

# Strategy Driving Targeted Growth

## UBS 13<sup>th</sup> Annual Financial Services Conference



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Senior Executive Vice President and Chief Financial Officer

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## Legal Disclaimer

### Caution regarding forward-looking statements

This presentation contains forward-looking statements within the meaning of 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 our 2015 management objectives for earnings and return on equity and management objectives with respect to hedging equity markets and interest rate risks. The forward-looking statements in this presentation 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”, “expect”, “estimate”, “anticipate”, “believe”, “plan”, “objective”, “goal”, “seek”, “aim” and “continue” (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, including in the case of our 2015 management objectives for earnings and return on equity, the assumptions described under “Key Planning Assumptions and Uncertainties” in our 2010 Annual Report and actual results may differ materially from those expressed or implied in such statements. Important factors that could cause actual results to differ materially from expectations include but are not limited to: the factors identified in “Key Planning Assumptions and Uncertainties” in our 2010 Annual Report; general business and economic conditions (including but not limited to performance and volatility of equity markets, interest rate fluctuations and movements in credit and swap spreads, currency rates, investment losses and defaults, market liquidity and creditworthiness of guarantors, reinsurers and counterparties); changes in laws and regulations; changes in accounting standards; 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 valuation allowances against future tax assets; the accuracy of estimates relating to long-term morbidity, mortality and policyholder behavior; the accuracy of other estimates used in applying accounting policies and actuarial methods; 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; our ability to implement effective hedging strategies and unforeseen consequences arising from such strategies; our ability to source appropriate non-fixed income assets to back our long dated liabilities; 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 their 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 and our ability to complete acquisitions including the availability of equity and debt financing for this purpose; the disruption of or changes to key elements of the Company’s or public infrastructure systems; environmental concerns; and our ability to protect our intellectual property and exposure to claims of infringement. Additional information about material factors that could cause actual results to differ materially from expectations and about material factors or assumptions applied in making forward-looking statements may be found under “Risk Factors” in our most recent Annual Information Form, under “Risk Management” and “Critical Accounting and Actuarial Policies” in the Management’s Discussion and Analysis in our most recent annual and interim reports, in the “Risk Management” note to consolidated financial statements in our most recent annual and interim reports and elsewhere in our filings with Canadian and U.S. securities regulators. We do not undertake to update any forward-looking statements except as required by law.

# Agenda

## Overview and Strategy

- The Way Forward
- Balancing Risk and Growth
- Conclusion

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## Manulife - Recognized brand, global presence and strong financial strength

- Significant global footprint in the world's largest economies and an internationally recognized brand
- Broad, deep and experienced management team
- Trading on the NYSE (MFC), TSX (MFC), HKEX (945) and PSE (MFC)
- Strong capital ratio – above supervisory target
- Strong financial strength ratings

