

# Financial & Operating Results

## Second Quarter 2010



August 5, 2010

# 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 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", "suspect", "outlook", "expect", "intend", "estimate", "anticipate", "believe", "plan", "forecast", "objective", "seek", "aim", "continue", "embark" and "endeavour" (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 performance and volatility of equity markets, interest rate fluctuations and movements in credit 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 care morbidity; the accuracy of other estimates used in applying accounting policies and actuarial methods; level of competition and consolidation; the 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 the 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.

# Scheduled Speakers

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## **Donald Guloien**

President & Chief Executive Officer

## **Michael Bell**

Senior Executive Vice President &  
Chief Financial Officer

# CEO's Remarks

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**Donald Guloien**

President & Chief Executive Officer

# Highlights

- Net loss of \$2.4 billion driven by CGAAP mark-to-market impacts of lower equity markets and historic low interest rates in Q2
- Expect most charges to reverse if interest rates improve and equity markets recover faster than the long term growth rates in the valuation of our policy liabilities
- On a USGAAP basis we expect to report a small profit and Shareholders' Equity to be approximately \$7 billion higher
- Intend to hedge or reinsure at least 70% of our variable annuity guaranteed exposure by end of 2012
- Underlying business performed well – successfully repositioning the business
  - Rebalancing business mix, redesigning and re-pricing products
  - Positive sales momentum
  - Asia Insurance sales up 30%, Mutual Fund sales up 51% in US and 175% in Canada
  - NBEV up 10% on insurance products and 6% in wealth products excluding variable annuities and U.S. book value fixed deferred annuities
- Capital and credit experience remain strong
- Geographic, demographic and other trends favour the growth of our business

# CFO's Remarks

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## **Michael Bell**

Senior Executive Vice President &  
Chief Financial Officer

# 2Q10 Financial Summary

- Second quarter 2010 net loss of \$2.4 billion and \$1.36 loss per share
- Significant mark-to-market charges impacted results for the quarter
  - In accordance with Canadian GAAP and actuarial methodologies
  - Declines in global equity markets (\$1.7 billion impact)
  - Additional declines in persistently low interest rates (\$1.5 billion impact)
  - Preliminary estimate: positive net income on US GAAP basis in the second quarter
- Strong second quarter capital position – 221% MLI MCCR
- Good credit performance relative to overall market conditions
- Continue to expect to re-balance our business to drive improved long-term returns for shareholders
  - Continued to drive favourable shift in business mix
  - Continued increases in sales in Asia and other high return products (e.g. wealth sales excluding variable annuities and book value fixed deferred annuities)
  - Consciously constraining sales growth in several areas due to financial and risk management initiatives

# Notable Items

(C\$ millions, post-tax)	1Q10	2Q10	YTD 2010
<b>Net Income</b>	<b>\$1,140</b>	<b>\$(2,378)</b>	<b>\$(1,238)</b>
<b><u>Notable items impacting earnings:</u></b>			
Variable annuity guarantees and other equity items	351	\$(1,686)	\$(1,335)
Interest rate declines	26	(1,479)	(1,453)
Other net investment related items	169	116	285
Net policyholder experience gains (losses)	(31)	11	(20)
Changes in actuarial methods and assumptions	-	13	13
Provisions on leveraged lease investments	(99)	-	(99)
Tax items related to closed years	24	37	61
Currency rates	(42)	(48)	(90)
<b>Net Impact</b>	<b>\$398</b>	<b>\$(3,036)</b>	<b>\$(2,638)</b>
<b>Adjusted Earnings from Operations<sup>1</sup></b>	<b>\$742</b>	<b>\$658</b>	<b>\$1,400</b>

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

# Equity Market and VA Hedging Impact on Earnings

Equity Markets	31-Mar-10	30-Jun-10	Change
S&P 500	1,169	1,031	-11.8%
TOPIX	979	841	-14.1%
S&P/TSX	12,038	11,294	-6.2%

## Impact on 2Q10 Earnings (C\$ millions)<sup>(1)</sup>:

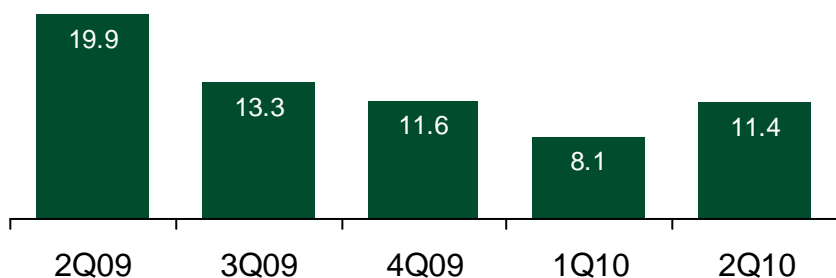
Variable annuity guarantees (unhedged block)	\$(1,275)
Variable annuity guarantees (hedged block) <sup>(2)</sup>	(276)
Equities supporting general account liabilities	(93)
Variable life reserves	(42)
<b>Net Impact</b>	<b>\$(1,686)</b>

(1) Excludes realized gains on available-for-sale portfolio and includes actual hedging program results.

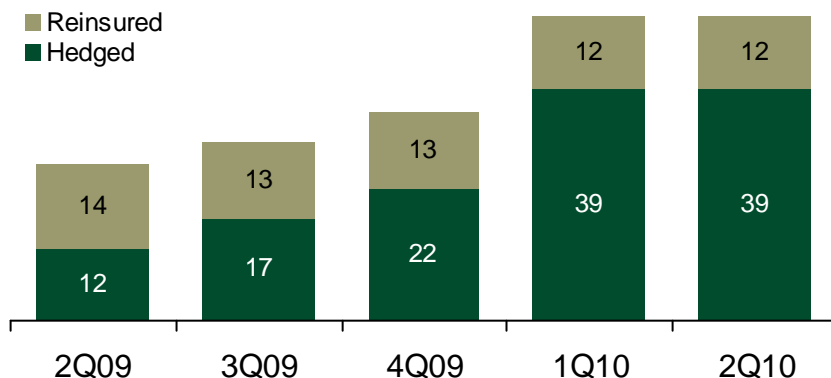
(2) Consists of a \$1.2 billion pre-tax gain on hedged assets less a pre-tax increase in hedged block policy liabilities of \$1.6 billion.

# Equity Risk Exposure

**Amount at Risk** (In-the-money amounts)  
(C\$ billions)



**% of Guarantee Value Reinsured or Hedged**



\*Please note the Company's disclosures which describe risk factors for hedging and reinsurance programs.

(C\$ billions)	Guarantee Value		Amount at Risk (in-the-money guarantees)	
	1Q10	2Q10	1Q10	2Q10
Gross Exposure	109.1	114.3	15.0	21.3
Reinsured	13.3	13.5	3.3	4.3
Hedged	42.3	44.9	3.5	5.6
Net Exposure*	53.6	55.9	8.1	11.4

- Amount at Risk (in-the-money amounts) of \$11.4 billion vs. \$11.6 billion at year end 2009
- Hedging or reinsuring 51% of Gross Guarantee Value at 2Q10
  - No additional amounts hedged in 2Q10 due to prevailing market conditions
- Continue to hedge substantially all new variable annuity business when sold
- Intend to have hedged or reinsured 70% of in-force variable annuities by the end of 2012

# Interest Rate Impact on Earnings

- Under Canadian GAAP, changes in interest rates impact the actuarial valuation of in-force policies by changing the future returns assumed on the investment of net future cash flows
- During the quarter, both treasury and corporate bond rates declined - largest decline was in the U.S., the geography which drives majority of the sensitivity
  - Overall impact of nearly \$1.5 billion after-tax
- Determine interest rates used in the policy valuation based on a number of factors:
  - Type, term and credit quality of the fixed income investment assumed to be purchased
  - We adjust the publicly available benchmarks to remove the outliers to reflect our expected investable universe
  - Assumed reinvestment rates are graded down to a long-term fixed government bond rate at 20 years
  - Limit the impact of spreads in excess of the long-term historical averages based on emerging best actuarial practices (estimated impact of \$380 million out of \$1.5 billion)

