PARTICIPANTS

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Donald A. Guloien – Chief Executive Officer, Manulife Financial Corp.
Roy Gori – President, Manulife Financial Corp.
Steve Roder – Chief Financial Officer & Senior Executive Vice President, Manulife Financial Corp.
Steve Finch – Chief Actuary & Executive Vice President, Manulife Financial Corp.
Phil Witherington – Interim CEO, Manulife Asia
Linda Mantia – Senior Executive Vice President & Chief Operating Officer, Manulife Financial Corp.
Kai Sotorp – President & Chief Executive Officer, Manulife Asset Management and Executive Vice President & Global Head, Wealth & Asset Management, Manulife Financial Corp.
Michael Dommermuth – Executive Vice President, Head of Wealth and Asset Management, Asia, Manulife Financial Corp.
Peter Gordon – Chief Executive Officer, John Hancock Retirement Plan Services

Other Participants

Linda Sun-Mattison – Analyst, Sanford C. Bernstein Ltd.
Meny Grauman – Analyst, Cormark Securities, Inc.
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MANAGEMENT DISCUSSION SECTION

Robert Veloso, Vice President, Investor Relations, Manulife Financial Corp.

Welcome to Manulife's 2017 Investor Day, our first time ever holding a group-wide Investor Day in Asia. And this time, we're doing it in two markets. So, I'm glad everyone's here. And I hope everyone will continue on to Vietnam.

My name is Robert Veloso. I'm the Vice President of Investor Relations. And I will be your MC for today. For those of you joining through the Internet, today's presentation will be displayed during the webcast and it's also available for download on the Investor Relations website at manulife.com. For those of you who are here in person, each of you should have a place setting with today's presentations and biographies. And we also have all that information and more available on the Manulife app. I mean, if you don't have that, it's available on the Apple App Store and the Google Play Store, and we can help you there if you would like to download it.

Finally, everyone in the room, please turn off your cell phones or put them on silent. And before I get started, you may have seen one of these slides before. There we go. Our caution regarding forward-looking statements. So, I'd like to direct your attention to this, our forward-looking statements and the use of non-GAAP financials. Certain material factors and assumptions are applied in making forward-looking statements and actual results may differ materially from those stated. The slide also indicates where to find more information on these topics and the factors that could cause actual results to differ materially from those stated.

In terms of today's agenda – next slide, please. Donald Guloien, our Chief Executive Officer, will get us started with a presentation on how we're delivering on our commitments, driving shareholder value and preparing for the future. Roy Gori, our President, will then discuss the compelling opportunities we see and our priorities to win. Steve Roder, our Chief Financial Officer, will then follow with a presentation on our commitment to creating shareholder value. And following the break, Roy and our Interim CEO of Asia, Phil Witherington, will take you through how we're executing on our Asia opportunity. After lunch, Linda Mantia, our Chief Operating Officer, will deliver a presentation on how Manulife is driving customer-centricity and innovation. And we will close the day with Kai Sotorp, our Global Head of Wealth and Asset Management, on our Global WAM platform and the solid growth momentum we see there.

We'll have Q&A sessions after each of the presenters, and we're also going to be doing something new that we call "labs" throughout the presentation, which spotlights some of the exciting things we're doing around the world, so we have quite a busy day.

And with that, I'd like to get started and call up Donald Guloien, our Chief Executive Officer, so we can get started.

Donald A. Guloien, Chief Executive Officer, Manulife Financial Corp.

Thank you, Robert. I want to thank all of you for attending this meeting. We've got a number of people who have come with us from far distance, from Canada and the United States, from the UK and Europe, and our friends here in Asia, and we really appreciate you joining us at this meeting because Asia is after all the focus of this meeting and it's a very important element of Manulife's story as I will explain and as Roy will explain and I think as we explain over and over, the opportunities here, it's absolutely tremendous.

I'm also deeply appreciative of our partners being here. Su Shan Tan is here again today. She gave our – where is Su Shan, do you want to give a wave? She is not wearing green this morning, but she was wearing green in the workout room this morning. I want you to know that and she gave that rousing introduction to you, and I think it's indicative of the great relationship we have with our partners. Rick Vargo and Benjamin Yeo are also here from DBS. And in Vietnam, we will have Vo Tan Hoang Van, Chief Executive Officer of Saigon Commercial Bank, our partner in – one of our partners in Vietnam will be addressing the group. And the importance of these partners cannot be overemphasized in addition to our very high quality agency force and increasing amounts of direct distribution, the work that we do with our bancassurance partners is very essential to our success here in Asia.

