ANNUAL MEETING ADDRESS

Remarks

STEVE RODER
SENIOR EXECUTIVE VICE PRESIDENT
AND CHIEF FINANCIAL OFFICER

at the

ANNUAL MEETING OF SHAREHOLDERS

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200 Bloor Street East
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Thank you Mr. Chairman and good morning everyone.

I appreciate the opportunity to address the annual meeting today. I am very proud of what we accomplished as a Company last year. This morning, I will review our financial and operating results for 2016 and I will close with a summary of our performance in the first quarter of 2017.

We achieved solid results across our primary business lines in 2016, building upon the momentum generated in prior years. There are a number of areas to highlight:

- We generated strong insurance sales and growth in new business value;
- We continued to deliver positive net flows, which contributed to growth in assets under management;
- Our top line performance drove strong growth in core earnings;
- We remained focused on regular sustainable dividend increases, delivering an increase of 11% in 2016;
- We maintained financial flexibility;
- And, our strong financial performance has helped us deliver a 20 per cent total shareholder return in 2016, and an annualized return of 19% since the end of 2012.

In 2016, we achieved insurance sales of nearly four billion dollars, up 11 per cent from the prior year. This was driven by our Asia operations, which benefited from broad-based sales growth across the region and strong sales through the bank channel, including the successful launch of our partnership with DBS Bank. The contribution from Asia was partially offset by lower insurance sales in North America.

Asia insurance sales have grown at a compound annual growth rate of 16 per cent since 2012, and in 2016 represented 67 per cent of Manulife’s total insurance sales, up from 42% in 2012.

Our strong top line performance and solid product margins in Asia also drove a 22 per cent increase in Manulife's new business value in 2016. This bodes well for our future profitability as new business value represents the present value of expected future earnings from our sales. Our focus on growing new business value should lead to higher return on equity over time.

Now I would like to draw your attention to our Global Wealth and Asset Management businesses, which are an area of substantial growth for the Company. It is comprised of our fee-based businesses with little or no insurance risk and includes mutual funds, pension products and our institutional advisory business.

We achieved strong net flows of $15 billion dollars in 2016, and as of the end of the year had delivered positive net flows in each quarter for the past seven years. This contributed to a 6% increase in assets under management and administration in 2016, and 16 per cent compound annual growth since 2012.

In 2016, we delivered core earnings of $4 billion dollars and achieved the target for the year that we had set in 2012. Core earnings increased 17 per cent in 2016, driven by core investment gains, new business and in-force growth in Asia, as well as the release of tax and related provisions.

Meanwhile, net income in 2016 increased 34 per cent sequentially to 2.9 billion dollars for the year, but was lower than core earnings due to unfavourable market movements and actions taken to strengthen our reserves.

The mark-to-market impact of interest rates and equity markets subjects our net income to both negative and positive variability, which can be material. We do not consider these impacts to be reflective of the underlying earnings capacity of our business, and it was for reasons like this that we introduced the core earnings measure a few years ago.

The Company's strong capital position, our ability to sustain underlying core earnings growth and the significant progress that we are making on our strategic plan have allowed the Board to raise the dividend four times in less than three years for a total increase of 58%.

We continue to expect average annual core earnings per share growth of 10 to 12 per cent over the medium term, and we therefore expect dividends to grow over time as earnings grow.

In the current macroeconomic context we remain prudent with our capital decisions and continued to maintain financial flexibility. We reduced our financial leverage significantly leading up to 2015, ending that year with a leverage ratio of just 23.8 per cent, and an MCCSR of 223 percent.

Both of these ratios increased in 2016, driven by 4.3 billion dollars in net capital issuances, which addressed higher regulatory capital requirements resulting from lower interest rates. We accessed several markets as we continued to execute on our global funding diversification strategy.

Our regulatory capital ratio remains strong, and we finished the year at 230 per cent, comfortably above the regulatory target of 150% and above minimum levels expected by the investment community.

Strong growth in our top and bottom lines has helped drive total shareholder return over the last four years. Our shares have delivered a TSR of 20% in 2016, and an annualized return of 19 per cent since 2012, outperforming North American equity indices, as well as the average return of our performance peer group.
Admittedly, the effects of the Global Financial Crisis had weighed more heavily on our share price than on those of our peers, resulting in our four-year TSR being calculated on a lower base. Nevertheless, generating strong total shareholder return remains a focus for us and we will look to improve upon it.

Now let me share with you the highlights of our financial results for the first quarter of 2017, which were announced last night.

Net income exceeded 1.3 billion dollars in the quarter, driven by growth in core earnings and also favourable equity markets.

We continued to generate strong growth in core earnings, which were up 22 per cent compared to the first quarter in 2016, driven by strong new business and in-force growth in Asia, growth in our wealth and asset management businesses, and a conscious effort to reduce hedging costs while maintaining our risk tolerances.

On the top line, we generated strong growth in insurance sales and new business value, which were up 39 per cent and 42 per cent respectively.

In addition, we delivered positive net flows in our Wealth and Asset Management businesses for the 29th consecutive quarter, which drove total assets under management and administration above 1 trillion dollars for the first time.

Also, we ended the quarter with a strong capital ratio of 233 per cent.

In summary:

- We are generating strong sales and flows, as well as strong growth in new business value and core earnings;
- We are executing on a strategy that is expected to expand return on equity;
- We are maintaining financial flexibility;
- And, as earnings grow, we are focusing on regular sustainable dividend increases.

I am pleased with the progress we have made in 2016 and with our strong start to this year, and I am confident that Manulife is well-positioned to continue to deliver sustainable growth moving forward.

Thank you very much.