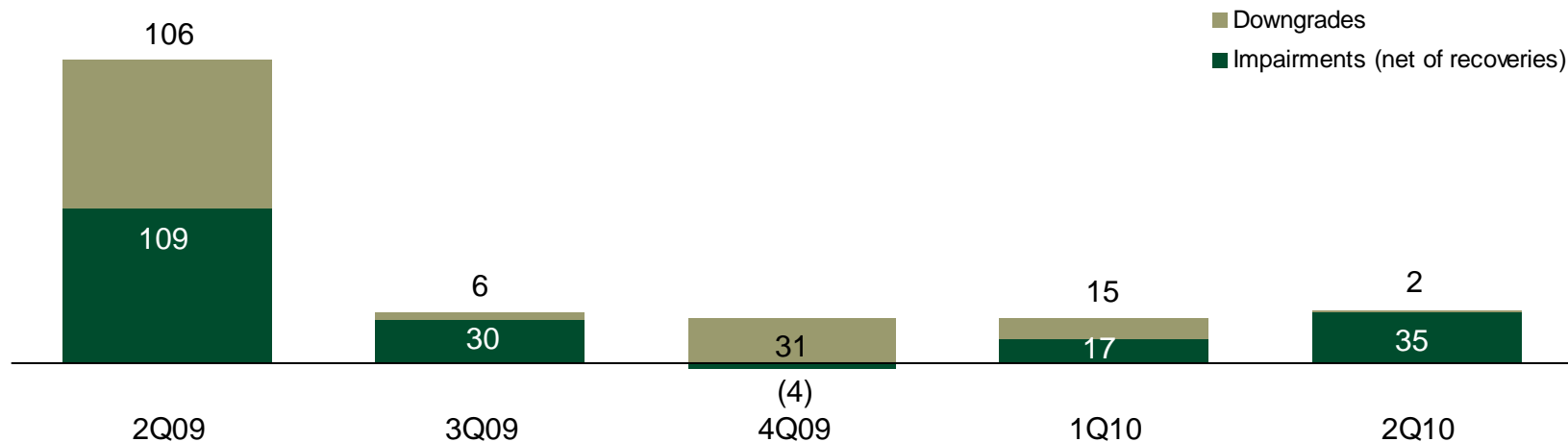
Interest Rate / Spread	31-Mar-10	30-Jun-10	Change	
			(Observable Market Indices)	(Actuarial Valuation Rates)
US 10-year Treasuries	3.83%	2.93%	-90 bps	-90 bps
US 30-year Treasuries	4.71%	3.89%	-82 bps	-82 bps
US 10-year Corp A	5.32%	4.69%	-63 bps	-90 bps
US 30-year Corp A	6.16%	5.62%	-54 bps	-82 bps
US 10-year Corp A to Treasury Spread	149 bps	176 bps	27 bps	0 bp
US 30-year Corp A to Treasury Spread	145 bps	173 bps	28 bps	0 bp

Source: Bloomberg

# Credit Experience (net of recoveries)

## Credit Impairments & Downgrades\*

(post-tax, C\$ millions)



\* On Non-Par holdings only and excludes the expected amount assumed in the valuation of policy liabilities of approximately \$27 million after-tax.

Impact on 2Q10 Earnings (C\$ millions):	Pre-tax	Post-tax
Credit impairments (net of recoveries)	\$55	\$35
Credit downgrades	2	2
<b>Total Impact</b>	<b>\$57</b>	<b>\$37</b>

# Results by Division (Excluding Market & Investment Results)

(in millions)	2Q09	2Q10	YTD 2009	YTD 2010	YTD Growth
U.S. Insurance (US\$)	102	55	157	84	
U.S. Wealth Management (US\$)	158	141	368	309	
U.S. Division (US\$)	260	196	525	393	(25)%
Asia including Japan Division (US\$)	174	259	363	487	34%
Reinsurance Division (US\$)	54	57	125	104	
Total US\$ Businesses	488	512	1,013	984	
Total US\$ Businesses (C\$)	569	526	1,223	1,017	
Canadian Division (C\$)	227	241	424	458	8%
Corporate & Other (C\$)	(93)	(109)	(143)	(125)	
<b>Total (C\$)</b>	<b>703</b>	<b>658</b>	<b>1,504</b>	<b>1,350</b>	
Adjustments <sup>1</sup>	14	-	(88)	50	
<b>Adjusted Earnings from Operations</b>	<b>717</b>	<b>658</b>	<b>1,416</b>	<b>1,400</b>	

<sup>1</sup> Divisional results include net policyholder experience gains (losses): 2Q10 of \$11 and 2Q09 of \$(16), net tax items related to closed tax years: 2Q10 of \$37 and 2Q09 of nil and currency rates: 2Q10 of \$(48) and 2Q09 of \$2.

- US Insurance: higher new business strain
- US Wealth: higher in-force hedging costs and low Fixed Product income more than offset increased fee income from the retirement business and mutual fund growth
- Asia including Japan: profitable growth in key target markets
- Canada: higher AUM and Bank volumes, offset by higher new business strain on life and mutual funds

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

(C\$ Millions)	2Q09	3Q09	4Q09	1Q10	2Q10
Expected Profit on In-Force <sup>1</sup>	871	876	838	810	801
Impact of New Business	(55)	(143)	(119)	(142)	(158)
Experience Gains (Losses) <sup>2</sup>	925	(572)	439	555	(4,155)
Mgmt Actions & Chgs in Assumptions	(46)	(1,081)	(232)	(20)	94
Earnings on Surplus Funds	(21)	156	15	151	61
Other	11	29	63	(7)	8
<b>Income Before Taxes</b>	<b>1,685</b>	<b>(735)</b>	<b>1,004</b>	<b>1,347</b>	<b>(3,349)</b>
Income Taxes	89	563	(136)	(207)	971
<b>Shareholders' Net Income</b>	<b>1,774</b>	<b>(172)</b>	<b>868</b>	<b>1,140</b>	<b>(2,378)</b>
<i>Foreign Exchange Information (CAD to USD)</i>					
Balance Sheet Rate	1.1625	1.0722	1.0466	1.0156	1.0606
Statement of Operations Rate	1.1668	1.0979	1.0562	1.0401	1.0276
Currency Adjusted Expected Profit on In-force	871	927	936	926	936

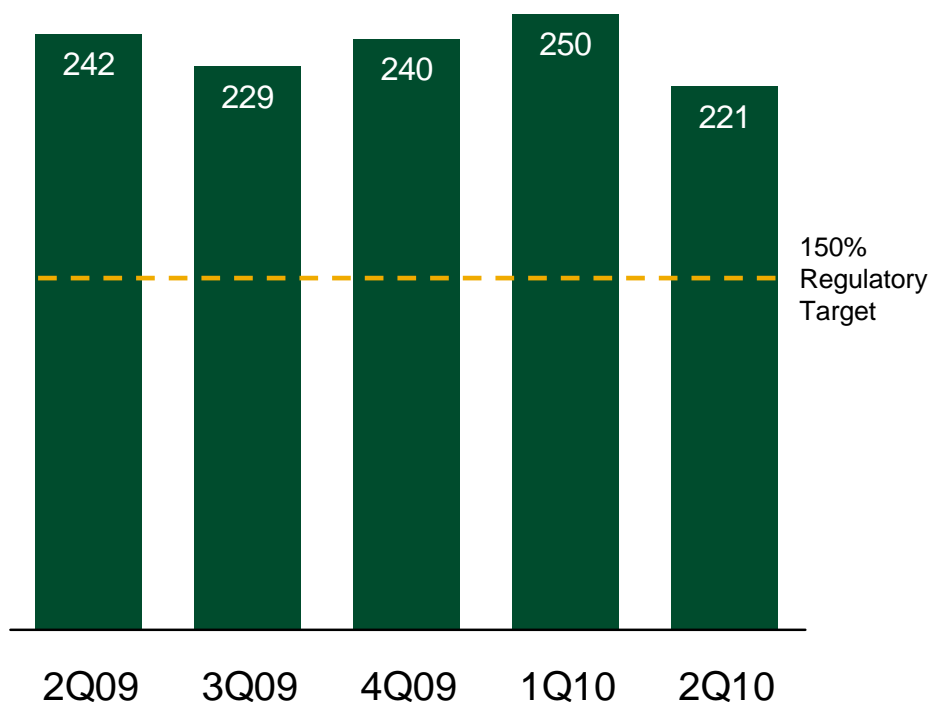
<sup>1</sup> Per OSFI instructions, the Source of Earnings amounts denominated in foreign currencies are translated at the prior quarter's balance sheet rate

