Manulife | John Hancock

Second Quarter 2014

Financial & Operating Results

August 7, 2014

Manulife Financial Corporation operates as John Hancock in the United States, and Manulife in other parts of the world.

Caution regarding forward-looking statements

From time to time, MFC 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 2016 management objectives for core earnings and core ROE, and long-term leverage as disclosed in our 2012 Investor Day press release, our 2016 goal for pre-tax savings related to our Efficiency & Effectiveness initiative, the potential impact on net income of the 3Q14 review of actuarial assumptions and methodology, and the potential impact on net income of the implementation of the revised Canadian Actuarial Standards of Practice related to economic reinvestment assumptions used in the valuation of policy liabilities. The forward-looking statements in this presentation 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 "may", "will", "could", "should", "would", "likely", "suspect", "outlook", "expect", "intend", "estimate", "anticipate", "believe", "plan", "forecast", "objective", "seek", "aim", "continue", "goal", "restore", "embark" and "endeavour" (or the negative thereof) and words and expressions of similar import, and include statements concerning possible or assumed future results. Although we believe that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements and they should not be interpreted as confirming market or analysts' expectations in any way. Certain material factors or assumptions are applied in making forward-looking statements, including in the case of our 2016 management objectives for core earnings and core ROE, the assumptions described under "Key Planning Assumptions and Uncertainties" in our 2013 Annual Report, and actual results may differ materially from those expressed or implied in such statements. The amount of the fourth quarter charge related to modeling of future tax cash flows for our U.S. Variable annuity business is dependent upon the potential implementation of changes to the investment objectives of separate accounts that support our Variable Annuity products, which require policyholder approval. The sale of our Taiwan business is subject to regulatory approval. Important factors that could cause actual results to differ materially from expectations include but are not limited to: the factors identified in "Key Planning Assumptions and Uncertainties" in our 2013 Annual Report; 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); changes in laws and regulations; changes in accounting standards; our ability to execute strategic plans and changes to strategic plans; downgrades in our financial strength or credit ratings; our ability to maintain our reputation; impairments of goodwill or intangible assets or the establishment of 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 and actuarial 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 and our ability to complete acquisitions including the availability of equity and debt financing for this purpose; the disruption of or changes to key elements of the Company's or public infrastructure systems; environmental concerns; and our ability to protect our intellectual property and exposure to claims of infringement. Additional information about material 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 under "Risk Factors" in our most recent Annual Information Form, under "Risk Management", "Risk Management and Risk Factors" and "Critical Accounting and Actuarial Policies" in the Management's Discussion and Analysis in our most recent annual report, under "Risk Management and Risk Factors Update" and "Critical Accounting and Actuarial Policies" in the Management's Discussion and Analysis in our most recent interim report, in the "Risk Management" note to consolidated financial statements in our most recent annual and interim reports and 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 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

Donald Guloien
President & Chief Executive Officer

Steve Roder
SEVP & Chief Financial Officer

Paul Rooney
SEVP & Chief Operating Officer

Robert Cook
SEVP & General Manager, Asia

Marianne Harrison
SEVP & General Manager, Canada

Craig Bromley
SEVP & General Manager, U.S. Division

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SEVP & Chief Investment Officer

Scott Hartz
EVP, General Account Investments

Kai Sotorp
EVP, Global Head of Wealth and Asset Management

Rahim Hirji
EVP & Chief Risk Officer

Cindy Forbes
EVP & Chief Actuary

Steven Moore
SVP & Treasurer

CEO's remarks

Donald Guloien
President & Chief Executive Officer

2Q14 strategic highlights

Developing our Asian opportunity to the fullest
- Insurance sales were strong, building on the momentum in 1Q14 with Japan the most significant driver
- Good growth in several other Asian markets, reflecting on-going success of product enhancement initiatives and our multi-channel distribution
- Wealth sales improved significantly vs. 1Q14, benefiting from marketing campaigns and improved sentiment

Growing our wealth and asset management businesses around the world
- Net flows in our asset management and group pension businesses exceeded $6 billion in 2Q14 and $13 billion YTD
- Our 23rd consecutive quarter of record funds under management of $637 billion
- Manulife Asset Management was ranked as the 30th largest asset manager globally

Building on our balanced Canadian business
- Solid sales and record FUM in mutual funds and group retirement businesses
- New bank loan volumes were up significantly from 1Q14, but continued to face competitive pressures
- Lower retail insurance sales reflect market demand for participating whole life products which are currently not part of our product portfolio
- Launched Manulife UL, a simplified universal life product

Continuing to drive sustainable earnings & opportunistic growth in the U.S.
- Record mutual fund sales and FUM; John Hancock Investments is one of the fastest growing mutual fund companies in the U.S., significantly outpacing the industry's organic growth rate
- Sales in our core small-case 401(k) market are beginning to gain traction following actions to improve competitiveness
- Insurance sales improved vs. 1Q14 as product enhancements and targeted pricing changes gained traction

Please refer to the 2Q14 press release for more information.

2Q14 financial highlights

Solid financial results:
- Delivered net income attributed to shareholders of $943 million
- Generated core earnings[1] of $701 million, down $18 million vs. 1Q14 and up $92 million vs. 2Q13
- Achieved Wealth sales[1] of $13.3 billion, down 7%[2] vs. 2Q13 and in-line with 1Q14, and Insurance sales of $587 million, up 10%, vs. 2Q13, excluding Group Benefits
- Achieved record funds under management[1] of $637 billion
- MLI's MCCSR ratio of 243%[3] and a leverage ratio of 28%
- The Board of Directors approved an increase to the quarterly dividend of 19% to 15.5 cents per share

1 Non-GAAP measure. See "Note to Users – Performance and Non-GAAP Measures" below.
2 All sales growth (decline) figures stated on a constant currency basis, a Non-GAAP measure. Insurance sales exclude Taiwan.
3 MLI refers to The Manufacturers Life Insurance Company.