In Chinese culture, rain is a very positive thing. It's a harbinger of prosperity. And we've had now 10 days of rain in Hong Kong. So, indeed, prosperity is on the way, and in fact, the skies opened up this morning, not physically. If you're looking for the sun out there, you won't find it. But it opened up in another way and a more important way and that is MSCI made the decision, a historic decision that China A-shares are going to be included in the global indexes for the first time. And this is a great accolade to the Chinese financial markets in recognition of the progress that they've made, but it is also very, very promising in terms of encouraging those inclined to reform in China, it's to a greater openness of the markets in China for all participants. So, this is indeed a very positive development. And I think you'll remember, and you'll be able to tell your grandchildren that the day that the China A-shares were included in the MSCI, you were at Manulife Investor Day in 2017.

My presentation has essentially three simple messages. Number 1, Manulife has a powerful franchise, well-situated in the largest markets and in the fastest-growing markets in the world. Number two, a little bit of a history lesson. Manulife dealt effectively with the financial crisis, and our decisive actions have strongly positioned us for success. And if the success that we've experienced over the past eight years is any indication – where we had our arms tied behind our back in a number of ways: low interest rates as a result of quantitative easing and dealing with some of the legacy business issues- just imagine what we can do when we do not have our arms tied behind our back, and we've got the wind at our back for a change. And number three, the sum of these factors is reflected in our strong performance at the present time, and for the foreseeable future.

Manulife is a leading global financial services company in terms of – these are some of the metrics of our success; we are among the top 10 life insurers in the world with a market capitalization of C$47 billion at the end of 2016. In the first quarter of this year, we achieved a milestone of C$1 trillion in assets under management, we've had a 28% compound growth rate in those businesses. We serve more than 22 million customers around the world through 35,000 employees, 70,000 agents here in Asia, and 12 markets in Asia, and countless distribution partners both here and in North America. And in 2016, the Financial Post ranked our company first place in revenue, not only in the life insurance sector, not only in the financial services sector, but of any company overall in the entire Canadian market in any industry, we were number one in revenue. And for those who follow my letters to the various newspapers about the accounting regime that we operate under, this year our revenue was not flattered in any way by bond gains. They were essentially neutral. So, we earned it just on the sheer volume of business that we're gathering.

The next slide speaks to our geographic presence. And on the left-hand side, you see the 10 largest economies in the world and we're there in a big way. In the United States, there in the insurance business, in the wealth and asset management business and in the pension business. In China, in the insurance business – number two economy in the world, in China. We're there in the insurance business. We're there in the wealth and asset management business. And we hope to be there in the pension business sometime soon. Japan, the third largest economy in the world. Again, there in the insurance business, wealth and asset management business. In Canada, the 10th largest economy in the world, we are there with a very wide array of products, and I'll talk about that a little bit, more our home market. So, we're in four of the top 10 markets in the world. On the right-hand side, some of the fastest growing economies of the world. And as you can see, we're present in 11 of the fastest-growing economies of the world. So, it's kind of a neat story, there in a big way in the largest economies, four of the largest 10 economies of the world, and in the fastest growing economies of the world, I don't think you could ask for a better geographic footprint. Now the countries on the left-hand side represent about 50% of the world's GDP. And the countries on the right-hand side represent about 50% of the world's GDP growth. So, that in itself is an impressive observation.

We are not newcomers to Asia. In fact we've been here 120 years. We're one of the few insurers in the region that can claim a pan-Asian platform with operations in 12 markets across the region, including both developed and emerging markets. And during this Investor Day, you're seeing a developed market here in Hong Kong and those going on to Vietnam will see a developing market. I think you're going to be impressed by both. Our Asia franchise is already a very material part of our company. We're not flag planters. It's a very serious part of our company representing one-third of Manulife's core earnings, and that proportion will be growing over time. We'll become a progressively more Asian company. In terms of insurance, Asia represents about 70% of our worldwide sales. So Canada and the U.S. vie for about 15% each, and more importantly the contribution it makes to the bottom line of the business. Over 80% of the new business value creation comes from here in Asia, reflecting both the volume and the higher margins present in the