<sup>2</sup> Experience Gains (Losses) include the adjustments to arrive at the related income statement rate.

- Expected profit on in-force ("EPIF") lower than prior year, primarily driven by currency and additional cost of in-force VA hedging
- Increase in new business strain, primarily attributable to low interest rate environment impact and deferred full impact of new business price increases in U.S. Insurance businesses
- Experience losses primarily reflect equity market and interest rate declines
- Management Actions includes impact of combining two investment segments and is reported on Slide 8 as an investment related item
- Earnings on surplus down due to absence of equity AFS gains and lower investment yields
- More normal effective tax rate in 2Q10; 2Q09 benefitted from gains in lower tax jurisdictions and losses in the US

# Current Regulatory Capital Position

## Minimum Continuing Capital and Surplus Requirements (MLI)



MLI refers to The Manufacturers Life Insurance Company

2Q10 MCCR of 221%, down from 1Q10 by 29 points, primarily attributable to reported net loss in the quarter

Significant buffer relative to Regulatory Target of 150%

# Sensitivity of Earnings & Capital

<b>Estimated MFC Earnings Sensitivity*</b>	<b>Mar 31, 2010</b>		<b>June 30, 2010</b>	
	<b>Increase</b>	<b>Decrease</b>	<b>Increase</b>	<b>Decrease</b>
Approximate immediate impact of 10% equity market movement followed by a return to our long term market assumptions**	+\$900 million	-\$1.1 billion	+\$1.0 billion	-\$1.3 billion
Approximate impact of 100 bps parallel movement in interest rates	+\$1.8 billion	-\$2.3 billion	+\$2.3 billion	-\$2.7 billion

<b>Estimated MLI Capital Sensitivity*</b>	<b>Mar 31, 2010</b>		<b>June 30, 2010</b>	
	<b>Increase</b>	<b>Decrease</b>	<b>Increase</b>	<b>Decrease</b>
MCSSR As Reported		250 %		221 %
Approximate impact of 10% equity market movement**	+9 pts	- 10 pts	+ 8 pts	-13 pts

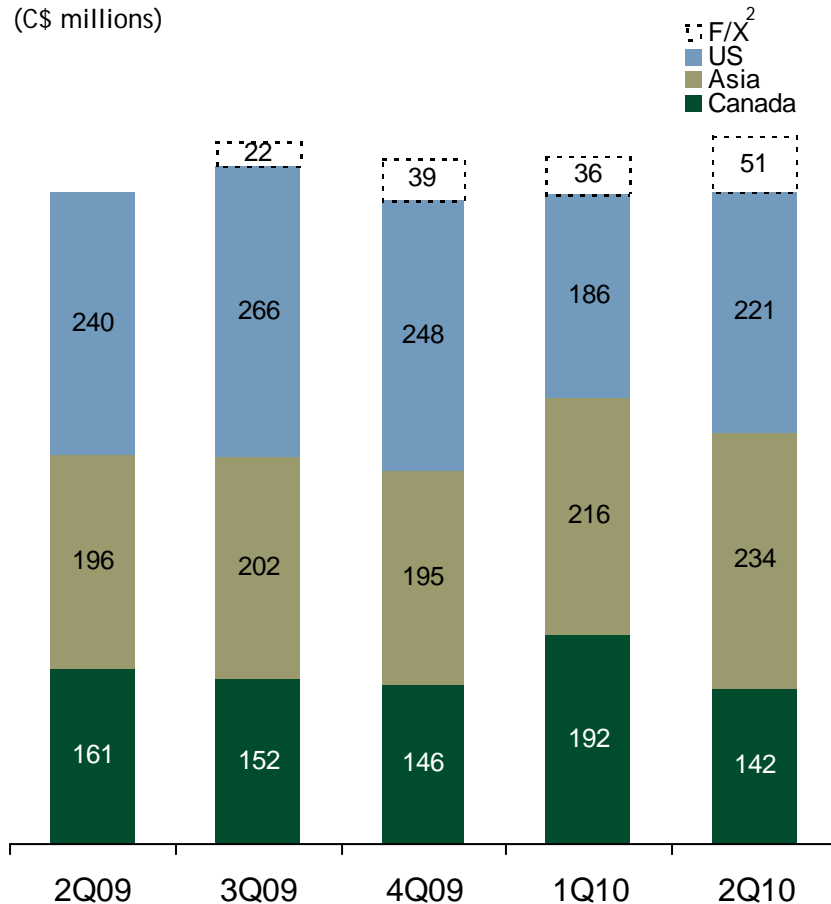
\* The impacts on earnings and MLI MCSSR for market values are based on a starting point and business mix in place at that date, and assume that all other variables stay constant. Actual results can differ materially from these estimates for a variety of reasons, including the interaction between these factors, changes in actuarial assumptions, changes in business mix, effective tax rates, currency and other market variables.

\*\* Some hedge breakage assumed – refer to MD&A. The equity sensitivities include assumptions with respect to the effectiveness of the hedge program as well as the assumptions related to the impact on the unhedged business. Actual results will differ.

# Higher Insurance Sales

## Sales<sup>1</sup>

(C\$ millions)



## 2Q10 Insurance sales up 9% over prior year on a constant currency basis

- Strong Asian sales growth of 30% over the prior year, on a constant currency basis
- U.S. Sales impacted by price increases designed to target higher margins
- Canadian life sales increased, although large group cases declined from strong 2009

Insurance sales consist of recurring premiums and 10% of both excess and single premiums with the exception of Canada Group Benefits which is measured by new annualized premiums and single premium sales, including ASO premium equivalents

