

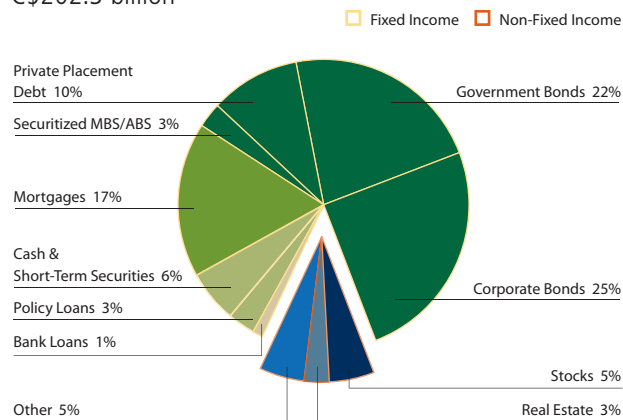


## Our Investment Portfolio: High Quality and Diversified

At Manulife Financial, our investment philosophy is rooted in a bottom-up approach to developing an asset mix that matches the needs of our underlying liabilities. We don't limit our portfolio to fixed income investments, but hold a blend of assets that drive superior returns and risk reduction for our stakeholders. We use this disciplined approach across all our segments, and we will not chase yield in the riskier end of the fixed income market. This philosophy has resulted in a well diversified, high quality investment portfolio.

### Highly Diversified Asset Mix

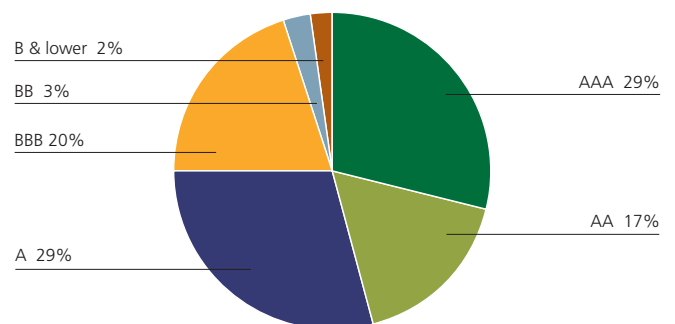
C\$202.3 billion



- 87% of the total portfolio is Fixed Income, of which 96% is Investment Grade
- 13% Non-Fixed Income, well diversified by asset class and geography; stocks and real estate largely unlevered with only modest leverage used in other classes such as infrastructure and private equity

### High Quality Public and Private Bonds

C\$120.6 billion



- 95% of Public and Private Bonds are investment grade
- 75% are rated A or higher

Our invested assets total C\$202.3 billion and include a variety of asset classes that are highly diversified by geography and sector. This diversification has historically produced superior returns while reducing overall risk.

Our fixed income securities portfolio is of high quality with 75% rated A or higher and below investment grade holdings are limited to 5% of the portfolio. Our private placements further benefit from covenants and collateral which provide for better credit protection and potential recoveries on default.

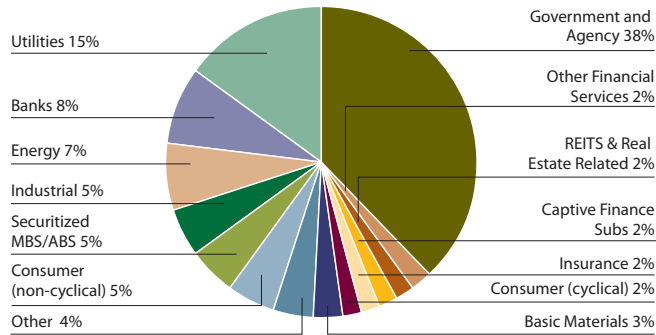
**“Our prudent investment approach has historically allowed us to achieve superior returns while reducing risk through diversification. We have recently invested cash in longer term treasuries enhancing current yields, reducing interest rate sensitivity and further improving the average credit quality of our fixed income portfolios.”**

Warren A. Thomson  
Senior Executive Vice President and Chief Investment Officer

*All figures in accordance with International Financial Reporting Standards “IFRS”. All data based on Carrying Value unless otherwise noted; quoted as at June 30, 2011.*

