CORPORATE PARTICIPANTS

Steve Roder  Manulife Financial Corporation - Senior Executive Vice President & CFO

PRESENTATION

Unidentified Participant

(Audio in Progress) our next company, Manulife Financial and I’m pleased to introduce Steve Roder, the Senior Executive Vice President and Chief Financial Officer of Manulife Financial. Now this is actually the first time we’ve been able to have Manulife or any of the Canadian life companies presenting at our conference and we are thrilled to have them here. Manulife is the biggest life insurer in Canada, but it will be a misnomer to call it the Canadian life insurer, truly a global life insurer with operations in the US and growing operations in Asia and Steve definitely brings his global experience to the Company. Prior to joining Manulife, Steve was CFO at AIA, and also headed KPMG’s Asia financial services practices. Steve, thanks so much for coming.

Steve Roder  Manulife Financial Corporation - Senior Executive Vice President & CFO

Pleasure to be here, thank you. And you’re right, we had our earnings announcement last Thursday night. So, usually doesn’t quite work out, but we got out in time.

Unidentified Participant

We’ll make sure to replicate this next year also. Maybe if we could just start with an introduction and considering that we have primarily US audience here, who maybe a little less familiar with the story. If you could just give a brief introduction of the Company and describe the businesses and geographies that you are in.

Steve Roder  Manulife Financial Corporation - Senior Executive Vice President & CFO

So, Manulife is really the most international of the Canadian financial institutions, whether in banking or insurance and it’s a life insurance company and asset manager. If you look at the earnings profile, what makes it very unusual, is that about a third of the earnings already come from Asia. So this isn’t just some small growing operation, but we’ve actually been in Asia over 100 years and we operate out of 12 different markets in Asia. At the same time, we have around one-third of our earnings coming out of the United States, where we trade under the John Hancock brand and around one-third of our earnings coming out of Canada.

If you look at the two areas of the business that are growing most quickly and probably of most interest to investors, they would be the Asian platform and the global wealth and asset management business. And if you look at where our sales are taking place, in insurance, about 70% of our insurance sales are being made in Asia, 70%. And if you look at wealth and asset management, the United States is still very, very important to that, because the scale of the US economy.

Unidentified Participant

I think we’ll touch on those subjects in more depth. If I could start first on just the ROE progression of your Company. The last five years or so, I think you’ve been in an ROE range in about 9% to 10%. You have an intermediate target of 13% plus. So, broadly speaking, could you touch on where some of the pressures have been and where you see this opportunity for 300 basis points to 400 basis point of ROE improvement?
Steve Roder - Manulife Financial Corporation - Senior Executive Vice President & CFO

If you actually look at the ROE for 2016 (inaudible) 10.1% so happy days, double figures, but this is -- I think, there should be more to go. One of the big headwinds has been the interest rate environment. So not only does interest rates -- or low interest rates adversely affect our core earnings, but also increases our capital requirements. Under the Canadian regulatory regime, lower interest rates reduce your available capital, but they also increase your required capital. So it’s very pro-cyclical.

And if you compare where we are the end of 2016 with say Investor Day in May 2015 and where interest rates moved over that time, I would estimate we probably carry something like CAD2 billion more of senior debt and sub debt than we did back in May, 2015, because of the decline in interest rates. And that’s very expensive to service. So that’s been one big headwind. One of the challenges we have is we do have some legacy businesses that are not the highest returning and that are not where we want to be allocating capital. What we have to do is basically grow the businesses we do like that have high returns, that will be Asia, that will be wealth and asset management and gradually dilute down the impact of the legacy business. So, that’s another driver of change.

Another would be the fact that foreign currency has not helped us in terms of ROE. The way the US dollar moved against the Canadian dollar, it absolutely blew out the equity in our balance sheet. So, just through currency movement, it was actually driving our ROE down net net. You could say, well it benefited earnings, but if you sort of take the view it went hand in hand with certain interest rate movements, the macro picture was definitely negative for us for ROE.

And I guess the other thing is we’ve done four fairly sizable acquisitions or I should say transactions in the last two years. The first was the acquisition of Standard Life business in Canada, the second was the acquisition of New York Life’s retirement services business here in the United States, and then we did the bancassurance transaction with DBS in Asia and more recently, we had of a smaller fourth transaction, which is the acquisition and distribution agreement with Standard Chartered Bank over the mandatory provident fund, which is the 401(k) equivalent in Hong Kong. All those deals we have to make them perform in accordance with the business case was there when we transacted. So that’s not an overnight thing.