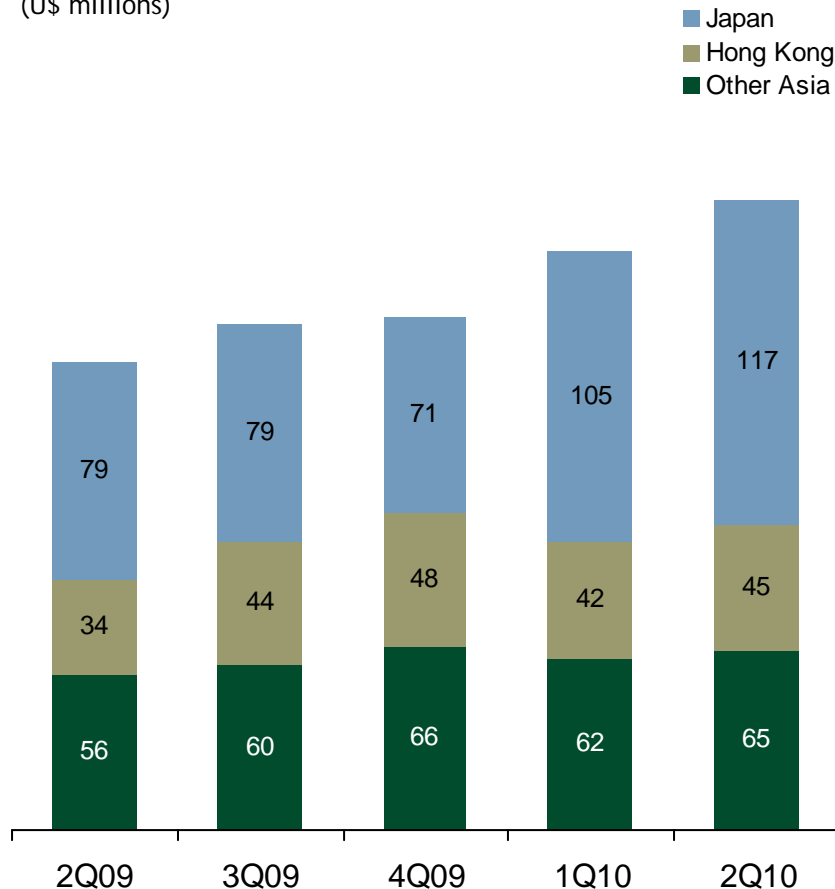
<sup>1</sup> Non GAAP measure. See "Note to Users – Performance and Non-GAAP Measures".

<sup>2</sup> F/X reflects impact to sales if rates remained constant at 2Q09 levels.

# Asia Insurance

## Sales<sup>1</sup>

(US\$ millions)



Japan Insurance sales of US\$117 million, up 41%, on a constant currency basis

- Record quarter for sales
- Continued growth of MGA channel

Hong Kong Insurance sales of US\$45 million, up 36%, on a constant currency basis

- Continued agency channel expansion

ASEAN Insurance sales of US\$39 million, down 2%, on a constant currency basis

China & Taiwan Insurance sales of US\$27 million, up 41%, on a constant currency basis

- Continued growth in China

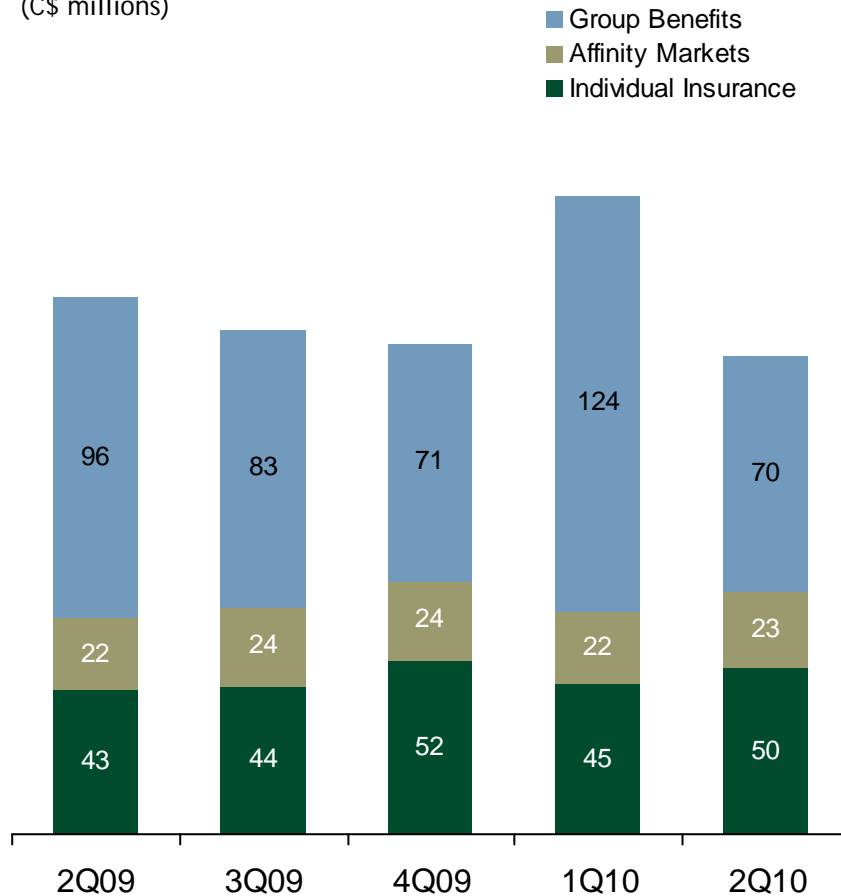
<sup>1</sup> Non GAAP measure. See "Note to Users – Performance and Non-GAAP Measures".

Insurance sales consist of recurring premiums and 10% of both excess and single premiums.

# Canada Insurance

## Sales<sup>1</sup>

(C\$ millions)



## Individual Insurance and Affinity sales of \$73 million, up 12% over 2Q09

- Strong growth in permanent insurance products
- A return of larger sized policies

## Group Benefits sales of \$70 million, down 27% over 2Q09

- Sales of higher-margin, small case segment rebounded from the first quarter
- Prior year results were bolstered by several large case sales

Insurance sales consist of recurring premiums and 10% of both excess and single premiums with the exception of Group Benefits which is measured by new annualized premiums and single premium sales, including ASO premium equivalents.

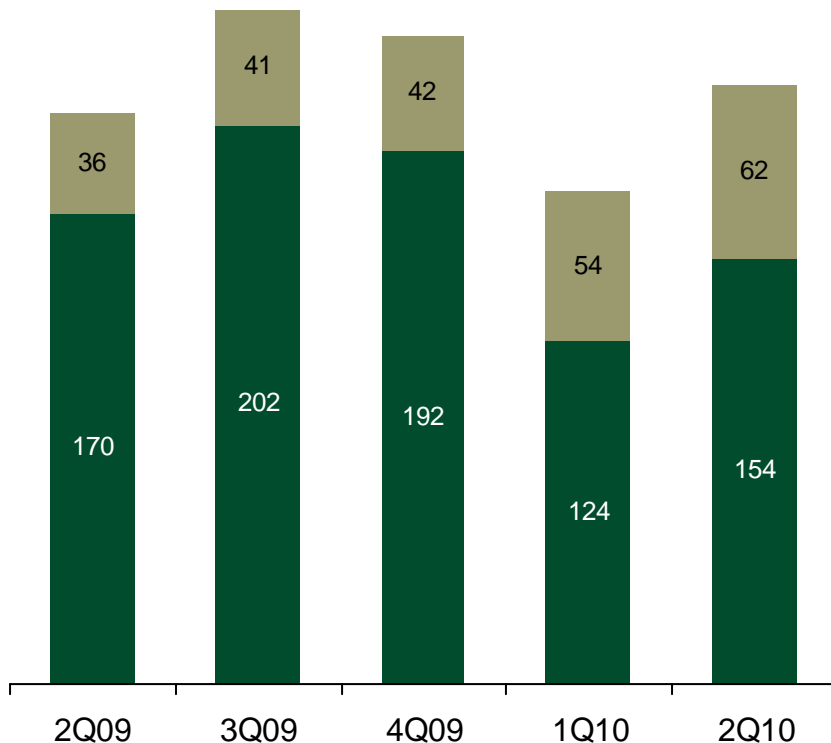
<sup>1</sup> Non GAAP measure. See "Note to Users – Performance and Non-GAAP Measures".