## Highly Diversified Public and Private Bonds

C\$120.6 billion, representing 60% of Total Invested Assets

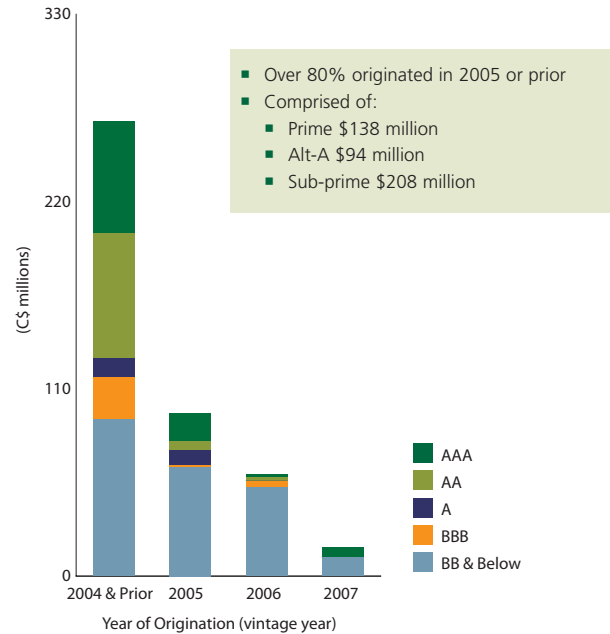


- Diversified across 13 sectors
- 48% of issuers are outside of the U.S.
- No single position represents more than 1% of invested assets (excluding government holdings)

Our bond portfolio is highly diversified by industry sector and geography. It includes private placements of approximately C\$19 billion, or 16% of our total bond portfolio, which are a great source of diversification by name, industry and geography.

## Limited RMBS Holdings

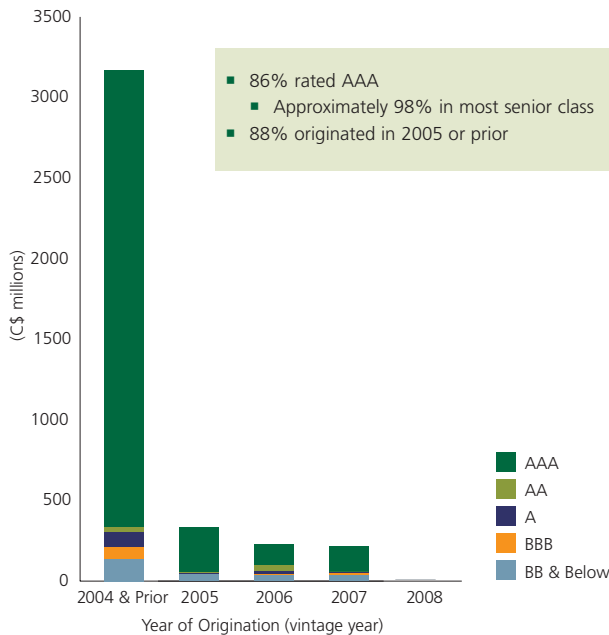
C\$0.4 billion, representing 0.2% of Total Invested Assets



Our overall RMBS holdings are limited to C\$0.4 billion, or 0.2% of our invested assets, with originations concentrated in years 2005 and prior. The chart also reflects internal credit ratings which are more conservative when compared to external credit ratings.

## Seasoned High Quality CMBS Holdings

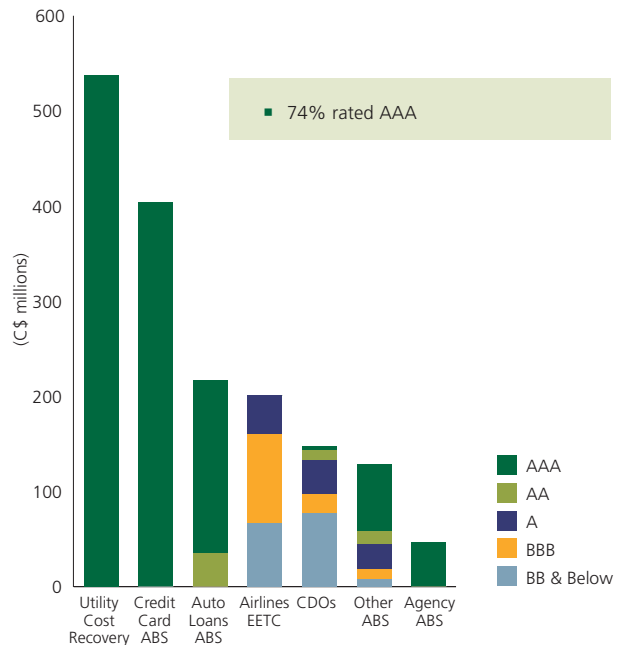
C\$4.0 billion, representing 2.0% of Total Invested Assets