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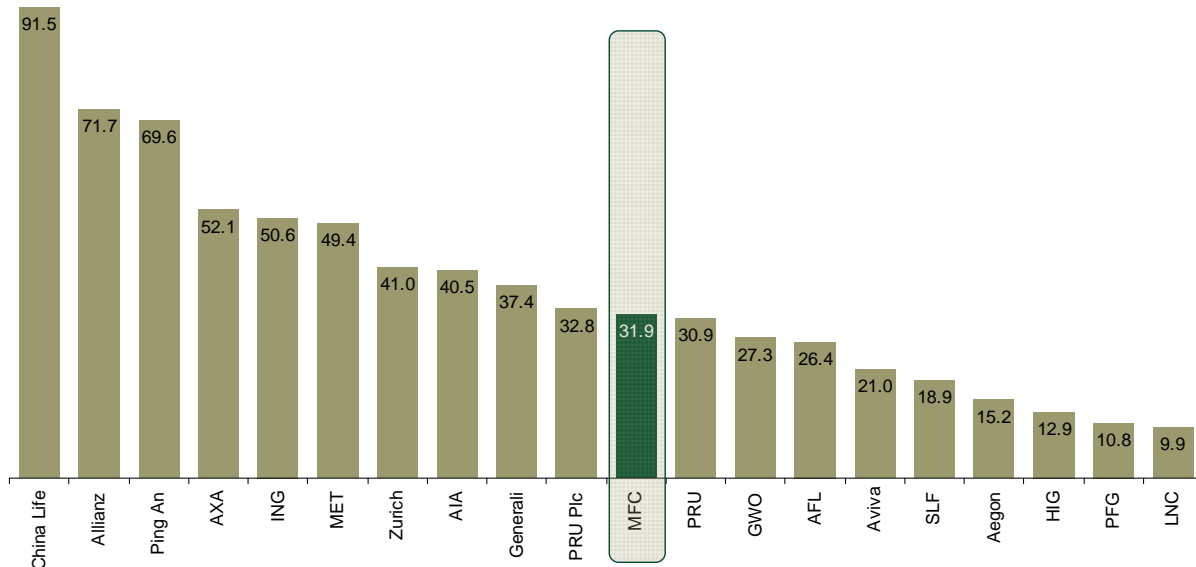
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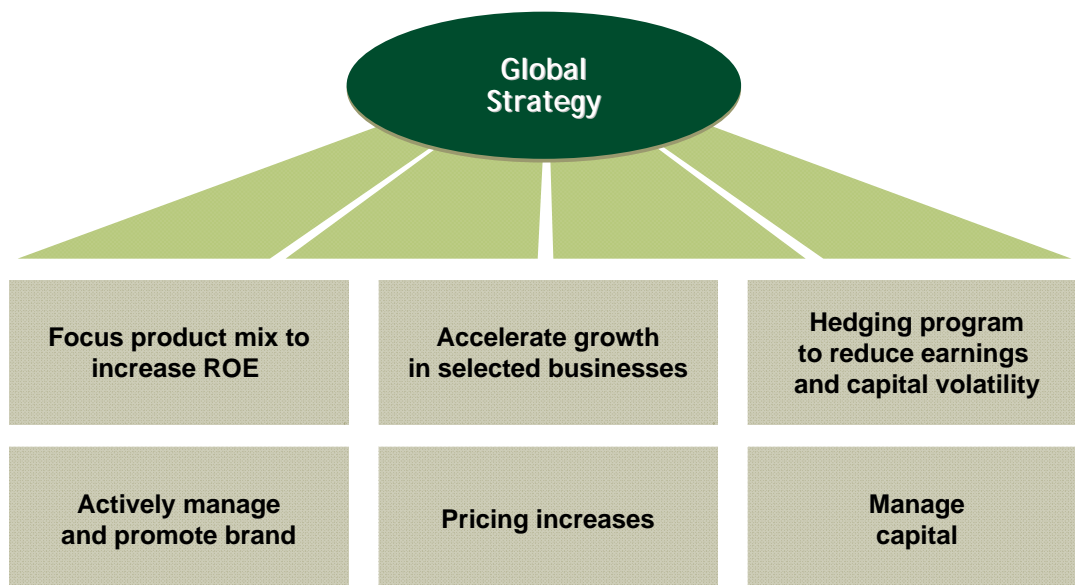
# MFC is one of the largest public lifeco's in the world by market capitalization (#2 in N.America)

Market Capitalization of Global Life Insurers  
(US\$ Billions)



Source: Thomson Reuters. Market data as at April 30, 2011

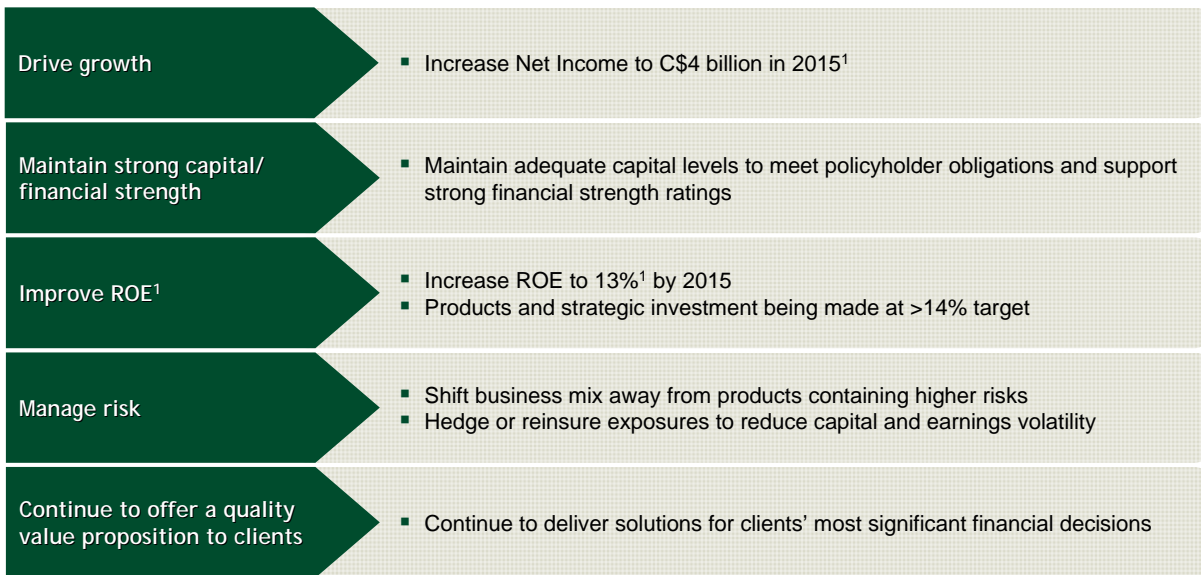
## Our strategy driving diversification, risk management and accelerated growth



