

# Third Quarter *2021*

Financial & Operating Results

November 4, 2021



# Caution regarding *forward-looking* statements

From time to time, Manulife makes written and/or oral forward-looking statements, including in this presentation. In addition, our representatives may make forward-looking statements orally to analysts, investors, the media and others. All such statements are made pursuant to the “safe harbour” provisions of Canadian provincial securities laws and the U.S. Private Securities Litigation Reform Act of 1995.

The forward-looking statements in this presentation include, but are not limited to, statements with respect to the next phase of the Company’s strategy, including our 2022 targets for our highest potential businesses, net promoter score, expense efficiency and employee engagement, and 2025 supplemental goals related to our highest potential businesses, net promoter score, straight-through-processing, portfolio optimization, our long-term care and variable annuities businesses, and our medium-term targets for core EPS growth, core ROE, leverage ratio and common share dividend payout ratio, 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 “may”, “will”, “could”, “should”, “would”, “likely”, “outlook”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “plan”, “objective”, “seek”, “aim”, “continue”, and “goal”, (or the negative thereof) and words and expressions of similar import, and include statements concerning possible or assumed future results. Although we believe that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements and they should not be interpreted as confirming market or analysts’ expectations in any way.

Certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such statements. Important factors that could cause actual results to differ materially from expectations include but are not limited to: general business and economic conditions (including but not limited to the performance, volatility and correlation of equity markets, interest rates, credit and swap spreads, currency rates, investment losses and defaults, market liquidity and creditworthiness of guarantors, reinsurers and counterparties); the severity, duration and spread of the COVID-19 outbreak, as well as actions that may be taken by governmental authorities to contain COVID-19 or to treat its impact; changes in laws and regulations; changes in accounting standards applicable in any of the territories in which we operate; changes in regulatory capital requirements applicable in any of the territories in which we operate; our ability to execute strategic plans and changes to strategic plans; downgrades in our financial strength or credit ratings; our ability to maintain our reputation; impairments of goodwill or intangible assets or the establishment of provisions against future tax assets; the accuracy of estimates relating to morbidity, mortality and policyholder behaviour; the accuracy of other estimates used in applying accounting policies, actuarial methods and embedded value methods; our ability to implement effective hedging strategies and unforeseen consequences arising from such strategies; our ability to source appropriate assets to back our long-dated liabilities; level of competition and

consolidation; our ability to market and distribute products through current and future distribution channels; unforeseen liabilities or asset impairments arising from acquisitions and dispositions of businesses; the realization of losses arising from the sale of investments classified as available-for-sale; our liquidity, including the availability of financing to satisfy existing financial liabilities on expected maturity dates when required; obligations to pledge additional collateral; the availability of letters of credit to provide capital management flexibility; accuracy of information received from counterparties and the ability of counterparties to meet their obligations; the availability, affordability and adequacy of reinsurance; legal and regulatory proceedings, including tax audits, tax litigation or similar proceedings; our ability to adapt products and services to the changing market; our ability to attract and retain key executives, employees and agents; the appropriate use and interpretation of complex models or deficiencies in models used; political, legal, operational and other risks associated with our non-North American operations; acquisitions or divestitures, and our ability to complete transactions; environmental concerns; our ability to protect our intellectual property and exposure to claims of infringement; and our inability to withdraw cash from subsidiaries.

Additional information about material risk factors that could cause actual results to differ materially from expectations and about material factors or assumptions applied in making forward-looking statements may be found in our 3Q21 Management’s Discussion and Analysis under “Risk Management and Risk Factors Update” and “Critical Actuarial and Accounting Policies”, under “Risk Factors and Risk Management” and “Critical Actuarial and Accounting Policies” in our 2020 Management’s Discussion and Analysis and in the “Risk Management” note to the Consolidated Financial Statements for the year ended December 31, 2020 as well as elsewhere in our filings with Canadian and U.S. securities regulators. The forward-looking statements in this presentation are, unless otherwise indicated, stated as of the date hereof and are presented for the purpose of assisting investors and others in understanding our financial position and results of operations, our future operations, as well as our objectives and strategic priorities, and may not be appropriate for other purposes. We do not undertake to update any forward-looking statements, except as required by law.

# Conference call participants

**Roy Gori**

President & Chief Executive Officer

**Mike Doughty**

President & CEO, Manulife Canada

**Steve Finch**

Chief Actuary

**Marianne Harrison**

President & CEO, John Hancock

**Scott Hartz**

Chief Investment Officer

**Rahim Hirji**

Chief Risk Officer

**Naveed Irshad**

Global Head of Inforce Management

**Paul Lorentz**

President & CEO, Manulife Investment Management

**Anil Wadhwani**

President & CEO, Manulife Asia

**Phil Witherington**

Chief Financial Officer

# Agenda

## **Overview and strategic update**

Roy Gori, President & Chief Executive Officer

## **Financial and operating results**

Phil Witherington, Chief Financial Officer

## **Question & Answer session**



# Overview and strategic *update*

**Roy Gori**

*President & Chief Executive Officer*



## 3Q21 *financial highlights*

### Net income

**\$1.6B**

**-20%**

### Core earnings

**\$1.5B**

**+10%**

### New Business Value (NBV)

**\$539M**

**+22%**

### Asia NBV margin

**46.0%**

**+7.3 pps**

### Global WAM net flows

**\$9.8B**

**+\$12.0B**

### Financial leverage ratio

**25.5%**

**-1.2 pps**

Note: Comparison to 3Q20. Percentage changes in net income attributed to shareholders, core earnings and new business value are stated on a constant exchange rate basis. Core earnings, new business value, NBV margin, net flows, and constant exchange rate basis are non-GAAP measures. See "Performance and non-GAAP measures" below.

# 3Q21 *strategic update*

## Accelerate Growth



2022 Target

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

63%

- Highest potential businesses contributed 63% of core earnings in 3Q21 YTD vs. 61%<sup>1</sup> last year<sup>2</sup>
- Core earnings growth in our highest potential businesses outpaced other businesses<sup>3</sup> by 21 percentage points 3Q21 YTD

## Digital, Customer Leader



2022 Target

**NPS of +31**

- Launched Singapore's first in market flexible digital retirement plan with DBS Bank in Asia
- In Global WAM, Manulife iFunds, saw a 51%<sup>4</sup> increase in sales

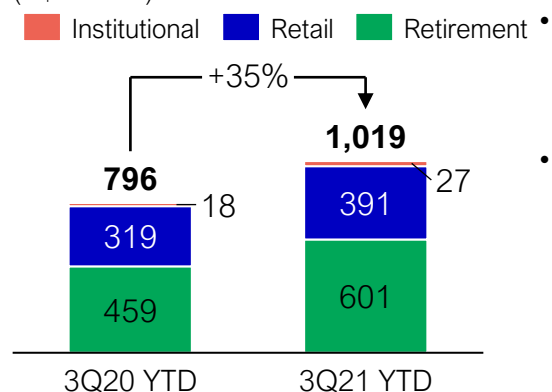
Note: See "Caution regarding forward-looking statements" above. Please refer to "Strategic priorities" in our 3Q21 Management's Discussion and Analysis.

<sup>1</sup> Percentage has been normalized to reflect \$300 million of core investment gains. <sup>2</sup> 3Q20 YTD. <sup>3</sup> Other businesses excludes Corporate & Other. <sup>4</sup> 3Q21 YTD vs. 3Q20 YTD.

