

# Third Quarter 2018

## Financial & Operating Results

November 8, 2018

# 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 the Company’s strategic priorities and 2022 targets for net promoter score, employee engagement, its high potential businesses, expense efficiency and portfolio optimization; its medium-term targets for core EPS growth, core ROE, leverage ratio and common share dividend payout ratio; the sale of Signator and its expected impact, the expected annual run-rate savings resulting from Manulife’s announced expense initiatives; the expected impact of our decision to reduce the allocation to ALDA in our portfolio asset mix supporting our legacy business; the expected impact of reinsurance transactions on its legacy businesses, including the expected releases of capital, the anticipated after-tax gain in aggregate and in the fourth quarter of 2018, the ongoing quarterly earnings impact, and the closing of the U.S. reinsurance transactions relating to New York business; possible future repurchases by Manulife of its common shares, 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: the amount of time required to reduce the allocation to ALDA in our asset mix supporting our legacy business and redeploy capital towards higher-return businesses, the specific type of ALDA we dispose of and the value realized from such dispositions; the amount and timing of strategic investment in our business; the 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 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 under “Risk Management”, “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, 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

## **Jim Gallagher**

General Counsel

## **Marianne Harrison**

General Manager, U.S.

## **Scott Hartz**

Head of General Account Investments

## **Rahim Hirji**

Chief Risk Officer

## **Naveed Irshad**

Head of North American Legacy Business

## **Paul Lorentz**

Global Head of Wealth and Asset Management

## **Linda Mantia**

Chief Operating Officer

## **Warren Thomson**

Chief Investment Officer

## **Anil Wadhvani**

General Manager, Asia

## **Phil Witherington**

Chief Financial Officer

## CEO's remarks



**Roy Gori**  
President & Chief Executive Officer

## 3Q18 highlights

Net Income

**\$1.6<sub>bn</sub>**  
**+40%**

Core Earnings

**\$1.5<sub>bn</sub>**  
**+39%**

Core ROE

**14.8%**  
**+4.2 pps**

Efficiency Ratio

**49.5%**  
**-7.6 pps**

Net Flows

**\$0.4<sub>bn</sub>**  
**-90%**

New Business Value

**\$452<sub>mm</sub>**  
**+31%**

# Executing on our five priorities



Portfolio  
Optimization



Expense  
Efficiency



Accelerate  
Growth



Digital,  
Customer  
Leader



High  
Performing  
Team

## Target to release \$5 billion in capital from legacy businesses by 2022



ALDA sales released  
\$600 million of capital in  
3Q18



Recently announced three  
reinsurance transactions  
on legacy businesses with  
expected capital release  
in excess of \$1 billion



Initiatives announced to  
date are expected to  
release a total of \$3.4  
billion of capital, once  
fully executed

# Executing on our five priorities



Portfolio Optimization



Expense Efficiency



Accelerate Growth



Digital, Customer Leader



High Performing Team

Target to achieve a 50% expense efficiency ratio & \$1 billion in cost savings and avoidance by 2022



Expense efficiency ratio declined 7.6 pps to below 50%



Limited core expense<sup>1</sup> growth to 4%



Voluntary retirement take-up in line with expectations

# Executing on our five priorities



**Portfolio  
Optimization**



**Expense  
Efficiency**



**Accelerate  
Growth**



**Digital,  
Customer  
Leader**



**High  
Performing  
Team**

**Target to generate two-thirds of core earnings from highest potential businesses by 2022**



Asia core earnings up 19%  
and NBV up 29%



WAM core earnings up  
30% and continued  
positive net flows



Strong sales momentum  
in behavioral insurance



# Executing on our five priorities



**Portfolio  
Optimization**



**Expense  
Efficiency**



**Accelerate  
Growth**



**Digital,  
Customer  
Leader**



**High  
Performing  
Team**

**Target to improve Net Promoter Score by 30 points by 2022**



Processed 1 million transactions through robotics in Canada



Initiated e-claims in Vietnam



Launched innovative goals-based investment strategy to Canadian retail wealth customers

# Executing on our five priorities



**Portfolio  
Optimization**



**Expense  
Efficiency**



**Accelerate  
Growth**



**Digital,  
Customer  
Leader**



**High  
Performing  
Team**

## Target to achieve top quartile employee engagement by 2022



Launched new corporate values



New Chief Human Resources Officer appointed to drive strategy



Received Mercer award for Excellence in Diversity and Inclusion by HRD Canada Magazine

# Mosten litigation and Saskatchewan regulatory update

- The legal suit is not new and is an industry matter.
- We believe that Mosten's legal position is unfounded and have held this view since legal proceedings commenced in 2016.
- The claim that insurers can be compelled to take unlimited deposits is commercially absurd.
- Depositing large sums into insurance contracts is contrary to the purpose of those insurance policies, and inconsistent with the law which prohibits insurers from engaging in deposit-taking activities.
- On October 29, the Government of Saskatchewan published new regulations that expressly limit the amount of premiums a life insurer may receive or accept for deposit in certain life insurance policies and associated side accounts.
- The regulations confirm the public policy as the industry has long understood it.
- Manulife and the other life insurers involved in similar matters plan to make submissions to the court asking it to dismiss the claim that life insurers can be compelled to take unlimited premium payments.
- We believe this should accelerate the resolution of the principal matters in the Mosten litigation in our favour.
- With respect to any possible ancillary matters in the litigation, we continue to believe that we will prevail and that those matters are insignificant in any event.
- The CLHIA plans to request that other provincial and territorial governments take comparable regulatory steps to avoid unnecessary, costly litigation in other jurisdictions

***We are highly confident we will ultimately prevail with respect to this matter and that it will not have any material impact or affect our business operations or our ability to meet obligations to our customers, employees, vendors and other key stakeholders.***

# Announced significant reinsurance transactions and capital actions



## Reinsurance transactions

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- Expected to release over \$1 billion in capital
  - Reinsured substantially all of our legacy individual and group pay-out annuity businesses in the U.S.
  - Reinsured lapse and mortality risk on portion of legacy universal life block in Canada
- Favourable characteristics:
  - Highly rated counterparties
  - Upfront gain
  - Modest ongoing earnings impact



## Capital actions

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- Share buy-back program announced for up to 40 million common shares
  - To be used opportunistically
  - Enabled by strong capital position and recent transactions
  - Need for the flexibility highlighted by recent share price movements
- 14% dividend increase and discounted dividend reinvestment program
  - Designed to reward long term shareholders

## CFO's remarks



**Phil Witherington**  
Chief Financial Officer

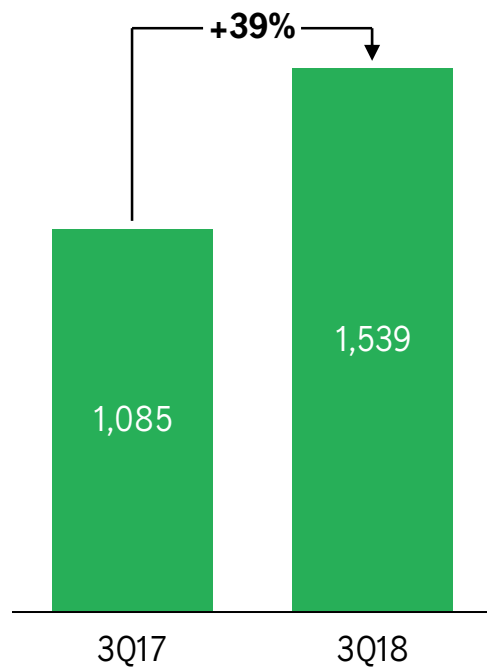
# 3Q18 financial summary

	(C\$ millions, unless noted)	3Q17	3Q18	Change <sup>2</sup>
<b>Profitability</b>	Net income attributed to shareholders	\$1,105	\$1,573	▲ 40%
	Core earnings	\$1,085	\$1,539	▲ 39%
	Core return on equity (annualized)	10.6%	14.8%	▲ 4.2 pps
	Expense efficiency ratio	57.1%	49.5%	▼ 7.6 pps
<b>Growth</b>	APE sales (C\$ billions)	\$1.3	\$1.4	▲ 8%
	New business value	\$336	\$452	▲ 31%
	WAM net flows (C\$ billions)	\$4.2	\$0.4	▼ \$3.7
	Wealth and asset management AUMA (C\$ billions)	\$584	\$644	▲ 7%
<b>Balance Sheet</b>	MLI's Total LICAT Ratio <sup>1</sup>	n/a	134%	n/a
	Financial leverage ratio	29.5%	29.2%	▼ 30 bps
	Dividend per common share	20.5¢	22.0¢	▲ 7%

