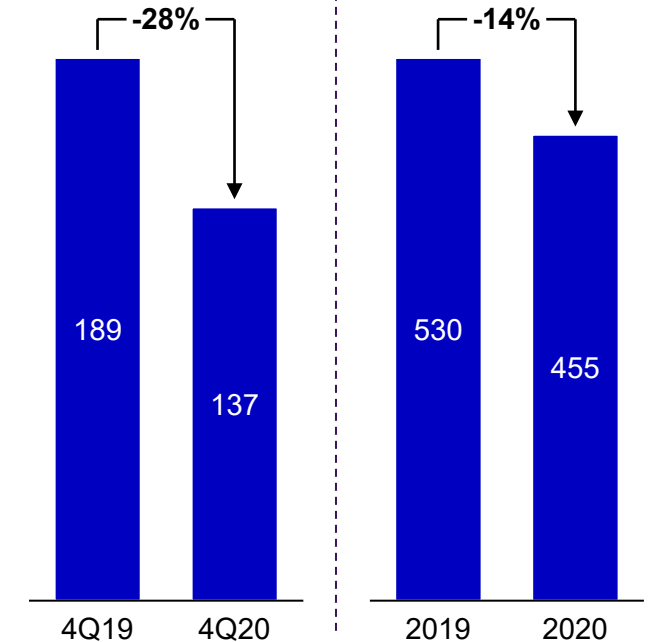
**Core earnings**  
(US\$ millions)



**New business value**  
(US\$ millions)



**APE sales**  
(US\$ millions)

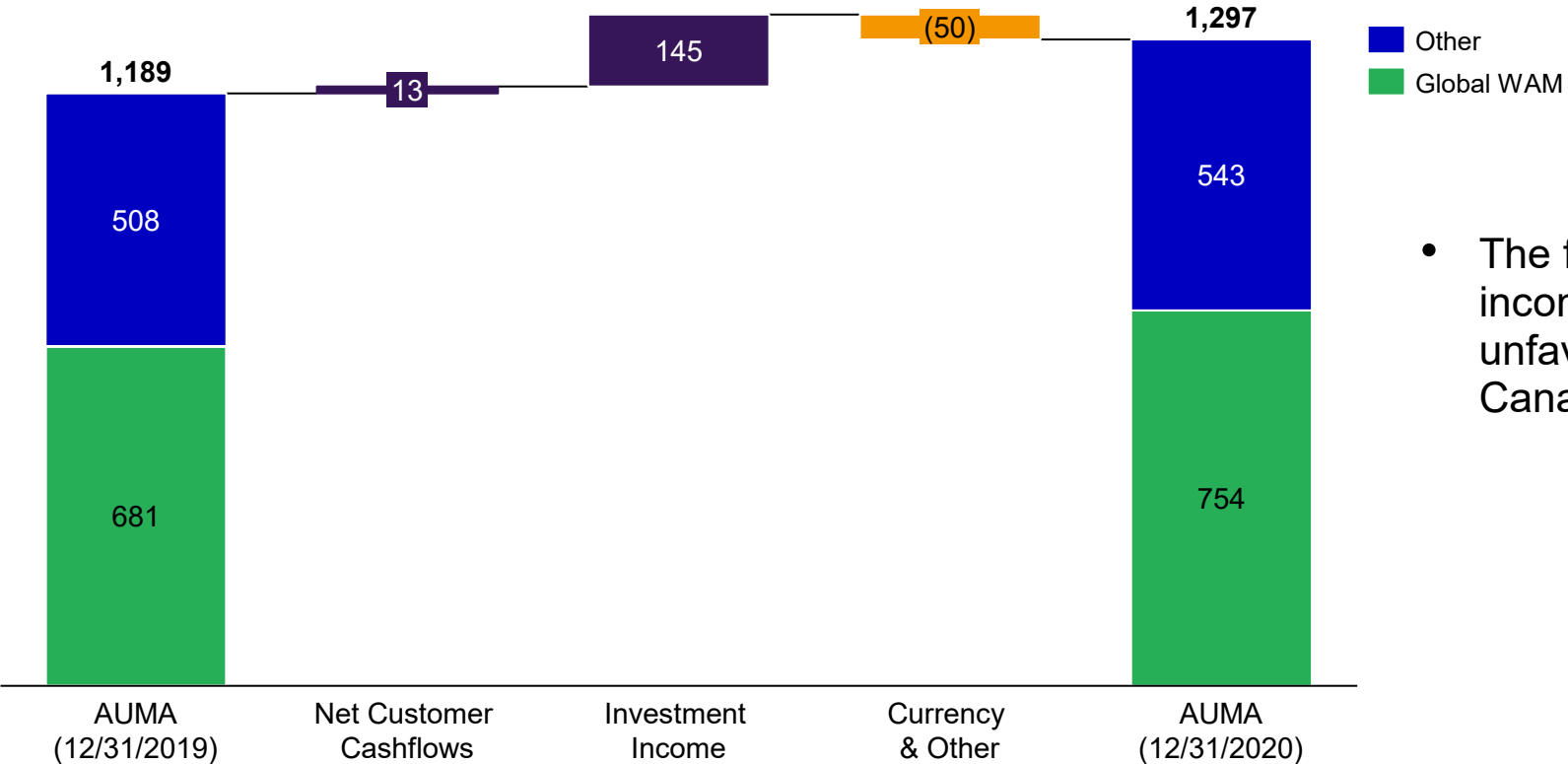


- Modest decrease in 4Q20 core earnings driven by unfavourable life insurance policyholder experience including modest COVID-19 related claim losses and the non-recurrence of tax benefits in 4Q19, partially offset by favourable LTC policyholder experience due to COVID 19, higher in-force earnings and expense efficiencies
- Lower 4Q20 new business value driven by lower international universal life sales volumes
- Lower 4Q20 APE sales as international universal life sales were unfavourably impacted by COVID-19 and domestic universal life sales decreased compared to a strong 4Q19, which benefited from higher sales in advance of anticipated regulatory changes