# Global WAM has delivered *very strong* results year-to-date, with core earnings growth *well above* 15%<sup>1</sup>

## Core earnings

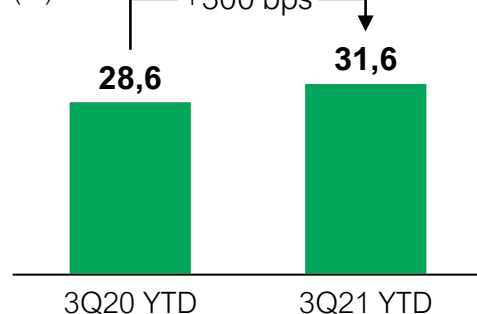
(C\$ millions)



- 3Q21 YTD core earnings growth has exceeded our medium-term goal by **20 percentage points**
- Revenue growth of **19%** has been supported by strong AUMA growth and a resilient net fee income yield

## Core EBITDA margin

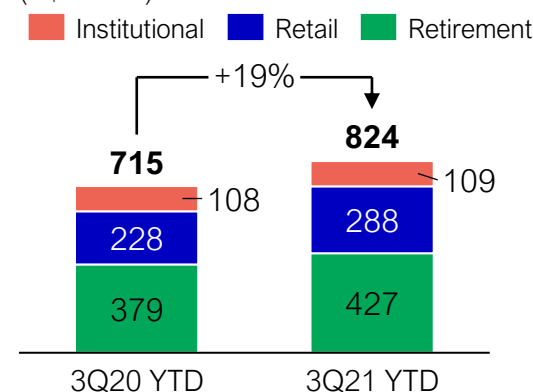
(%)



- Exceeded Core EBITDA margin of 30% for the **fifth consecutive quarter**
- Continue to generate positive operating leverage, demonstrating positive JAWS

## Global WAM AUMA

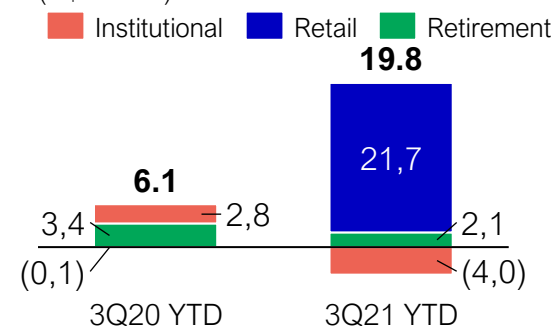
(C\$ billions)



- Strong AUMA growth driven by strong net inflows & solid investment performance
- Favourable business mix has been a tailwind for core earnings and net fee income yield, with Retail AUMA growing **30%** year-over-year
- Retirement AUMA generating robust YTD growth, increasing **17%** year-over-year

## Net flows

(C\$ billions)



- Strong Retail performance, drove a gain in market share in the U.S. (+7 spots to **#20**)<sup>2</sup>, and maintained our rank in Canada (**#7**)<sup>3</sup>
- Diversified sales mix in Retail, across geographies, asset classes, and products<sup>4</sup>
- Retirement: **#1** MPF provider in Hong Kong<sup>5</sup> and **#2** in Canada<sup>6</sup> DC, the U.S.<sup>7</sup> small-case market, and Indonesia<sup>8</sup> DPLK

Note: Percentage changes are stated on a constant exchange rate basis. Core earnings, Core EBITDA margin, AUMA, net flows, and constant exchange rate basis are non-GAAP measures. See "Performance and non-GAAP measures" below. <sup>1</sup> At our 2021 Investor Day we highlighted our plan to grow Global WAM core earnings at 15% over the medium-term. <sup>2</sup> Market ranking based on year-to-date gross flows, as of August 2021 and based on an independent market survey. <sup>3</sup> Market ranking based on IFIC quarter-to-date gross flows, as of August 2021. <sup>4</sup> Including mutual funds, ETFs and Separately Managed Accounts. <sup>5</sup> Based on Mandatory Provident Fund scheme sponsor net new cash flows. Rankings as per the MPF Ratings Fund Flow and Market Share 3Q21 Report. <sup>6</sup> Based on 2Q21 LIMRA plan sales data. <sup>7</sup> U.S. retirement small case pertains to <\$10 million and mid-case pertains to \$10 million – \$100 million. Based on rolling 12 month as of 2Q21. <sup>8</sup> Based on 4Q20 AUM from the DPLK association.



# 3Q21 *strategic update*

## Expense Efficiency



2022+ Target

**<50% expense  
efficiency ratio<sup>1</sup>**

**48.9%**

- Expense efficiency ratio of 48.9% in 3Q21 YTD<sup>2</sup>, as core earnings growth outpaced core expenses<sup>3</sup>

## Portfolio Optimization



2025 Supplemental Goal

**Core earnings contribution  
from LTC & VA <15%**

- Delivered a total of \$6.3 billion of cumulative capital benefits since 2018

## High Performing Team



2022+ Target

**Top quartile employee  
engagement**

- Introduced Fuel Up Fridays
- Manulife again named a World's Best Employer by Forbes

Note: See "Caution regarding forward-looking statements" above. Please refer to "Strategic priorities" in our 3Q21 Management's Discussion and Analysis.

<sup>1</sup> Expense efficiency ratio is a non-GAAP measure. See "Performance and non-GAAP measures" below. <sup>2</sup> Compared with: 52.9% in 3Q20 YTD. <sup>3</sup> Core general expenses are general expenses included in core earnings ("core expenses")

# Key messages

- Our **businesses performed well**, benefiting from **diversification, scale, digitalization, and profitable products**, as evidenced by strong momentum in Global WAM and impressive resilience in Asia
- Our Global WAM business continues to **deliver tremendous results** and strong contributions to our growth agenda
- Named a **World's Best Employer by Forbes** exemplifying our focus on enhancing employee experience
- Remain **confident** in our ability to execute on the **next phase of our strategy** as we are **uniquely positioned to win**



# Financial and operating *results*

**Phil Witherington**  
*Chief Financial Officer*

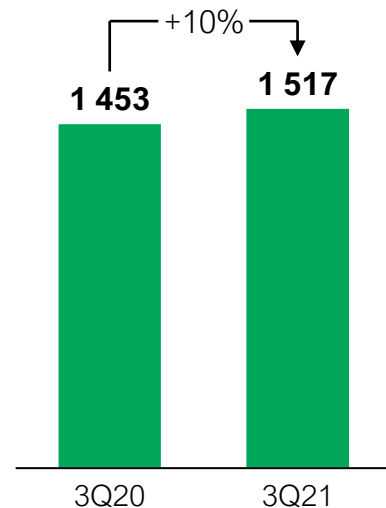
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# Delivered *solid* core earnings of \$1.5 billion, up 10% from 3Q20

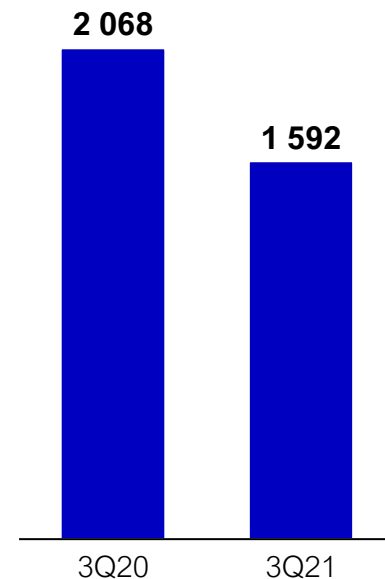
## Core earnings

(C\$ millions)