CFO's remarks

Steve Roder
SEVP & Chief Financial Officer

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2Q14 financial summary

	(C$ millions, unless noted)	2Q13	2Q14	Change[2]
Profitability	Net Income Attributed to Shareholders	259	943	▲ 264%
	Core Earnings[1]	609	701	▲ 15%
	Diluted Core Earnings per Share[1]	$0.31	$0.36	▲ 16%
	Core Return on Equity (annualized)[1]	10.0%	9.6%	▼ 40 bps
Growth	Insurance Sales / (ex. Group Benefits)[1,3]	926	587	▼ 38% / (▲ 10%)
	Wealth Sales[1] (C$ billions)	13.7	13.3	▼ 7%
	New Business Embedded Value[1]	307	297	▼ 3%
	Funds Under Management[1] (C$ billions)	567	637	▲ 11%
Financial Strength	MCCSR ratio[4]	222%	243%	▲ 21 pp
	Financial Leverage Ratio	32.7%	28.2%	▼450 bps

1 Non-GAAP measure. See "Note to Users – Performance and Non-GAAP Measures" below.
2 Insurance sales, wealth sales and funds under management growth (decline) figures stated on a constant currency basis, a Non-GAAP measure.
3 Insurance sales exclude the Taiwan insurance business that was sold.
4 Minimum Continuing Capital and Surplus Requirements (MCCSR) of The Manufacturers Life Insurance Company (MLI).

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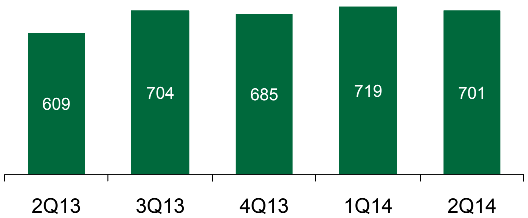
Core earnings demonstrates strong growth over prior year

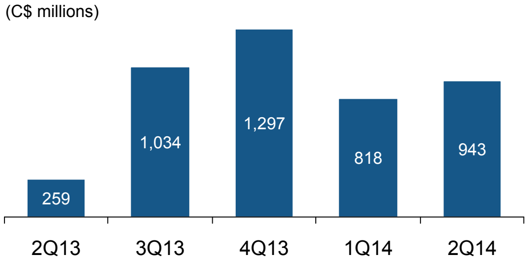
Core Earnings[1]
(C$ millions)



Core earnings of $701 million, a decrease of $18 million from 1Q14 reflecting:

- Timing of income on surplus investments
- Less favourable impacts from tax items
- Increased hedging costs
+ Lower expenses
+ Higher fee income from rising wealth assets
+ Release of a legal provision

Net Income attributed to shareholders
(C$ millions)



Net income attributed to shareholders of $943 million, impacted by:

+ Strong investment-related experience

[1] Non-GAAP measure. See "Note to Users – Performance and Non-GAAP Measures" below.

Net income benefited from continued strong investment-related experience

Earnings reconciliation for the second quarter of 2014

	C$ millions	Per Share
Core earnings[1,2]	**$701**	**$0.36**
Investment-related experience in excess of amounts included in core earnings	217	0.12
Core earnings plus investment-related experience above[2]	**$918**	**$0.48**
Impact of the following items excluded from core earnings:		
Direct impact of equity markets and interest rates and gains on variable annuity guarantee liabilities	55	0.03
Change in actuarial methods and assumptions (excluding URR update)	(30)	(0.02)
Net Income attributed to shareholders[2]	**$943**	**$0.49**

[1] Non-GAAP measure. See "Note to Users – Performance and Non-GAAP Measures" below.
[2] Per share amounts available to common shareholders, including the impact of preferred share dividends.

Higher fee income and lower DAC amortization drove growth in expected profit

Source of Earnings[1]

(C$ millions)

	1Q14	2Q14
Expected Profit on In-Force	917	968
Impact of New Business	(79)	(75)
Experience Gains	15	289
Mgmt Actions & Chgs in Assumptions	(88)	(114)
Earnings on Surplus Funds	165	111
Other	21	(2)
Income Before Taxes	951	1,177
Income Taxes	(133)	(234)
Net Income	**818**	**943**
Preferred Dividends	(34)	(36)
Common Shareholders' Net Income	**784**	**907**
Currency Adjusted Expected Profit on In-force	*943*	*968*

- **Expected Profit on In-Force** increased 3%[2] due to higher fee income and lower DAC amortization on variable annuities
- **Impact of New Business** was largely in-line with the previous quarter
- **Experience Gains** reflect the favourable impact of investment activities and market impacts, partially offset by unfavourable policyholder experience
- **Mgmt Actions & Chgs in Assumptions** reflect expected macro hedging costs and actuarial model refinements
- **Earnings on Surplus Funds** declined reflecting lower mark-to-market gains and the timing of income on surplus investments versus the prior quarter
- **Income Taxes** reflect income earned in low tax jurisdictions and tax exempt investment income

[1] The Source of Earnings (SOE) analysis is prepared following OSFI regulatory guidelines and draft guidelines of the Canadian Institute of Actuaries. The SOE is used to identify the primary sources of gains or losses in each reporting period. Per OSFI instructions, Expected Profit on In-Force denominated in foreign currencies is translated at the prior quarter's balance sheet exchange rates, with the difference between those rates and the average rates used in the Statement of Income being included in Experience gains (losses).
[2] Expected Profit on In-Force growth (decline) is on a constant currency basis.