# Total company AUMA

## Assets under management and administration (AUMA)

(C\$ billions)



- The favourable impact of investment income was partially offset by the unfavourable impact of a stronger Canadian dollar

# Interest rate related sensitivities remain well within our risk appetite limits

Potential impact <sup>1</sup> on net income of an immediate parallel change in “all rates”: (C\$ millions)	3Q20		4Q20	
	-50 bps	+50 bps	-50 bps	+50 bps
Excluding change in market value of AFS bonds held in surplus	\$ nil	\$ (200)	\$ nil	\$ (100)
From fair value changes in AFS bonds held in surplus, if realized <sup>2</sup>	\$ 2,400	\$ (2,200)	\$ 2,100	\$ (1,900)
MLI’s LICAT total ratio (change in percentage points) <sup>3</sup>	7	(7)	8	(7)

Potential impact <sup>1</sup> on net income of a parallel change in corporate bond spreads: (C\$ millions)	3Q20		4Q20	
	-50 bps	+50 bps	-50 bps	+50 bps
Corporate spreads	\$ (1,000)	\$ 800	\$ (1,000)	\$ 900
MLI’s LICAT total ratio (change in percentage points) <sup>3</sup>	(5)	4	(4)	4

Potential impact <sup>1</sup> on net income of a parallel change in swap spreads: (C\$ millions)	3Q20		4Q20	
	-20 bps	+20 bps	-20 bps	+20 bps
Swap spreads	\$ nil	\$ nil	\$ nil	\$ nil
MLI’s LICAT total ratio (change in percentage points)	nil	nil	nil	nil

<sup>1</sup> All estimated sensitivities are approximate and based on a single parameter. No simple formula can accurately estimate ultimate future impact. Please refer to “Caution related to sensitivities” in our 2020 Management’s Discussion and Analysis. <sup>2</sup> The amount of gain or loss that can be realized on AFS fixed income assets held in the surplus segment depends on the aggregate amount of unrealized gain or loss. <sup>3</sup> In accordance with OFSI guidelines, lower interest rates and/or corporate bond spreads could trigger a switch to a more adverse prescribed interest stress scenario that would increase LICAT capital. Refer to the “Interest Rate and Spread Risk Sensitivities and Exposure Measures” section in our 2020 Management’s Discussion and Analysis.

# Potential impact on net income attributed to shareholders arising from a 10% change in public equity returns<sup>1,2</sup>

(C\$ millions)	4Q20					
	-10%			+10%		
	Core earnings	Direct impact of equity markets	Total	Core earnings	Direct impact of equity markets	Total
S&P	(30)	(260)	(290)	30	120	150
TSX	–	(140)	(140)	–	90	90
HSI	–	(80)	(80)	–	80	80
Other <sup>3</sup>	(20)	(80)	(100)	20	20	40
<b>Total</b>	<b>(50)</b>	<b>(560)</b>	<b>(610)</b>	<b>50</b>	<b>310</b>	<b>360</b>

- Core earnings: Represents the estimated earnings impact on seed money investments (immediate impact)
- Direct impact of equity markets: Represents the estimated earnings impact on variable annuity guarantees and general fund equity investments (immediate impact)

<sup>1</sup> All estimated sensitivities are approximate and based on a single parameter. No simple formula can accurately estimate ultimate future impact. Please refer to “Caution related to sensitivities” in our 2020 Management’s Discussion and Analysis. <sup>2</sup> The table excludes the impacts from asset-based fees earned on assets under management and policyholder account value. <sup>3</sup> Consists largely of markets in Asia where we operate.


# Performance and Non-GAAP Measures

Manulife uses a number of non-GAAP financial measures to measure overall performance and to assess each of its businesses.

A financial measure is considered a non-GAAP measure for Canadian securities law purposes if it is presented other than in accordance with generally accepted accounting principles used for the Company's audited financial statements. Non-GAAP measures include core earnings (loss); core ROE; diluted core earnings per common share ("core EPS"); core earnings before income taxes, depreciation and amortization ("core EBITDA"); core EBITDA margin; core investment gains; core general expenses ("core expenses"); constant exchange rate basis (measures that are reported on a constant exchange rate basis include percentage growth/declines in net income attributed to shareholders, core earnings, core expenses, sales, APE sales, gross flows, core EBITDA, new business value and assets under management and administration); capital; embedded value; new business value; new business value margin; sales; APE sales; gross flows; net flows; assets under management and administration; average assets under management and administration and expense efficiency ratio. 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. For more information on non-GAAP financial measures, including those referred to above, see "Performance and Non-GAAP Measures" in our 2020 Management's Discussion and Analysis.




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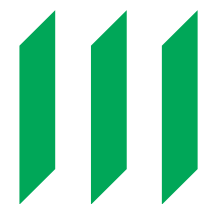
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