## Net income attributed to shareholders

(C\$ millions)



## Earnings reconciliation for the third quarter of 2021

(C\$ millions, except per share amounts)

|  | Post-Tax       | Per Share     |
|--|----------------|---------------|
| Core earnings before core investment gains   | \$1,417        | \$0.71        |
| Core investment gains                        | 100            | 0.05          |
| <b>Core earnings</b>                         | <b>\$1,517</b> | <b>\$0.76</b> |
| Investment-related experience                | 700            | 0.36          |
| Direct impact of equity markets              | (15)           | (0.01)        |
| Direct impact of interest rates – URR        | (532)          | (0.27)        |
| Direct impact of interest rates – Other      | (50)           | (0.03)        |
| Change in actuarial methods and assumptions  | (41)           | (0.02)        |
| Reinsurance transactions                     | 13             | 0.01          |
| <b>Net income attributed to shareholders</b> | <b>\$1,592</b> | <b>\$0.80</b> |



# Core earnings *growth* driven by core investment gains, higher average AUMA in Global WAM, and new business gains

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

(C\$ millions)

|   | Core earnings |              |                     | Net income   |              |                     |
|---|---------------|--------------|---------------------|--------------|--------------|---------------------|
|   | 3Q20          | 3Q21         | Change <sup>2</sup> | 3Q20         | 3Q21         | Change <sup>2</sup> |
| Expected profit from in-force business                      | 1,120         | 1,125        | 5%                  | 1,120        | 1,125        | 5%                  |
| Impact of new business                                      | 269           | 293          | 14%                 | 269          | 293          | 14%                 |
| Core investment gains                                       | –             | 126          | –                   | –            | 126          | –                   |
| Experience gains (losses) (excluding core investment gains) | (68)          | (198)        | -197%               | 504          | (145)        | –                   |
| Management actions and changes in assumptions               | (3)           | (2)          | 49%                 | 171          | (147)        | –                   |
| Earnings on surplus funds                                   | 126           | 134          | 15%                 | 47           | 164          | 347%                |
| Other   | 37            | 1            | -97%                | 43           | 15           | -64%                |
| Insurance   | 1,481         | 1,479        | 5%                  | 2,154        | 1,431        | -31%                |
| Global Wealth and Asset Management                          | 345           | 417          | 25%                 | 345          | 417          | 25%                 |
| Manulife Bank   | 52            | 60           | 15%                 | 52           | 60           | 15%                 |
| Unallocated overhead  | (118)         | (145)        | -23%                | (118)        | (145)        | -23%                |
| Income before income taxes                                  | 1,760         | 1,811        | 8%                  | 2,433        | 1,763        | -25%                |
| Income tax (expense) recovery                               | (307)         | (294)        | 1%                  | (365)        | (171)        | 52%                 |
| <b>Earnings available to shareholders</b>                   | <b>1,453</b>  | <b>1,517</b> | <b>10%</b>          | <b>2,068</b> | <b>1,592</b> | <b>-20%</b>         |

**New business gains** increased due to higher sales volumes and favourable product mix in the U.S., and higher volumes in Hong Kong and Singapore

**Core investment gains** reflect strong investment-related experience

**Experience losses** driven by P&C Reinsurance charge; Unfavorable policyholder experience driven by the U.S. and Asia, partially offset by Canada

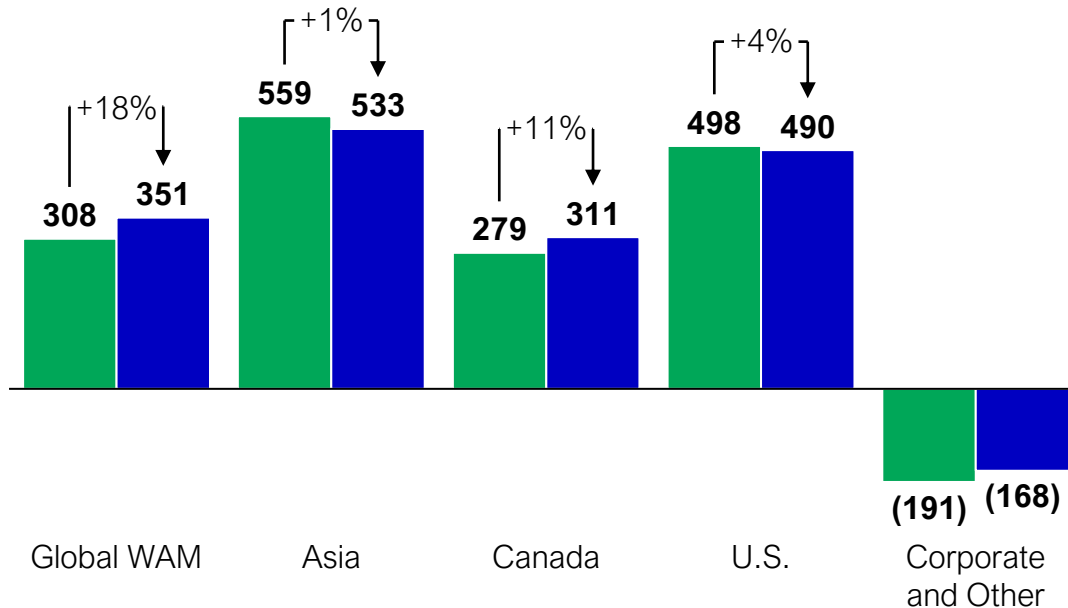
**Global WAM** core earnings growth driven by higher net fee income

<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. The expected profit from in-force business denominated in foreign currencies is translated at the current quarter's statement of income rate. <sup>2</sup> Percentage changes are stated on a constant exchange rate basis, a non-GAAP measures. See "Performance and non-GAAP measures" below.

# Double-digit core earnings growth in GWAM and Canada, and resilient core earnings in Asia

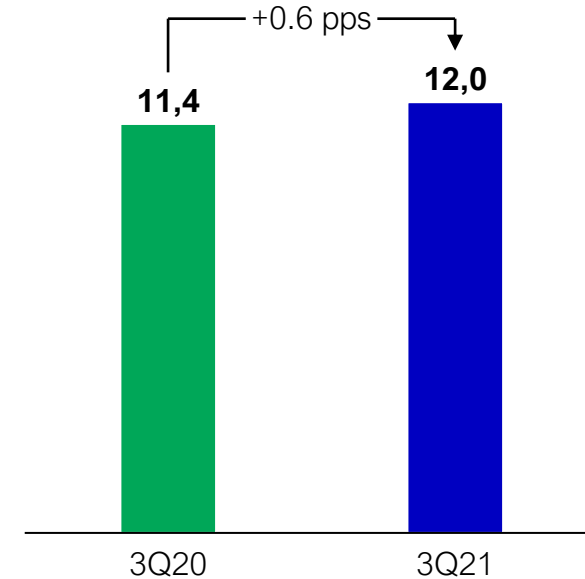
## Core earnings

(C\$ millions) 3Q20 3Q21



## Core ROE

(%)