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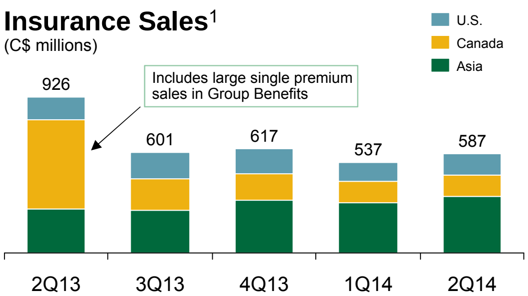
Insurance sales building momentum

Insurance Sales[1]

(C$ millions)

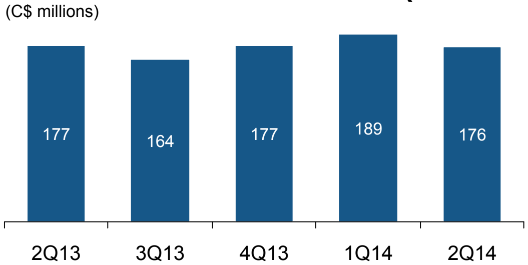


Insurance sales of $587 million. Excluding Group Benefits, insurance sales increased 10%[2] versus 2Q13:

+ On-going success of corporate products in Japan
- Canada sales reflect the non-recurrence of large single premium sales in Group Benefits
- U.S. insurance sales declined, but recent product enhancements resulted in improved momentum

New Business Embedded Value[1] (Insurance)

(C$ millions)



Insurance NBEV of $176 million, in-line with 2Q13:

+ Higher insurance sales (excluding Group Benefits)
- Lower interest rates

[1] Non-GAAP measure. See "Note to Users – Performance and Non-GAAP Measures" below.
[2] Excludes Taiwan insurance business that was sold. All sales growth (decline) figures stated on a constant currency basis, a Non-GAAP measure.

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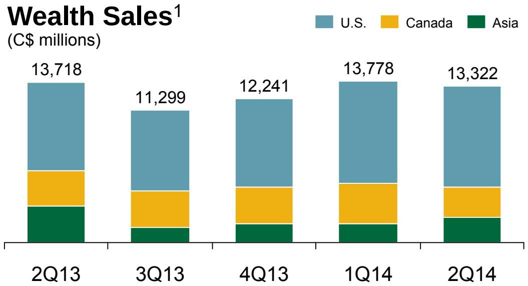
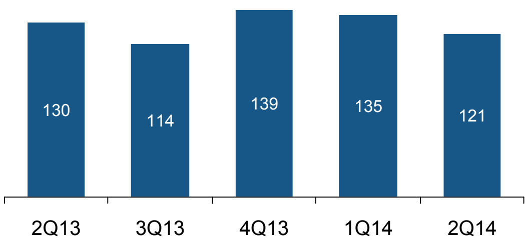
Wealth sales driven by North American mutual funds and improved momentum in Asia

Wealth Sales[1]
(C$ millions)



New Business Embedded Value[1] **(Wealth)**
(C$ millions)



Wealth sales of $13.3 billion, down 7%[2] versus 2Q13, but in-line with 1Q14:

± Asia wealth sales declined vs. 2Q13, but improved significantly vs. 1Q14 due to successful marketing campaigns and improved market sentiment

- Canada wealth sales declined reflecting the non-recurrence of closed end fund deposits in 2Q13

+ U.S. sales rose reflecting record mutual fund sales, partly offset by lower group pension sales

+ Net flows in our asset management and group pension businesses exceeded $6 billion

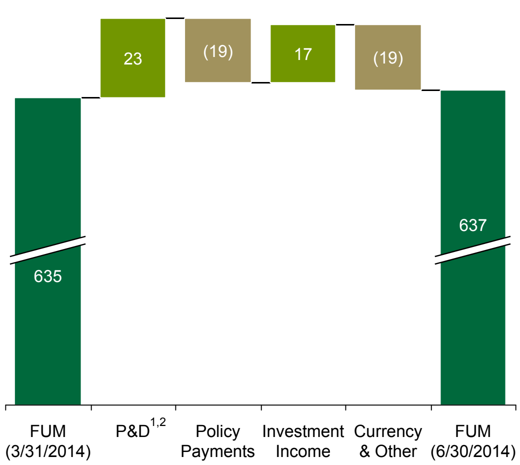
Wealth NBEV of $121 million, down 7% from 2Q13:

- Consistent with change in wealth sales

[1] Non-GAAP measure. See "Note to Users – Performance and Non-GAAP Measures" below.
[2] All sales growth (decline) figures stated on a constant currency basis, a Non-GAAP measure.

23rd consecutive quarter of record funds under management

Funds Under Management[1]
(C$ billions)



Record funds under management (FUM) of $637 billion, up $2 billion from 1Q14:

+ Net policy cash flows

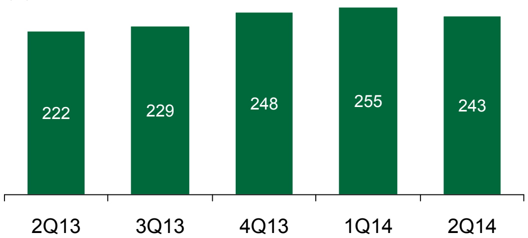
+ Investment income

- Currency and other

[1] Non-GAAP measure. See "Note to Users – Performance and Non-GAAP Measures" below.
[2] Excludes Administrative Services Only premium equivalents and Group Benefits ceded premiums.