Asian business. Our success in the region is due to three competitive strengths. Number one, we have outstanding distribution. We've been long known for our leading professional agency force, and are now known for our high-quality bank partnerships as well. And we plan to invest very heavily in augmenting both as we go forward. We have integrated insurance and wealth offerings that allow us to provide the right advice and solutions to meet our customer needs. And this is unique in Asia where some of our largest competitors essentially focus on insurance alone. And with increasing sophistication of the Asian consumer, that will no longer be acceptable. They don't want people who just sell them insurance. They want people who look at the total needs that they have on a holistic basis and recommend products that are most suitable to those needs, and that's true regardless of what channel they're dealing with. And number three, we have proven digital capabilities, launching several digitally-enabled products and solutions including ManulifeMOVE, and all the business that we do through the WeChat platform. And I think you'll see some demonstrations of that later today if you attend the workshops. But essentially, we can make people aware of our company through WeChat. We can sell them through WeChat. We can collect the premiums through WeChat. We can pay their claims through WeChat. We can do all the administration through WeChat. The amount of digital innovation going in all of Asia is truly stupendous. And our friends at DBS are known as the world's most digital bank. So, in partnership with them, they are certainly exposing us to new ways of doing business. Later today, Roy Gori and Phil Witherington will provide you with much more detail on our Asian operations.

In Canada, our home market, we serve one in three adult Canadians. We have a very balanced franchise in Canada with a diverse range of products and services for both individuals and group clients. We've made investing in our higher-return businesses a priority and are laser focused on improving customer experience. We were the first to market with a wellness solution, Manulife Vitality, an example of a business that provides an exceptional customer experience and solid returns for us, and needless to say, it differentiates the product. For a long time the life insurance business has suffered from a lack of differentiation. Manulife Vitality program– ManulifeMOVE here in Asia – significantly differentiates us in the market. We're also keenly aware of the opportunities when it comes to providing solutions to meet multiple customer needs and have made this an important focus of our business.

In the United States, we operate under the very strong John Hancock brand that is now known for innovative wealth management, as well as insurance solutions. We have focused our efforts on wealth and asset management businesses. We are now a leading provider of retirement plan record-keeping to not only the small case market where we've been a leader for a long time, but with the acquisition of the New York Life Retirement Plans business, a leader also in the mid-case segment of the market. We have a very fast-growing mutual fund business built on a unique managed architecture model that allows us to quickly meet evolving investor preferences and deal with changes to the Department of Labor regulations that requires open architecture to be provided to group clients. We're also the first provider in wellness-linked life insurance in the market, allowing people to save money and earn rewards by living healthier lives. And this has changed dramatically our interaction with customers, gone from essentially where we collect premiums from them and don't touch our customers in any meaningful way until they die, which one can argue is not the most meaningful customer interaction, to over 22 interactions with them a month, giving them credit for the activities they've undertaken as measured by their wearable devices. In 2016, we expanded Vitality and began offering discounts for healthy food purchases, along with 16,000 retail partners throughout the United States. So when customers go to a Walmart and buy unsalted almonds, some of it actually will be produced by John Hancock almond growers, but they buy the unsalted almonds, they'll in fact get a credit and it'll show right on the receipt, credit due to John Hancock Vitality program right on their bill of sale.

We've been rapidly growing our wealth and asset management businesses, with retail investment and retirement platforms in Asia, Canada and the United States, and an institutional asset management business that offers solutions around the world including Western Europe and the Middle East. Our success in our wealth and asset management business is built on the foundation of a world-class investment platform with very strong investment performance. This area of our business has enjoyed an impressive 29 consecutive quarters of positive net flows, a remarkable achievement. Kai Sotorp will be later talking about our global wealth and asset management business and our strategy going forward.