# Strong NBV growth with contributions across all geographies, and solid APE Sales

## APE sales

(C\$ millions)

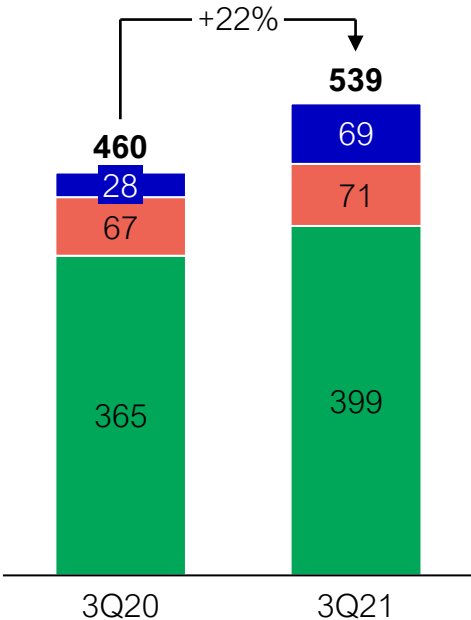
U.S. Canada Asia



## New business value

(C\$ millions)

U.S. Canada Asia



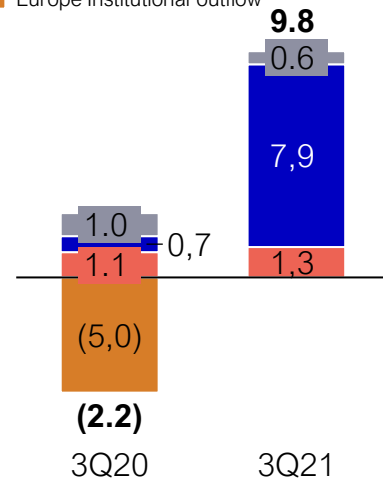
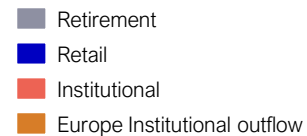
- Higher APE sales primarily driven by higher sales volumes in the U.S., while Asia APE sales remained resilient amid continued COVID-19 impacts
- Double-digital growth in NBV primarily driven by notably higher International sales in the U.S. and higher sales volumes in Hong Kong and Asia Other

Note: New business value and APE sales exclude Global Wealth and Asset Management, Manulife Bank and P&C Reinsurance businesses. Percentage changes are stated on a constant exchange rate basis. New business value, APE sales, and constant exchange rate basis are non-GAAP measures. See "Performance and non-GAAP measures" below.

# Delivered *strong* Global WAM net inflows, *higher* average AUMA, and *robust* core EBITDA margin growth

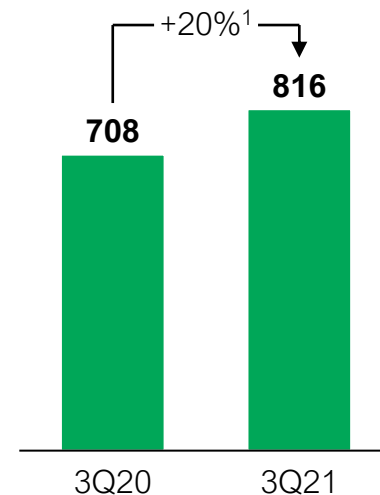
## Net flows by business line

(C\$ billions)



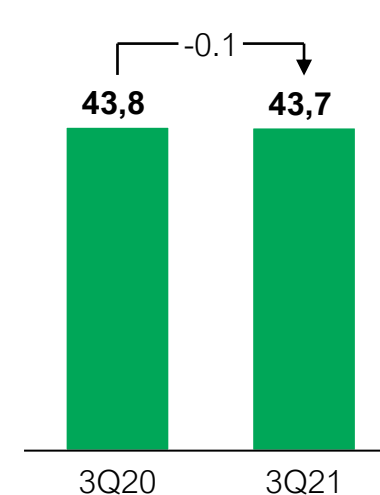
## Average AUMA

(C\$ billions)



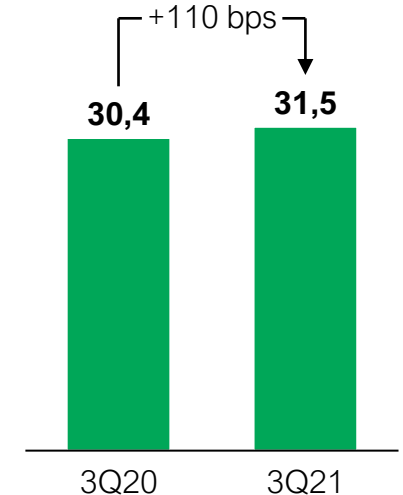
## Net fee income yield

(bps)



## Core EBITDA margin

(%)



- Higher 3Q21 net inflows reflecting double-digit growth in Retail across all geographies amid increased investor demand and lower mutual fund redemption rates, as well as the non-recurrence of a Europe based Institutional redemption of \$5 billion in 3Q20
- Higher average AUMA driven by the favourable impact of markets, solid investment performance, and strong net inflows
- Higher core EBITDA margin reflects higher net fee income, operational benefits from increased scale, and disciplined expense management

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

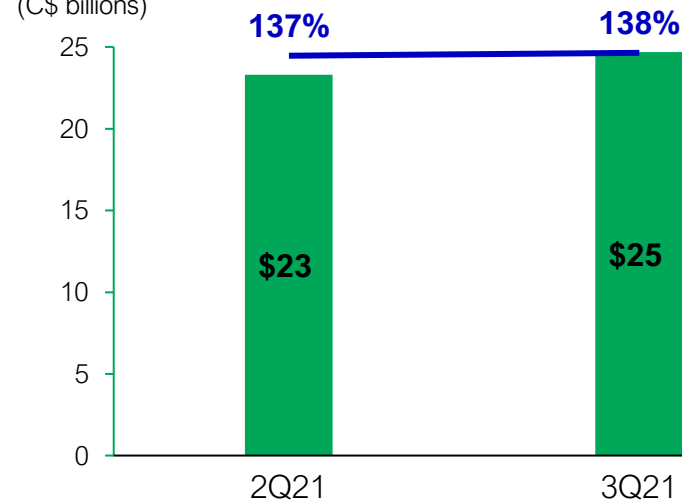
<sup>1</sup> Percentage changes are stated on a constant exchange rate basis. Net flows, average AUMA, net fee income yield, core EBITDA margin, and constant exchange rate basis are non-GAAP measures. See "Performance and non-GAAP measures" below.