Our commercial mortgage-backed securities total C\$4.0 billion, or 2.0% of our total invested assets. The vintages and ratings demonstrate the high quality of this portfolio.

## High Quality & Diversified ABS Holdings

C\$1.7 billion, representing 0.8% of Total Invested Assets



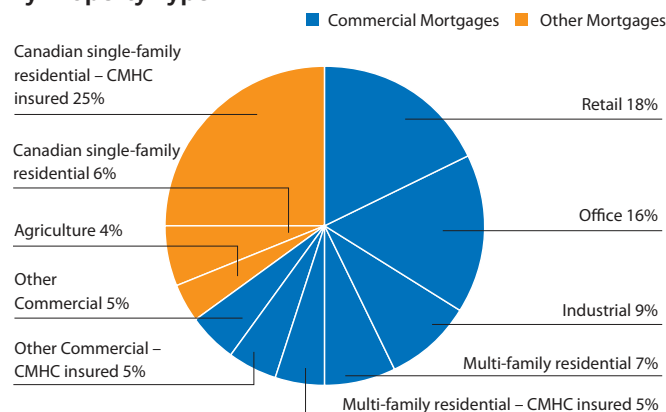
Our asset-backed securities are highly rated and diversified by sector. Representing 0.8% of our invested assets, the majority of our holdings are rated AAA.

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## Highly Quality Direct Mortgage Portfolio

C\$33.2 billion, representing 17% of Total Invested Assets

### By Property Type

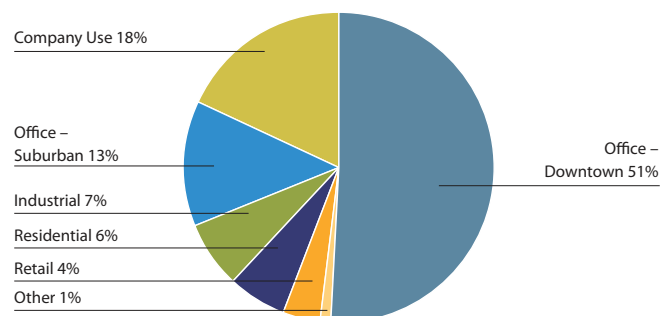


- Diversified by geography
  - 61% of portfolio is based in Canada, with remainder in the U.S.
- C\$11.5 billion or 35% of total mortgage portfolio is insured by CMHC<sup>1</sup>

## Highly Quality Commercial Real Estate Holdings

C\$6.8 billion, representing 3.3% of Total Invested Assets

### Fair Value, By Type



- Virtually no leverage
- Average occupancy rate of 91.5%
- Average lease term of 5.6 years
- Diversified by geography
  - 52% of portfolio in the U.S., 42% in Canada, with remainder in Asia

## Non-CMHC<sup>1</sup> Insured Commercial Mortgages

Conservatively underwritten with low loan-to-value and high debt-service coverage ratios

	CANADA	U.S.
Loan-to-Value Ratio <sup>2</sup>	62%	65%
Debt-Service-Coverage <sup>2</sup>	1.47x	1.57x
Average Duration	3.0 years	4.9 years
Average Loan Size	C\$4.7M	C\$9.3M
Loans in Arrears <sup>3</sup>	0.00%	0.26%

<sup>1</sup> CMHC is Canada Mortgage and Housing Corporation, Canada's national housing agency. Also excludes Manulife Bank Commercial mortgage loans.

<sup>2</sup> DSC and LTV are based on re-underwritten cash flows.