Our company's momentum and value proposition is rooted in strategic decisions that have taken place since the financial crisis, and this is a little bit of a trip down memory lane that gives you some sense of the momentum and possibilities for the company. In 2008-2011, we were dealing with the aftermath of the global financial crisis which required a number of things. We had to dramatically reduce sales of risky products, things like variable annuity, long-term guarantee life insurance products. We reduced by 90% the risky long-term care products and things like single premium deferred annuities. We had to strengthen our capital base, and we've put in place a very significant equity market and interest rate hedging program, one of the largest of its kind in the world in a very short period of time, and needless to say, we executed with excellence. So, that was going on essentially the first three years. Making those big decisions to reduce and eliminate the sale of those products reduced our earnings capacity by about 50%. And when you add to that the impact of having to hedge the back book of variable annuity business, it was closer to something like 70% reduction in the earnings capacity of the company, so a very, very significant reduction. But you don't shrink your way to greatness. So, we also pressed on the accelerator in two key areas, Asia and wealth and asset management business around the world, and we delivered on that. We emphasized improved margins over market share and value added in our other businesses around the world, and we set a target in 2012 of earning $4 billion in core earnings by the end of the year 2016. Today, we're in a strong position. Happily, we achieved that objective. And I'll be the first to admit that for the first three quarters of the year, I think I told investors we probably weren't going to make it, but the fourth quarter sort of fell into place and we did make it very happily. A little later, we achieved – a quarter later, we achieved the trillion in assets target which was also very nice. But what was also more significant is through our E&E initiative, we're saving lots of money through expenses and we're plowing that into forward-looking initiatives having to do with customer centricity and innovation. We will continue to increase that focus in investment on customer centricity and innovation going forward. Along the way, we completed a number of acquisitions and strategic partnerships. We acquired Standard Life's Canadian operations to bulk up on the group pension business and the group life and health business, and acquired a whole bunch of customers to which we plan to sell a whole raft of products we're cross-selling to group customers. We acquired the New York Life Retirement Plan business, giving us access to the middle-size case market in the United States. And we did our landmark deal with DBS, a wonderful partner, an organization that we have been targeting as the most important bancassurance relationship one could have in Asia, a regional partnership encompassing Singapore, Hong Kong, Indonesia, and China. And it goes far beyond, as Su Shan and I both talked about, the strict contract deal to involve a number of activities between the two companies that speaks to the true spirit of partnership. And with DBS' growth in the region, the prospects in all of those regions I mentioned is growing as well. And finally, at the end of last year, we strengthened our Mandatory Provident Fund business with the acquisition of Standard Chartered's business, and also entered into a bancassurance relationship where we're selling the product for Standard Chartered. Now, this is one exception to the rule where we say we prefer margins over market share. When it comes to the Retirement Plans businesses anywhere in the world, scale really matters. And with this acquisition, we rocketed to number one in the Hong Kong market. And that sets us up beautifully for what is to come possibly in China in the future, being the number one provider in Hong Kong.

Despite the challenging backdrop, Manulife delivered on its commitments and executed on those ambitious goals. And here is a series of slides that goes back to 2012 when we set those lofty targets of $4 billion of earnings. Essentially core earnings are up 79% over the period, net income up 62%.

We have a very balanced profile, roughly a third, a third, a third, distribution of core earnings by geography. And on the right-hand side, a nice balance between wealth and insurance. And as you know, the dimensions are that the wealth business is going to be growing, although we're having great success in growing our insurance business predominantly here in Asia, wealth is growing faster and will in all likelihood continue for the future, and Asia will become an increasingly large size of the pie. In fact, I would think that 10 years from now, China alone could be as big as the United States or Canada for Manulife.

Our assets under management grew by 84% and that is primarily organic growth supplemented by a couple of acquisitions, but primarily organic growth. And, of course, we surpassed the trillion-dollar mark.

Strong underlying performance has allowed us to raise the dividend four times in the past three years, a 58% increase.

In 2012, we launched our Efficiency and Effectiveness initiative with a target to achieve C$400 million run rate in annual pre-tax savings in four years. In 2016, we surpassed our target by 25% achieving pre-tax savings of C$500 million. These savings have allowed us to invest in the future to further advance our client centricity and innovation themes. Importantly, the E&E initiative was not just a one-time cost reduction program, but has become a way of life at Manulife. Investing in the future, in digitization and customer centricity is a way we'll go forward. Later in the meeting, Linda Mantia will present on some of the exciting developments in this area.

Over the last five years, we delivered very strong returns to our shareholders. On an annualized basis, we generated TSR of over 21%, outperforming our peers, the S&P 500 and the TSX Composite Index.

And with our strong shareholder returns, our market capitalization increased by 91% from 2012 levels to C$47.2 billion. But we are not satisfied with that performance. Later this morning, Steve Roder will provide you with more details about how we will continue to drive shareholder value creation.