# Our strategic priorities are focused on developing sustainable high quality earnings

## Priorities:

## Performance Objectives:



<sup>1</sup> Does not constitute guidance. See "Key Planning Assumptions and Uncertainties" on page 72 of the 2010 Annual Report.

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## Agenda

- **Overview and Strategy**

### The Way Forward

- **Balancing Risk and Growth**

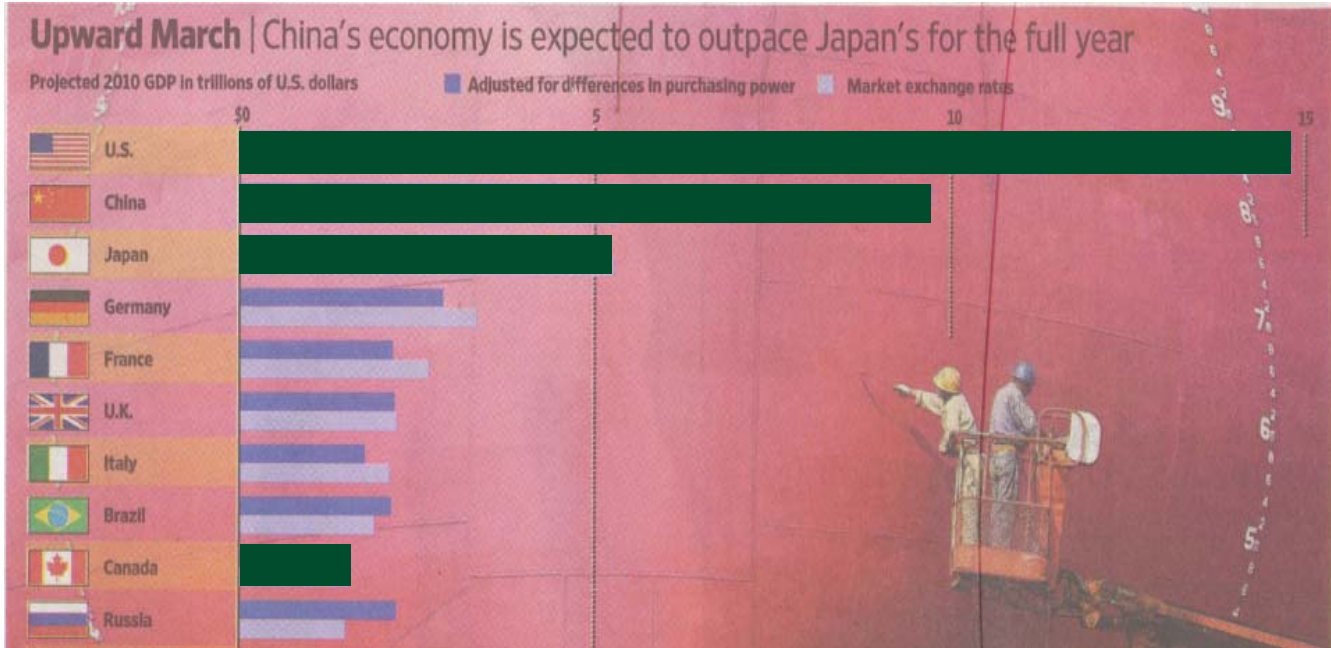
- **Conclusion**

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# Well diversified and operating in the 3 largest economies and 4 of the Top 10...