# Maintaining financial flexibility with *strong capital position and reduced leverage*

## Capital metrics

### Capital over supervisory target

(C\$ billions)

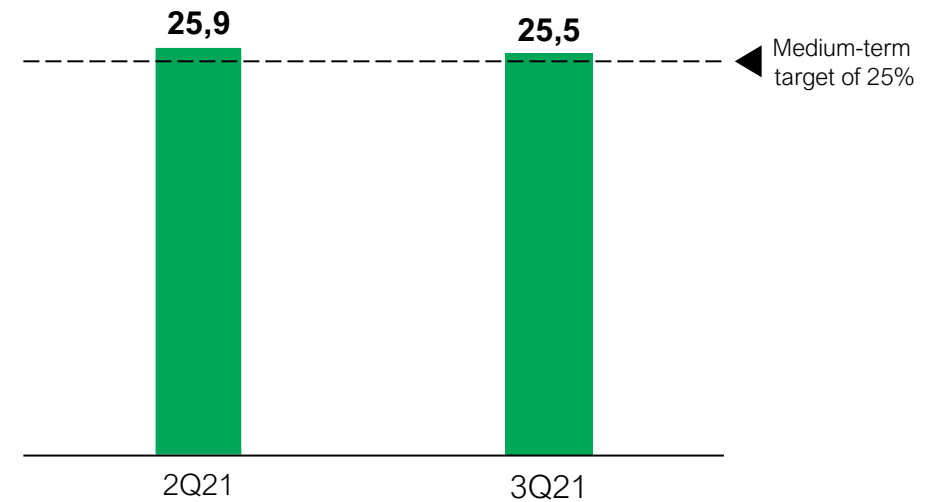


### LICAT Ratio<sup>1</sup>

(%)

## Financial leverage ratio

(%)





# 3Q21 *financial summary*

|                      | (C\$ millions, unless noted)           | 3Q20    | 3Q21    | Change <sup>2</sup> |
|----------------------|--|---------|---------|---------------------|
| <b>Profitability</b> | Net income attributed to shareholders  | \$2,068 | \$1,592 | ▼ 20%               |
|                      | Core earnings                          | \$1,453 | \$1,517 | ▲ 10%               |
|                      | Core return on equity (annualized)     | 11.4%   | 12.0%   | ▲ 0.6 pps           |
|                      | Expense efficiency ratio               | 51.2%   | 51.3%   | ▲ 0.1 pps           |
| <b>Growth</b>        | APE sales (C\$ billions)               | \$1.4   | \$1.4   | ▲ 5%                |
|                      | New business value                     | \$460   | \$539   | ▲ 22%               |
|                      | Global WAM net flows (C\$ billions)    | \$(2.2) | \$9.8   | ▲ \$12.0            |
|                      | Global WAM core EBITDA margin          | 30.4%   | 31.5%   | ▲ 110 bps           |
|                      | Global WAM average AUMA (C\$ billions) | \$708   | \$816   | ▲ 20%               |
| <b>Balance sheet</b> | MLI's LICAT total ratio <sup>1</sup>   | 155%    | 138%    | ▼ 17 pps            |
|                      | Financial leverage ratio               | 26.7%   | 25.5%   | ▼ 1.2 pps           |
|                      | Dividend per common share              | 28.0¢   | 28.0¢   | In line             |

<sup>1</sup> Life Insurance Capital Adequacy Test Ratio of The Manufacturers Life Insurance Company (MLI). <sup>2</sup> Percentage changes in net income, core earnings, APE sales, new business value, and AUMA, are stated on a constant exchange rate basis. Core earnings, core ROE, expense efficiency ratio, APE sales, new business value, net flows, core EBITDA margin, average AUMA, and constant exchange rate basis are non-GAAP measures. See "Performance and non-GAAP measures" below.

# Financial *targets*

|                                    | 2018  | 2019  | 2020  | 2021 YTD     |
|------------------------------------|-------|-------|-------|--------------|
| <b>Core EPS growth<sup>1</sup></b> | +23%  | +8%   | -7%   | <b>+20%</b>  |
| <b>Core ROE</b>                    | 13.7% | 13.1% | 10.9% | <b>13.2%</b> |
| <b>Leverage ratio</b>              | 28.6% | 25.1% | 26.6% | <b>25.5%</b> |
| <b>Dividend payout<sup>2</sup></b> | 33%   | 34%   | 41%   | <b>35%</b>   |
| <b>Expense efficiency ratio</b>    | 52.0% | 52.0% | 52.9% | <b>48.9%</b> |

## Medium-Term Targets

10% – 12%

13%+

25%

30% - 40%

<50%

Note: See “Caution regarding forward-looking statements” above. Core EPS, core ROE, and expense efficiency ratio are non-GAAP measures. See “Performance and non-GAAP measures” below.

<sup>1</sup> Based on an actual exchange rate basis. On a Constant Exchange Rate (CER) basis, core EPS grew 28% 2021YTD. <sup>2</sup> Dividend payout ratio based on core earnings per share.

# Question & Answer *session*



# Appendix

- Annual review of actuarial methods and assumptions
- Operating segment performance
- Credit experience
- Sensitivities
- Net fee income yield reconciliation

# Overall *impact* to shareholders net income of the annual review of actuarial methods and assumptions was *neutral*

## Impact of 3Q21 changes to actuarial methods and assumptions to net income attributed to shareholders<sup>1</sup>

| (C\$ millions, post-tax)                  |             |
|---|-------------|
| U.S. variable annuity product review      | (40)        |
| Mortality and morbidity updates           | (257)       |
| Lapses and policyholder behaviour updates | (534)       |
| Expense updates                           | 503         |
| Investment-related updates                | 168         |
| Other updates                             | 119         |
| <b>Net impact</b>                         | <b>(41)</b> |

| (C\$ millions, post-tax) |             |
|--------------------------|-------------|
| Asia                     | 343         |
| Canada                   | (65)        |
| U.S.                     | (314)       |
| Corporate and Other      | (5)         |
| <b>Net impact</b>        | <b>(41)</b> |

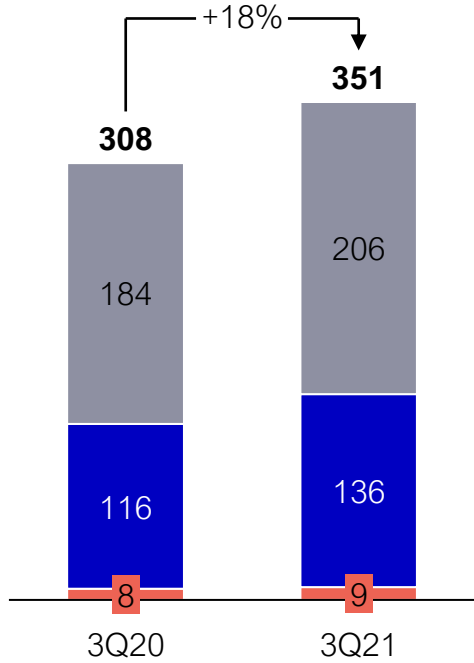
- The annual actuarial review resulted in a net charge to net income attributed to shareholders of \$41 million
- We reviewed expense assumptions derived from our global study, mortality and lapse assumptions for our U.S. Insurance business, as well as a review of investment assumptions including corporate bond default assumptions and ALDA return assumptions
- This year's review also covered a complete review of our U.S variable annuity assumptions

# Global WAM: *Double-digit* growth in core earnings and *positive* net flows across all business lines and geographies

## Core earnings

(C\$ millions)

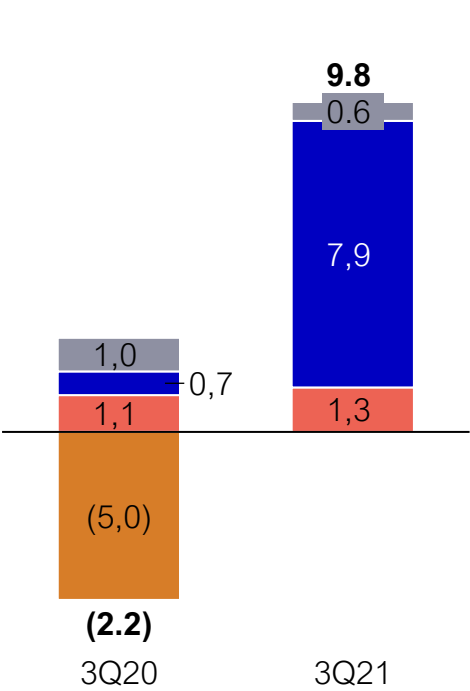
Retirement   Retail   Institutional



## Net flows

(C\$ billions)