So I'd like to close by emphasizing the three important themes that I started with. Number one, we're delivering on our commitments. Number two, we're driving shareholder value creation. And number three, we're positioning ourselves strongly for the future. But there is clearly more work to be done, but there's also outstanding opportunity. Thank you.

Now it comes as no surprise that on September 30th, I'm going to be retiring and passing the reigns over to my good friend, Roy Gori. And apropos of that, that fits with the sequence of this presentation, I'm going to pass it over to Roy to talk about the future. Roy, take it away.

Roy Gori, President, Manulife Financial Corp.

Okay. Thank you, Donald. Good morning, everyone. It's great to see everyone here and I'm really looking forward to the opportunity to talk to you more about our business, not just here in Asia, but more broadly across the franchise globally.

Now, today is Day 17 for me in the new role and it's still clearly early days, so be gentle on me. But I really have an incredible amount of energy and excitement about the opportunity this franchise presents for the future.

And as Donald highlighted earlier, we really do have a tremendous franchise that's incredibly well positioned for growth. We made the difficult decisions in the aftermath of the financial crisis to; one, strengthen the balance sheet; two, hedge much of the volatility; and three, reposition our business towards the growth drivers of our franchise. And in today's presentation, I'm going to cover three things. Firstly, I want to talk about the biggest opportunities that are present for us. Number two, I'm going touch on the biggest challenges that we also face. And three, the key priorities and focus areas that will drive performance for us in delivering for our customers and for the shareholder.

Now, Asia clearly continues to be a significant opportunity for Manulife. There are some powerful megatrends that are driving this opportunity. First, we have a significant presence in Asia across the 12 markets that we operate in. And over the last 10 years, Asia represented 60% of global GDP growth. Now, to put that into context, the growth of the Chinese economy alone last year was the equivalent of the entire economic output of Australia. The middle class emergence is demanding significant financial solutions. And this demographic is really important to us because the population is really only addressable once it actually enters the middle class.

Now, Asia already has more than 1.4 billion people in the middle class. And by 2025, this number is expected to double to 2.8 billion and account for 60% of the world's middle class. Now to put that into context, 2.7 million people enter the middle class every week in Asia. Household net wealth in Asia will double in the next 10 years. In daily terms, that's more than US$16 billion in net wealth created each and every day.

The world is clearly also aging faster than ever before, and this is creating a significant demand for retirement and asset management solutions globally. Today, there are already 900 million people worldwide who are aged 60 and above, and that represents about 12% of the entire global population. Now, by 2050, that's going to increase to over 2 billion people aged 60-plus or 22% of the entire population.

So, as the population ages, there are fewer working-age adults to care for their parents. The retirement gap is expected to expand at a rapid pace. So, people are living longer and can't rely on their offspring to take care of them in retirement. And at the same time, governments around the world are less inclined to offer guaranteed retirement benefits which ultimately is shifting the onus of retirement planning on to the individual.

Now, this has resulted in a large retirement gap that's expected to grow rapidly to over US$100 trillion in both China and the U.S. alone, and we're going to clearly talk about that a little bit more later. Now, the transfer of wealth in North America is also expected to be much larger and growing at an expanded rate. And we're currently living through the largest intergenerational transfer of wealth experienced in the world.

In North America alone, US$12 trillion is being transferred to the baby boomer generation from their parents. The baby boomers, however, are expected to transfer US$30 trillion to their heirs. That's nearly half of the US$70 trillion of total assets under management around the world today. So, as you can see, there's going to be a lot of money in motion. And in fact, US$1 trillion per year will be shifting hands.

The accelerated pace of this transfer, combined with the generational differences in the demands and expectations of wealth management service providers makes this massive transfer of wealth between generations a defining issue but also an opportunity for the wealth management industry.

And finally, transforming the customer experience will allow us to really differentiate ourselves. If I'm absolutely honest, our industry has done a poor job in creating a good customer experience. The life insurance industry has negative Net Promoter Scores; so in other words, we have more detractors than promoters. To put it simply, the reason for this is there's way too much friction and way too many pain points. We've got long applications, painful claims processes, cumbersome medical testing and products that are quite frankly too complicated to understand.

Now, you contrast that to Apple, one of the world's most profitable companies, which also has one of the highest NPS scores. So, why is Apple so well regarded? It's because of their easy intuitive processes that are designed with the customer in mind. Quite frankly, it's just a frictionless experience when you're enjoying an Apple product. That can't be said for our industry.