# U.S. Insurance

## Sales<sup>1</sup>

(U\$ millions)

■ JH LTC  
■ JH Life



Life sales of US\$154 million, down 9% over 2Q09

- Price increases in Term and Guaranteed UL products impacted sales while improving margins
- Premiums & Deposits for the first 6 months remain strong

LTC sales of US\$62 million, up 72% over 2Q09

- Increased Group sales due to new member enrollments, new group clients and the inclusion of 100% of the Federal LTC sales
- Retail sales growth driven by a flight to quality
- LTC sales expected to slow in 2H10 due to previously announced price increases and product re-positioning to improve margins

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

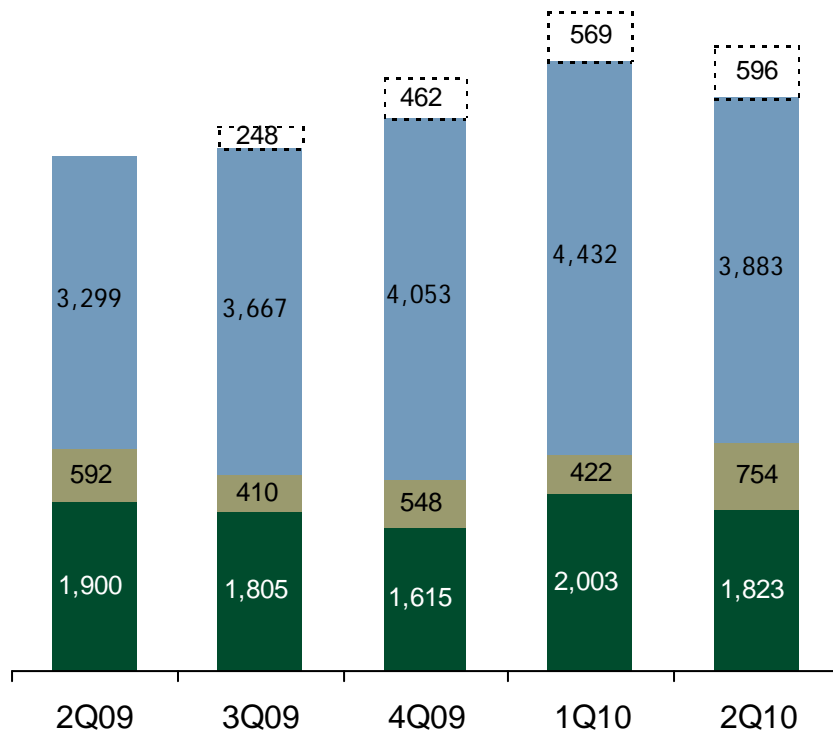
Insurance sales consist of recurring premiums and 10% of both excess and single premiums.

# Wealth Management (excl. VA & BV FDA)

## Sales<sup>1</sup>

(C\$ millions)

<sup>2</sup>  
 F/X  
 US  
 Asia  
 Canada



2Q10 Wealth sales, excluding variable and book value fixed deferred annuities, up 22% versus prior year on a constant currency basis

- Most businesses experienced sales increases

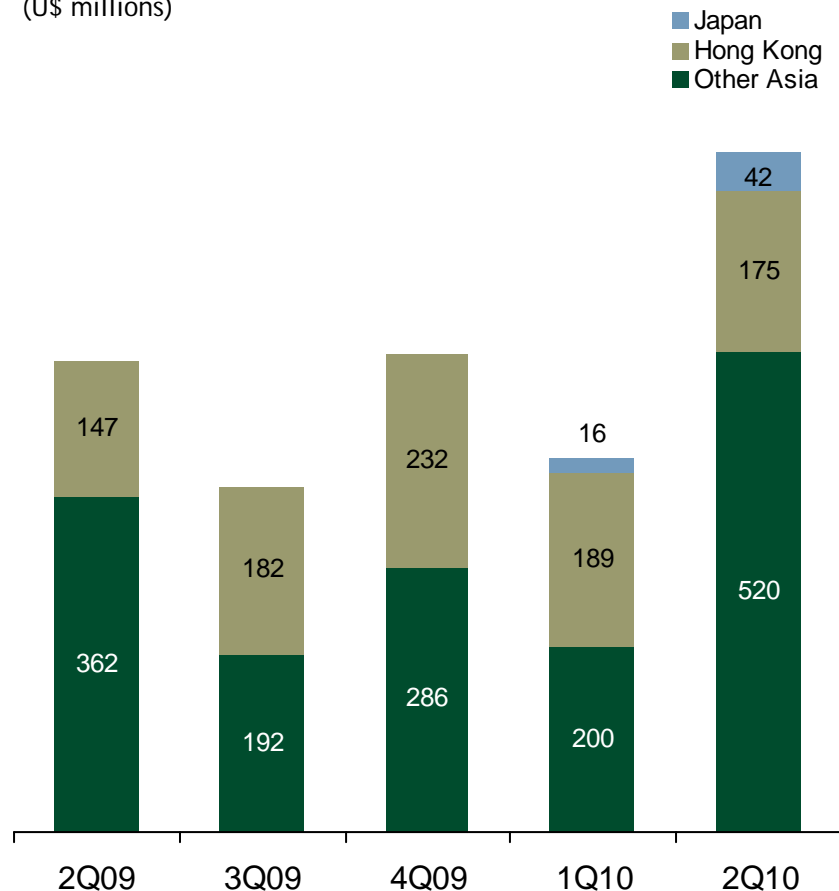
<sup>1</sup> Non GAAP measure. See "Note to Users – Performance and Non-GAAP Measures".

<sup>2</sup> F/X reflects impact to sales if rates remained constant at 2Q09 levels.

# Asia Wealth excl. Variable Annuities

## Sales<sup>1</sup>

(US\$ millions)



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

Hong Kong sales of US\$175 million, up 19% versus 2Q09

- Driven by sales increase in HK Pensions

Other Asia sales of US\$520 million, up 35% versus 2Q09 on a constant currency basis

- First full quarter of contribution from 49% stake in Manulife TEDA
- Indonesia sales fueled by improving market conditions and new bancassurance partner
- Taiwan sales boosted by launch of 2 new funds, offsetting significantly lower money market sales

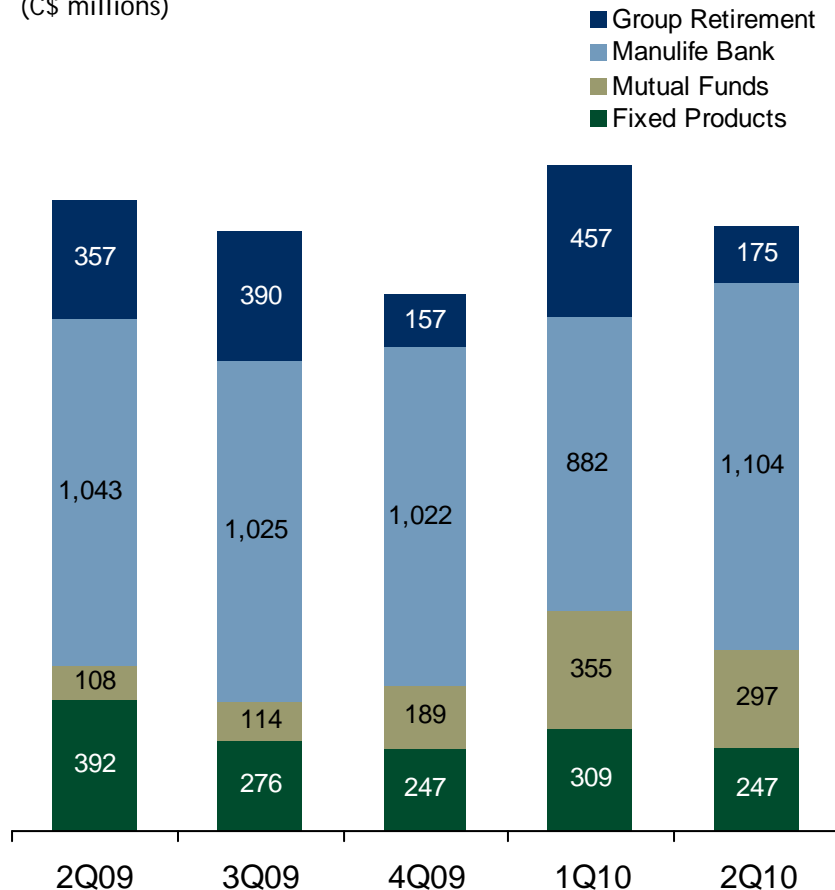
Japan sales of US\$42 million

- New products launched earlier in year

# Canada Wealth excl. Variable Annuities

## Sales<sup>1</sup>

(C\$ millions)



