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**President & Chief Executive Officer**  
**Manulife Financial Corporation**

**Annual Meeting**  
**May 6, 2010**

Madam Chair, Ladies and Gentlemen, honoured Stars of Excellence recipients, fellow policyholders and shareholders. Good morning and welcome. It's great to see so many friends here with us again today.

It is my honour to lead our great international Company, with its operations in Canada, the U.S. and ten countries and territories across Asia. We have accomplished a great deal in the past year and today we are well positioned for the future.

I would like to speak with you about four things today:

1. A look back on our objectives set at last year's Annual Meeting, and how we're delivering against those objectives
2. An explanation of our priorities for 2010 to build strong long-term shareholder value
3. The senior executive changes that were announced by press release this morning
4. And I will make a few comments concerning global regulatory reform and the implications for Canada.

## **ACCOMPLISHMENTS AGAINST 2009 PRIORITIES**

At last year's Annual Meeting I set out three key priorities. They were to strengthen our capital levels, reduce risk and re-balance our business mix.

As evidenced by Michael's presentation, we have made solid progress on all three objectives.

### **In Terms of Capital Strength...**

Our capital ratio now stands at a very strong 250%. It would be more than 20 percentage points higher, but for the fact that we merged two companies in the U.S., bringing them under the MCCSR umbrella, in order to reduce the equity sensitivity of that measure and achieve other significant operational advantages.

We enjoy a AA+ rating from Standard and Poor's, one of the few in the world who can lay claim to that status - Warren Buffett's Berkshire-Hathaway being the only other public insurance company that comes to mind.

In this time of global economic uncertainty, our ratings are, in fact, stronger than those of many first-world sovereign nations, which says something indeed for our policyholders who look to us for their most significant long-term financial needs.

### **In Terms of Reducing Risk...**

Strong capital permitted us the opportunity to hedge our Variable Annuity market exposure at a time conducive to the shareholders' interests. We acknowledged that the unhedged volatility was too great. But instead of moving precipitously at the bottom of the market, we fortified our capital position, then we waited to hedge our equity exposure as markets strengthened. This ensured our shareholders were not penalized by crystallizing losses at the market lows.

Today, virtually all of our new Variable Annuity business is hedged as we write it... and of the in-force business, we have 51% of our exposure hedged or reinsured, which is more than double where it was last year at this time.

### **In Terms of Re-Balancing our Business Mix...**

We believe balance is a very important concept, whether you're talking about an investment portfolio or a business mix. As many of you know, we have cut back on certain lines of business, but at the same time, we are growing others.

By way of example, in the first quarter, our Insurance sales were up 20 per cent worldwide. In Asia, they were up 35 per cent to a record high. In Canada, life sales were up 9 per cent and in the U.S., 6 per cent.

US Retirement sales grew 66 per cent.

Mutual Fund sales more than doubled in the U.S., and in Canada we saw an almost four-fold increase versus last year. That's close to \$3 billion in mutual fund sales in the first quarter alone.

And our asset management arm, MFC Global, now manages \$115 billion for third party clients. This is over and above the \$188 billion in Manulife's balance sheet assets. We hope to see all these trends continuing in 2010 and beyond.

## **2010 Priorities**

So going forward in 2010, we build on these themes. The priorities are:

1. Growth;
2. Maintaining strong capital/financial strength;
3. Improving ROE;
4. Managing risk; and
5. Continuing to offer a quality value proposition for our clients.

Let's deal with these in turn.

### **First, Growth...**

Having taken the tough decision in 2009 to cut back on certain activities, growth is a priority for 2010. Asia is an obvious focus. Retirement solutions; institutional and retail investment management; payout annuities; spread products and Manulife Bank products are a focus. Life Insurance, including Group Life and Health, is a focus.

And acquisitions, consistent with our highly-disciplined approach, and strategic objectives, is a focus. The right deals at the right price, with the right execution bringing the pieces together. Manulife has been known for that. I believe the opportunities that are developing are enormous.

The early returns are positive. As Michael mentioned, in the first quarter, our New Business Embedded Value grew by 22% over last year - an excellent indication of growth not only in terms of sales volume, but in the inherent margin in our products.

## **Maintaining Strong Capital / Financial Strength...**

Our updated Vision Statement is “To be the most professional financial services organization in the world, providing strong, reliable, trustworthy and forward -thinking solutions for our clients’ most significant financial decisions”.

In other words, “we help people with their BIG financial decisions.”

Things like saving for retirement; providing retirement income; dealing with death, disability or critical illness; business succession; estate planning.

When people are trusting us with their **big** financial decisions - and their benefit is realized over a long period of time - it is incumbent on us to provide the highest degree of financial security to them, their families and their employees.

Right now, financial security is very fashionable. And there is a perceptible flight to quality in many markets. But as we all know, fashion can come and go. Our vision for Manulife and John Hancock is to ALWAYS offer superior financial strength and stability.