Capital ratio remains strong and financial flexibility improved with decline in leverage

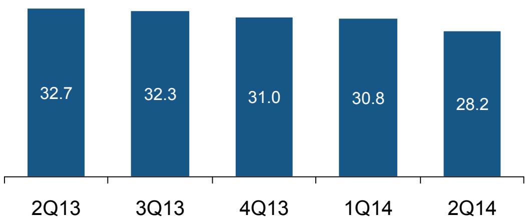
MCCSR[1] Ratio
(%)



MLI ended 2Q14 with an MCCSR ratio of 243%, down 12 points from 1Q14, reflecting:

- Repayment of maturing debt and redemption of preferred shares

Financial Leverage Ratio
(%)



Financial Leverage Ratio of 28%, an improvement of 260 bps from 1Q14, reflecting:

+ Repayment of maturing debt and redemption of preferred shares
+ Strong growth in retained earnings

[1] Minimum Continuing Capital and Surplus Requirements (MCCSR) ratio of The Manufacturers Life Insurance Company (MLI).

Operating performance by division

- Asia Division
- Canadian Division
- U.S. Division (John Hancock)

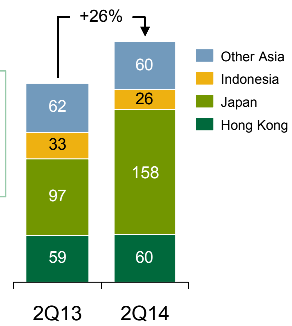
Continued momentum in Asia insurance sales and strong pick-up of wealth sales vs 1Q14

Core Earnings[1]
(US$ millions)

Core earnings increased 12% vs. 2Q13, adjusting for increased dynamic hedging costs, currency and the sale of our Taiwan insurance business

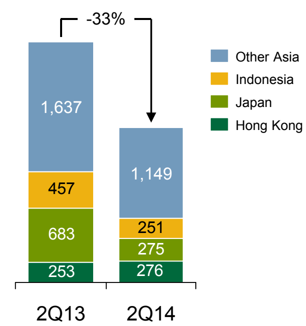
Core earnings of US$212 million, down 4% from 1Q14:
- \- Policyholder experience
- \+ Improved new business strain

Insurance Sales[1,2]
(US$ millions)



Insurance sales of US$304 million, up 26% versus 2Q13:
- \+ On-going success of the enhanced Corporate product in Japan
- \+ Hong Kong sales building momentum as several new products gain traction
- \- Indonesia sales down 3%

Wealth Sales[1,2]
(US$ millions)

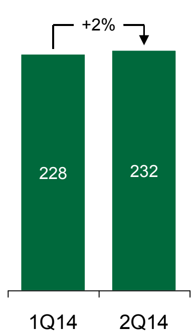


Wealth sales of US$2.0 billion, down 33% versus a strong 2Q13:
- \- Lower mutual fund sales in Japan
- \- Other Asia sales declined from a strong prior year
- \+ Improved pension sales in Hong Kong
- \+ Wealth sales up 32% vs 1Q14

[1] Non-GAAP measure. See "Note to Users – Performance and Non-GAAP Measures" below.
[2] All sales growth (decline) figures stated on a constant currency basis, a Non-GAAP measure. Insurance sales exclude Taiwan insurance business that was sold.

Continued steady progress in Canada

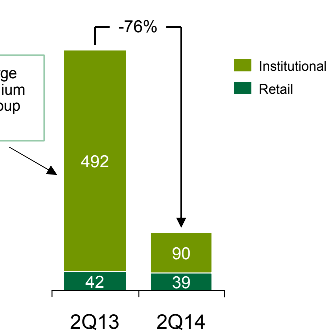
Core Earnings[1]
(C$ millions)



Core earnings of $232 million, up 2% vs. 1Q14:
- \+ Improved policyholder experience
- \+ Fee income
- \- Higher new business strain

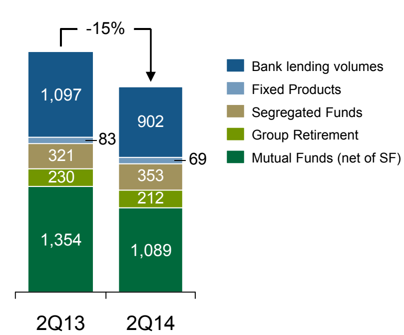
Insurance Sales[1]
(C$ millions)

Includes large single premium sales in Group Benefits



Insurance sales of $129 million. Excl. Group Benefits, sales were in-line with 2Q13:
- \- Non-recurrence of large single premium Group Benefits sales in 2Q13
- \- Retail insurance sales lower reflecting market demand for participating whole life products, currently not part of our portfolio
- \+ Launched simplified Universal Life product

Wealth Sales[1]
(C$ millions)

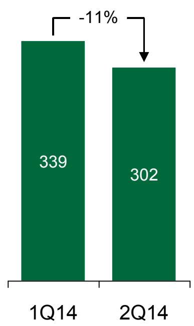


Wealth sales of $2.6 billion were down 15% versus 2Q13:
- \- Non-recurrence of closed end fund offering in 2Q13
- \- New bank loan volumes
- \+ Mutual fund sales remain solid

[1] Non-GAAP measure. See "Note to Users – Performance and Non-GAAP Measures" below.

Continued record mutual fund performance in the U.S.