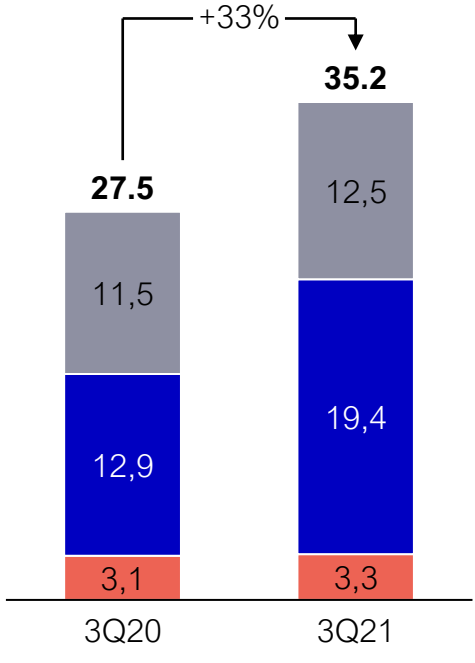
Retirement   Institutional  
Retail   Europe Institutional outflow



## Gross flows

(C\$ billions)

Retirement   Retail   Institutional



- Higher core earnings primarily reflecting growth in net fee income driven by higher average AUMA, from the favourable impact of markets and net inflows, as well as favourable business mix.
- Higher net inflows reflecting double-digit growth in Retail across all geographies amid increased investor demand and the non-recurrence of an Institutional redemption of \$5 billion in 3Q20, partially offset by lower net inflows in Retirement
- Higher gross flows driven by double-digit growth across all geographies in Retail, and growth in Retirement and Institutional

Note: Order of the vertical bars on the chart correspond to the order in the legend. Percentage changes are stated on a constant exchange rate basis. Core earnings, net flows, gross flows, and constant exchange rate basis are non-GAAP measures. See "Performance and non-GAAP measures" below.



# Global WAM: *strong* long-term investment performance

| Public Asset class        |            | 1-Year                       | 3-Year                       | 5-Year   | <div><div></div><div>Over the 5-year period 99% of our strategies delivered strong investment performance</div><div></div><div>Our strategies are performing in line with expectations and our long-term performance track records remain strong</div></div> |
|---------------------------|------------|------------------------------|------------------------------|--|--|
|                           | % of total | % of assets above peer/index |                              |  |  |
|                           |            | <div><div></div>0-49%</div>  | <div><div></div>50-69%</div> | <div><div></div>70-89%</div> <div><div></div>90-100%</div> |  |
| Equity                    | 36%        | 47%                          | 67%                          | 77%  |  |
| Fixed income <sup>1</sup> | 28%        | 85%                          | 91%                          | 84%  |  |
| Asset allocation          | 28%        | 67%                          | 63%                          | 71%  |  |
| Balanced                  | 7%         | 80%                          | 98%                          | 97%  |  |
| Alternatives              | 1%         | 3%                           | 69%                          | 33%  |  |
| Total <sup>2</sup>        | 100%       | 65%                          | 74%                          | 78%  |  |

Note: Past performance cannot guarantee future performance. Investment performance is as of September 30, 2021 and assesses Retail, Institutional, Insurance and Retirement platforms globally compared to peers or their respective index. <sup>1</sup> Fixed Income includes Money Market. <sup>2</sup> Investment performance represents assets under management of \$610 billion. The \$610 billion represents Global WAM managed AUMA excluding third party products, liability-driven invested assets, Private Markets strategies, and passive strategies, as well as certain assets managed on behalf of the Company's other segments and select Retirement assets in Canada.

# Asia: *Robust NBV growth and resilient APE sales,* amid COVID-19 impacts

## Core earnings

(US\$ millions)

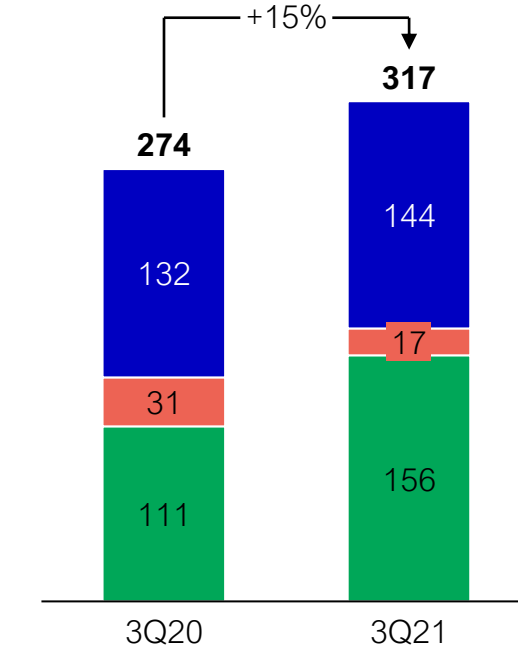
■ Asia Other
 ■ Hong Kong
 ■ Japan
 ■ Regional Office



## New business value

(US\$ millions)

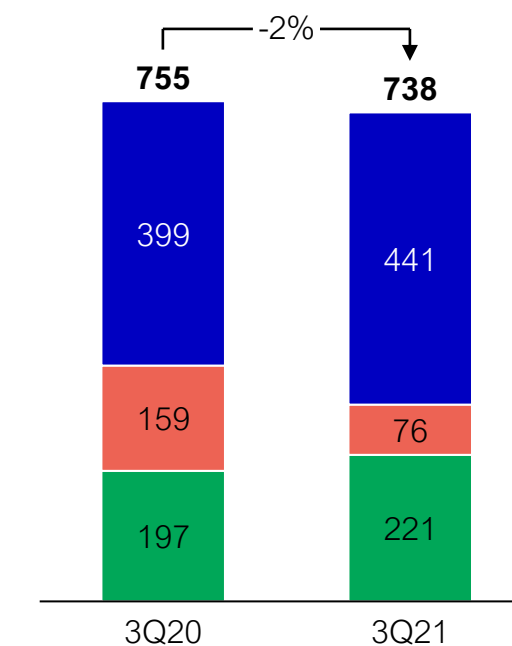
■ Asia Other
 ■ Japan
 ■ Hong Kong



## APE sales

(US\$ millions)

■ Asia Other
 ■ Japan
 ■ Hong Kong



- Higher core earnings driven by in-force business growth and favourable product mix, offset by unfavourable policyholder experience in China and Asia Other, lower new business volumes due to the impact of COVID-19, lower COLI sales in Japan, and lower investment income on allocated capital
- Higher NBV driven by changes in sales volumes noted below, favourable interest rates and product management actions in Hong Kong
- Lower APE sales driven by lower volumes from COLI product in Japan, Critical Illness in China, and agency sales in Asia Other, partially offset by higher volumes in Hong Kong and bancassurance volumes in Asia Other

Note: Order of the vertical bars on the chart correspond to the order in the legend. Percentage changes are stated on a constant exchange rate basis. Core earnings, new business value, APE sales, and constant exchange rate basis are non-GAAP measures. See "Performance and non-GAAP measures" below.