We are here for the long term and we run our business that way.

## **In Terms of Improving ROE...**

In 2009, we delivered a 5.2 per cent Return on Equity for our shareholders. Better than the previous year, and better than many of our competitors, but still highly unsatisfactory. I believe the life insurance industry should target returns in excess of 14 per cent, if we are to continue attracting the interest of shareholders. That is not guidance, but a simple belief that our industry must service its capital adequately.

So how do we improve ROE over time?

Number one, if we're going to offer a premium product, we should be prepared to charge a premium price. Yes, we are raising our prices – emphasizing a balance between margins and market share.

Second, we are very disciplined in our use of capital.

As Michael Bell emphasized during our 2<sup>nd</sup> quarter call, we're going to shift our business mix from low ROE applications to high ROE applications. This may sound obvious, but the key is execution. When you are constantly analyzing factors, such as interest rates, lapse rates, policyholder behavior, morbidity assumptions and so on, you develop new insights as to which businesses are profitable, and which businesses are not so profitable... and which are high capital consumers ... and which are not. And you adjust the mix and / or pricing accordingly.

It just so happens that for our company, the highest areas of growth tend to offer the highest marginal Return on Investment. So to some degree this is happening naturally. But not every company has the range of options that are available to Manulife, with our incredible array of products and geographies.

Growing ROE, despite our strong showing this quarter and last quarter, is not something that can be delivered with a short-term focus. Given that equity markets and interest rates are currently the most significant determinants of our quarterly results, it is important to focus our management team on building long-term sustainable earnings and ROE – the earnings of tomorrow – rather than trying to influence the next few quarter's results.

Ours is a long-term business, and a long-term focus is critical to delivering long-term sustainable results.

### **Managing Risk...**

In 2008 and 2009, everyone learned something about risk management in the financial services industry. At Manulife, we are improving the quality of our risk management and oversight at all levels of the organization, from people on the front line right through to the Board of Directors.

In 2010, we will continue our progress with hedging of Variable Annuity risk, as market and interest rate levels afford us the opportunity. We will also actively monitor and

manage our risk on everything from Asset Liability Management to policyholder behaviour.

### **Continuing to Offer a Quality Value Proposition for Our Clients...**

Last but certainly not least, our clients....serviced through many wonderful advisors. We stood by them during the most difficult economic crisis in memory. They could always count on Manulife and John Hancock to deliver on our promises.

Our new Vision Statement commits us to “providing strong, reliable, trustworthy and forward-thinking solutions for our clients’ most significant financial decisions”.

If you think back to a few examples, we have done this very successfully. We are very proud of the solutions that we have developed:

- Manulife Bank, with its innovative Manulife One account, has achieved a 44 percent compound annual growth rate and, now has some \$16 billion in assets.
- We established the Mandatory Provident Fund in Hong Kong, based on our expertise and understanding of the Canadian Group RSP market and US 401K. That business has recorded a 32 percent compound annual growth rate and is today second only to Hong Kong Shanghai Bank in the Hong Kong market.
- And of course we are very proud of MFC Global Investment Management, where we manage money for third parties and our business has grown at a 30 percent compound annual growth rate in Funds Under Management since 2001, to more than \$115 billion under management today.

We will, with conviction and creativity, continue to find new solutions to our clients’ evolving needs.

## **EXECUTIVE CHANGES**

In our press release this morning, we announced some significant changes to the executive team.

First, John DesPrez, is leaving the company, and we have decided not to replace the position of Chief Operating Officer. John is a 19-year veteran of Manulife John Hancock. He held a wide range of senior positions in our Company and I appreciate the very useful role he played assisting me, in my first year as CEO. I look forward to working directly with our very experienced Divisional leaders – Jim Boyle in the U.S., Bob Cook in Asia and Paul Rooney in Canada. They will report to me directly, along with the Corporate Officers.

Second, Simon Curtis, our Chief Actuary, will take a leadership role in Corporate Development, reporting to J-P Bisnaire. Simon has a strong background in all the merger and acquisition activity of Manulife, and will assist in these and other strategic initiatives. The role of Chief Actuary will be filled by Cindy Forbes, another very seasoned Manulife executive, with a highly diverse background in operations, investments and finance. Cindy is currently the CFO of our Asian business. She will report to our CFO, Michael Bell.

Finally, Diane Bean, currently our Head of Human Resources, is retiring. Diane has served the company for over 30 years in general management and staff roles. She was responsible for recruiting me to the company back in 1981. Diane will be replaced by Stephani Kingsmill, who currently runs our global Real Estate operations, and was last year ranked as one of Canada's most powerful women. Stephani will report to me.

## **GLOBAL REGULATORY REFORM**

I would like to conclude with a few brief observations on pending global financial sector reforms. And here I may surprise a few people.