Core Earnings[1]
(US$ millions)

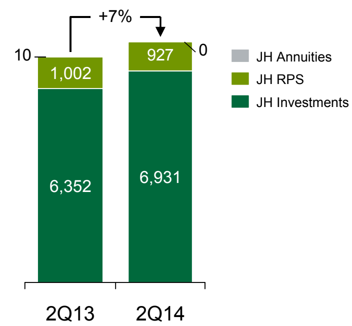


Core earnings of US$302 million, down 11% from 1Q14:
- \- Less favourable tax items
- \- Lower insurance earnings
- \+ Improved policyholder experience
- \+ Lower expenses

Insurance Sales[1]
(US$ millions)

Insurance sales of US$115 million, down 12% versus 2Q13:
- \- Pricing actions taken in 2013
- \+ Positive momentum following recent product enhancements & targeted pricing

Wealth Sales[1]
(US$ millions)



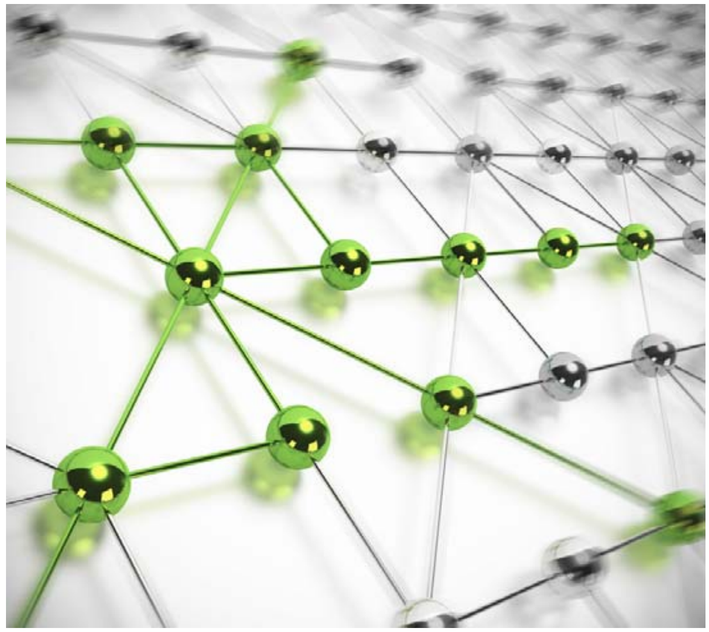
Wealth sales of US$7.9 billion, increased 7% versus 2Q13:
- \+ Record mutual fund sales included a new $1 billion mandate from a large wirehouse firm
- \- Lower Retirement Plan Services sales

[1] Non-GAAP measure. See "Note to Users – Performance and Non-GAAP Measures" below.

Summary

In 2Q14, Manulife:
- Reported strong net income and solid core earnings
- Generated strong wealth sales
- Achieved strong life insurance sales momentum
- Achieved record funds under management
- Reported a healthy capital ratio

Question & Answer session



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Appendix

- Core Earnings Change and Reconciliations
- Invested Asset Mix & Credit Experience
- Earnings Sensitivities & Equity Exposure by Market
- C-IFRS vs. U.S. GAAP differences

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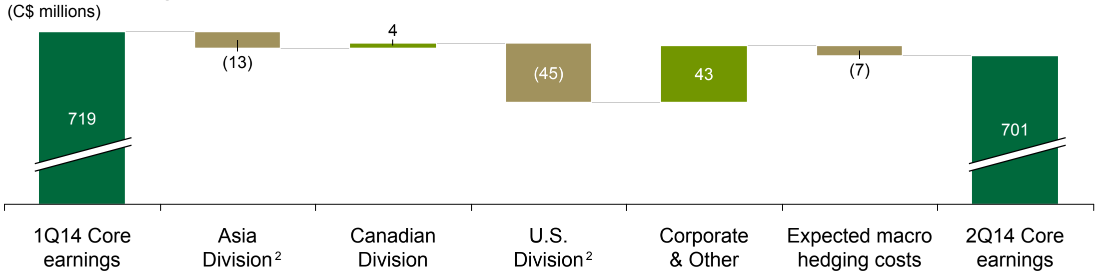
Core earnings reconciliation

Core Earnings[1]
(C$ millions)



- **Asia Division** core earnings decreased due to policyholder experience losses, partly offset by improved new business strain
- **Canadian Division** core earnings increased largely due to improved policyholder experience and fee income, partly offset by higher new business strain
- **U.S. Division** core earnings decreased largely due to less favourable tax items and lower insurance earnings, partly offset by improved policyholder experience and lower expenses
- **Corporate & Other** core earnings largely reflect the release of a legal provision and lower expenses
- **Expected macro hedging costs** increased as a result of the full quarter impact of increased notionals added in the first quarter of 2014 in response to volatile Japanese equities

1 Non-GAAP measure. See "Note to Users – Performance and Non-GAAP Measures" below.
2 Core earnings changes for Asia Division and the U.S. Division are presented on a Canadian dollar basis.

Segment Reconciliation

2Q14 reconciliation of core earnings[1] to net income by division

(C$ millions)	Asia[2]	Canadian	U.S.[2]	Corp & Other[3]	MFC Total
Core earnings (losses)	**$231**	**$232**	**$329**	**$(91)**	**$701**
Investment-related experience in excess of core investment gains	18	46	206	(53)	217
Core earnings plus investment-related experience above	**$249**	**$278**	**$535**	**$(144)**	**$918**
Other reconciling items:					
Direct impact of equity markets and interest rates and VA guarantee liabilities	88	(11)	24	(46)	55
Changes in actuarial methods and assumptions, excl. URR				(30)	(30)
Net income (loss) attributed to shareholders	**$337**	**$267**	**$559**	**$(220)**	**$943**

1 Non-GAAP measure. See "Note to Users – Performance and Non-GAAP Measures" below.
2 Please refer to "Performance by Division" in section C of the second quarter 2014 press release for Asia Division and U.S. Division results on a U.S. dollar basis.
3 Corporate & Other segment includes the Reinsurance business. $50 million of core investment gains have been included in core earnings, offset in Investment-related experience in excess of core investment gains.