# Delivered strong core earnings and net income in 3Q18

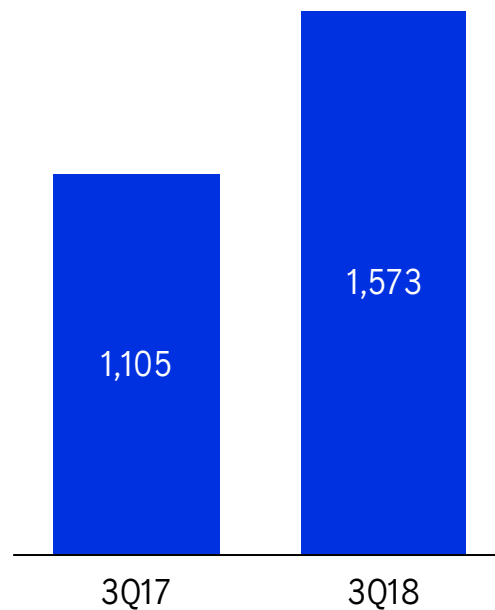
## Core earnings

(C\$ millions)



## Net income attributed to shareholders

(C\$ millions)



## Earnings reconciliation for the third quarter of 2018

(C\$ millions, except per share amounts)

	Pre-Tax	Post-Tax	Per Share
<b>Core earnings</b>	<b>\$1,866</b>	<b>\$1,539</b>	<b>\$0.75</b>
Investment-related experience	395	312	0.16
Direct impact of markets	(384)	(277)	(0.14)
Change in actuarial methods and assumptions	(65)	(51)	(0.03)
Impact of U.S. Tax Reform	(196)	124	0.07
Reinsurance and Other items	(94)	(74)	(0.04)
<b>Net income attributed to shareholders</b>	<b>\$1,522</b>	<b>\$1,573</b>	<b>\$0.77</b>

# Continued business growth, combined with improved policyholder experience, lower U.S. tax rates, and expense efficiencies drove the increase in core earnings

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

(C\$ millions)

	Core Earnings		Net Income	
	3Q17	3Q18	3Q17	3Q18
Expected profit on in-force	967	1,016	967	1,016
Impact of new business	184	275	184	275
Core investment gains	167	127	167	127
Experience gains/(losses) (excluding core investment gains)	(359)	(30)	(254)	7
Management actions & changes in assumptions	(16)	(2)	(283)	(400)
Earnings on surplus funds	155	181	189	200
Other	6	44	(35)	50
Subtotal	1,104	1,611	935	1,275
Global Wealth and Asset Management	245	307	234	300
Manulife Bank	51	45	51	45
Unallocated overhead	(101)	(97)	(102)	(98)
Income before taxes	1,299	1,866	1,118	1,522
Income taxes	(214)	(327)	(13)	51
<b>Earnings available to shareholders</b>	<b>1,085</b>	<b>1,539</b>	<b>1,105</b>	<b>1,573</b>

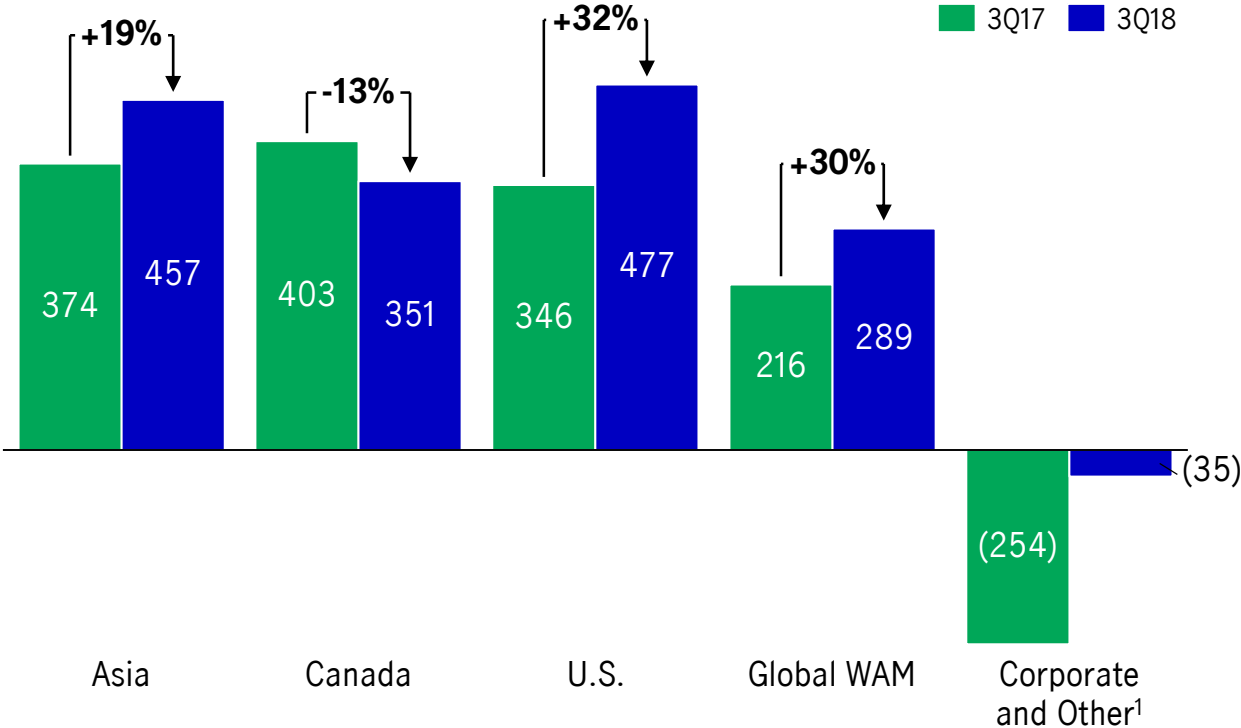
<sup>1</sup> The Source of Earnings (SOE) analysis is prepared following OSFI regulatory guidelines and draft guidelines of the Canadian Institute of Actuaries. The SOE is used to identify the primary sources of gains or losses in each reporting period. Per OSFI instructions, Expected Profit on In-Force 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).



# Strong core earnings and core ROE growth

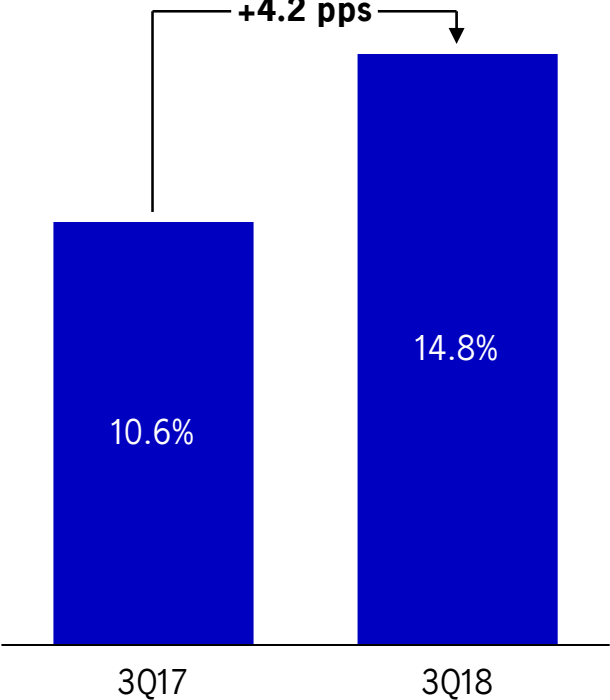
## Core earnings

(C\$ millions)