<sup>3</sup> Arrears defined as over 90 days past due in Canada and over 60 days past due in the U.S.

We have C\$21.4 billion in commercial mortgages which have been conservatively underwritten and continue to have low loan-to-value and high debt-service-coverage ratios. We are heavily diversified by property type and we avoid risky segments of the market such as hotels, construction loans and second liens. Further, we have few loans in arrears (C\$29.9 million).

Our Canadian residential mortgage portfolio includes high quality residential mortgages issued by Manulife Bank of Canada, with 80% insured by CMHC.<sup>1</sup>

Our agriculture loans are well diversified by business type and geography.

## Notable Holdings

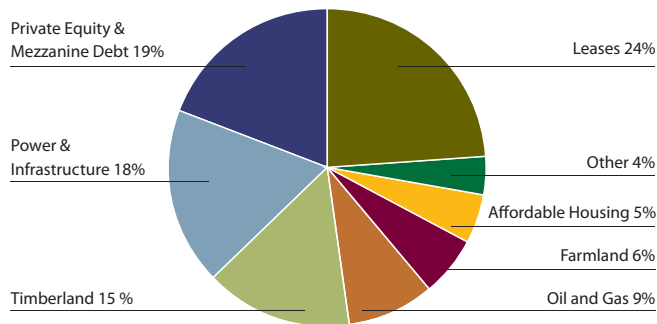
	FAIR VALUE	OCCUPANCY RATES
Toronto	\$1,795	98%
Washington	963	98%
Boston	833	99%
Los Angeles	583	95%
Chicago	448	74%
Atlanta	330	90%
Calgary / Edmonton	297	95%
Ottawa / Montreal	270	96%
San Francisco	262	86%
Vancouver	225	97%
Kitchener / Waterloo	156	100%

Our commercial real estate portfolio, at C\$6.8 billion, represents 3.3% of our total invested assets. This is a high quality portfolio, with virtually no leverage and mostly premium urban office towers, concentrated in cities with stable growth and highly diverse economies in North America and Asia. With an average occupancy rate of 91.5% and an average lease term of 5.6 years, we are well positioned to manage through challenging economic conditions.

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## Diversified Alternative Assets

C\$10.0 billion, representing 4.9% of Total Invested Assets



- Strong historic returns

We have a carrying value of C\$10.0 billion in alternative assets, representing 4.9% of our total invested assets.

Our alternative assets have historically provided us with superior returns and diversification to traditional equity and bond markets. They enhance yields and provide a good fit for our long duration liabilities.

## Other Notable Items

- Financials fixed income net exposure<sup>1</sup> of C\$14.0 billion is well diversified by geography, sub-sector and name
- Gross unrealized losses limited to C\$1.4 billion or 1.2% of our fixed income portfolio
  - Gross unrealized losses for Fixed Income securities trading at less than 80% of cost for greater than 6 months of C\$0.3 billion or 0.3% of fixed income portfolio
  - The potential impact to shareholders' pre-tax earnings for Fixed Income securities trading at less than 80% of cost for greater than 6 months is limited to C\$176 million<sup>1</sup>
- Monoline insurance net exposure<sup>1</sup> of C\$441 million in wrapped bonds but we place no reliance on the guarantees
- Limited net exposure<sup>1</sup> to:
  - RMBS (C\$491M)
  - European bank hybrids (C\$175M)
  - Greece, Italy, Ireland, Portugal, and Spain:
    - No sovereign or financial sector exposure to Greece or Portugal
    - Banks and financials (C\$151M)
    - Sovereign debt (C\$80M)
- We never add credit or liquidity risk to our securities lending programs
- We avoided sophisticated and complex instruments that are performing poorly in the current market (SIV, CPDO, HELOC, Synthetic Securities, etc)

<sup>1</sup> Excludes par and pass-thru and reflects the cumulative impact of downgrades on reserves.

**“We have always followed a very prudent investment approach – avoiding complexity, setting limits, diversifying, and applying a healthy dose of skepticism in all our credit decisions – and this philosophy serves us well today, as it has in the past.”**

Donald A. Guloien  
President and Chief Executive Officer

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