

MANULIFE FINANCIAL CORPORATION
Presentation at 2010 Citi Financial Services Conference
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Colin Devine, *Managing Director, Citigroup Investment Research -*

Ok, our next speaker is Bob Cook. Bob is the Senior Executive Vice President and General Manager for Manulife Asia. He has been around Manulife for over 30 years. I'd almost venture to say he has held almost every position in the company. He can certainly talk about every market Manulife is in - it is one of the truly global companies. It has certainly been a popular week in Asia with Aflac here and obviously, MET's deal. And certainly Bob can talk about everything there - Manulife's been in Asia as long as AIG if not before, over a hundred years. So the history, particularly in Hong Kong, goes way back. It has also come with a bit of challenges over the past twelve months and I think Bob will be prepared to talk about that. And it remains very solid and certainly a strong growth outlook going forward, and with that, Bob why don't I turn it to you?

Robert A. Cook, *Senior Executive Vice President & General Manager – Asia & Japan -*

Well, thank you Colin and thank you to Citi for the opportunity to tell the Manulife Asia story. Good morning to all of you here and all of you listening on the webcast. Most investors think of MFC as Canada's largest life insurance company. Others note that most of our business, the majority of our business is in the US under the John Hancock brand. But my focus today is to show you that MFC is also an investment in a well diversified, growth-oriented Asia life insurance strategy. But first, we have a break for the lawyers. I'll wait for 10 minutes while you all memorize this slide.

I'd like to start though with a few slides just summarizing the group so that I can put my Asia story in a bit of context for you. This is our basic slide showing our general size relative to based on market cap, relative to North American life insurers and global life insurers. As Colin intimated in his introduction, these are probably going to bounce around a lot as certain deals get transacted over the next few months. But regardless of what happens, I think you'll agree that MFC is one of the very serious players in North America and on a global context.

Secondly, just to show you we maintain leading ratings from the major rating agencies across the board. In fact, probably our relative position is better post-crisis than it was pre-crisis and it's clearly one of the key points that we use to differentiate ourselves in markets all around the world, including Asia. We are a company that is founded in Canada, but a large amount of business in the United States and the major Asia franchise, so I'm going to you today. We also operate in a variety of other places around the world through reinsurance and asset management, operation, that operates 24 hours a day around the globe. Any analysis of our company, whether it's done by investment analysts or a rating agency or any outside party, in the first paragraph of any write-up, the word diversification always comes up because it is, I think, one of the hallmarks of our company. Diversification by product, by geography, the more natural diversification in terms of each of our investment portfolio.

So this slide shows you some of the leading market positions we have in the Canadian market and the life insurance side, the annuity side, the various segments of the group business in the United States and the insurance, and the long-term care side, our strong 401k business and our annuity businesses. And I'll talk later on in my presentation, obviously, about our position in Asia.

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Another hallmark of our approach to the diversification of our operations is the way we construct our distribution strategy and this slide is a model of how we conduct ourselves in every market around the world. We kind of view ourselves as a manufacturer and then whatever the chosen target market is in a particular business or territory or a country, we will seek to link ourselves to that target market through any channel those customers, or potential customers want to do business with. So this slide just shows you the range of different kinds of channels that we operate in around the world.

Well, with that as a foundation, I would like to change gears here now and spend the rest of my time with you this morning focusing on the Asia story. And I would like to start with a 2000 year history of global gross domestic product. Now let's go back to the year 1. In the year 1, Asia contributed over 60% of the world's gross domestic product and over the next 1800 years, not much changed. Then there was this little anomaly – we call it an anomaly in Asia called the industrial revolution, which led to the rise of the economies in North America and in Europe. But now, if you look at the very end of this slide, the tail end of this slide, you'll see the Asia pieces starting to turn up again. And there are projections from a whole variety of sources that over the next 25 to 50 years, Asia will return to contributing about 50% of the world's gross domestic product. And the natural order of things will have been returned. And obviously, with that kind of trajectory that you see in the latter part of this slide, that means that there are going to have to be some pretty substantial growth rates in the various Asian economies, substantially greater than the rest of the world.