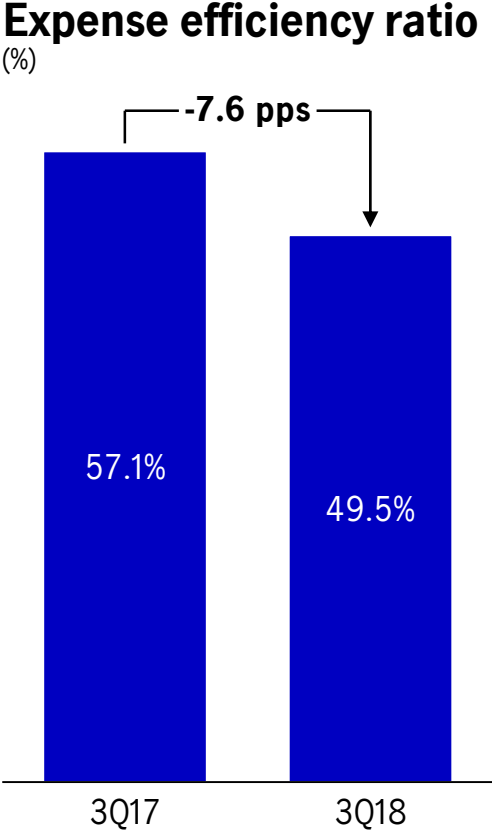
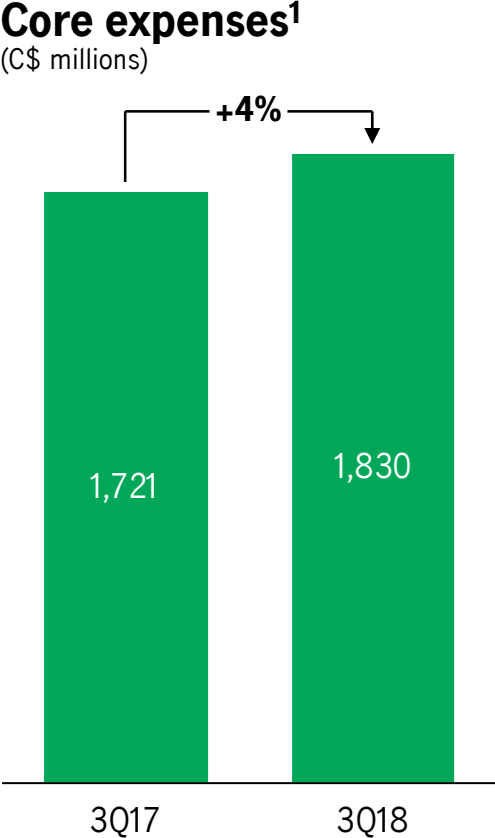
## Core ROE

(%)



<sup>1</sup>3Q17 includes a hurricane-related charge of \$240 million.

# Strong core earnings growth compares favourably to modest expense growth, resulting in an improved expense efficiency ratio

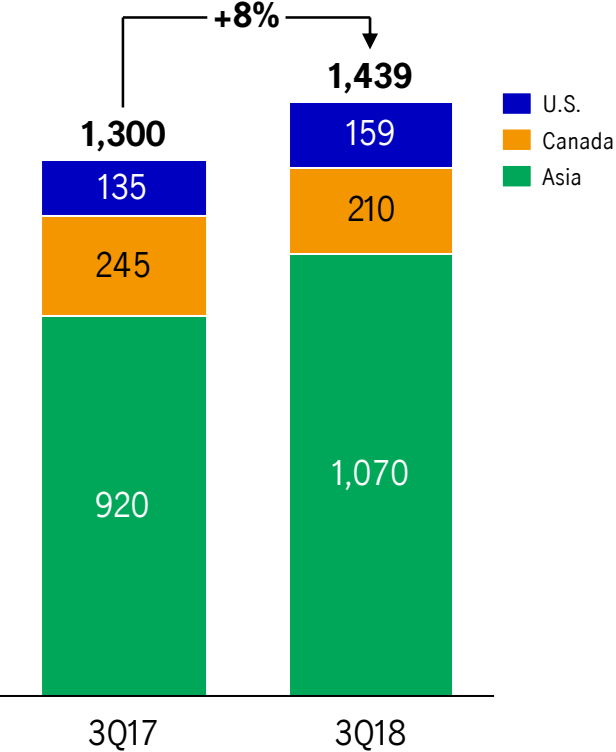


- Improvement in expense efficiency ratio driven by increased operating leverage
  - Increase in core expenses of 4%
  - Pre-tax core earnings increased 41%

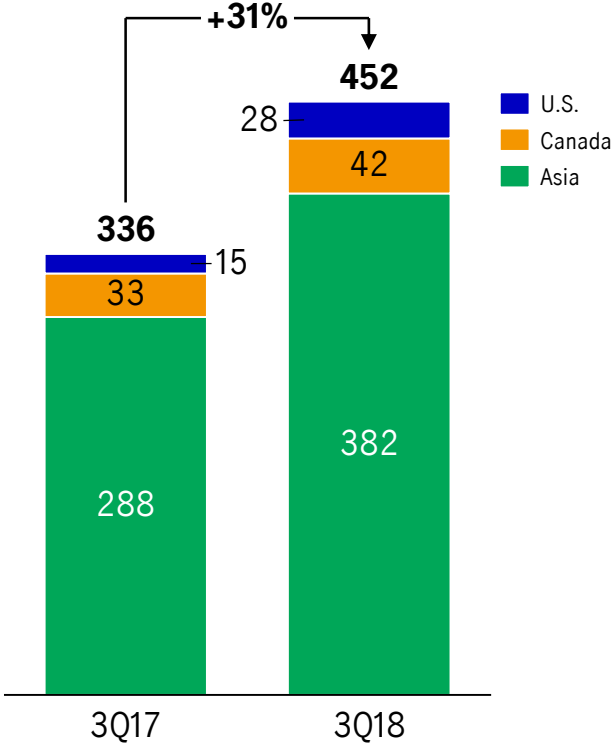
<sup>1</sup>Core expenses are general expenses included in core earnings.

# Solid APE sales, and strong NBV growth, with contribution from all segments

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



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

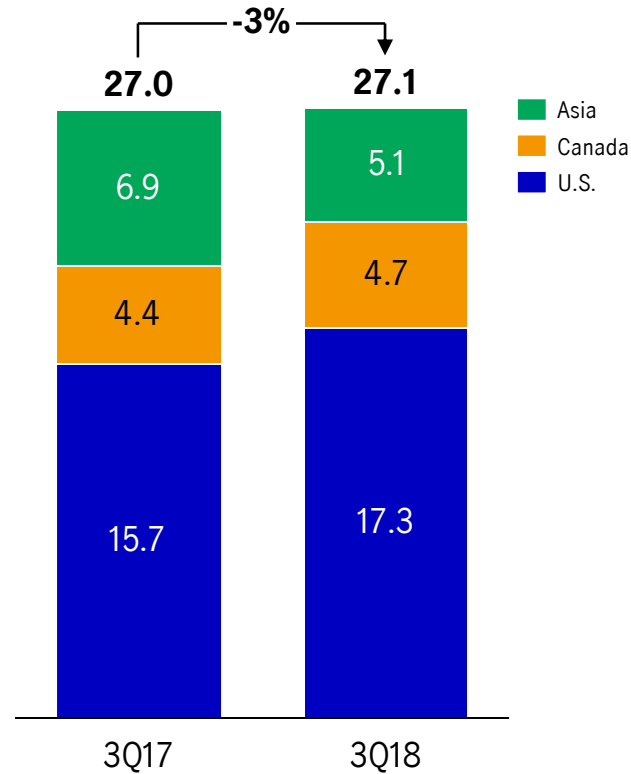


- Strong sales in Japan, Hong Kong, Singapore and Vietnam
- Universal life product enhancements in the U.S.
- Launch of Manulife Par in Canada
- Asia NBV margin of 37.4%, up 4.2 percentage points from 3Q17

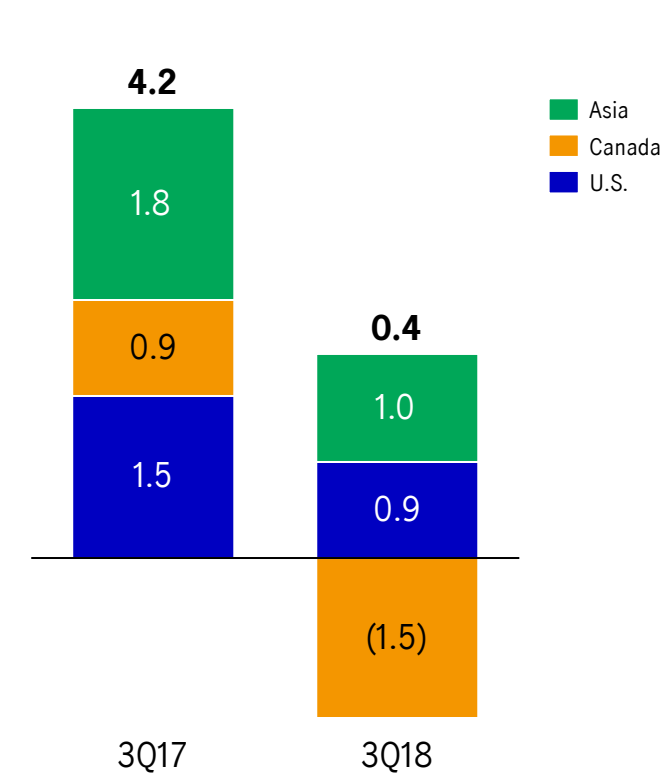
Note: APE sales and new business value exclude Global Wealth and Asset Management, the Bank and P&C reinsurance businesses. Order of the vertical bars on the chart correspond to the order in the legend.