Source: Wall Street Journal, International Monetary Fund

## ...and these are markets where local growth and penetration characteristics are unique

	Asia	Canada	U.S.
GDP Growth (2009-2015)	10%	2.7%	2.6%
Projected Life Insurance Premiums Growth Rates (2011)	Emerging Asia <sup>1</sup> : 9.4% Developed Asia <sup>2</sup> : 4.6%	4.4%	2.8%
Key Features	Large, low penetration and high growth market	Diverse with high penetration and slow growth	Large addressable market but high penetration and slow growth

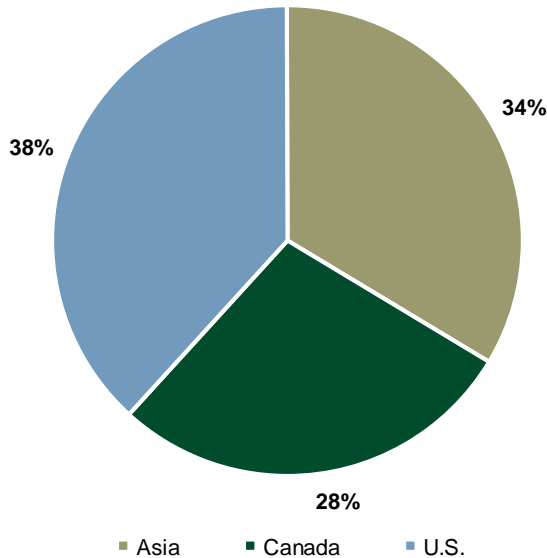
Source: OECD Market Research, Swiss Re Sigma Market Report on the Insurance Industry.

<sup>1</sup> Emerging Asia includes China, Indonesia, Malaysia, Philippines, Thailand and Vietnam.

<sup>2</sup> Developed Asia includes Australia, Hong Kong, Korea, Singapore, Taiwan and Japan.

# Earnings are benefiting from international diversification

1Q11 Net Income excl. Investment and Market Related Experience Gains by Division<sup>1,2</sup>  
(C\$752 million, excludes loss in Reinsurance, Corporate and Other)



- We have three major operating divisions – Asia, Canada, and U.S.
- Contribution towards our earnings from our three major divisions was relatively balanced

<sup>1</sup> Non-GAAP measure; see "Note to Users – Performance and Non-GAAP Measures" below.

<sup>2</sup> Investment and market related experience gains (losses) as a result of equity, interest rate, credit and other non-fixed income returns differing from our best estimate policy liability assumptions

## Asia - Manulife's growth engine for the 21<sup>st</sup> century



Long history of continuous operations in Asia

### Asia Growth Strategy

- Accelerate growth in the world's fastest growing markets
- Pursue a pan-Asian strategy
- Expand distribution capabilities

### Targeted Products

- Continue to grow insurance products
- Expand into wealth management

### Sales<sup>1</sup> Growth

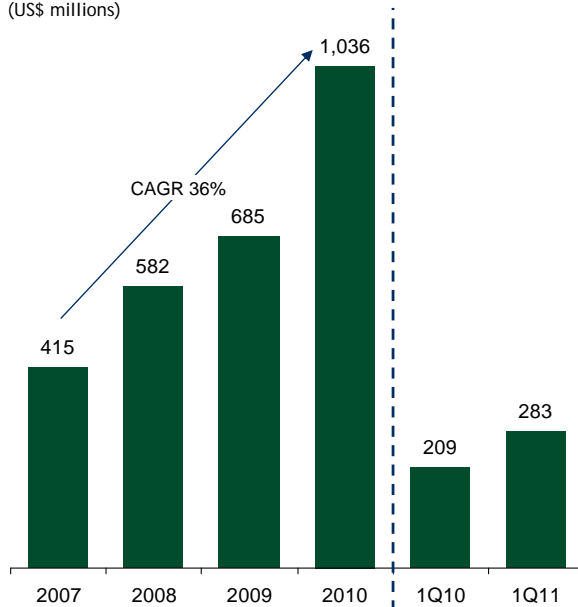
- Insurance sales topped \$1 billion for the first time in 2010 – a record level and up 43%<sup>2</sup> vs. 2009
- Asian targeted wealth product sales more than doubled<sup>2</sup> in 1Q11 vs. 1Q10

<sup>1</sup> Non-GAAP measure; see "Note to Users – Performance and Non-GAAP Measures" below.

<sup>2</sup> Sales growth stated on a constant currency basis, a Non-GAAP measure; see "Note to Users – Performance and Non-GAAP Measures" below.