Earnings reconciliation history

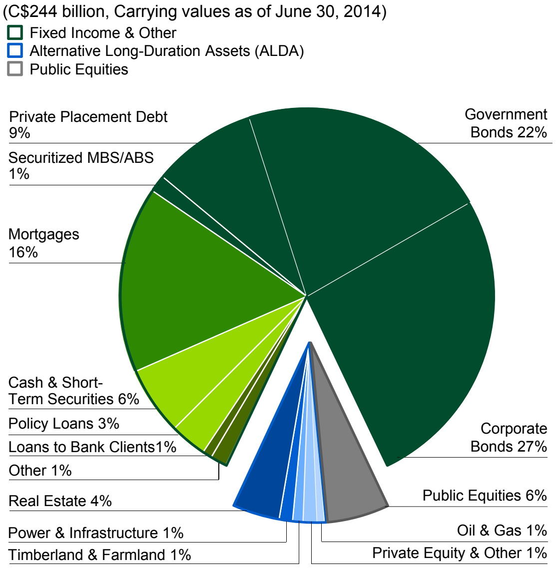
(C$ millions, unless otherwise stated)	2Q13	3Q13	4Q13	1Q14	2Q14
Asia Division	226	242	227	244	231
Canadian Division	225	268	233	228	232
U.S. Division	343	361	366	374	329
Corporate & Other[1]	(105)	(135)	(138)	(135)	(92)
Expected cost of macro equity hedges	(128)	(84)	(53)	(42)	(49)
Investment-related experience in core earnings	48	52	50	50	50
Core earnings[2]	**609**	**704**	**685**	**719**	**701**
Diluted core earnings per share	*$0.31*	*$0.36*	*$0.35*	*$0.37*	*$0.36*
Core ROE[2]	*10.0%*	*11.3%*	*10.4%*	*10.4%*	*9.6%*
Investment-related experience in excess of amounts included in core earnings	(97)	491	215	225	217
Core earnings plus investment-related experience in excess of amounts included in core earnings	**512**	**1,195**	**900**	**944**	**918**
Other items to reconcile core earnings to net income (loss) attributed to shareholders					
Actuarial methods/assumptions (ex. URR changes)	(35)	(252)	(133)	(40)	(30)
Impact of reinsurance transactions, product changes, dispositions & other	24	(3)	611	4	-
Total direct impact of equity markets and interest rates and VA liabilities	(242)	94	(81)	(90)	55
Net income attributed to shareholders	**259**	**1,034**	**1,297**	**818**	**943**
Preferred share dividends	(32)	(33)	(34)	(34)	(36)
Common shareholders' net income	**227**	**1,001**	**1,263**	**784**	**907**

1 Corporate & Other segment includes Reinsurance business.
2 Non-GAAP measure. See "Note to Users – Performance and Non-GAAP Measures" below.

Diversified high quality asset mix avoids risk concentrations

Total Invested Assets

(C$244 billion, Carrying values as of June 30, 2014)



Fixed Income & Other

- 86% of the total portfolio, of which 97% is Investment Grade

Alternative Long-Duration Assets

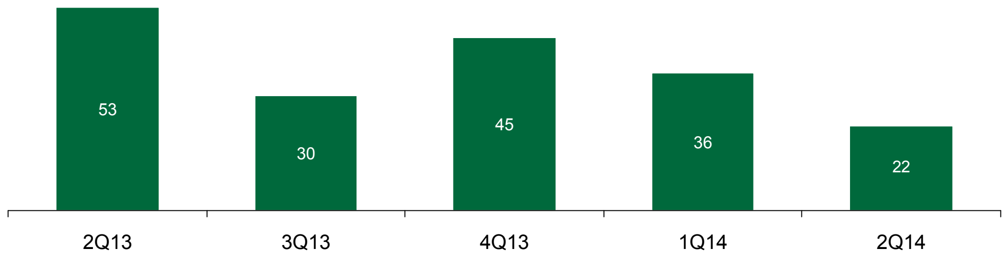
- Diversified by asset class and geography
- Historically generated enhanced yields without having to pursue riskier fixed income strategies

Public Equities

- Diversified by industry and geography
- Primarily backing participating or pass-through liabilities

Favourable credit experience reflects the strength of our underwriting

Net Credit Experience
(C$ millions)



Impact on Earnings

(C$ millions, post-tax)	2Q13	3Q13	4Q13	1Q14	2Q14
Credit (impairments) / recoveries	$12	$(7)	$(3)	$6	-
Credit (downgrades) / upgrades	11	8	20	2	$(6)
Total Credit Impacts	**$23**	**$1**	**$17**	**$8**	**$(6)**
Assumed in policy liabilities	30	29	28	28	28
Net Credit Experience Gain	**$53**	**$30**	**$45**	**$36**	**$22**

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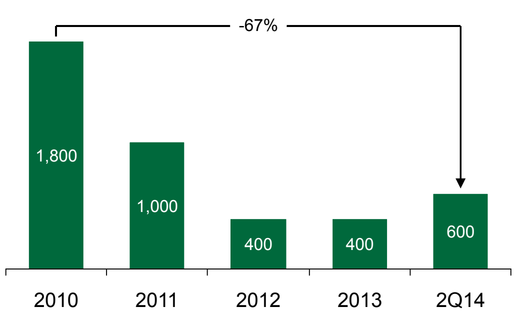
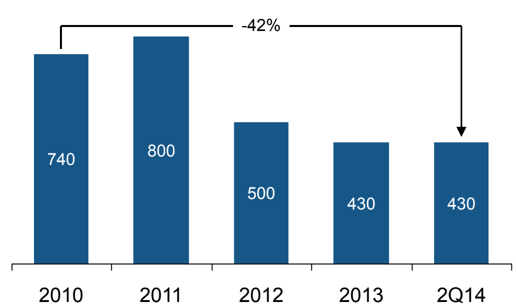
Interest rate and equity market sensitivities