# Another quarter of positive net flows in Global Wealth and Asset Management

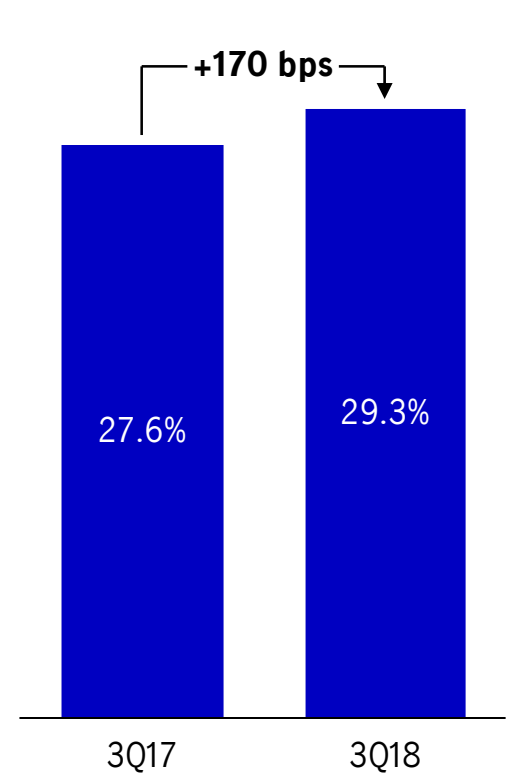
**Wealth & asset management gross flows**  
(C\$ billions)



**Wealth & asset management net flows**  
(C\$ billions)

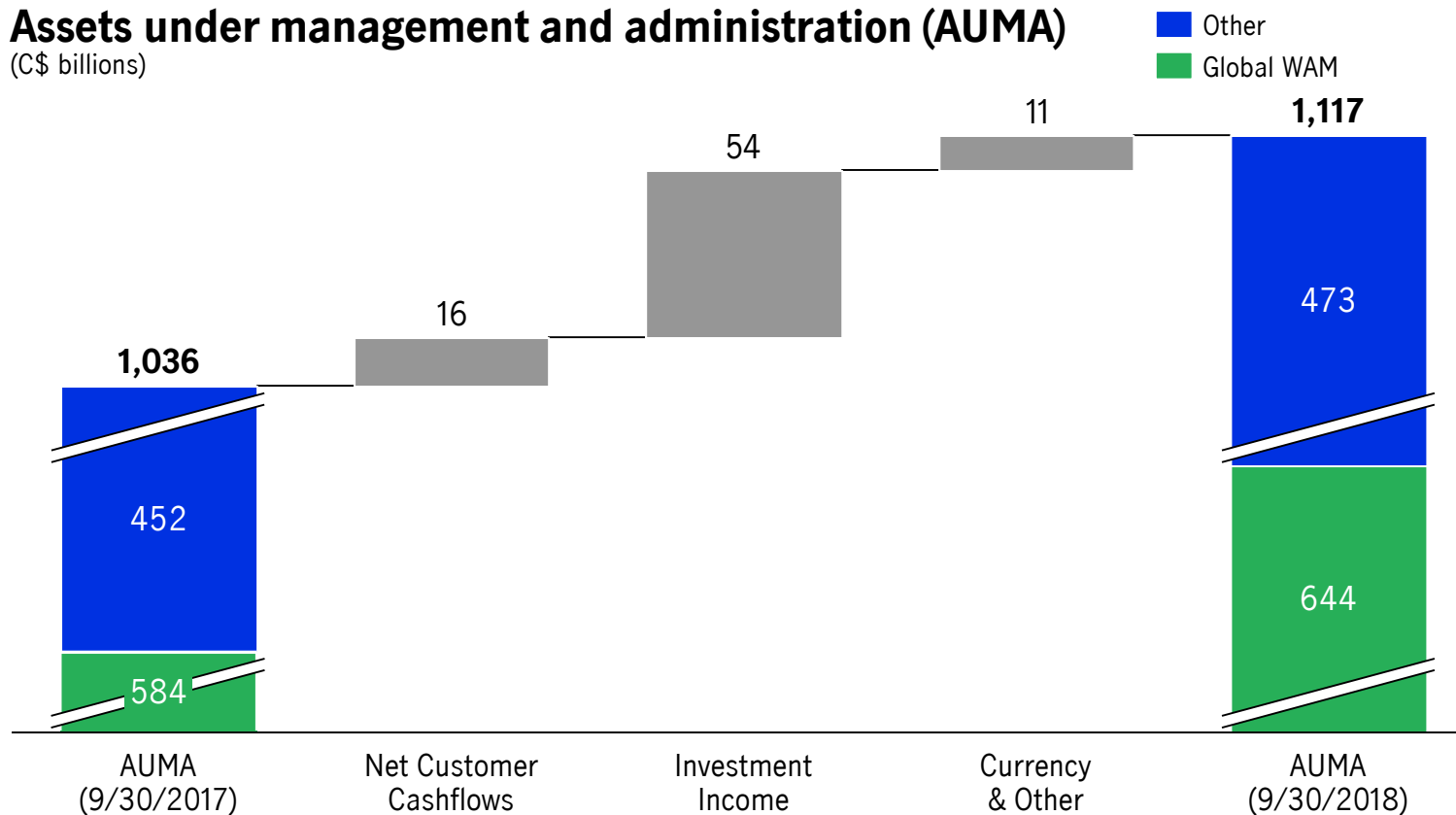


**Core EBITDA margin**  
(%)



# Achieved \$1.1 trillion in total company AUMA, driven by strong growth in WAM assets

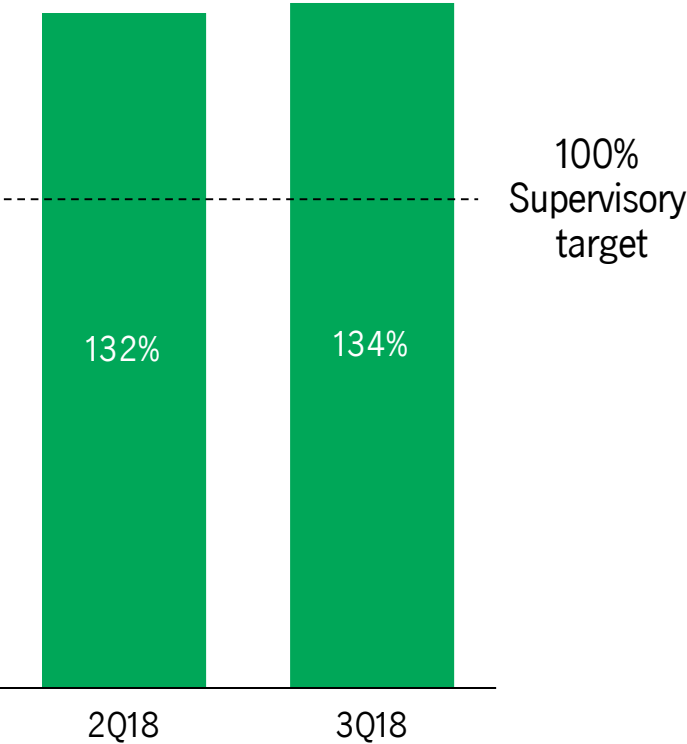
## Assets under management and administration (AUMA) (C\$ billions)



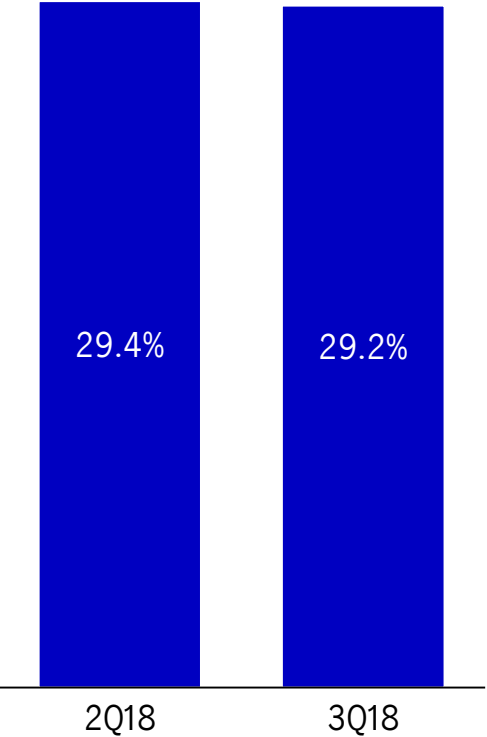
- Total Company AUMA exceeded \$1.1 trillion in
- WAM AUMA of \$644 billion
  - +7% increase vs. prior year
  - Growth across all geographies and product lines

# Increased financial flexibility with higher capital ratio and reduced leverage ratio

**MLI LICAT<sup>1</sup> ratio**  
(%)



**Financial leverage ratio**  
(%)



- \$18.8 billion of capital over regulatory target, up \$1.1 billion vs. 2Q18
- 20 bps decline in leverage ratio

<sup>1</sup> Life Insurance Capital Adequacy Test (LICAT) ratio of The Manufacturers Life Insurance Company (MLI).