Now this model that I'm showing you here today is a story that's frankly been covered a lot lately. Last week's Economist had a feature story talking about the same kind of dynamics. For those of you who want to dig even deeper into it, there was a great story in the January issue of *Foreign Affairs* in an article called the "New Population Bomb," which really gets into this in greater detail. But without pursuing this much further, on a more serious note, I think there are several points that I would like to make to you in terms of discussing the basic opportunity that we see in Asia. And first of all, the economic growth opportunity that is depicted rather dramatically in this slide is very real. This next slide is the more normal one that you're probably used to seeing on this topic, where you see in the green part there, the absolute numbers projected over the next five or six years are substantially greater than the other major parts of the world.

In the last five years, Asia's gross domestic product growth, even including Japan, which has not seen very much, has been double that of the US or Europe. And the projections are that over the next 40 years, as we take it out to 2050, 80% of the growth in the world's gross domestic product is going to occur outside the US and Europe. So that economic reality, which will drive – the reason why this is important is that will drive the basic organic growth of so many of our business in Asia. So that's why it's such an important point that we make to you here.

The second point I would make, is that I think the demographic opportunity is just as real and just as dramatic. You see at the very bottom of this slide, there's a little line called addressable population and the definition is in the footnote there. But basically, the way I look at this is, this is the number of people who conceivably could be a customer for one of our products. They're the people who have reached the stage of the economic, personal economic wherewithal that they've covered the basics of life, they have a house and they have a refrigerator and they have a television and now they become a candidate for in buying various kinds of insurance products. And as you can see there, over the next five years, that number is going to increase by a billion people. It's almost a doubling of our target market over that period of time. And I've excluded India from these numbers because Manulife doesn't operate in India as yet. So, you can imagine where we'd be if I even included those numbers.

Another part of the demographic story that drives Asia is urbanization. In many of the countries in Asia you've seen and will continue to see a tremendous shift in where the people live in moving to some of these very large metroplexes that are being created throughout Asia. The reason why this is an important factor for us is that the basic kind of distribution systems we use to sell life insurance, which involves face-to-face contact, are a lot more economically efficient when people live closer together. It's very hard for us

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to send an agent to go visit people who are located rurally. But as populations grow into cities, our core distribution system, and agency system, is far more effective. And I guess generally I would say to you that in terms of the demographic opportunity – forces, general societal forces like better education, like more women entering the labor force, like increased technology, all the kinds of things that we are used to using to explain the 20th Century growth of the Western economies, all of those things have now shifted and will apply to the ongoing growth in the Asian economies in the 21st Century.

Third point. So first point was economic growth, second point around the Asia opportunity was demographic growth. The third point is, quite frankly, there have been major disruptions to many of our key competitors that we have throughout Asia and I think that this creates a unique window of opportunity for Manulife's operations in Asia over the next little while. And finally, on this one subject, I would submit to you that the recession is over in Asia. Now I know you're going to say to me the recession is over here too, but I guess what I mean is something a little bit different. I know that statistically the recession is over and has been over in most of the developed parts of the world, but I would say to you that it's also over emotionally in Asia. People are not in fear of their jobs. But you walk around the streets of Boston or Dallas or Seattle and people are still in fear of their jobs. In Asia, consumers are back shopping again. And in Asia, their banking systems and their debt situations are much healthier than they are in North America and in Europe.

So with that as general background and, again, the purpose of that background is that these are all of the core justifications for believing the organic growth story of operations and businesses in Asia over the next little while. With that as a foundation, let me give you a little snapshot for those of you who may be a little less familiar with Manulife in Asia.

We operate in 10 countries, from Japan in the north to Indonesia in the south. As Colin said, we have been in Asia for over 110 years. We are not a newcomer. We are very experienced in how to do business in these markets and very committed to staying in them. We operate through a variety of channels, but notably we have 35,000 career agents and a variety of independent channels, banks, general agencies throughout the region. Asia has contributed on average over the last five years – obviously there's been a lot of ups and downs in the last five years, but that's why we took a five-year average for earnings about 30% of Manulife's earnings. And last year contributed about a third of Manulife's insurance sales around the world.