"So what?", you ask. Maybe it's nice to have a high NPS score, but ultimately, we have to make a profit, right? And my response to that is that's a false choice. We shouldn't seek to delight customers just because it's nice. It also makes good business sense. Industry NPS leaders outgrow their competitors by a factor greater than two times. Customer advocates are 5 to 10 times more profitable than detractors. Why is that? It's because of positive word of mouth, greater share of wallet, better persistency, et cetera, et cetera.

Now, end-to-end digitization will be the key to delivering this improved customer experience. 66% of positive experiences are due to the front-end sales processes. However, more than 50% of negative experiences are due to the back-end experience that customers have. Therefore, creating a completely digitized end-to-end experience will be the key to delivering exceptional customer experiences.

We also need to be available for our customers whenever, wherever and however they choose to engage with us. Supplementing traditional channels with a greater online and mobile presence improves the customer experience and is more in tune with current customer habits.

Now, we're also reorienting our business and we're shifting from a traditional model to a new model of customer and digital. When it's focused on customer needs to better align with their preferences, ultimately, we want our products to be bought, not sold. We have very complicated products which are difficult to explain. We need to simplify our products and our processes. And we need to move from an internal view of the channel to ensuring that we can connect with customers via the channel of their choice and do that in a seamless way.

Now, we've traditionally engaged with customers very infrequently. We typically take on a policy and don't talk to the customer for two, three, maybe even five years and longer. But now, we're building repeated engagement into our product design so that we can build a relationship with the customer and get to know them better. MOVE and Vitality are classic examples of that approach.

And we've also historically been very largely paper-based, so we really need to digitize the end-to-end experience to really create that transformation. Now, we don't have the shortage of challenges, but we believe that those challenges are manageable. And these include historically low interest rates, evolving accounting and capital standards, and increased regulatory oversight, and like other financial institutions, some legacy businesses that do not offer sufficient risk-adjusted returns for our shareholders.

There are also several secular challenges that present opportunities to differentiate ourselves. Customer expectations have increased. Our traditional channels have not been engaging the younger demographic, and technology is really redefining everything including the competitive environment. And then finally, wealth customers are demanding more value for their fees.

Now, these challenges all present opportunities to differentiate ourselves from our peers and create significant value for the shareholder. So, in order to achieve success, we're going to narrow the priorities to the things that matter most. We'll be focused on optimizing our portfolio. Now, too much of our capital is consumed by legacy businesses that generate insufficient risk-adjusted returns. We're going to double down on balance sheet optimization to take action against these legacy blocks. All options will be considered, including divestitures, and if that doesn't make sense for the shareholder, we'll pursue more aggressive in-force management actions.

We're going to focus on accelerating growth in our highest potential businesses. Our Asia insurance and global wealth and asset management businesses both offer high returns and significant growth potential. We're going to focus on expenses and operational efficiency.

To succeed in the quickly evolving landscape, we need to be leaner and faster. We'll be bolder and more ambitious on our expense efficiency and drive accountability throughout the entire organization. We're going to focus on the customer to improve the experience through innovation and digitization. This is our opportunity to differentiate ourselves and set ourselves apart from our peers.

And finally, we're going to focus on enabling a high-performing team and culture. Here, we need to align the organization around the narrower set of priorities to drive execution in areas that matter the most. And in doing so, we're going to ensure that we deliver our short-term results and commitments as well as our longer term growth opportunities.

So to conclude, we have a strong foundation for continued future growth. We're well-positioned to capitalize on the existing opportunities in the marketplace, and we've narrowed our focus to a few key priority areas to drive performance.

Steve Roder will now discuss our commitment to shareholder value creation, and then we're going to open up the session for Q&A. Thank you.

Steve Roder, Chief Financial Officer & Senior Executive Vice President, Manulife Financial Corp.

Well, thank you, everybody, and great to see so many people here who I've been regaling with the stories of Asia for the last five years. And I know for some of you, it's your first trip to Asia or to Hong Kong and it's really, really good of you to come and share a bit of the buzz here, if you like.

I was wandering through the Hong Kong Park this morning and I thought I'd give you a quick history lesson, particularly for those from Canada. So, you may not be aware that there's a long history between Canada and Hong Kong. And, in fact, during World War II, the Canadian Forces played a major role in the defense of Hong Kong.