# Legacy reinsurance transactions expected to release over \$1 billion in capital

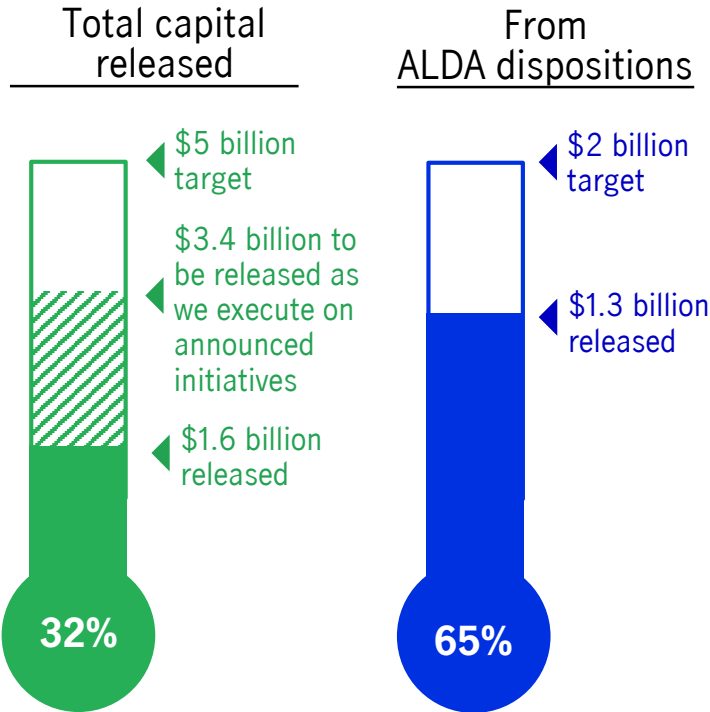
Scope			Date of Close	
Risks	Size (C\$)	Counterparty	Non-New York	New York <sup>1</sup>
U.S. individual pay-out annuities	\$4 billion in policy liabilities	RGA Reinsurance Company	3Q18	4Q18
Lapse and mortality risk on a portion of Canadian legacy universal life business	Specific risks on \$1 billion of policy liabilities	RGA Life Reinsurance Company of Canada	3Q18	
U.S. group pay-out annuities	\$8 billion in policy liabilities	Jackson National Life Insurance Company	4Q18	1Q19

	(C\$ millions, unless noted)	3Q18	4Q18	2019	Total
<b>Capital</b>	Expected capital impact	35	585	470	1,090
	Expected LICAT benefit	0.1 pps	1.1 pps	0.9 pps	2.1 pps
<b>Earnings</b>	Expected upfront earnings impact after tax	(70)	250	(5)	175
	Expected ongoing earnings impact of \$(20) million per quarter, post-tax, beginning in 4Q18, before reflecting potential benefits from any redeployment of capital released				

# Delivering meaningful progress to release capital to optimize our business

## Cumulative capital release

(As of September 30, 2018, C\$)



- Released \$1.3 billion in capital to date from ALDA sales
  - Released \$600 million in capital in 3Q18
- Announced three reinsurance transactions on legacy block expected to release over \$1 billion in capital
  - \$35 million of the capital release included in 3Q18 results
- Initiatives announced to date expected to deliver \$3.4 billion of overall \$5 billion target, once fully executed



## Solid and consistent progress against financial targets

	2015	2016	2017	2018 YTD	Medium-Term Target
Core EPS growth	+14%	+17%	+13%	<b>+28%</b>	10% - 12%
Core ROE	9.2%	10.1%	11.3%	<b>14.1%</b>	13%+
Leverage ratio	23.8%	29.5%	30.3%	<b>29.2%</b>	25%
Dividend payout <sup>1</sup>	39.6%	37.8%	36.9%	<b>31.6%</b>	30% - 40%
					2022 Target
Expense efficiency ratio	59.8%	59.3%	55.4%	<b>50.9%</b>	<50%
Capital released (cumulative)	-	-	-	<b>\$1.6 billion</b>	\$5 billion
Capital expected be released (cumulative) as announced initiatives are executed				<b>\$3.4 billion</b>	

# Capital actions are part of overall capital strategy



## Leverage Ratio

- Remain committed to 25% medium-term target
- Expect to make meaningful progress in next 12 months



## Share buy-back

- Up to 40 million shares
- To be used opportunistically based on market prices
- Provides flexibility
- One tool to manage capital on an ongoing basis



## Dividend Increase

- 3¢ a share to \$0.25 per quarter, or 14%
- Enabled by strong momentum in our business and solid execution against priorities
- 30-40% target payout range



## Discounted DRIP

- 2% discount to dividends reinvested in Manulife common shares (issued from Treasury)
- Rewards long term shareholders
- Capital to be reinvested in our business, including reducing leverage

## Chief Actuary's remarks



**Steve Finch**  
Chief Actuary

# \$51 million impact of annual review of actuarial methods and assumptions

## Impact of 3Q18 changes in actuarial methods and assumptions<sup>1</sup>

(C\$ millions, after-tax)

Mortality and morbidity updates	(360)
Lapses and policyholder behaviour	(226)
Investment return assumptions	143
Other updates	392
<b>Total impact of changes in actuarial methods and assumptions</b>	<b>(51)</b>

(C\$ millions, after-tax)

Asia	27
Canada	(370)
U.S.	286
Corporate and Other	6
<b>Total impact of changes in actuarial methods and assumptions</b>	<b>(51)</b>

# Question & Answer Session

# Appendix



- Additional Details on the Mosten Litigation
- Divisional Performance
- Invested Asset Mix
- Earnings Sensitivities
- Equity Exposure by Market

# Additional Details on the Mosten Litigation

## Setting the record straight:

- Mosten is attempting to use insurance policies to invest sizeable sums that have no connection to the insurance coverage.
- Architect Classic IIe policies and their side account feature, were not sold, marketed, or bought as stand-alone investment vehicles.
- Side accounts were developed as an administrative convenience for customers when administering the annual tax exempt testing.
- The creation of side accounts to meet this purpose was standard practice in the life insurance industry.
- The side account is not a bank account.
- Permitting such deposits would cause Manulife to violate s.467 of the *Insurance Companies Act*, breaching the clear legislative and regulatory dividing lines between insurers and banks.