This next slide is just a selection of the gross premiums and deposits, a variety of public companies that operate in Asia. The purpose of this slide is to say nothing other than to point out that Manulife is a serious player in Asia and I'm going to talk later about the fact that of all these companies on this slide, there are a wide variety of different strategies and different approaches being made to Asia, and I'll talk about that in a little bit.

This next slide is basically the organization structure that we operate on in Asia. And my main purpose in putting this slide up is to demonstrate the long tenure and experience of the senior staff that I have working for me in Asia. I think this is probably a better story than any of my competitors could possibly offer you in terms of the experience of their senior management team operating in Asia. In some respects, I'm kind of the rookie of the team. Despite the fact that as Colin said in his introduction, I have over 30 years of experience in the life insurance business, I moved to Asia about three year ago and I'm based in Hong Kong and it is a terrific and dynamic place to work.

Our core strategy in Asia, when I moved to Hong Kong three years ago, I guess my mission was to try to make Manulife in Asia look a little more like Manulife in the rest of the world. So we're trying to achieve a balance between our traditional insurance businesses and wealth management businesses in all of our markets. We're trying to pursue, as I showed you in the very beginning slide about Manulife's story around the world, we're trying to pursue multiple channels of distribution in all markets and we're trying to get better leverage of the Manulife brand in all markets.

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Now this might seem like a rather simple and bland statement of strategy. And the reason for that is that Asia is not just one big homogenous market. Asia is a bunch of countries in different states and each one has its own kind of tailored strategy. And this next slide, shows you the segmentation that we use as we're developing our strategy for pursuing our various businesses in Asia. And we separate it, we segregate the market into four segments, based on factors such as the economic outlook, the degree of insurance penetration that exists in the marketplace and our own projection of the future growth rate of the industry. So as you see, we've come up with four segments that we use to analyze Asia.

Japan we put as a segment on its own, a very mature market. Total industry not growing and not expected to grow that much in the future. We put what used to be called the Asian Tigers into the second segment. More mature businesses, so that's Korea, Taiwan, Hong Kong, and Singapore. Fairly healthy degree already of insurance penetration, but a very good appetite for our products from the consumers in that market. So still a reasonable growth rate expected going forward. Then we have the emerging markets, Indonesia, Malaysia, Philippines, Thailand, Vietnam, where the insurance penetration is much lower and therefore the expected growth rate going forward is considerably higher than the developed markets in the other segments. And finally, we put China and India in their own segment because they're such huge markets. They have their own particular characteristics, whether it's economically driven or regulatory driven, they need to be considered on their own and are expected to be the fastest growing, largest and fastest growing markets going forward.

Now as I mentioned when I showed you that earlier slide of companies who have significant parts of their business in Asia, different company's strategies tend to focus on different segments here. There are several of the US companies, for example, who have tended to focus on Japan. So their story, basically, for investors, is a US plus Japan kind of play. There are some other companies, commonly European kind of companies, who have a focus on developed markets, so tending to be the first couple of segments. There are only a few companies on that previous list who are serious players in Asia. There are only a few that are trying to pursue the strategy across all of these segments, and Manulife is one of those few companies that are pursuing that strategy.

Let me talk a little bit about some of the opportunities that I see for us – in Asia and then I'll elaborate a little more on these as I go forward. In terms of organic growth, in Japan I see definitely opportunities for expanding distribution of our insurance products in Japan, and I'll talk a little bit more about that later. Indonesia, I've been on record as saying Indonesia will be our next big business in Asia. This year we'll celebrate our 25th anniversary of operation in Indonesia and it's kind of – the business there is just getting to that sweet spot where it's going to start throwing off very significant earnings. While we're still able to grow the top-line quite significantly because, as you saw in that previous slide, it's still a very fast growing market. In Hong Kong, great opportunity for us to leverage our customer base. It's a market of 7 million people, of which 20% of them already are customers. And so we see great opportunities to pursue cross-selling to that customer base. And in China, we're continuing with the strategy that we have outlined to most of you before, where our ambition in China is to be the first of the foreign players in China to be able to legitimately say that it operates on a national basis. And we continue to pursue that strategy in China.