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

Mutual Fund deposits of \$297 million, up 175% over 2Q09

- Strong volume on funds focused on yield and safety

Fixed Products sales of \$247 million, down 37% versus 2Q09

- Reflecting low interest rate environment

Manulife Bank Volumes of \$1,104 million, up 6% versus 2Q09

- 25% increase vs. 1Q10

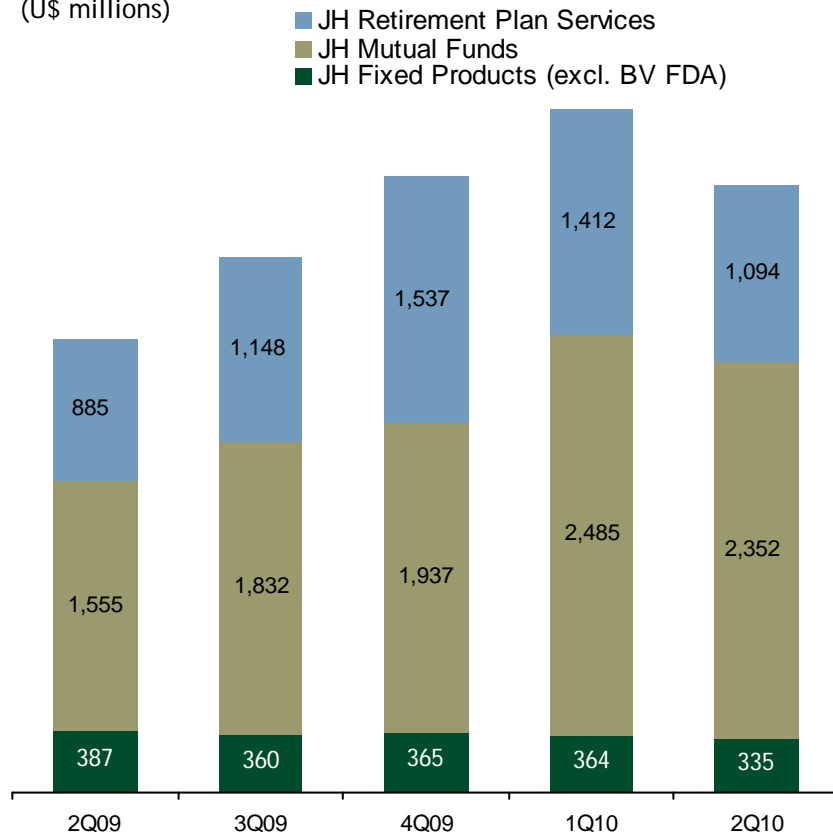
GRS sales of \$175 million, down 51% over 2Q09

- 2Q09 included a number of large cases

# U.S. Wealth (excl. VA & BV FDA)

## Sales<sup>1</sup>

(U\$ millions)



## Mutual Fund sales of US\$2.4 billion, up 51% over 2Q09

- Improved market conditions relative to prior year
- Competitive fund performance on broad fund offering (portfolio of 18 4-Star, 5-Star funds\*)
- 5<sup>th</sup> consecutive quarter of positive net sales

## Retirement Plan Services sales of US\$1.1 billion, up 24% over 2Q09

- Record Sales
- Driven by distribution relationships, the acquisition of larger cases and improved market conditions

## Fixed Products, excluding BV FDA sales of US\$335 million, down 13% versus 2Q09

- Low interest rate environment

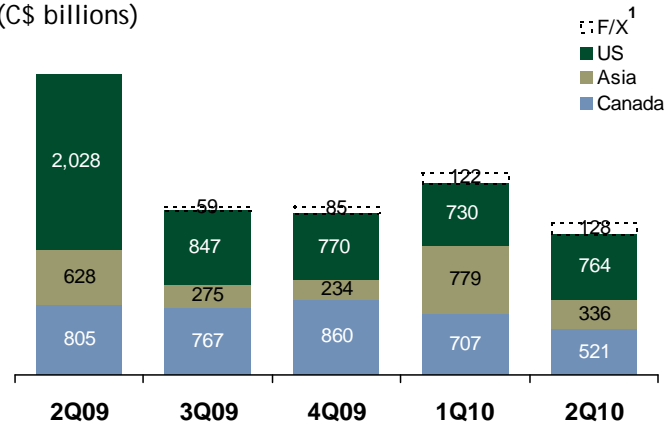
<sup>1</sup> Non GAAP measure. See "Note to Users – Performance and Non-GAAP Measures".

\* For each fund with at least a 3-year history, Morningstar calculates a Morningstar Rating based on a Morningstar Risk-Adjusted Return that accounts for variation in a fund's monthly performance (including effects of sales charges, loads and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category, the next 22.5%, 35%, 22.5% and bottom 10% receive 5, 4, 3, 2 or 1 star respectively. The Overall Morningstar Rating for a fund is derived from a weighted average of the performance associated with its 3-, 5- and 10-year (if applicable) Morningstar Rating metrics. Past performance is no guarantee of future results. The overall rating includes the effects of sales charges, loads and redemption fees, while the load-waived does not. Load-waived rating for Class A shares should only be considered by investors who are not subject to a front-end sales charge.

# Lower VA & Book Value Fixed Deferred Annuities

## Variable Annuity Sales

(C\$ billions)



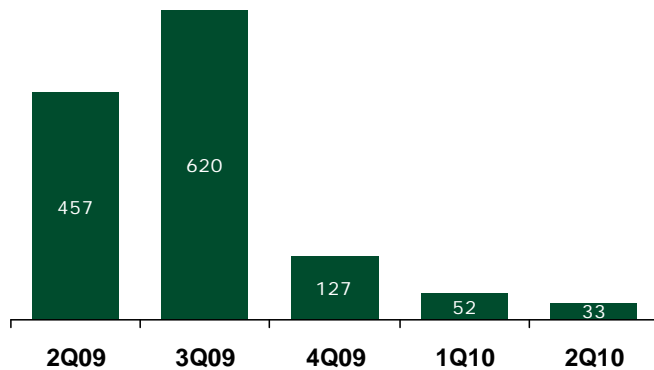
<sup>1</sup> F/X reflects impact to sales if rates remained constant at 2Q09 levels.

2Q10 variable annuity sales down 49% vs. 2Q09 on a constant currency basis

- On-going risk management initiatives to reduce equity exposure across all geographies

## Book Value Fixed Deferred Annuity Sales

(US\$ millions)