# Additional Details on the Mosten Litigation

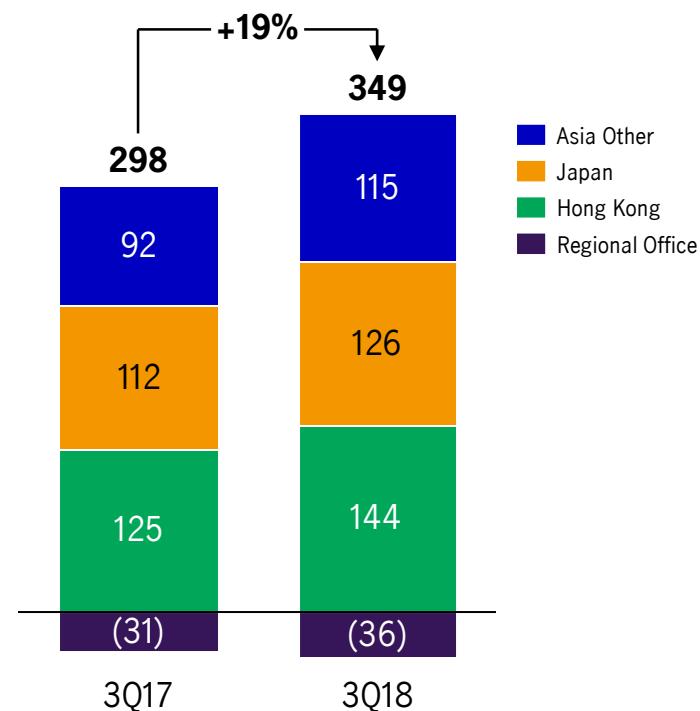
## Putting things in context:

- The policy is to be interpreted as it would be understood by the “average insured”.
- Manulife is aware of no other policy owner who has ever interpreted the policy in the same manner as Mosten. Within the Architect Classic IIe block:
  - Only 66 policies have money in Carrier Fund.
  - 72% of the Carrier Fund accounts which have money, hold a balance of less than \$100.
  - The total balance in the Carrier Fund in all policies is \$38,784.
- The Government of Saskatchewan published new regulations on October 29, 2018 that limit the amount of premiums a life insurer may receive or accept for deposit in certain life insurance policies and associated side accounts. Given the new Saskatchewan regulations, Manulife and the other life insurers involved in similar matters plan to make submissions to the court, asking it to dismiss the claims that life insurers can be compelled to accept unlimited premium payments.

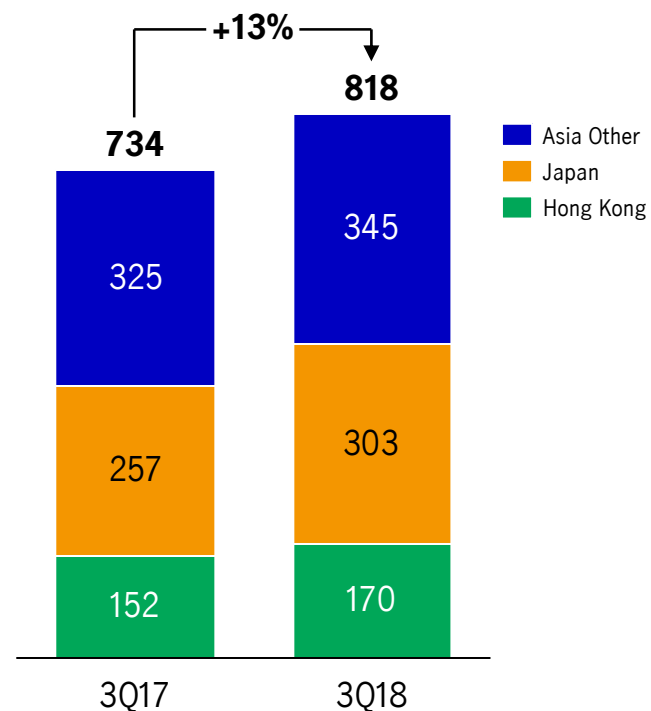


# Asia: Strong core earnings and NBV growth

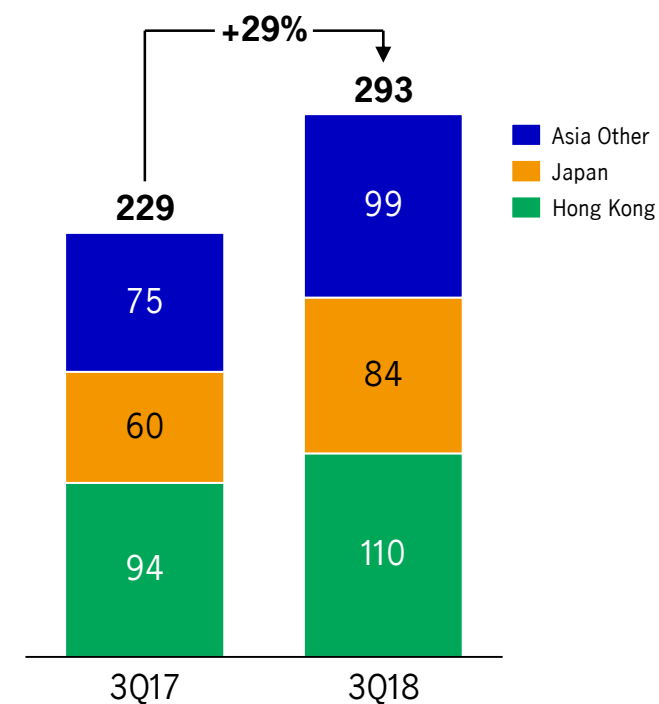
**Core earnings**  
(US\$ millions)



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



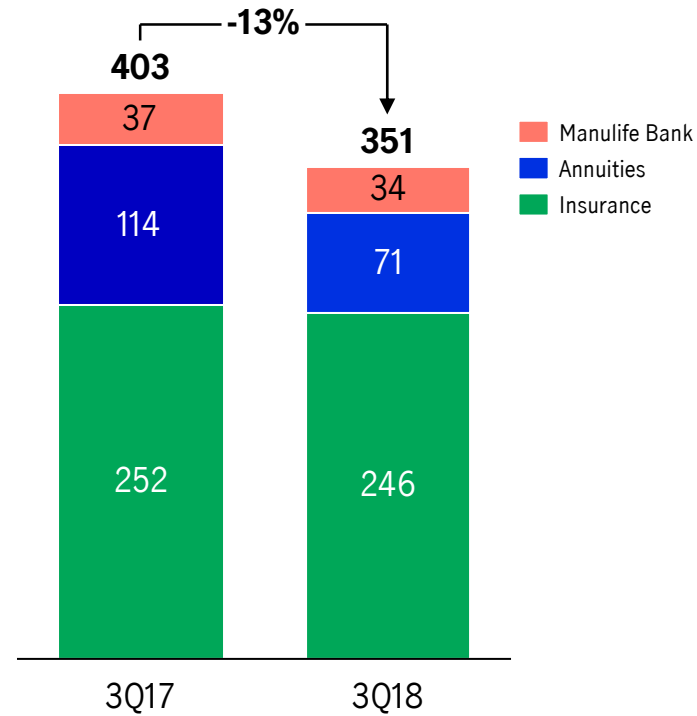
**New business value**  
(US\$ millions)



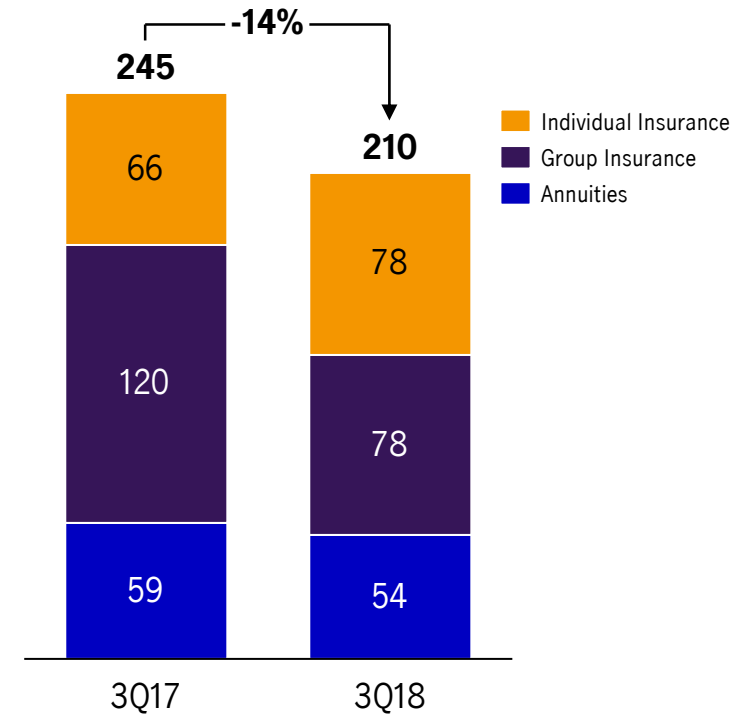
- +19% core earnings growth, reflecting favourable impact of new business and in-force business growth
- Delivered APE sales growth in Japan, Hong Kong and Asia Other. Japan benefited from a new product launch
- +29% new business value growth reflecting strong growth across most of our markets