# Canada: *Double-digit* growth in core earnings and *solid* APE sales and NBV growth

## Core earnings

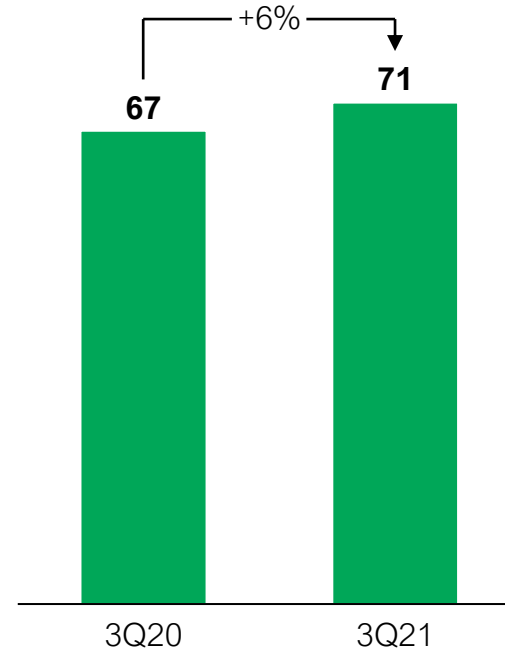
(C\$ millions)

Manulife Bank Annuities Insurance



## New business value

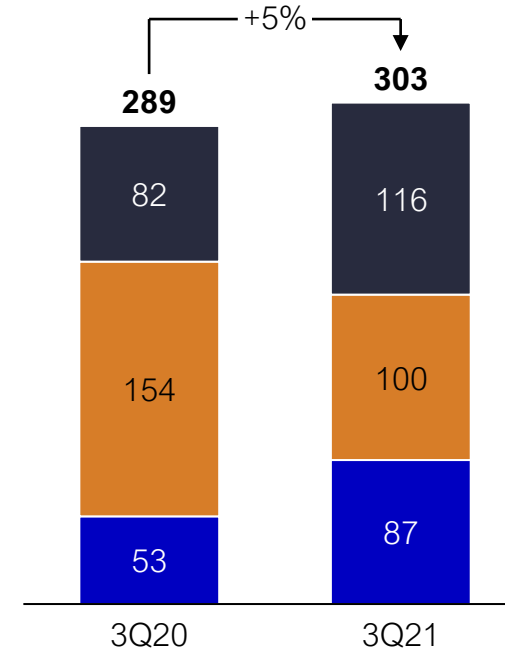
(C\$ millions)



## APE sales

(C\$ millions)

Individual Insurance Annuities Group Insurance



- Higher core earnings reflecting favourable policyholder experience in Individual insurance, higher in-force earnings from Retail, and the non-recurrence of smaller experience-related items in 3Q20, partially offset by lower investment income on allocated capital
- Higher NBV due to the impact of higher margins in annuities and volumes in Individual insurance, partially offset by lower volumes in Group insurance
- Higher APE sales driven by higher Individual Insurance sales and increased consumer demand for our lower risk segregated fund products, partially offset by the variability in the large-case group insurance market



# U.S.: *Strong* APE sales and NBV growth driven by higher customer demand

## Core earnings

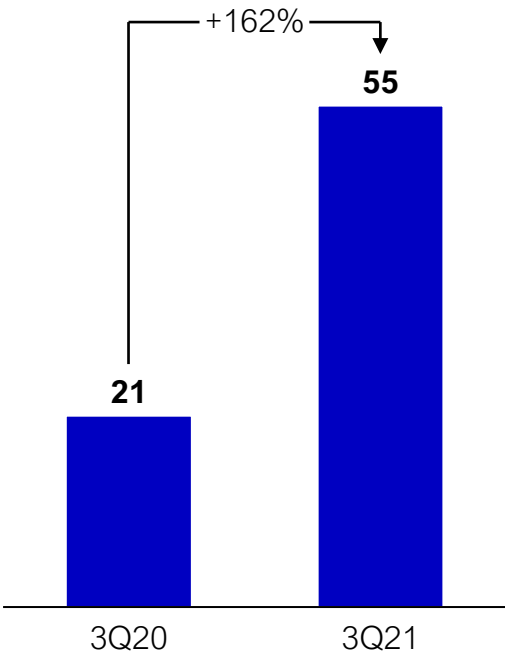
(US\$ millions)

■ U.S. Annuities ■ U.S. Insurance



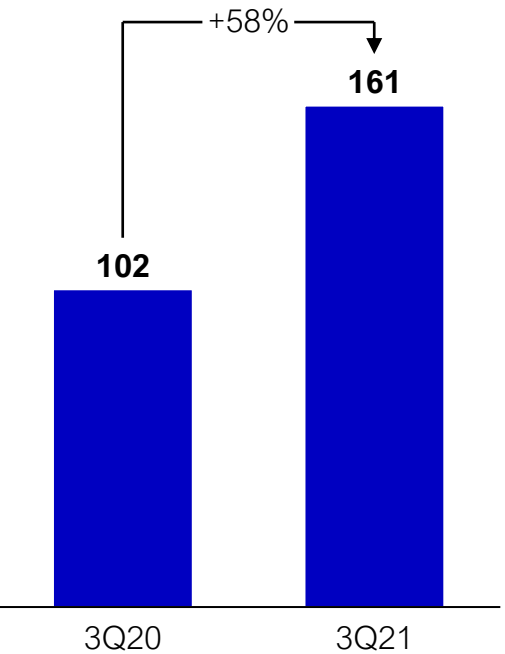
## New business value

(US\$ millions)



## APE sales

(US\$ millions)

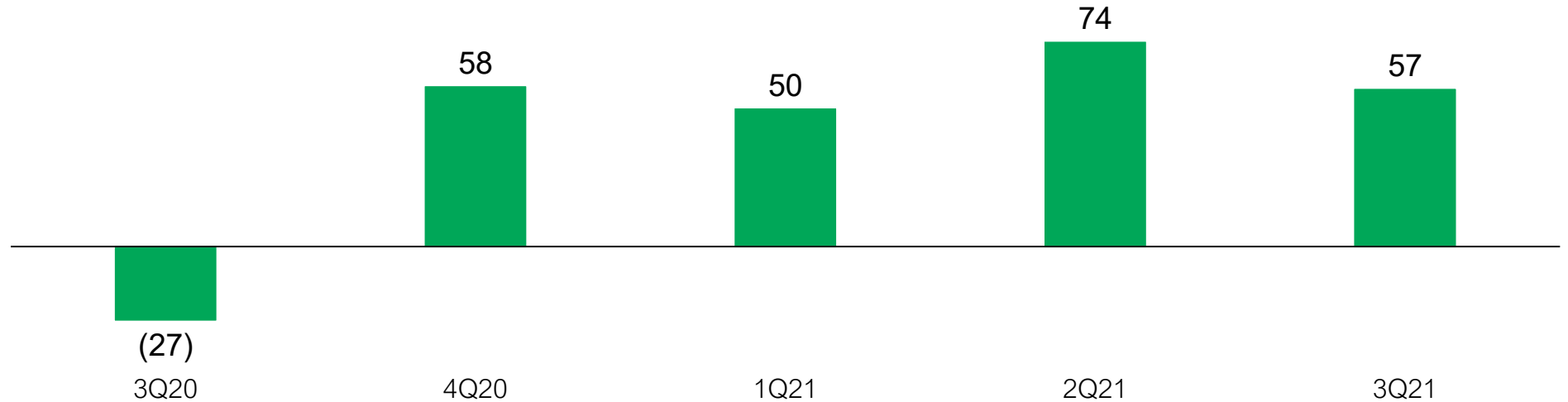


- Higher core earnings driven by higher new business gains and tax benefits, partially offset by lower investment income on allocated capital and less favourable LTC policyholder experience
- Higher NBV primarily driven by higher sales volumes and favourable product mix, notably due to higher International sales
- Higher APE sales driven by higher customer demand for International, Domestic Indexed Universal Life, and Variable Universal Life product offerings