So, all of those, I’d expect to see them become more accretive as we go forward. So, that’s another factor. And I guess finally, we’ve had a big push on getting expenses out of the organization. I’m not talking about the easy discretionary-type spend, I’m talking about infrastructure, modernization of processes and systems and automation, really ripping out a lot of costs and so that will continue on. So, these are all drivers of why we think we can continue to drive the ROE higher over the next coming years.

Steve Roder - Manulife Financial Corporation - Senior Executive Vice President & CFO

So really two ways to think about that. First of all, if you look at this program which I think you’re referring to, which we call efficiency and effectiveness, nice snappy line right. We had a target of getting CAD400 million of savings out of the organization. We actually got CAD500 million out, so that’s good news. But we continue to invest into new projects to get more out of the organization in terms of expense saves. So for example, I’ve got a major project going on to transform the way we do all our liability evaluations every quarter, basically taking all those Excel spreadsheets scattered around various actuaries, desks which most life companies have by the way and putting it on in a data cube in a cloud environment and that massively improves efficiency and effectiveness. So that will be a perfect example, but to get that you going to spend money upfront. You’ve got to invest in technology, you need to spend money on additional project-related labor etcetera. So we’ve still got quite a lot of that going on.

So net net the CAD500 million has not come through to the bottom line and at the same time -- but what it has done is it’s enabled us also to invest in such things that are not all about expense saves. So, some of the digital initiatives, things like the Vitality wearable device-based sales operation we have in the United States, now in Canada or ManulifeMOVE in Asia where we’re basically selling insurance to people who agree to trade data with us. Based on the wearable device they wear such as a Fitbit, we can then give them discounts on their insurance and we have a loyalty scheme.
and they get rewards and all these things. But there's a lot of technology involved in all of that and we've been able to fund a lot of those sorts of initiatives really without anyone really noticing through the E&E initiative.

**Unidentified Participant**

I think investors will want to see that E&E flowing through to the bottom line. So what's the time frame and (Multiple Speakers)

**Steve Roder - Manulife Financial Corporation - Senior Executive Vice President & CFO**

Yes, I agree, I mean I think the biggest problem as a C-suite executive is always this balance between the short-term and longer-term, because you've got to do some of this longer-term stuff, otherwise eventually you'll die, but at the same time people would like to see earnings growth. So that's the challenge. This year, we made the CAD4 billion of core earnings. We've got a target of 10% to 12% core earnings per share growth that we put out there at Investor Day in May 2015 and that really forms the basis of everything we're doing and it guide us in terms of what is really the minimum we've got to be able to deliver to the Street in terms of core earnings growth. And then you can pace and phase your project spend appropriately around that.

**Unidentified Participant**

One last question on the ROE progression plan and this isn't explicitly part of it, but something you've highlighted as an opportunity, balance sheet optimization. So, what types of blocks of business, how big could that be and how does the interest rate environment -- hopefully a rising interest rate environment coming to play in terms of executed some of those transactions?

**Steve Roder - Manulife Financial Corporation - Senior Executive Vice President & CFO**

I think the organization has really got more, more focused on shareholder value creation and looking at its portfolio of businesses and saying and what do we really like, what's the core return kind of business, what don't we particularly like, what's the turnaround situation and making sure we allocate capital to the right places and being prepared to transact where -- there may be a particular block of business that has the perfectly agreeable return for someone who's not owned by Canadian shareholders and international shareholders who want 13%, 14% return or whatever and see if there's anything that can be done.

So we have put certain blocks of business out to see what interest was out there. We haven't concluded on anything. We've made it very clear, we don't have to do anything and we're not going to end up doing some deal just because we have to do a deal. That'll be crazy, is not in the interest of our shareholders. So we've had some -- we've had discussions with people. We just haven't got to a place where we're happy to transact. In terms of what could it be, I guess I'd say there's no sacred cows in our organization. We have to look at our organization as a portfolio of businesses and do what's right for our shareholders.

**Unidentified Participant**

Maybe moving on to some of the regions. Asia was one you highlighted (inaudible) of insurance sales and Asia. What are the products and geographic mix of that business right now, and which countries are you most bullish on to contribute to growth?