# Canada: Strong growth in new business value, core earnings declined due to favorable prior year notable item

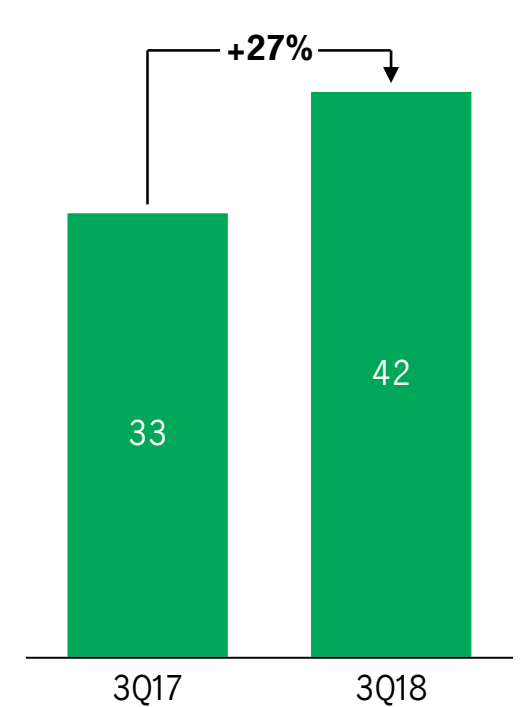
**Core earnings**  
(C\$ millions)



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



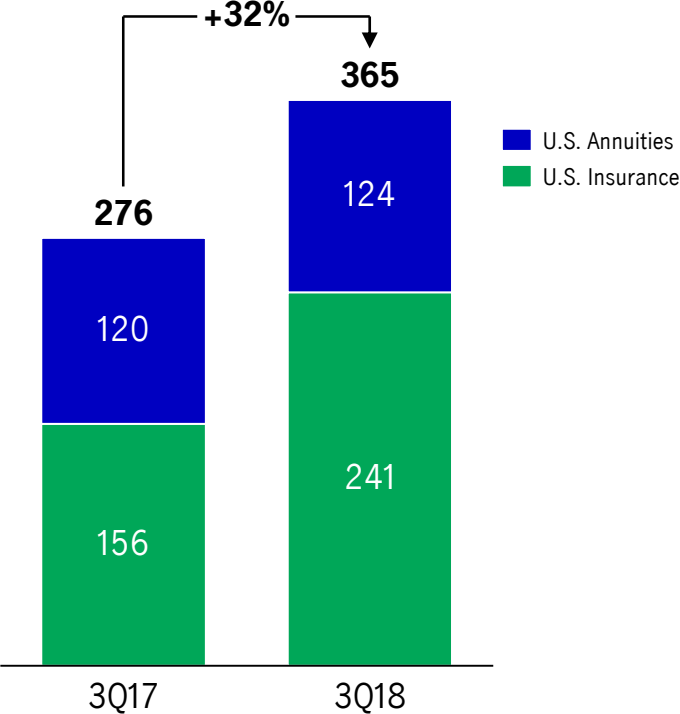
**New business value**  
(C\$ millions)



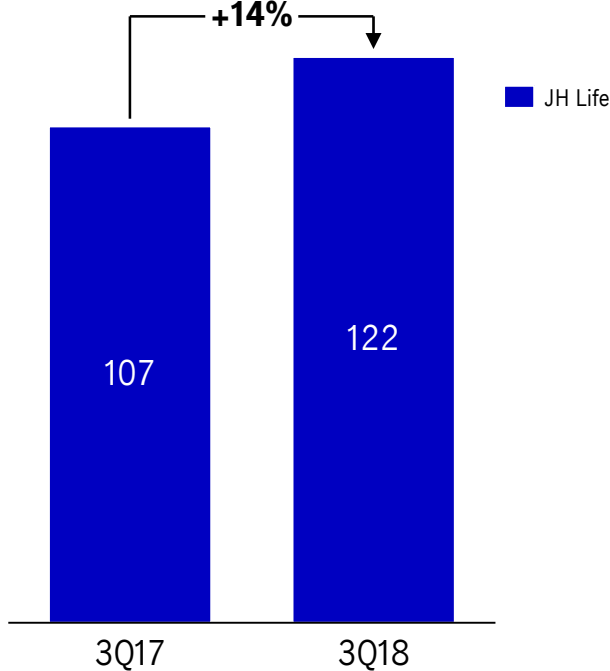
- Lower core earnings reflects release of provisions from uncertain tax positions of \$83 million in 3Q17, partially offset by improved claims experience in group insurance and favourable impact of new business
- Lower APE sales driven by variability in the large case group insurance market, partially offset by sales from the recently-launched Manulife Par product

# U.S.: Solid growth in core earnings, sales and new business value

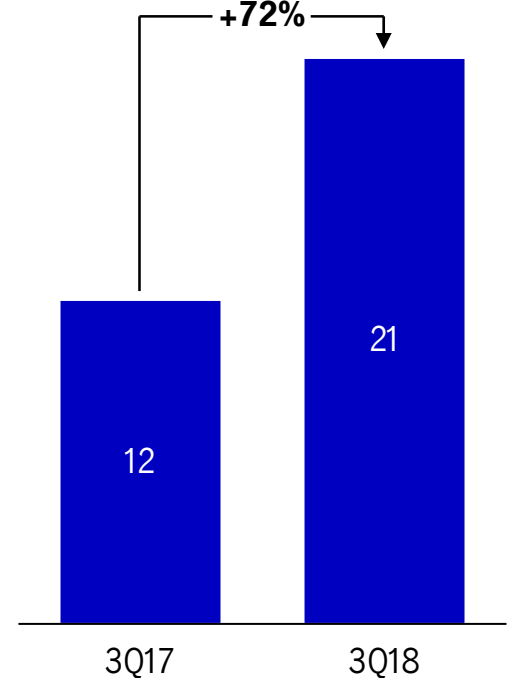
**Core earnings**  
(US\$ millions)



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



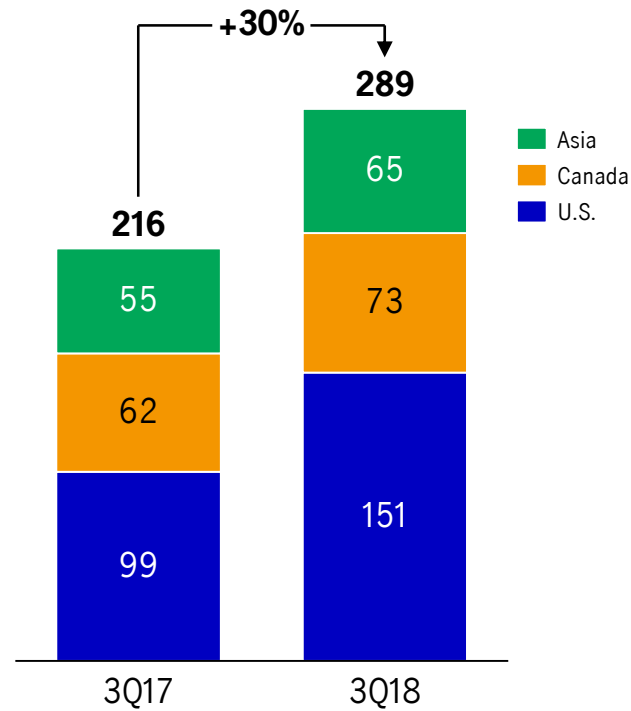
**New business value**  
(US\$ millions)



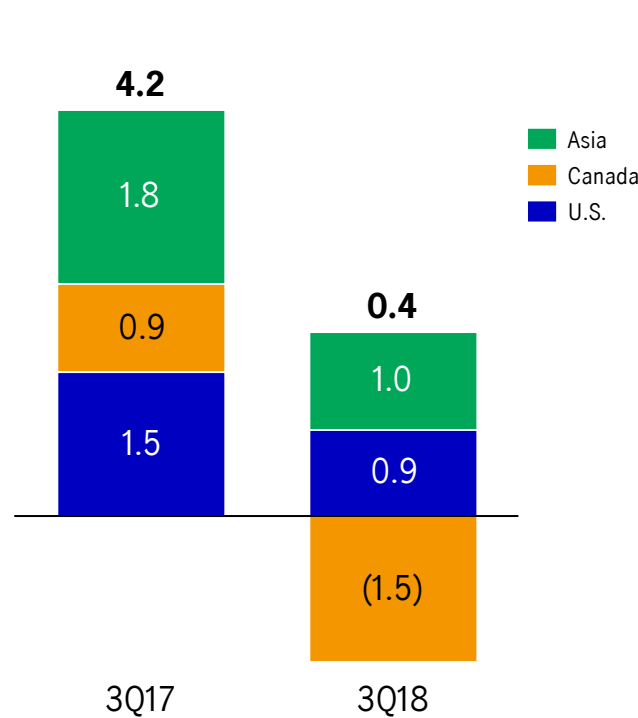
- +32% core earnings growth driven by US\$53 million related to lower U.S. tax rates, favourable policyholder experience and the impact of higher sales volume and product mix changes, partially offset by other experience related items
- Higher APE sales driven by enhancements to indexed universal life product features, a large case international sale and another record quarter of sales of products with the Vitality feature