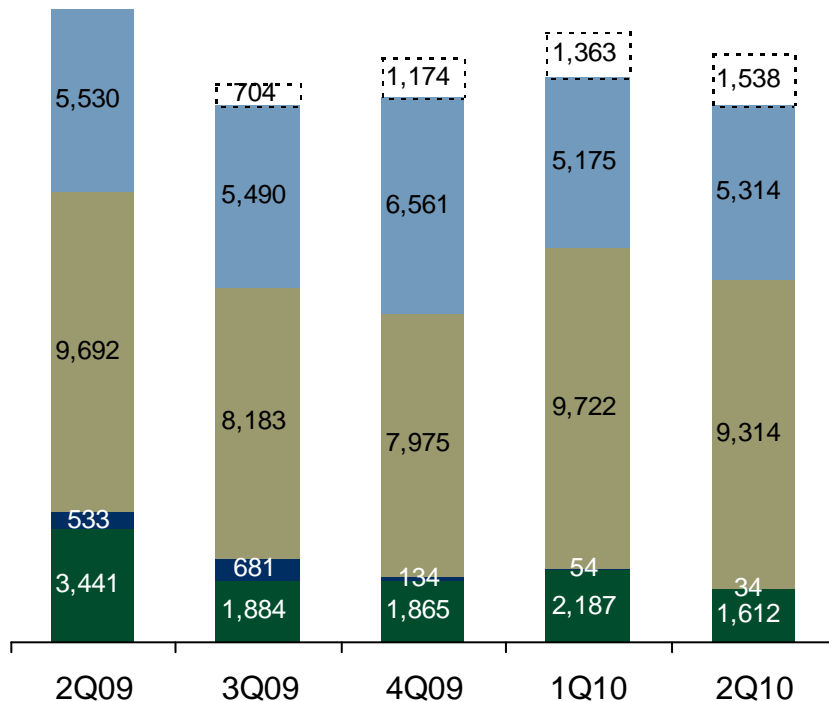
2Q10 book value fixed deferred annuity sales down 93% versus prior year's quarter on a US Dollar basis

- On-going risk management initiatives to reduce interest rate risks

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

(C\$ millions)

<sup>2</sup>  
 F/X  
 Insurance  
 Wealth (ex. VA & BV FDA)  
 BV FDA  
 VA



Insurance P&D up 3% on a constant currency basis versus the prior year

- Growth of in-force business

Wealth, excluding VAs & book value fixed deferred annuities, P&D up 7% on a constant currency basis vs. the prior year

- Deposit growth in mutual funds and retirement savings
- Lower fixed product sales in Canada & U.S.

VA P&D down 49% in 2Q10 versus prior year level on a constant currency basis

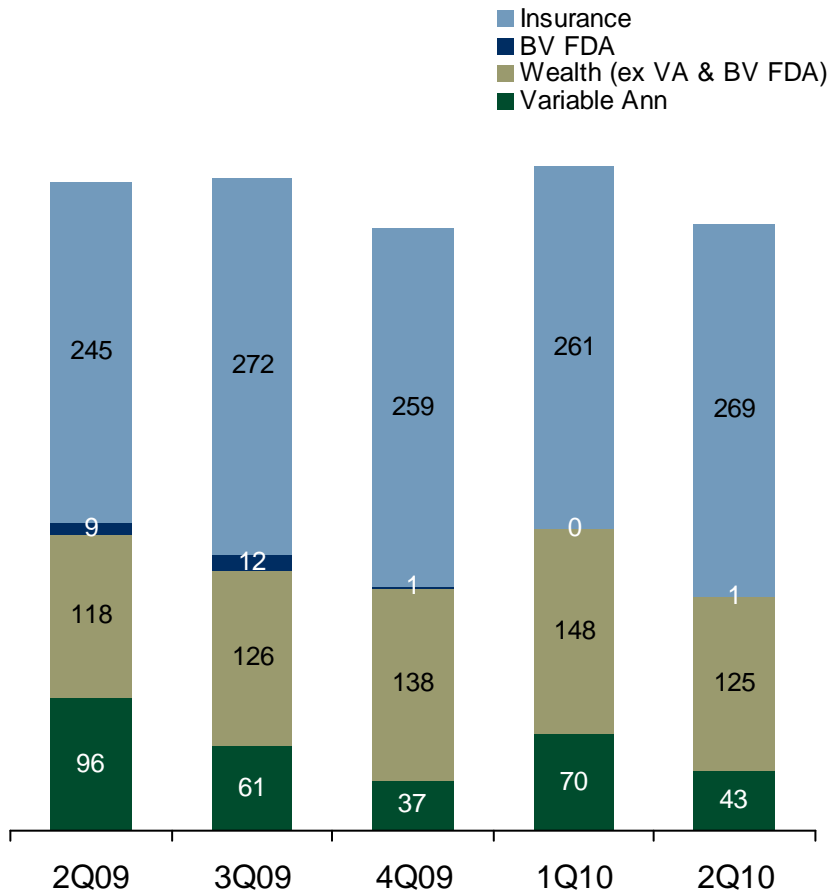
- Consistent with on-going risk management initiatives

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

<sup>2</sup> F/X reflects impact to premiums and deposits if rates remained constant at 2Q09 levels.

# New Business Embedded Value<sup>1</sup>

(C\$ millions)



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

NBEV for insurance, up 10% in 2Q10 from prior year level

- Increases in sales
- Actions to improve product margins
- Partially reduced by impact of sales mix

NBEV for wealth, excluding VAs and book value fixed deferred annuities, up 6% from prior year level

- Increased mutual fund sales in all divisions

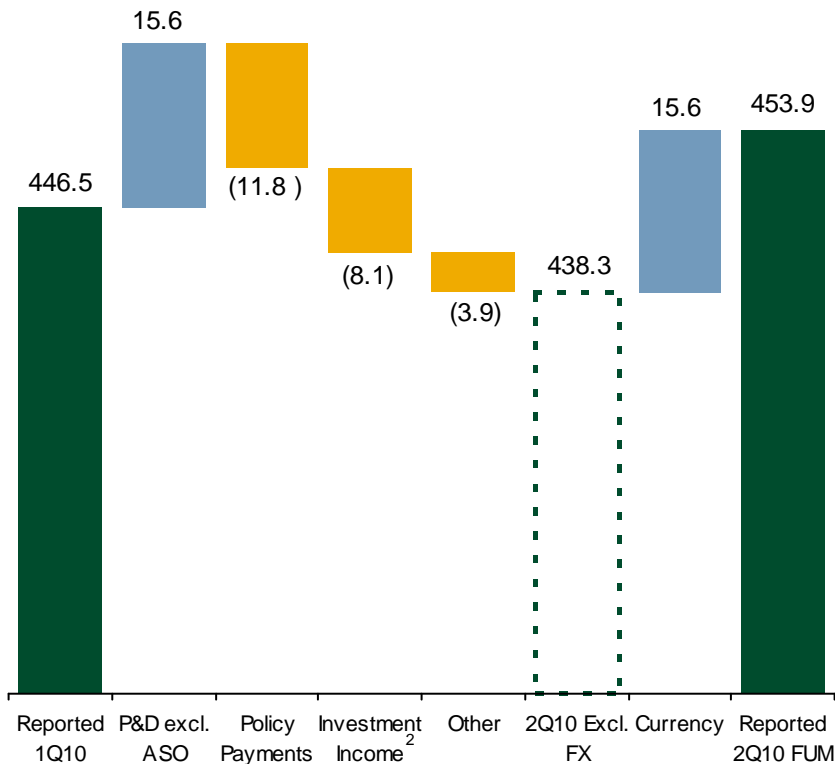
NBEV for variable annuities decreased by 55% in 2Q10 from prior year levels

- In-line with sales declines and lower interest rates as we hedge new business

# Higher Funds Under Management<sup>1</sup>

(C\$ millions)

Total FUM increased \$7.5 billion to \$454 billion (down 2% on a constant currency basis)



- Positive policyholder net cash flows of \$4 billion
- Net investment loss of \$8 billion
- Favourable currency movement of \$16 billion