**Steve Roder - Manulife Financial Corporation - Senior Executive Vice President & CFO**

If you go back, probably three or four years ago when I joined the organization, the Asian division was very reliant on Hong Kong and Japan. Hong Kong, we've been there over a 100 years. We're a household name in Hong Kong, with a very high brand recognition and big and very successful,
high quality agency force and some bank distribution. Japan, we acquired a Japanese company in, I think it was 2000. At that time, one of the ailing Japanese companies. So, we have a significant presence in Japan as well.

So those two markets were probably about 80% of the Asian division. Now subsequent to that, what we’ve seen is a couple of things. First of all, the case for Asia is not really around Japan as you know. Japan is really a good solid core return business for us. It’s not the core growth kind of business that’s okay (inaudible) in the portfolio, but elsewhere in Asia, you do have the if you like the middle-class emergence phenomenon whereby people are hitting that level of income where they start to think about their financial needs and financial plans and start to look at financial products. And it’s a well-documented phenomenon that when economy gets to the point where the GDP per head is somewhere in the [$10,000 to $12,000] a year range. That’s when things really start to take off and it’s not linear sort of algorithmic.

We’ve seen that happen. We’ve seen very, very strong growth in Mainland China, Vietnam and Philippines. They would be the three hottest right now and they have been for probably a year. Those three are growing very, very quickly. So, in case, insurance sales are growing by at least 30% a year. In some cases, significantly more than that and it’s a bit ironic. Sometimes you read in the Western media about Asia and China’s economy and it may all be valid. But the reality on the ground in China is we’re having a really, really good time as Chinese consumers get more interested in their financial futures. So, we see really strong growth.

So that’s starting to dilute down the Hong Kong-Japan thing and get a much broader footprint across Asia. The other thing has been the deal we did with the DBS. So we did a bancassurance deal with DBS, which went live on 1, January 2016, it covers four markets, Singapore, Hong Kong, Mainland China and Indonesia. If you not familiar, DBS is basically the biggest bank in Singapore. They have access to a huge proportion of the population, it’s something like north of 60%, I think might be near 70%. Very successful bank, fabulous management team and we have got off to a flying start with them. So the plan we put in place with them day one, we basically all deliver plan year one, which is I have to tell you, based on my experience, is very unusual.

At the end of the first year in Asia for the bancassurance deal all you normally hear is a set of excuses as to why it all took longer than you expect, etcetera. It didn’t in this case. We’ve got off to a great start and the year went really, really well. So, we ended up as Number One in bancassurance in Singapore, Number Two in the Singapore life market. That’s made a big difference and that deal has also really helped diversify our distribution in Hong Kong. So those drivers are there and I expect to see the Asian story just continue. I think the middle-class emergence story is a story where -- is sort of case of the rising tide lifts all boats in a sense, but having said that, we’re outpacing our main competitors in terms of pace of growth in new business value in Asia.

And I think we have some really good momentum behind us. The DBS was very, very important. One of the biggest problems in Asia is getting and retaining great talent because the work for talent is intense. We basically compete against people at AIA and Pru plc and maybe Axa. And the fact that we got that DBS deal done, we got a huge amount of free publicity -- maybe not free, you could say publicity out of that. We also did a -- we did a bond issue on the Singapore Stock Exchange. We listed some US real estate through a REIT on the Singapore Stock Exchange. We did a number of things that gave the Company a lot of profile and we’ve been able to attract a lot more great talent and retail great talent. So I feel a lot happier about where our Asian business is now than I did when I joined the Company four years ago. I think it’s got real momentum.

Unidentified Participant

There’s some times skepticism when it comes to bancassurance deals in terms of aligning interests. I think the structure of this deal was a little bit different than your typical bancassurance deal? Just curious if you could get into that a little bit.

Steve Roder - Manulife Financial Corporation - Senior Executive Vice President & CFO

Yes, it’s very, very hard to compare these bancassurance deals because people don’t have to and don’t disclose the entirety of the arrangements. So when we negotiate -- so if you align the deals up against each other, you have to be really, really careful because what constitutes an upfront payment may not be the entirety of what are actually the fixed payments. So there is a bit of smoke and there is played in this space just to be clear. What we said day one when we were about to embark on the negotiation was, we had to hold two principles absolutely sacrosanct. The first was
the deal had to produce the required level of return to our shareholders that any transaction is required to produce, so any M&A deal. This is not an M&A deal, it’s basically creating a new distribution channel, but we have to perceive it is going to produce the sort of returns that we would expect from any major transaction.