# Credit experience

## Net credit experience

(C\$ millions, post-tax)



## Credit experience

(C\$ millions)

|                                 | 3Q20 | 4Q20 | 1Q21 | 2Q21 | 3Q21 |
|---------------------------------|------|------|------|------|------|
| Change in ratings               | (18) | 1    | (23) | (4)  | (2)  |
| Impairments, net of recoveries  | (68) | (4)  | 12   | 25   | 3    |
| Release of best estimate credit | 59   | 61   | 61   | 53   | 56   |
| Net Credit Experience           | (27) | 58   | 50   | 74   | 57   |

# Interest rate related sensitivities remain within our risk appetite limits

|  | 2Q21          |               | 3Q21          |               |
|--|---------------|---------------|---------------|---------------|
| <b>Potential impact<sup>1</sup> on net income of an immediate parallel change in “all rates”:</b><br>(C\$ millions)  | <b>-50bps</b> | <b>+50bps</b> | <b>-50bps</b> | <b>+50bps</b> |
| Excluding change in market value of AFS fixed income assets held in the Corporate and Other segment                  | (100)         | nil           | nil           | (100)         |
| From fair value changes in AFS fixed income assets held in the Corporate and Other segment, if realized <sup>2</sup> | 1,900         | (1,700)       | 1,900         | (1,700)       |
| MLI’s LICAT total ratio (change in percentage points) <sup>3</sup>   | 5             | (4)           | 4             | (4)           |
| <b>Potential impact<sup>1</sup> on net income of a parallel change in corporate spreads:</b><br>(C\$ millions)       |               |               |               |               |
| Corporate spreads  | (600)         | 500           | (500)         | 500           |
| MLI’s LICAT total ratio (change in percentage points) <sup>3</sup>   | (4)           | 4             | (3)           | 4             |
| <b>Potential impact<sup>1</sup> on net income of a parallel change in swap spreads:</b><br>(C\$ millions)            |               |               |               |               |
| Swap spreads   | nil           | nil           | nil           | nil           |
| MLI’s LICAT total ratio (change in percentage points)  | nil           | nil           | nil           | nil           |

<sup>1</sup> All estimated sensitivities are approximate and based on a single parameter. No simple formula can accurately estimate ultimate future impact. Please refer to “Caution related to sensitivities” in our 3Q21 Management’s Discussion and Analysis. <sup>2</sup> The amount of gain or loss that can be realized on AFS fixed income assets held in the surplus segment depends on the aggregate amount of unrealized gain or loss. <sup>3</sup> In accordance with OSFI guidelines, lower interest rates and/or corporate bond spreads could trigger a switch to a more adverse prescribed interest stress scenario that would increase LICAT capital. Refer to the “Interest Rate and Spread Risk Sensitivities and Exposure Measures” section in our 3Q21 Management’s Discussion and Analysis.

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

| 3Q21               |               |                                 |              |               |                                 |            |
|--------------------|---------------|---------------------------------|--------------|---------------|---------------------------------|------------|
| (C\$ millions)     | -10%          |                                 |              | +10%          |                                 |            |
|                    | Core earnings | Direct impact of equity markets | Total        | Core earnings | Direct impact of equity markets | Total      |
| S&P                | (30)          | (220)                           | (250)        | 30            | 160                             | 190        |
| TSX                | —             | (150)                           | (150)        | —             | 130                             | 130        |
| HSI <sup>3</sup>   | —             | (30)                            | (30)         | —             | 30                              | 30         |
| Other <sup>3</sup> | (10)          | (100)                           | (110)        | 10            | 70                              | 80         |
| <b>Total</b>       | <b>(40)</b>   | <b>(500)</b>                    | <b>(540)</b> | <b>40</b>     | <b>390</b>                      | <b>430</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 3Q21 Management’s Discussion and Analysis.

<sup>2</sup> The table excludes the impacts from asset-based fees earned on assets under management and policyholder account value. <sup>3</sup> Consists largely of markets in Asia where we operate.



# Net fee income yield reconciliation

| (\$ millions, unaudited)   | 3Q20    | 3Q21    |
|--|---------|---------|
| Income before income taxes   | 2,433   | 1,763   |
| Less: Income before income taxes for segments other than Global WAM    | 2,088   | 1,345   |
| Global WAM income before income taxes                                  | 345     | 418     |
| Items unrelated to net fee income                                      | 546     | 599     |
| Global WAM net fee income  | 891     | 1,017   |
| Less: Net fee income from other segments                               | 111     | 119     |
| Global WAM net fee income excluding net fee income from other segments | 780     | 898     |
| Net annualized fee income <sup>1</sup>                                 | 3,102   | 3,565   |
| Average AUMA <sup>1</sup>  | 707,924 | 815,927 |
| Net annualized fee income yield on average AUMA <sup>1</sup> (bps)     | 43.8    | 43.7    |

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

<sup>1</sup> Net annualized fee income, average AUMA, and net annualized fee income yield on average AUMA are non-GAAP measures. See "Performance and non-GAAP measures" below.

# *Performance and non-GAAP financial measures*

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

A financial measure is considered a non-GAAP measure for Canadian securities law purposes if it is presented other than in accordance with generally accepted accounting principles used for the Company's audited financial statements. Non-GAAP measures include core earnings (loss); core return on common shareholders' equity ("core ROE"); diluted core earnings per common share ("core EPS"); core earnings before income taxes, depreciation and amortization ("core EBITDA"); core EBITDA margin; core investment gains; core general expenses ("core expenses"); constant exchange rate basis (measures that are reported on a constant exchange rate basis include percentage growth/declines in net income attributed to shareholders, core earnings, core expenses, sales, APE sales, gross flows, core EBITDA, new business value ("NBV"), assets under management, and assets under management and administration ("AUMA")); capital; embedded value; NBV; NBV margin; net fee income yield on assets under management and administration; net annualized fee income; sales; APE sales; gross flows; net flows; AUMA; average assets under management and administration ("average AUMA"), and expense efficiency ratio. Non-GAAP financial measures are not defined terms under GAAP and, therefore, are unlikely to be comparable to similar terms used by other issuers. Therefore, they should not be considered in isolation or as a substitute for any other financial information prepared in accordance with GAAP. For more information on non-GAAP financial measures, including those referred to above, see "Performance and non-GAAP Measures" in our 3Q21 Management's Discussion and Analysis.

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**Manulife**