# Asia - Insurance sales highlight success of growth strategy in the region

**Asia Insurance Sales<sup>1</sup>**  
(US\$ millions)



<sup>1</sup> Non-GAAP measure; see "Note to Users – Performance and Non-GAAP Measures" below.

<sup>2</sup> Sales growth stated on a constant currency basis, a Non-GAAP measure; see "Note to Users – Performance and Non-GAAP Measures" below.

- **Our primary focus in Asia is to grow our Insurance business**
  - They reached the \$1 billion mark for the first time in 2010 – a landmark for the Company
  - Insurance sales in Asia were up 27%<sup>2</sup> vs. in 1Q10
  - We have accelerated sales growth in the region growing at a CAGR of 36%
- **Growing distribution base in Asia**
  - Strong agent growth over last several years
  - Added new bank channels and increased share of sales from these channels

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# Canada - Diversification in progress with a focus on expanding into high return businesses

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**Leading market shares in key businesses**

## Canada Growth Strategy

- Diversified financial services company with high returns
- Leverage in-force business through increased cross-selling

## Targeted Products

- Diversified product offering including Manulife Bank, Mutual Funds and Group Benefits

## Sales<sup>1</sup> Growth

- Record mutual fund deposits of \$595 million, up 68% in 1Q11 vs. 1Q10
- Record sales in individual insurance
- Continued growth for Manulife Bank – loan volumes up 22% in 1Q11 vs. 1Q10

<sup>1</sup> Non-GAAP measure; see "Note to Users – Performance and Non-GAAP Measures" below.

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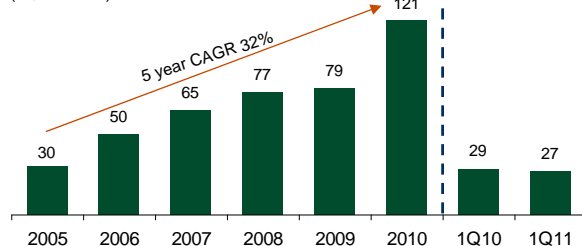
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# Canada - Manulife Bank a key diversification strategy and success story

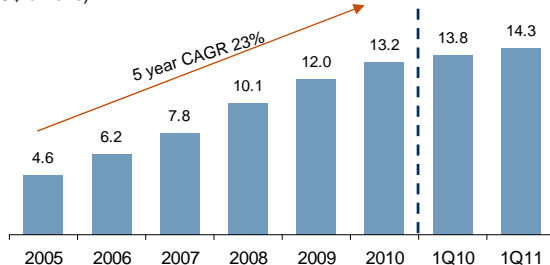
## Manulife Bank Statutory Earnings

(C\$ millions)



## Manulife Bank Net Lending Assets

(C\$ billions)



### Manulife Bank – diversification in action

- Advisor based bank
- Unique distribution and product model

### Strengthen & Grow Core Business

- Advertising
- Distribution penetration and productivity
- Product/service enhancements
- Technology

### New Products & Services

- Expand lending program
- Alternative distribution
- Trust company

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# U.S. - Repositioned for growth and continue to leverage brand and distribution capabilities

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**Focused transformation progressing well**

### U.S. Growth Strategy

- Re-balancing portfolio
- Leverage market leading distribution capabilities
- Increasing prices

### Targeted Products

- Fee based Wealth products (e.g., Mutual Funds and RPS)
- Life Insurance including Variable Universal Life & Universal Life w/o NLG

### Sales<sup>1</sup> Growth

- Mutual Fund sales of \$3.5 billion were 42% higher 1Q11 vs. 1Q10
- JH Lifestyle portfolios reached highest level of AUM of \$75 billion
- VA sales declined 25% in 1Q11 vs. 1Q10 – consciously constrained

<sup>1</sup> Non-GAAP measure; see "Note to Users - Performance and Non-GAAP Measures" below.