And that has to be based on a business plan that we basically agreed with our partner, in this case, DBS. So having gone through lots of back and forth of DBS over the business plan, we were able to convince ourselves that this deal would be able to pay what our shareholders would expect it to pay. So that’s the first thing. But the really important thing is you’ve got to have strong alignment of interest between the bank and the insurer. If you have the bank going into one of these arrangements and basically thinking it’s all about sales volume, good luck to you, because you then got a misalignment of interests and you’ll find that the banks then sell a lot of product that doesn’t actually produce a lot of earnings. We didn’t have that, we have a very strong alignment of interest with the bank and they went very public about how much they expect to make out of this deal and how assessments going to be, which is also great. So, they’re very much unique with us and it’s been a fabulous relationship.

I mean, I do think it was helped by not just that alignment, but also good chemistry between the organizations, and also the fact we had around eight months post signing to get ready for the first day of operation. That’s unusual, that doesn’t normally have and so we were able to hit the ground running day one. We have a full product shelf in each of the four markets and we had all the technology done. So, all the DBS relationship managers are operating off their financial planning tool iPad-based, linked directly into our back office systems. So no ugly handoffs and people looking for Manulife forms in the drawer, anything of that sort.

So, the DBS distribution, they really liked it from day one and it’s just been a great story, but more to do.

**Unidentified Participant**

I want to transition to the other growth area, the wealth and asset management. First, if you could just explain what this business is because I don’t think its traditional asset management, partially is, but perhaps you could explain what the actual business is in asset management? What’s included within that?

**Steve Roder - Manulife Financial Corporation - Senior Executive Vice President & CFO**

So within that, we essentially include mutual funds, pensions and institutional asset management. So, in mutual funds, our biggest platform is here in the United States. We also have a very significant mutual fund capability and distribution in Canada. And we have emerging mutual fund activity, I would say in Asia. It’s particularly strong in Mainland China, where we have an asset management company and we can distribute mutual funds, not just through distribution partners but we can actually now distribute mutual funds through our agency force.

So mutual funds is a big piece of it. Pension, so here in the US, we have a big 401(k) business, which we got more scale with through the New York Life deal. We have a group pensions business in Canada and then in Hong Kong and this is one of the real gems in this group, we have, what is the biggest scheme provider in the Hong Kong Mandatory Provident Fund. So we are Number One in cash flows and assets under management in Hong Kong Mandatory Provident Fund and there’s other bit and pieces. So, a pretty decent Indonesian mutual fund business. And then we have a growing capability and funds under management in institutional.

So we run that on a global basis and we have a lot of diverse asset management capabilities. So historically, this organization partly through John Hancock roots and partly through Manulife’s fixed income and equity, but we also have Timberland, agriculture, oil and gas infrastructure private equity etcetera. So we’ve seen a lot of growth in the institutional business in the last three or four years. Mutual funds has been terrific -- the US mutual fund business had a terrific run, probably come off a bit in 2016 I think due to concerns over uncertainty in the market in the period leading up to the Presidential election, the move to -- some move towards passive etcetera. So, the US mutual fund market not so strong in 2016. Canada continues to be very, very strong, so that’s been good. And in pensions, going fabulously in Hong Kong and really -- now starting to really benefit from the New York Life acquisition here in the US.
Unidentified Participant

So, there's a lot of diversity in that business which I think has allowed you to withstand some of the structural question facing fund flows. But you did comment that 2016 came off of the little bit fourth quarter especially, I think to some extent or some geographies, what's your view if that was temporary, some market dislocations or the structural trend away from asset management and how you could bat in that?

Steve Roder - Manulife Financial Corporation - Senior Executive Vice President & CFO

I mean just to clarify, I think we've had 28 consecutive quarters of positive net flows. So the US mutual fund businesses came off, the other businesses compensated so that the whole portfolio approach did play through. The US mutual fund business—we recognize the move to passive. So we actually do now have on our platform ETFs with a DFA in the United States and we've recognized we need to carry them on the shelf, but we still think it's a very live market for active management and smart beta.