On the other side of this slide, the business development slide, these are the kind of new things that we think we can pursue is we think we can diversify our product offerings into various markets. A classic example of something we've done in the past, was the entry into the MPF business in Hong Kong and we do see opportunities to do that in a variety of markets. We've just recently launched a mutual fund company in Japan is another example of that. So I'm going to talk in a minute about the build out of the independent or MGA channel in Japan and we have built out our asset management companies in a variety of markets throughout Asia.

Well, to turn now to review some of our achievements in Asia in 2009. I'd like to start with Japan. The real story in Japan over the last couple of years has been the success of our new strategy in the insurance world. Our insurance sales were up 21% in Japan in 2009 and this was driven largely by the continuing success of a new channel that we call the MGA channel. You know we've been in Japan now for 10 years

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and for the first 7 or 8 years we distributed exclusively through our career agency channel. But a couple years ago we launched into the independent channel in Japan and that's basically led to a doubling of our sales over the last two years. Now I believe that this will continue to show growth in the future because we've only been targeting a very – one segment of this independent channel for the last couple years and that's the segment that services small business owners. This year we've moving into another segment of that channel, one that is, frankly, much bigger and one that services individual retail customers throughout Japan. So I think the kind of growth rate that we've put on the last couple years will definitely – has definite possibilities of continuing going forward.

On the wealth management side in Japan, as you know, on a global basis, we have been de-risking our variable annuity portfolio and this has led to reduced sales around the world and in Japan in particular. So the question is, how are we going to replace those sales? What are going to do to refill the bucket? And there's really three parts to that strategy. The first, as I mentioned earlier is, we have built a mutual fund company in Japan. Now we launched that – unfortunately we launched that in October of 2008. That might not have been the most auspicious time anywhere in the world to introduce a new mutual fund company. But we do have the infrastructure there now and as the market recovers in Japan, we expect to be able to use that foundation to, in essence, use the same kind of distribution relationships that we built for the variable annuity business to sell a more basic kind of wealth or savings product.

We have in February, we entered the fixed annuity business in Japan, in particular, the foreign currency denominated fixed annuity business. So that's our second leg of our strategy to replace the loss of variable annuity sales. And the third leg is insurance sales of kind of more basic insurance products through banks. And again, the essence of that strategy is, we have these great relationships that we've built with the variable annuity, how can we use them? How can we use those distribution relationships? And so, we have built a new product which we are launching through the banks in Feb – sorry, in May of this year.

The next highlight for 2009 is in Hong Kong. And the story there is basically a significant increase in our distribution capacity. Our core primary channel in Hong Kong remains our career agency force. And despite the fact that the Hong Kong market is relatively mature, we were able through a very strong focus on recruitment, and in particular, the recruitment of experienced agents from other companies -- whose parents may have had some difficulties – we were able to build that agency force by almost 20% in 2009. It was the – perhaps the strongest rate of growth we've had in that agency force ever in Hong Kong and was stronger than any other company in the Hong Kong market. Now this led to a big boost in sales in the second half of 2009 and my expectation is that that's going to continue throughout 2010.

This next slide is just a reminder to you that we are in multiple businesses in Hong Kong. And one of the success stories that we are most proud of is the mandatory provident fund, or the defined contribution business in Hong Kong, where we are the second largest provider in the MPF space and we have a market share of new cash flows in this business of over 20%. As I mentioned earlier, we have hundreds of thousands of customers in this business in Hong Kong and we see great opportunities in the future to leverage that customer base through the sale of other insurance and wealth management products.

Our next slide here is our China story. I think our China story remains a very strong one and it is a very key part of Manulife's long-term future. In terms of actual sales for China last year, they were a bit reduced from the historical pattern that we have been able to realize, because there was a government moratorium on the expansion into new cities. But nonetheless, our results when we compare them to the other foreign companies in Japan, were very strong when you measure them either by regular premium insurance sales or simply by the number of agents. And we continue to be very proud of the quality of our business as measured by persistency.

As you can see, we're now in 41 cities in China and we will continue to build that franchise out going forward. In terms of that aspiration to build a true national platform, that probably means moving towards the 75 number of cities going forward.