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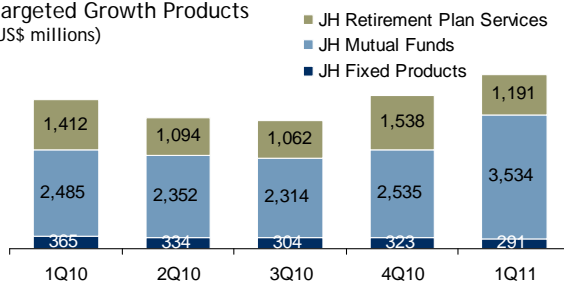
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# U.S. - Targeted growth products, especially Mutual Funds, driving overall wealth sales

## U.S. Wealth Management Sales<sup>1</sup>

Targeted Growth Products  
(US\$ millions)

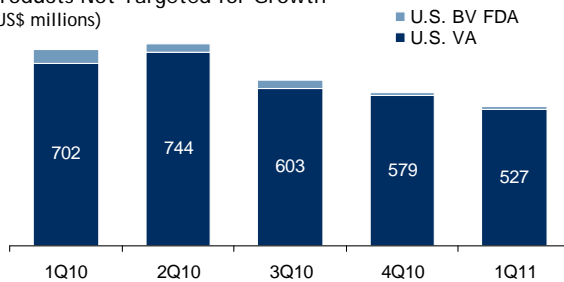


### 1Q11 U.S. targeted wealth products up 18% vs. 1Q10

- 1Q11 Mutual Fund sales of US\$3.5 billion, up 42% over 1Q10 - fourth consecutive billion dollar sales month
- Record market value fixed deferred annuity sales of \$104 million, up 42% despite low interest rate environment

## U.S. Wealth Management Sales<sup>1</sup>

Products Not Targeted for Growth  
(US\$ millions)



### 1Q11 U.S. wealth products not targeted for growth down 29% vs. 1Q10

- 1Q11 VA sales down 25% vs. 1Q10
- Book value fixed deferred annuity sales down 82% vs. 1Q10
- Consistent with actions to reposition to higher return, lower risk products

<sup>1</sup> Non-GAAP measure. See "Note to Users - Performance and Non-GAAP Measures" below.

## Agenda

- Overview and Strategy
- The Way Forward

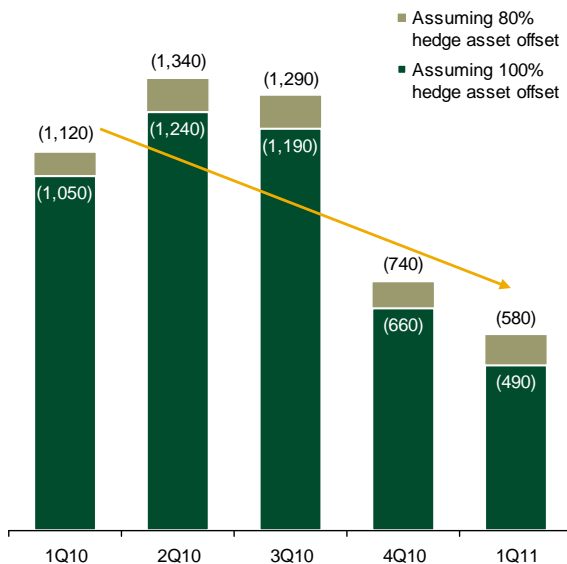
### Balancing Risk and Growth

- Conclusion

# Equity market risk - Achieved our 2012 equity market sensitivity goal in 1Q11

## Equity Market Sensitivity<sup>1</sup>

(C\$ millions, earnings sensitivity to 10% public equity decline)



- **59%-65% of underlying earnings sensitivity to equity market changes now hedged**

- Goal of hedging 60% by end of 2012 achieved
- Goal of hedging 75% by end of 2014

- **Continued Progress in Reducing Sensitivity:**

- \$8.5 billion of guaranteed value added to dynamic hedging program
- \$200 million of TOPIX futures contracts short sold under our macro hedging program
- All new VA business sold is dynamically hedged

- **Estimated impact of 10% equity market decline:**

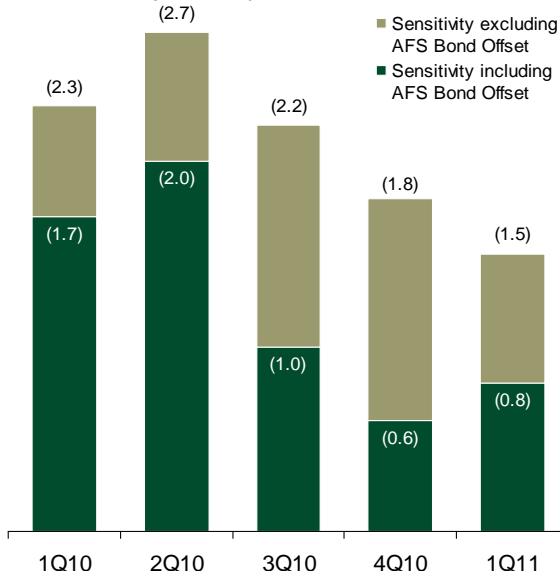
- Range of \$(490) to \$(580) million to earnings vs. \$(660) to \$(740) million in 4Q10
- (5) pts to MCCR vs. (7) pts in 4Q10

<sup>1</sup> Earnings sensitivity to equity markets is defined by the impact of a 10 per cent decline in the market value of equity funds on the net income attributed to shareholders.