In Asia activity still the game. In particular, in Canada, it's still essentially an active market. The US is a slightly different place. I guess an interesting topic of course has—you'd understand this, I think our view is that passive will get to a certain point and then maybe it gets to wherever it needs to get to and it maybe doesn't go beyond that, because there is this sufficient amount of passive around. There's a lot of opportunity for active. So, I think we just recognize we have to have all that. I think in the mutual fund business, it's worth saying that part of the issue for us in 2016 in the US was caused by the fact that a couple of our flagship funds that are sub-advised had poor performance in the first part of the year.

One of them was the Standard Life GARS Fund. So we have basically the distribution over the Standard Life GARS Fund in the United States and that had some performance issues during the year and that was part of the slowdown I think. But part of the opportunity for us in the whole wealth and asset management arena is really is the scale gain. So, we've now worked our way out just shy of a CAD1 trillion of assets under management, CAD977 billion at the end of December, of which over CAD500 billion is for third parties so not in our general fund. And the trick we have to execute is to really operationalize and get the scale efficiencies out of there, out of what historically was run as a series of fairly fragmented businesses frankly.

So we got just about every conceivable type of platform operating somewhere. We don't have commonality of systems, etcetera. So in the same way as on the liability side of the balance sheet, I have a major project to fix and standardize and simplify the way we maintain our liability data if you like. On the asset side of the balance sheet, we have an even bigger project to standardize, simplify our various platforms in the asset management space, which takes investment, over time will produce very solid returns to us.

Unidentified Participant

I have a question on the capital environment, regulatory environment in Canada and then the tax environment in the US. So, first in Canada there's a new capital framework coming out called LICAT. How is Manulife positioned? What's the implication here? I think we've heard industry people say that there would be neutral for the sector, but curious Manulife's positioning.

Steve Roder - Manulife Financial Corporation - Senior Executive Vice President & CFO

So it's still relatively early days in this thing. So, the ink is dry on the paper yet. We've had—we've had seven quantitative impact studies. So there has been a huge amount of engagement with OSFI, our regulator on this thing. And it's been quite a journey, because when you try and implement something like this, which is quite new in a sense, to get a calibrated right and to avoid unintended consequences is quite difficult. And so, we've seen a sort of a billion dollars come and a billion dollars go and two billion come and two billion go as we go through these QIS processes.

So it's not been easiest of processes although I have to say, it's been very, very collaborative, which has been great. I guess its two important statements. First of all, as you correctly point out, the regulator has said the industry—in their view the industry as a whole has adequate capital. So therefore you wouldn't expect as a result of LICAT net-net there's going to be a huge issue. The second is they have said that they regard us as
having a strong capital position. So, you wouldn't expect post-LICAT we would not have a strong capital position. We expect to have a strong
capital position.

Having said that within that tolerance, there's going to be a bit of that of change around for sure. What we have to understand is that when this
thing comes out, the world may look a little bit different, because historically Manulife has tended to carry a higher MCCSR ratio because we have
more long-term cash flows to worry about. Therefore, we tend to carry a higher proportion of alternative long duration assets to match those very,
very long cash flows and therefore we probably have a bit more volatility in our balance sheet. So historically, if you look at where we've run our
MCCSR ratio, we've tended to run it at sort of 220 plus-ish over the last many quarters, that's where we operate it. That's higher than most of our
competitors and the reason for that, I'm guessing, because I'm not party to their debates and discussions, is that we probably got a bit more volatility
to take into account.

Post LICAT the difference in our characteristics should all be taken care of in the LICAT calculation. So there is a shift from pillar two to pillar one,
which means whereas previously people say you guys got more for the volatility that's why you carry that higher ratio, that won't necessarily be
the case. We may find that we no longer stand out on the top-end because it's all taken care of in our solvency calculation in theory. But therefore
I'd expect us to be a bit more middle of the pack, because that pillar two component kind of shifted into pillar one. Net net, I don't think it will have
a material -- I hope, I don't think, based on everything I've heard now, although there's a long way to go, I don't think we would expect to see a
very significant impact on our level of what you might regard as excess capital, if I could put it that way.

Unidentified Participant
That makes sense. And then on US tax reform, complicated issue, just probably made more complicated in Canadian-domiciled company, how do
we think about the end and outs here, (inaudible) not immaterial.