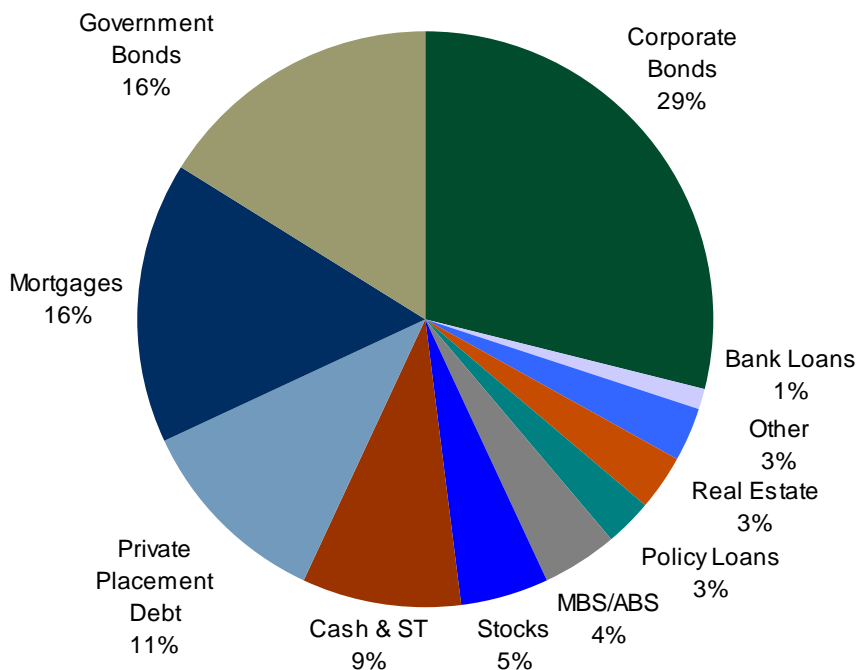
<sup>1</sup> Non GAAP measure. See "Note to Users – Performance and Non-GAAP Measures".

<sup>2</sup> Investment Income includes OCI on AFS securities and cash flow hedges.

# Diversified High Quality Asset Mix

## Total Invested Assets

(C\$199.3 billion)



## Diversified, high quality portfolio:

- 12% in Cash & Policy Loans
- 16% in high quality Mortgages
- 60% in high quality Public & Private Bonds
- 95% of Bonds are Investment Grade and highly diversified by geography and sector
- 89% of CMBS rated AAA with 88% originated in 2005 or prior
- Commercial Mortgages have low Loan-to-Values ~ 64% and high Debt Service Coverage ~1.6x
- Unlevered Commercial Real Estate with 91.9% occupancy and 5.6 years average lease term

## Limited Net Exposure<sup>1</sup> to:

- RMBS (C\$730M)
- Monoline wrapped bonds (C\$625M)
- European bank hybrids (C\$329M)
- Sovereign debt of "PIIGS" nations (C\$79M)

## No exposure to:

- Hedge funds
- Credit default swaps

As at June 30, 2010, Carrying Value

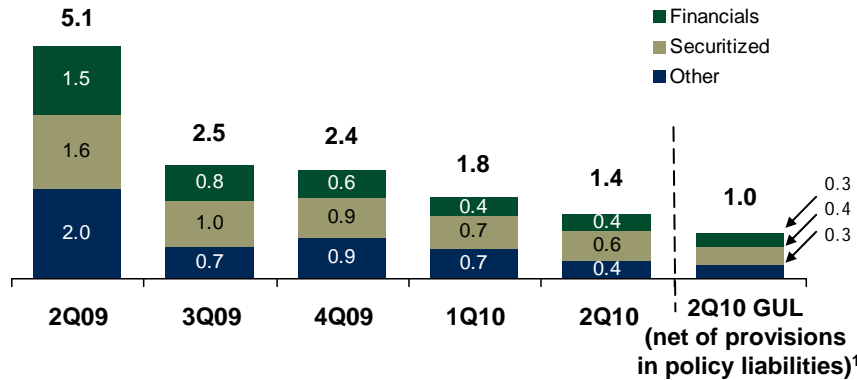
<sup>1</sup>Net Exposure excludes par and pass-thru and reflects the impact of downgrades on reserves.

Note: "CMBS" refers to Commercial Mortgage-backed Securities, "RMBS" refers to Residential Mortgage-backed Securities, and "PIIGS" refers to the nations of Portugal, Italy, Ireland, Greece and Spain.

# Lower Gross Unrealized Losses

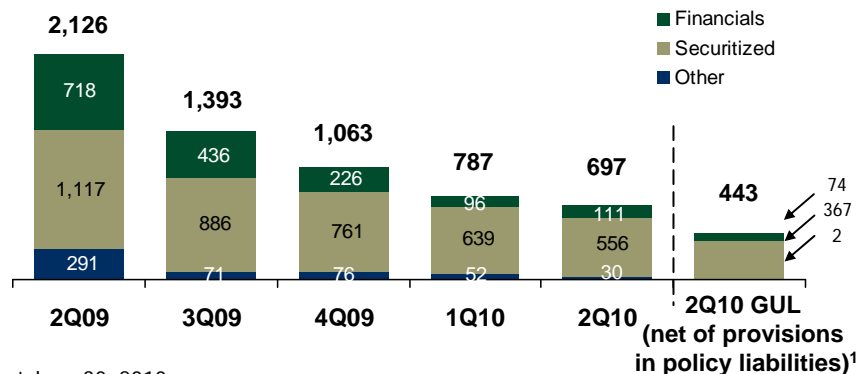
## Total Gross Unrealized Losses

(C\$ billions)



## Gross Unrealized Losses >20% of cost and > 6 months

(C\$ millions)



## Continued Significant Improvement

- Total gross unrealized losses declined 20% sequentially to C\$1.4 billion due to declines in Treasury rates
  - Represents 1.2% of Fixed Income securities
- Gross unrealized losses for Fixed Income securities trading at less than 80% of cost for greater than 6 months declined 11% from 1Q10 to C\$0.7 billion
  - Represents 0.6% of Fixed Income securities
- The potential impact to shareholders' net income for Fixed Income securities trading at less than 80% of cost for greater than 6 months is limited to C\$443 million

As at June 30, 2010

<sup>1</sup>Gross unrealized losses (net of provisions in policy liabilities) excludes par and pass-thru and reflects the impact of downgrades on reserves.

# Key Questions

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- Equity market impact
- Interest rate sensitivity
- Third quarter basis change
- Capital position
- Guaranteed Universal Life

# Financial Summary

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- Net loss driven by mark-to-market impact of lower equity markets and interest rates
- Magnitude of impact increased under Canadian GAAP
- Strong capital position at second quarter
- Favourable business mix shift towards higher return sales
- Good credit performance

# Question & Answer Session

# 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. Non-GAAP measures include: Adjusted Earnings from Operations; Return on Common Shareholders' Equity; Constant Currency Basis; Premiums and Deposits; Premiums and Premium Equivalents; Funds under Management; Capital; Sales; New Business Embedded Value; and Shareholders' Economic Value. 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. 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 second quarter of 2009. 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. Funds under management is a measure of the size of the Company. It represents the total of the invested asset base that the Company and its customers invest in. The definition we use for capital serves as a foundation of our capital management activities at the MFC level. For regulatory reporting purposes, the numbers are further adjusted for various additions or deductions to capital as mandated by the guidelines used by OSFI. Capital is calculated as the sum of: total equity excluding Accumulated Other Comprehensive Income (Loss) on cash flow hedges; non-controlling interest in subsidiaries; and liabilities for preferred shares and qualifying capital instruments. 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. New business embedded value ("NBEV") is the change in shareholders' economic value as a result of sales in the period. NBEV is calculated as the present value of expected future earnings after the cost of capital on new business using future mortality, morbidity, policyholder behavior assumptions, expense and investment assumptions used in the pricing of the products sold. The investment assumptions for long duration products are based on the long-term investment assumptions typically determined during the annual planning cycle. For variable annuity products, the interest rates used in the calculation of NBEV are based on the interest rates at the time the business is issued. The principal economic assumptions used in the NBEV calculations in 2010 were based on January 1, 2010 markets. Impact on shareholders' economic value is one of the measures we use to describe the potential impact of changes in equity markets and interest rates. Our method of calculating the impact on shareholders' economic value is set out in the relevant sections of the presentation where the impact is disclosed. For further information regarding these subjects, see our press release announcing our 2010 second quarter results.