# Interest rate risk - We have also surpassed our 2012 interest rate sensitivity goal

## Interest Rate Sensitivity<sup>1</sup>

(C\$ billions, earnings sensitivity to 1% decline in interest rates)



- **Achieved 2012 goal for reducing interest rate sensitivity**

- Interest rate sensitivity reduced by 32% relative to 3Q10 levels vs. goal of 25% reduction by 2012
- Goal of reducing sensitivity by 50% by end of 2014

- **Estimated impact of 1% parallel decline in interest rates (excluding AFS bond gains):**

- \$(1.5) billion to earnings vs. \$(1.8) billion in 4Q10
- (21) pts to MCCR vs. (23) pts in 4Q10

- **Estimated impact of 1% parallel decline in interest rates (including AFS bond gains):**

- \$(800) million to earnings, vs. \$(600) million in 4Q10

- **Continued Progress in Reducing Sensitivity:**

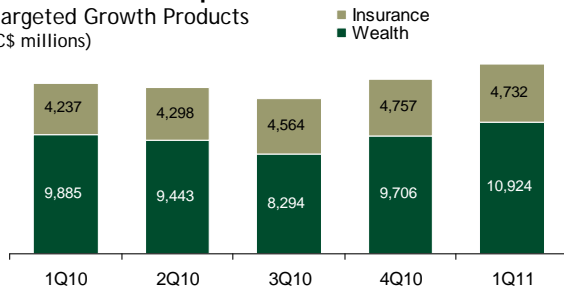
- Reduced future investment risk by executing \$3.4 billion of forward starting swaps to lock in current rates

<sup>1</sup> Earnings sensitivity to interest rates is defined by the impact of a one per cent parallel decline in interest rates on the net income attributed to shareholders.

# These risks are being balanced by driving P&D growth from lower risk, higher return products

## Premiums & Deposits<sup>1</sup>

Targeted Growth Products  
(C\$ millions)



- 1Q11 targeted insurance products P&D up 13%<sup>2</sup> over 1Q10

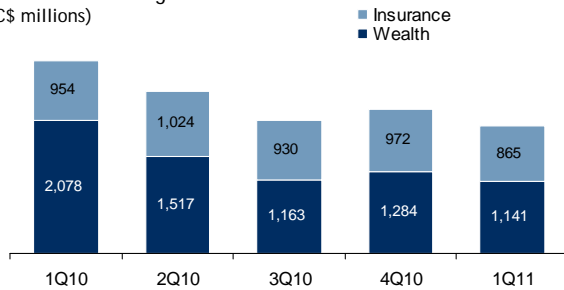
- JH Life executing repositioning as planned
- Growth of in-force business and new product launches in Asia

- 1Q11 targeted wealth products P&D up 15%<sup>2</sup> over 1Q10

- Strong North American mutual fund deposits
- Asia Wealth management

## Premiums & Deposits<sup>1</sup>

Products Not Targeted for Growth  
(C\$ millions)



- 1Q11 Insurance and Wealth P&D (products not targeted for growth) down 4%<sup>2</sup> and 44%<sup>2</sup>, respectively from 1Q10

- Consistent with actions taken globally to reposition products to improve ROE and rebalance risk

<sup>1</sup> Non-GAAP measure. See "Note to Users – Performance and Non-GAAP Measures" below.

<sup>2</sup> Premiums and Deposits stated on a constant currency basis, a Non-GAAP measure. See "Note to Users – Performance and Non-GAAP Measures" below.