Steve Roder - Manulife Financial Corporation - Senior Executive Vice President & CFO
I think I've said publicly before that our average effective tax rate across the whole Group is probably something like 20% and the reason its lower
than the Canadian standard tax rate is because we have tax that we earn in certain lower tax jurisdictions. And there is certain income in certain
jurisdictions is not taxable at all. So therefore that's why 20% is not a bad number to have in mind as an average. So yes, we have a big operation
in the US. We are subject to United States tax. There will be two impacts. If the US rate of tax was a drop, it's basically is good news for us. So the
headline number is if there is a 1% -- one percentage point drop in the US corporate tax rate in theory, that is worth to us something like CAD15
million a year in earnings, because of the compact complexities of the tax calculation, it may not quite fall into earnings in that way.

So, but it's going to be -- it will be a tailwind. On the other hand because of the way tax accounting works, day one, you get a hit, because the value
of your deferred tax asset has declined, which is still counterintuitive. Actually you going to get less relief than you would have done, because of
the tax that you're relieving has reduced and so we would have for 1% decline in tax rates in the US, we'd have something like CAD300 million
one-off charge, if I quote correctly. We talk about it on the earnings call so it's in the transcripts.

Unidentified Participant
We have a few minutes left, I just want to see if we have questions from the audience.

QUESTIONS AND ANSWERS

Unidentified Audience Member
(technical difficulty) many reasons but one of the reasons that this is been a kind of FX arbitrage has been a back door way of getting renminbi
out of the country that the Chinese have now clamped down on. So, I have kind of three questions about this. Firstly, for your new sales out of Hong
Kong last year what proportion was the Mainlanders? And then second, what do you think is going to happen to new sales to Mainlanders in Hong Kong? Do you think there’s a risk around renewables, whether we’re going to see a lot of them?

**Steve Roder** - Manulife Financial Corporation - Senior Executive Vice President & CFO

This is the mainland Chinese visitor issue. So, first of all just point out, if you look at our Asia business and you look at the Hong Kong, Mainland Chinese visitor proportion of our Asia business is less than 5% of our Asian sales. So, it’s less than the growth in Asian sales. So for us, it’s a bit of a non-event. Not something we get very excited about it all. Unfortunately, plenty of people do get excited, particularly because some of our competitors had a significantly higher proportion of mainland Chinese sales than we had. So when the first story came out, which is what about a year ago, now about the clampdown on payment through the UnionPay cards, I think if I recall correctly, I think Pru plc, said 50% of their Hong Kong business was MCV’s Mainland Chinese visitors. AIA said 40%, Axa I think said 70% others, I know often 50% plus. We were 15%, because we’d always taken the view this was business, so it could just be turned on and off with a switch by the Mainland Chinese authorities, either the financial regulators or indeed the immigration authorities are the people issue this short duration one trip visas to people.

So we didn’t like the concept of chasing too hard after this business and the other thing is you got to be really careful, because if I had a really large proportion of Hong Kong sales coming out from Mainland Chinese visitors, I’d be wondering how it was, they were all turning up on my doorstep, without me doing any marketing in Guangzhou or Guangdong province. So, that sort of sounds a bit unlikely.

And you got to be really careful because you’ve got a look after the interest of your Mainland operation and not do anything that’s transgressing in relation to Mainland restrictions on marketing by Hong Kong-based operations in the Mainland, you can’t do that. So I think, far less of event for us. In 2016, because of this clampdown on Mainland Chinese sales, there was a bit of a surge in demand because the Mainland Chinese are sort of trying to get their money out before the door shuts completely.

And, so I think our 15% go to high 20s ultimately in 2016. Something like that, but way lower than most of our competitors. In terms of the renewal premiums, experience to-date says so far so good. Bear in mind, quite a lot of these people, particularly the big jumbos cases, really substantial cases most of these -- most of the Mainland Chinese they already own property in Hong Kong, they got bank accounts in Hong Kong, they got alternative ways of maintaining their policy. So we haven’t really seen to be the issue.

**Unidentified Participant**

That’s great, I think we’re going to stop there. Steve, thank you so much.

**Steve Roder** - Manulife Financial Corporation - Senior Executive Vice President & CFO

Thank you.