Well, another highlight of our China story was our announcement in November, the acquisition of a fund management company, which we expect to close actually sometime this month. Now this action, this acquisition is a very fast-track entry into a very large and fast-growing wealth management space in China. It's a very fine company that we were able to acquire with an award-winning management team, lots of experience, so in contrast to the alternative, which would have been a start-up operation, this gives us a really a fast start and we do expect to be able to realize the synergies with our insurance operations and with our other AMCOs throughout the region. Because we end up being one of the few companies who will then have AMCOs in all of China, Taiwan and Hong Kong, which is kind of the greater – China is really “the” investment story that retail investors are looking to buy, and we think now we've got the talent to be able to deliver that on a very strong basis.

Turning to the ASEAN space. I'm not going to go through every single country in this space, but I just – I wanted to highlight a few of our success stories here. As I mentioned before, I think Indonesia is going to be our next big success story. Our insurance sales were up 32% last year, and I think what's perhaps more important to us over the long term is that we were able to significantly diversify our distribution into the bank channel. We're now up to about 18 banking relationships in Indonesia, so that's going to lead to a very nicely balanced source of business between our career agents in Indonesia and other channels.

Vietnam is another good long-term story. We celebrated our 10th anniversary in Vietnam in 2009. Our sales were up 28% last year, 25% on a compound basis over the last 5 years and again, that's a very strong organic growth story going forward. We also though launched a number of what I call distribution experiments in Vietnam that will hopefully pay off. We have a very interesting – the only venture in the micro insurance in Vietnam and we've started up a general agency strategy there to try to move outside of some of the major cities. Vietnam is one of those countries where in contrast to say the urbanization story that exists in China, still only 25% of the people in Vietnam live in the major cities. So we do still need to try to reach out to some of the people in smaller cities and villages throughout Vietnam.

In Malaysia our sales were up 16% year over year, but I think what's more important there is that after several kind of flat years since we acquired this company as part of the John Hancock transaction, we were able to increase the capacity of our agency system by 17% last year and we're already seeing the payoff from that in increasing insurance sales.

Offsetting some of the good news -- it's not all good news – offsetting this was a relatively poor year in Singapore. Singapore was probably the regional economy that was hurt the most by the global financial crisis. And so the whole industry suffered and we experienced a decline in sales and in the size of our agency force.

Our strategy in Asia, as I mentioned earlier, is to have a balance between our traditional success in life insurance, with a complementary strategy to penetrate the wealth management businesses. Our goal is to have asset management and businesses everywhere we operate in Asia and this is an indication of the progress we made – when I moved to Hong Kong three years ago, we had asset management companies in three countries. When our China transaction closes this month, that will have increased to nine. The only missing territory is the Philippines; we'll certainly be working on that.

Well, finally, what do I see as some of the opportunities for the future? Well, my focus for 2010 is going to be on five things. First of all, continuing expansion of the agency system. I've told you about some of the great success that we achieved in '09 and I expect that to continue this year. Secondly, we're going to work to continue to diversify our distribution and we're going to do that through the ongoing development of new banking relationships throughout the region. Thirdly, we're going to continue that success that we've shown in insurance sales in Japan by penetrating the retail and GA market. Fourthly, we're going to improve our sales growth in our various mutual fund businesses across the region. And finally, I want to invest more in the Manulife brand. The Manulife brand is very familiar to people in Canada. In the United States, we get tremendous leverage in our operations through the use of the John Hancock brand. But

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our brand is not as well developed in Asia and I want to invest more so that our distributors in Asia get the same kind of benefits that our distributors in Canada and the US get from having a strong brand.

Now turning to some of the longer-term opportunities, I guess before I refer to the points on the slide, I should tell you that, if you look back on our history, if you look back at the decade before the economic crisis hit, Manulife produced over that decade 30% top-line growth compounded over that period, 30% bottom-line growth over the top of that period. But it came through a variety of different drivers. A piece of it came through organic growth, through the economic and demographic factors that I talked to you about at the beginning of my presentation. The second piece of it came through what I call business development, which was an extension into new product lines, such as the MPF business in Hong Kong, or through new distribution channels, such as the MGA business in Japan. The third driver of that growth was entry into new territories. So over that decade for us, that meant Japan, Malaysia and Thailand. And the fourth driver of that total 30% growth was acquisitions; where over that period of time we probably did close to a dozen acquisitions throughout the region. Some related to consolidation in various countries, some related to companies whose commitment wavered and chose to withdraw, some more strategic oriented. I expect in the future that again, all four of those drivers are going to come into play as we deliver our growth story going forward.