And if you walk through Hong Kong Park, if you've got a spare half hour, have a walk through Hong Kong Park just near the tea house up behind the Bank of China, and you'll see a statue which is a recognition of the Canadian Forces, and in fact it's a large statue of a chap called Private John Osborn, and he was a Winnipeg Grenadier. And he committed the ultimate act of self-sacrifice because he dived on an exploding grenade, and basically took the impact himself to save his men in World War II. So there's a symbolic statue of him as a tribute to the Canadian Forces. And if you're feeling really energetic, there's another tribute to the Canadian Forces on the top of the mountain above Tai Tam to recognize the event that took place there, and I think it was 1941. So there you go. That's my little bit of added value for you this morning. Thank you.

So let's start off with how we've been getting on over the last few years in terms of our headline KPIs, and I'm going to talk to you about that and I'm also going to talk to you about what we're doing in terms of driving shareholder value and total shareholder return think in Manulife. So first of all, let's – looking back over the last couple of years, our core earning story has actually been a pretty good one. We had a compound rate of growth of 18%. You've got to be pretty pleased with growth of 18%. Our stated growth target that we put out at Investor Day in 2015 was 10% to 12%, which is pretty high. Not many organizations in the world have a growth target of 10% to 12%. We've managed that.

We've grown core earnings per share by 15%. So this all good news. And we achieved the $4 billion core earnings target of – that we set in – when we created core earnings in 2012. Now, in fairness, we had a $4 billion target before the creation of core earnings, but we clarify that as a core earnings target in 2012, and we actually made it in 2016. I didn't think we would make it in 2016, but we did. We had a very strong finish to 2016, perhaps flattered a little bit by some tax items in the fourth quarter, but nonetheless that was a great achievement and really solid results across the world.

Net income, on the other hand, has been a bit of a rollercoaster, and as we know, we do have differences between core and net income, primarily due to the direct impact of markets and some fluctuation and investment experience. And in 2014, which we all forget because it was so long ago, net income was actually significantly higher than core earnings. Since then, net income has been lower than core earnings, and that has been primarily due to the impact of mark-to-market accounting on our alternative investment portfolio, particularly oil and gas.

So we took about a $900 million hit in 2015 and about another $400 million in the first quarter of 2016. And since then, things have settled down quite well. And so we just had that delightful Q1, the sort of dream quarter where there was so little noise in the numbers, a thing of beauty, as I called it, and I'm hoping we have another one of those fairly soon.

The other thing we did in 2016 was we took a charge for the URR, the ultimate reinvestment rate reset, where we anticipated a 10-basis-point change in 2017, and that cost us about C$300 million. We thought we were right to take that because we had sufficient certainty that something was going to be done to us, if you like, and it turned out we've got that exactly right. So we're very pleased with ourselves and we now just have to true that up, basically in 2017.

Just to emphasize, people say, well, which is the most important? Core earnings or net income? Which do you believe in? And the answer is both. I can't get away from both. The core analysis to talk about our earnings in terms of understanding the underlying earnings power of the organization in a way that net income doesn't. Net income is subject to these ebbs and flows that we live with because of the volatility of the mark-to-market accounting, et cetera. On the other hand, it's net income that pays dividends, et cetera. So we have to care about both. And our KPIs and our metrics that drive our remuneration, our variable compensation, take into consideration both.

Okay. Next is to talk about new business value. Now, if you spend time in Asia which many of you know, I did – I spent 16 years here in Hong Kong, people talk a lot about new business value. And they talk a lot about embedded value. And then you move to Canada and people say well, we don't really believe that stuff. You guys make that up. That's just actuaries, right? They just make up the assumptions.

Well, here's a piece of news for you. Actuaries actually make up assumptions that affect the financial statements anyway. Actuarial assumptions are actually critical to the financial statements. So I actually think NBV is a very, very important indicator of success. And over the last two years, we've been publishing our NBV information, and I know that certainly the analysts in Asia, and I'd say probably more increasingly across the world, are spending a bit more time looking at our embedded value report. And the good news story is that the compound rate of growth in NBV has been 33% over the last two years, which is very, very strong and Asia is an incredibly important component of that. And for the year 2016 constituted over 80% of NBV and I think in the fourth quarter it was closer to 85%, and the NBV margin has also developed nicely.