Interest Rate Sensitivity[1]
(C$ Millions)



Estimated impact of 1% parallel decline in interest rates (excluding AFS bond offset):
- $(600) million impact to earnings
- (15) pts to MLI's MCCSR ratio

Equity Market Sensitivity[1]
(C$ millions)



Estimated impact of 10% equity market decline:
- $(430) million impact to earnings
- (4) pts to MLI's MCCSR ratio

[1] Earnings sensitivity to equity markets is defined by the impact of a 10 per cent decline in the market value of equity funds on the net income attributed to shareholders. Earnings sensitivity to interest rates is defined by the impact of a one per cent parallel decline in interest rates on the net income attributed to shareholders. Please refer to "Caution related to sensitivities" in section D2 of the second quarter 2014 press release.

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Interest rate related sensitivities remain well within our risk appetite limits

Potential Impact[1] of an immediate parallel change in "all rates":	1Q14		2Q14	
(C$ millions)	-100 bps	+100 bps	-100 bps	+100 bps
Excluding change in market value of AFS bonds held in surplus	$(600)	$100	$(600)	$100
From fair value changes in AFS bonds held in surplus, if realized[2]	$700	$(700)	$700	$(600)

MCCSR Ratio Impact:				
- Excluding change in market value of AFS bonds held in surplus	(16) pts	14 pts	(15) pts	12 pts
- From fair value changes in AFS bonds held in surplus, if realized	5 pts	(5) pts	5 pts	(4) pts

Potential Impact[1] of a parallel change in corporate bond spreads:	1Q14		2Q14	
(C$ millions)	-50 bps	+50 bps	-50 bps	+50 bps
Corporate Spreads	$(400)	$400	$(400)	$400

Potential Impact[1] of a parallel change in swap spreads:	1Q14		2Q14	
(C$ millions)	-20 bps	+20 bps	-20 bps	+20 bps
Swap Spreads	$400	$(500)	$500	$(500)

[1] 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 section D2 of the second quarter 2014 press release.
[2] 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.

Equity Exposure by market

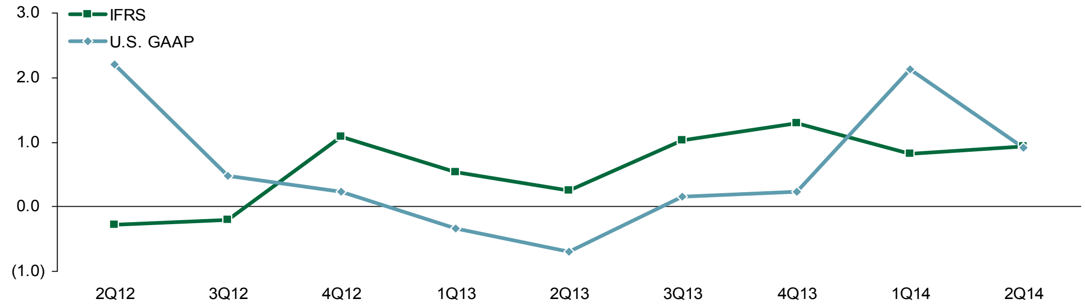
Potential impact on net income attributed to shareholders arising from a 10% decline in public equity returns[1,2]

(C$ millions)	1Q14	2Q14
S&P	(50)	(60)
TSX	(40)	(30)
TOPIX	(30)	(30)
EAFE (Europe, Australasia & Asia ex. Japan)[3]	(100)	(100)
Net income impact assuming full hedge offset	**(220)**	**(220)**
Assumed partial hedge offset	(230)	(210)
Net income impact assuming partial hedge offset	**(450)**	**(430)**

[1] All estimated sensitivities are approximate and based on a single parameter. No simple formula can accurately estimate ultimate future impact.
[2] Please note the Company's disclosures which describe risk factors for hedging and reinsurance strategies.
[3] EAFE ex Japan exposure is mainly to Hong Kong and Singapore markets.

Net income attributed to shareholders in accordance with IFRS and U.S. GAAP

Net income[1]
(C$ billions)

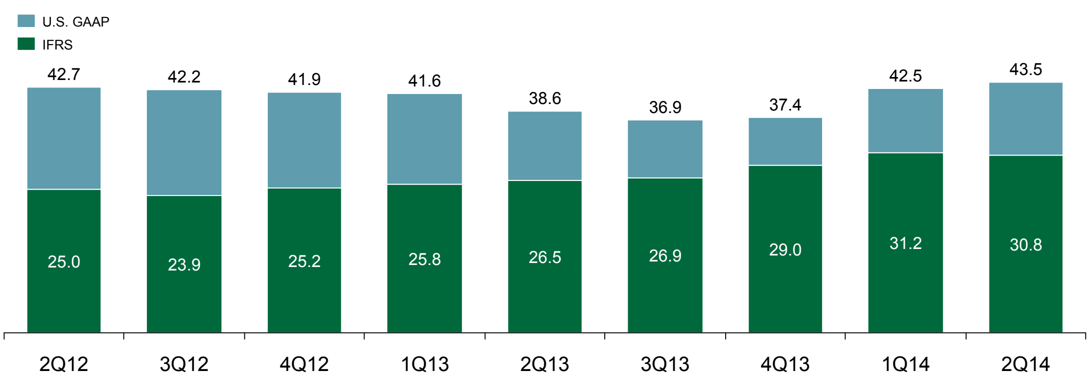


- IFRS net income is typically more volatile compared to U.S. GAAP in periods of market dislocation due to more extensive use of mark-to-market accounting
- Because our hedging strategies for equity risk (dynamic and macro) are more closely aligned with the exposure as measured by IFRS, we are over hedged on a U.S. GAAP accounting basis. Therefore:
  - On a U.S. GAAP basis, in rising equity markets we will likely incur losses on our variable annuity book
  - Conversely, in declining equity markets we will likely report gains on our VA book on a U.S. GAAP basis

[1] Net income attributed to shareholders in accordance with U.S. GAAP is a non-GAAP measure. See "Note to Users – Performance and Non-GAAP Measures" below.