Over the past few weeks, we have heard the leaders of Canada's largest banks raise concerns about the implications of international proposals for new bank taxes. They also pointed out issues with liquidity and other requirements of Basel III, and related reforms which could, ironically, press Canadian banks toward the syndication of mortgages – the kind of practice that played a major role in the financial crisis.

Now I hope I don't shock people too dramatically with this next comment... I actually agree with the Canadian bank CEOs. I support their expressions of concern and I especially applaud the Canadian Government for its strong leadership in not allowing the failures of other countries and their financial institutions, to destroy the fabric of Canada's proven and successful financial system.

It is possibly a rare day when Canada's banks, insurers, regulators and political leaders agree on any matter. But I believe we share a concern that when things go badly, there is a tendency, by some in the international community, to over-react. The pendulum can swing back too far.

The sins of the few run the risk of becoming the pain of many.

After all, our financial system and our banks, insurance companies and brokerage firms weathered this economic storm better than most.

Why should the most successful and prudent institutions in the world be penalized by the failures and excesses of others?

In the recent "Speech From the Throne", the Canadian government committed to: "...make Canada an even stronger world financial centre", and to "...continue to push for stronger financial market regulation, modeled after Canada's world-leading practices".

Without question, international regulatory reform is an area where "the world needs more Canada". But I have to say that I am worried when I see some of the international reform proposals that remain on the table.

I am certainly not arguing for complacency. To the contrary, this is a time for Canada's financial leaders to lend their expertise, experience and voices to the debate. It is important that the Canadian financial services industry not be impaired in its ability to compete internationally. And it is especially important not to be out of step with the U.S.

Manulife is one of our country's most global companies, with over 100 years of international experience and operations in 22 countries and territories worldwide. Today, seventy five per cent of our business is located outside of Canada. The ability to compete internationally is vital to our ability to grow and prosper in today's global marketplace.

I also think it's time we started to recognize that it isn't just financial institutions that have a vested interest in these outcomes.

The life insurance industry, in particular, is not known for blowing its own horn. Consider that in Canada alone, we provide products and services to 26 million Canadians. We pay out over \$58 billion in benefits a year.

In total, our industry provides more than 20 million customers with \$3.3 trillion in life insurance coverage so their families have the financial protection they require.

Our industry is responsible for creating over 130,000 high quality jobs in Canada.

On average, Canadians rely on private sector sources for nearly 60% of their retirement income, which is on par with the United States, but significantly more than in continental Europe where public sponsored plans are the norm.

Insurers support these products by investing in a diversified range of long-term assets. In Canada, the life insurance sector invests over \$400 billion into the economy. In fact, our industry purchases two thirds of the corporate bonds issued in this country and more than one third of all commercial mortgage loans – providing huge support to small, medium and large sized businesses. And we continued this activity throughout the economic crisis, providing great stability in our economy at times when it was most needed.

At Manulife our investments help fund long-term projects that benefit communities and families. We have been a very active supporter of Canada's private sector infrastructure projects. Manulife has committed over half a billion dollars for the construction and refurbishment of hospitals, new roads, schools and facilities.

Our long term investments range from cranberry farming in Quebec to energy development in Western Canada. And all across Canada, I am proud to say we are a leading investor in renewable energy projects, having arranged \$1.7 billion in financings for 14 renewable power projects since 2002. Once completed, these projects will meet the electrical energy needs of more than 325,000 homes. And we have plans, in the near future, to invest hundreds of millions more in this important sector in Canada.

The Canadian Life Insurance industry is also one of Canada's most internationally competitive industries with the top three companies doing well over half their business outside of Canada.

And again, this creates high quality home-office leadership jobs while also creating huge spinoffs for the broader economy.

It would be ironic indeed, after performing so well through the recent crisis, if Canada was penalized for its success.

We take considerable comfort from Prime Minister Harper's comment that, "Canada will not go down the path of excessive, arbitrary or punitive regulation of its financial sector." I am also highly impressed by the intelligence and influence that was so adeptly exercised by Minister Flaherty and Governor Carney at the most recent meeting of G7 and G20 Finance Ministers and central bankers. And clearly, Canada's role as co-chair and host of the upcoming G20 Summit in Toronto is both positive and timely.

With Canadian leadership, we have a unique opportunity to seize the day in sound international policy development. Manulife will play its part. If we can help the world to learn something from Canada's experience and our world-leading practices, I believe we all will benefit.

Let me close on that note of optimism.

To sum up, we are focused on creating sustainable long-term value for our shareholders. Our capital is strong and we have made solid progress in reducing risk and rebalancing our business.

We are driving growth, re-allocating capital, earning solid margins, innovating, extending our product reach and making disciplined acquisitions.

We are optimistic and excited about the future. Manulife is here - "For your future". That applies to shareholders, policyholders and employees.

I want to thank our employees, our executive team, the Board of Directors, our customers, advisors and our shareholders.

Thank you all for your support.