# Global WAM: Solid growth in core earnings and continued positive net flows

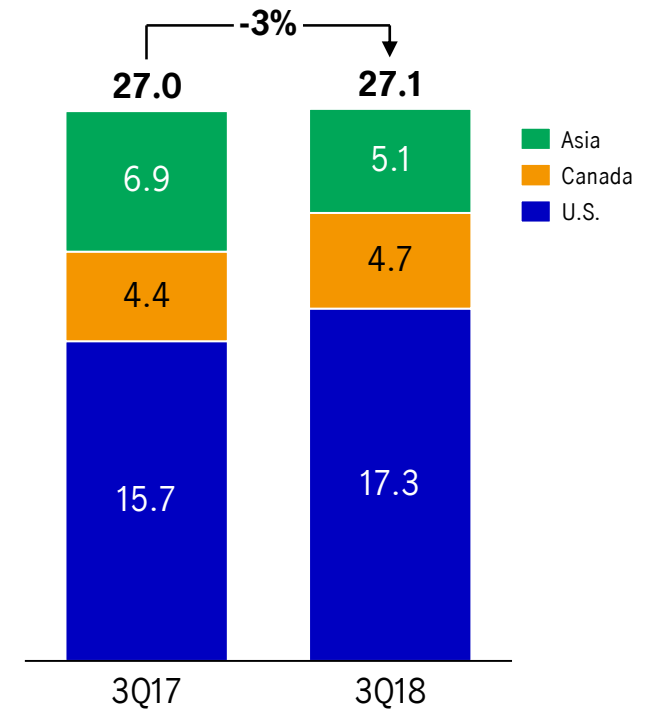
**WAM core earnings**  
(C\$ millions)



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



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



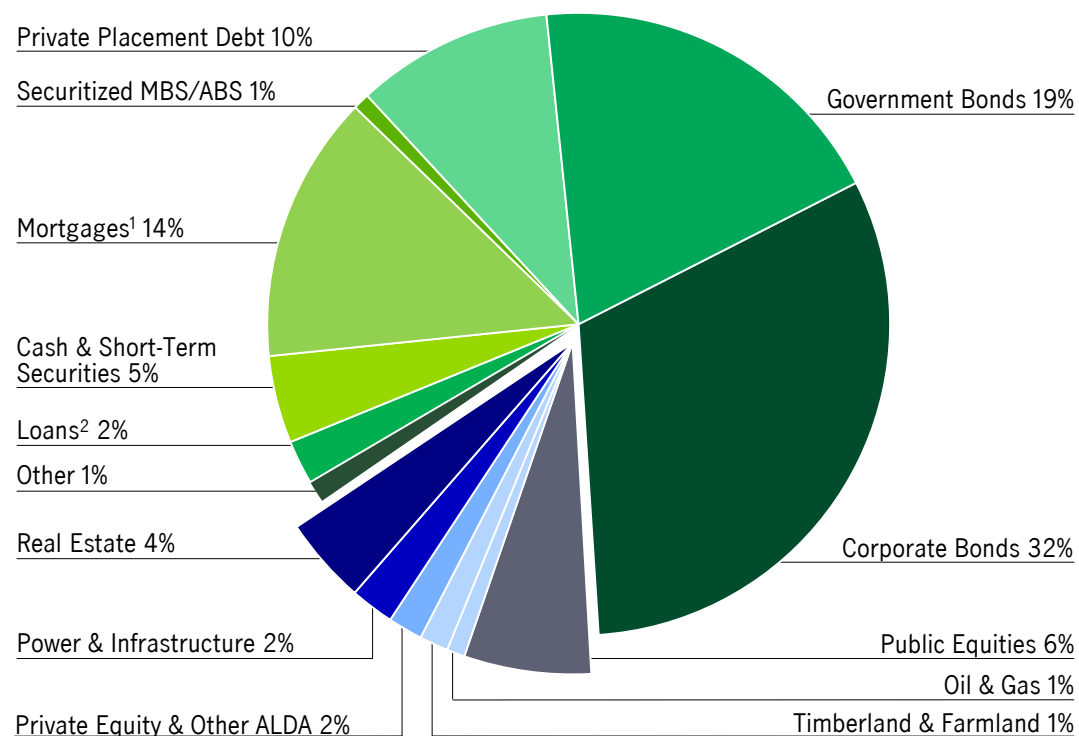
- +30% increase in core earnings driven by higher average asset levels and lower U.S. tax rates
- Another quarter of positive net flows driven by the U.S. and Asia.

# Diversified high quality asset mix avoids risk concentrations

## Total invested assets

(C\$345 billion, carrying values as of September 30, 2018)

■ Fixed Income & Other
 ■ Alternative Long-Duration Assets (ALDA)
 ■ Public Equities



## Fixed income & other<sup>3</sup>

- Over 83% of the total portfolio
- 98% of debt securities and private placement debt are investment grade
- Energy holdings represent 8% of total debt securities and private placements, of which 96% 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
- Oil & Gas ALDA holdings represent less than 1% of our total invested asset portfolio

## Public Equities

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

<sup>1</sup> Includes government insured mortgages (\$7.3B or 15% of total mortgages).

<sup>2</sup> Includes Policy Loans and Loans to Bank Clients.

<sup>3</sup> Includes debt securities (government bonds, corporate bonds and securitized MBS/ABS), private placement debt, mortgages, cash & short-term securities, policy loans, loans to bank clients, and other.

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

Potential impact <sup>1</sup> of an immediate parallel change in “all rates”: (C\$ millions)	2Q18		3Q18	
	-50 bps	+50 bps	-50 bps	+50 bps
Excluding change in market value of AFS bonds held in surplus	\$ (200)	\$ 100	\$ (100)	\$ 100
From fair value changes in AFS bonds held in surplus, if realized <sup>2</sup>	\$ 1,400	\$ (1,200)	\$ 1,400	\$ (1,300)

Potential impact <sup>1</sup> of a parallel change in corporate bond spreads: (C\$ millions)	2Q18		3Q18	
	-50 bps	+50 bps	-50 bps	+50 bps
Corporate spreads	\$ (800)	\$ 700	\$ (600)	\$ 600

Potential impact <sup>1</sup> of a parallel change in swap spreads: (C\$ millions)	2Q18		3Q18	
	-20 bps	+20 bps	-20 bps	+20 bps
Swap spreads	\$ 300	\$ (300)	\$ 200	\$ (200)

<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 3Q18 Report to Shareholders.

<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.

# Equity exposure remains well within our risk appetite limits

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

(C\$ millions)	2Q18	3Q18
S&P	(280)	(280)
TSX	(100)	(100)
TOPIX	(20)	(20)
EAFE (Europe, Australasia & Asia ex. Japan) <sup>3</sup>	(110)	(120)
Net income impact assuming full hedge offset	<b>(510)</b>	<b>(520)</b>
Assumed partial dynamic hedge offset	(200)	(90)
<b>Net income impact assuming partial dynamic hedge offset</b>	<b>(710)</b>	<b>(610)</b>

<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 3Q18 Report to Shareholders. <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> EAFE ex. Japan exposure is mainly to Hong Kong and Singapore markets.

## 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, including its financial objectives of: annual diluted core earnings per common share (“core EPS”) growth of 10% to 12% on average over the medium term, core return on common shareholders’ equity (“core ROE”) of 13% or more, a leverage ratio of 25% and a common share dividend payout ratio of 30% to 40% of core earnings.

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 earnings before income taxes, depreciation and amortization (“core EBITDA”); core EBITDA margin; core investment gains; constant exchange rate basis (measures that are reported on a constant exchange rate basis include percentage growth/declines in core earnings, sales, APE sales, gross flows, premiums and deposits, core EBITDA, new business value, new business value margin, assets under management and assets under management and administration); capital; embedded value; new business value; new business value margin, sales; APE sales; gross flows; net flows; capital and 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 3Q18 Management’s Discussion and Analysis.



# Thank you

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