Total equity in accordance with IFRS and U.S. GAAP

Equity (Book Value)[1]
(C$ billions)



- "Mark-to-market" accounting approach of IFRS, which recognizes the current low interest rates and updated actuarial assumptions, is not generally reflected in U.S. GAAP results
- Differences in accounting methods result in nearly $13 billion higher equity under U.S. GAAP than IFRS for 2Q14

[1] Total equity in accordance with U.S. GAAP is a non-GAAP measure. See "Note to Users – Performance and Non-GAAP Measures" below.

Note to users - Performance and Non-GAAP Measures

We use a number of non-GAAP financial measures to measure overall performance and to assess each of our businesses. 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 (Losses); Core return on common shareholders' equity ("Core ROE"); Core Earnings Per Share; Net Income Attributed to Shareholders in Accordance with U.S. GAAP; Total Equity in Accordance with U.S. GAAP; Constant Currency Basis; Premiums and Deposits; Funds under Management; New Business Embedded Value and Sales. Non-GAAP financial measures are not defined terms under GAAP and, therefore, with the exception of Net Income Attributed to Shareholders in Accordance with U.S. GAAP (which is comparable to the equivalent measure of issuers whose financial statements are prepared in accordance with U.S. GAAP), 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. **Core earnings (losses)** is a non-GAAP measure we use to better understand the long-term earnings capacity and valuation of the business. Core earnings excludes the direct impact of equity markets and interest rates as well as a number of other items that are considered material and exceptional in nature. While this metric is relevant to how we manage our business and offers a consistent methodology, it is not insulated from macro-economic factors which can have a significant impact. **Core ROE** is a non-GAAP profitability measure that presents core earnings available to common shareholders as a percentage of the capital deployed to earn the core earnings. The Company calculates core ROE using average common shareholders' equity. **Core earnings per share** is core earnings available to common shareholders expressed per weighted average common share outstanding. **Net income attributed to shareholders** in accordance with U.S. GAAP is a non-GAAP profitability measure. It shows what the net income would have been if the Company had applied U.S. GAAP as its primary financial reporting basis. We consider this to be a relevant profitability measure given our large U.S. domiciled investor base and for comparability to our U.S. peers who report under U.S. GAAP. **Total equity in accordance with U.S. GAAP** is a non-GAAP measure. It shows what the total equity would have been if the Company had applied U.S. GAAP as its primary financial reporting basis. We consider this to be a relevant measure given our large U.S. domiciled investor base and for comparability to our U.S. peers who report under U.S. GAAP. The Company uses financial performance measures that are prepared on a **constant currency basis**, which exclude the impact of currency fluctuations and which are non-GAAP measures. Quarterly amounts stated on a constant currency basis in this presentation are calculated, as appropriate, using the income statement and balance sheet exchange rates effective for the second quarter of 2014. **Premiums and deposits** is a non-GAAP measure of top line growth. The Company calculates premiums and deposits as the aggregate of (i) general fund premiums, net of reinsurance, reported as premiums on the Consolidated Statement of Income, (ii) adding back the premiums ceded related to FDA coinsurance, (iii) premium equivalents for administration only group benefit contracts, (iv) premiums in the Canadian Group Benefits reinsurance ceded agreement, (v) segregated fund deposits, excluding seed money, (vi) mutual fund deposits, (vii) deposits into institutional advisory accounts, and (viii) other deposits in other managed funds. **Funds under management** is a non-GAAP measure of the size of the Company. It represents the total of the invested asset base that the Company and its customers invest in. **New business embedded value ("NBEV")** is the change in shareholders' economic value as a result of sales in the reporting period. NBEV is calculated as the present value of expected future earnings, after the cost of capital, on actual new business sold in the period using future mortality, morbidity, policyholder behaviour, expense and investment assumptions that are consistent with the assumptions used in the valuation of our policy liabilities. **Sales** are measured according to product type. (i) For total individual insurance, sales include 100 per cent of new annualized premiums and 10 per cent of both excess and single premiums. For individual insurance, new annualized premiums reflect the annualized premium expected in the first year of a policy that requires premium payments for more than one year. Sales are reported gross before the impact of reinsurance. Single premium is the lump sum premium from the sale of a single premium product, e.g. travel insurance. (ii) For group insurance, sales include new annualized premiums and administrative services only premium equivalents on new cases, as well as the addition of new coverages and amendments to contracts, excluding rate increases. (iii) For individual wealth management contracts, all new deposits are reported as sales. This includes individual annuities, both fixed and variable; mutual funds; college savings 529 plans; and authorized bank loans and mortgages. As we have discontinued sales of new VA contracts in the U.S., beginning in the first quarter of 2013, subsequent deposits into existing U.S. VA contracts will not be considered sales. (iv) For group pensions/retirement savings, sales of new regular premiums and deposits reflect an estimate of expected deposits in the first year of the plan with the Company. Single premium sales reflect the assets transferred from the previous plan provider. Sales include the impact of the addition of a new division or of a new product to an existing client. Total sales include both new regular and single premiums and deposits. For further information regarding these subjects, see our press release announcing our second quarter of 2014 results.

Thank you

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