So some of the things that I see over the longer term, there are two obvious gaps in our portfolio of business in Asia – India and Korea. But I see both of them as being part of our future. We have research projects underway now to develop entry strategies into both of those countries and we do see them as very attractive and key parts of our future.

I think there will be ongoing merger and acquisition opportunities throughout the region. As Colin said, obviously there've been some very big announcements here over the last week or so. I think there'll be more. Maybe not of the same size, obviously, but I think we're going to see continuing merger and acquisition activity throughout the region as it – we believe that the fallout of the economic crisis will be consolidation in the industry.

Maybe just a quick comment on the transactions, I think, the first point on the PRU-AIA proposed transaction is that my personal belief is it highlights the fact that Manulife's Asia platform is both underappreciated and undervalued, and I certainly hope that the investor community takes a look at the multiples associated with some of the transactions and sees that the value of the – the value of our Asia properties I think is higher now than it was a week ago.

The second thing is that any time there's a significant change of any type in a marketplace, there definitely you can look for opportunities and we're going to do that as a result of this. There will be – obviously there will be agents who won't be happy with this proposed transaction and they're going to look for another home. We're going to be happy to offer them a home. Anytime you do a transaction like this, there are going to be people who become available. We're going to look for an opportunity to increase our talent. I'm quite happy to have a major competitor who is going to be distracted with an extremely complicated integration exercise for a considerable period of time.

And the other thing I would point out to you is that in terms of the impact of that transaction on the individual competitive dynamics, it varies a lot from market to market and you kind of got to look at it on the market-to-market basis. So in a country like Thailand, where AIA had a very, very large market share and PRU was smaller, you put the two pieces together, it really doesn't change things all that much. The big player is still a big player. Flip them around in a different country. In a different country like Vietnam where it was the PRU who had a 30% plus market share and AIA was in the single digits. Again, you put them together, it really doesn't change the industry dynamics all that much, other than it kind of reduces one of the competitors -- by number, competitors are reduced a little bit. The only place where that theory does not hold up, frankly, I think is Hong Kong. In Hong Kong, both PRU and AIA had in the – depending on the quarter – 10 to 12% market share. Put them together, it's a very large player that will really going to lock heads with HSBC in that marketplace. So I think that is a considerable difference there.

And again, as I said earlier, what's our strategy? Our strategy, frankly, is that we already have 20% of the marketplace with our customers. And so our strategy will be to try to leverage the customer base that we have there. Other long-term opportunities that I see, I definitely see that there will be in different countries around the region, opportunities for pension businesses and I definitely see opportunities for health business in a variety of marketplaces around the region.

So I guess in conclusion, what I want to say to you is that I believe that there is an investment thesis whereby MFC is one of only a handful of companies around the world that have as part of their global strategy, a significant and material Pan-Asian strategy. And I believe that our growth strategy combined with the financial discipline that we are well known for, is going to lead to sustained success and growth in the future. Thank you very much, I appreciate you listening to our story.

Q & A

Colin Devine -

We have time if there's one quick question. Can we get the mic up front? Thank you.

Unidentified male -

Thanks very much for that. Just regarding your Asian business, obviously it's only a third of your bottom-line, based on the slides you showed. To be a meaningful driver is obviously – well, it's obviously meaningful now – to be a serious driver of the performance and the valuation going forward is going to have to be a bigger proportion than that down the track. And given the GDP growth, it's going to be. What's your target? Where would you like to be in 2015, given those GDP numbers you showed us? So in terms of bottom-line, where would you like the Asia business to be by 2015?

Robert A. Cook -

I don't think we have a particular target for where that bottom-line will grow, but I think as you stated in your question, maybe there will be just the natural – we do expect the Asia business will naturally grow faster than our Canadian and US franchises and you will just see – you're not going to see it go from 30 to 60 through just organic growth. So we'll have to see what other growth factors come into play over the shorter period of time.

Colin Devine -

With that we'd better end just to keep everything on time. So with that, thanks very much.