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## Conclusion

# Execution of strategy leading to targeted growth

- Successfully executing strategic priorities
- Significant growth in our targeted higher-return businesses
- Building on accelerated growth in Asia
- Strong, growing diversified financial services firm in Canada
- Repositioning in the U.S. continues to progress well
- Strong capital levels which represent a substantial cushion

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## A snapshot of our recent financial and market performance

<b>Financial Performance</b>	<b>3/31/2010</b>	<b>3/31/2011</b>
Net income to shareholders (C\$ millions)	1,224	985
Net income excl. the direct impact of equity markets and interest rates <sup>1</sup> (C\$ millions)	904	874
Return on Equity (ROE) <sup>1</sup> (%)	19.2%	17.4%
Book Value (BV) per Share <sup>1</sup> (C\$)	15.00	12.84
In-Force Embedded Value (EV) per Share <sup>1,3</sup> (C\$)	23.20	22.11

<b>Market Performance</b>	<b>12/31/2010</b>	<b>4/29/2011</b>
MFC (TSX) (C\$)	17.15	16.99
Price to Book Value (P/BV)	1.34x	1.32x
Price to Embedded Value (P/EV)	0.78x	0.77x

<sup>1</sup> Non-GAAP measure. See Notes to Users - "Performance and Non-GAAP Measures".

<sup>2</sup> As at Dec 31, 2009 and 2010, respectively.

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## Note to Users

### Performance and Non-GAAP Measures

We use a number of non-GAAP financial measures to measure overall performance and to assess each of our 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 historical financial statements which is prior Canadian GAAP for 2010 and earlier and IFRS for 2011 and beyond. Non-GAAP measures include: Net Income Excluding the Direct Impact of Equity Markets and Interest Rates; Return on Common Shareholders' Equity (ROE); Constant Currency Basis; Premiums and Deposits; Premiums and Premium Equivalents; Sales; Book Value per Share; and In-Force Embedded Value per Share. 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. Net income excluding the direct impact of equity markets and interest rates is a non-GAAP profitability measure. It shows what the net income attributed to shareholders would have been assuming that existing hedges are unchanged and that interest and equity markets performed as assumed in our policy valuation. We consider the gains or losses on the variable annuity business that is dynamically hedged to be an indirect impact, not a direct impact, of changes in equity markets and interest rates. Return on common shareholders' equity is a profitability measure that presents the net income available to common shareholders as a percentage of the capital deployed to earn the income. The Company calculates return on common shareholders' equity using average common shareholders' equity excluding Accumulated Other Comprehensive Income (Loss) on available for sale securities and cash flow hedges. The Company also uses financial performance measures that are prepared on a constant currency basis, which exclude the impact of currency fluctuations and which are non-GAAP measures. Quarterly amounts stated on a constant currency basis in this presentation are calculated, as appropriate, using the income statement and balance sheet exchange rates effective for the fourth quarter of 2010. Premiums and deposits is a measure of top line growth. The Company calculates premiums and deposits as the aggregate of (i) premiums and premium equivalents (see below), (ii) segregated fund deposits, excluding seed money, (iii) mutual fund deposits, (iv) deposits into institutional advisory accounts, and (v) other deposits in other managed funds. Premiums and premium equivalents are part of premiums and deposits. The Company calculates premiums and premium equivalents as the aggregate of (i) general fund premiums net of reinsurance, reported as premiums on the Consolidated Statement of Operations, (ii) premium equivalents for administration only group benefit contracts and (iii) premiums in the Canadian Group Benefit's reinsurance ceded agreement. Sales are measured according to product type. (i) For total individual insurance, sales include 100 per cent of new annualized premiums and 10 per cent of both excess and single premiums. For individual insurance, new annualized premiums reflect the annualized premium expected in the first year of a policy that requires premium payments for more than one year. Sales are reported gross before the impact of reinsurance. Single premium is the lump sum premium from the sale of a single premium product, e.g. travel insurance. (ii) For group insurance, sales include new annualized premiums and administrative services only premium equivalents on new cases, as well as the addition of new coverages and amendments to contracts, excluding rate increases. (iii) For individual wealth management contracts, all new deposits are reported as sales. This includes individual annuities, both fixed and variable; variable annuity products; mutual funds; college savings 529 plans; and authorized bank loans and mortgages. (iv) For group pensions/retirement savings, sales of new regular premiums and deposits reflect an estimate of expected deposits in the first year of the plan with the Company. Single premium sales reflect the assets transferred from the previous plan provider. Sales include the impact of the addition of a new division or of a new product to an existing client. Total sales include both new regular and single premiums and deposits. Book value per share is the ratio obtained by dividing shareholders' equity by the number of common shares outstanding at the end of the period. In-force embedded value per share is a measure of shareholder's value embedded in the current balance sheet of the Company, excluding any value associated with future new business. For further information regarding these subjects, see our press release announcing our 2011 first quarter results.

## Question & Answer Session