And if you go back to Investor Day in 2015, at that time, it was really the first time we talked about NBV. And I knew that the problematic slide I would have to show and that people would ask awkward questions about was, well, your NBV margin isn't all that good, what are going to do about it? And at that time, the challenge was really twofold. The first was that our NBV margin in Japan was unsatisfactory, which I put down to a lack of focus on NBV frankly as a metric. And so, we needed to really get laser focused on NBV in Japan.

And then, the other challenge was that outside of Hong Kong and Japan, we just didn't have sufficient scale. And so, the scale problem was driving down our NBV margin. So what's happened in the last couple of years is that, first of all, the scale outside of Hong Kong and Japan has increased significantly. And DBS is a very, very important part of that.

The DBS relationship and the success that's had has really helped us and it's taken us – and Roy will talk to you again about this later as will Phil, but it's really taken us from sort of zero to hero in Singapore and has been an important driver in Indonesia and now in Hong Kong incidentally.

And at the same time, we've had very, very strong growth in some of the emerging economies. So Vietnam, Philippines, Mainland China would be the standouts and Indonesia is now coming back, having gone through a bit of an economic malaise.

So we've seen some really good growth in these non-Hong Kong and non-Japan pieces and that's starting to play through into earnings as well. And Phil will give you some more disclosures later on earnings from some of these locations.

And then Japan, we basically sorted out the portfolio there and we pulled certain products, we pulled one of the Japanese yen products that was generating insufficient margin. We now only sell it in a foreign currency, for example. We've re-launched a whole suite of different products and the NBV margin in Japan now is much, much better.

In 2016, on the other side of the equation was the margins in Hong Kong, although still very, very strong, came off a bit, as they did for the market because of the very low interest rates prevailing in Hong Kong. So that actually pulled down the overall margin in 2016. But nonetheless, we still have growth in the margin.

In terms of wealth and assets under management, so here again, we've had compound growth of 31% and Kai will talk to you a bit later about this. This does include the acquisitions we did of Standard Life and New York Life. And if you strip them out, the metric is still about 17% growth in assets under management. So that's pretty good. The core EBITDA is experiencing a 9% compound, so that's behind the growth in assets under management. And the main reason for that is that we've been investing an awful lot into the infrastructure of our global wealth and asset management business.

One of the biggest projects in the entire group is a project we called the GOproject and again Kai will talk to you about that later. That's sort of in flight and will remain in flight for a couple more years and is currently a drain on earnings and that's been part of the reason why we haven't had the same growth in EBITDA. But we have to invest into the infrastructure of that business which in the future will pay us dividends in terms of being able to use our scale and efficiency and get efficiencies out of the business.

In terms of the dividend, Donald mentioned this already, we've had four increases over the last three years. At Investor Day 2015, we restated the payout ratio, the target payout ratio to be between 30% and 40% of core earnings or outlook for core earnings, if you like. And we started off with payouts pretty much at the top end of that range. And that really reflected, I think, a bit of catch-up in terms of once we started getting back on the train of dividend increases, we were quite keen to be paying out well, if you like.

And if you believe the estimates for 2017, the Street estimates, then that would probably put us at about a 36% payout ratio for 2017. So we're sort of coming back into the middle of the range, and I think that's not an unreasonable expectation.

In particular as Asia grows, Asia's ability to generate free cash isn't quite as good as Canada or the United States. There is some growth capital required. So that sort of close to 40% that we were experiencing in 2015, I'd expect it to typically be nearer at the middle of that 30% to 40% payout range.

In terms of the capital ratios, we ended the year with 230% of MCCSR, which is an improvement from 2015. 2014 was a bit distorted because we carried out a major pre-financing of some calls we were going to make. So, I'd just discount that as a benchmark. 230% is pretty strong.

Going forward, we will have to start getting used to the new capital regime, LICAT, which will be in effect from the first of January, and I'm quite sure, I'll have some questions on that. But the headlines are that OSFI continues to believe that the industry has adequate capital. We are a big piece of the industry so the fact that they think the industry is adequately capitalized is a good indicator for us. And we have a perfectly good dialogue with OSFI. They come and talk to our directors every year and the conversations are constructive.

So, we are increasingly sort of optimistic about LICAT. It's not been easy. If you try and bring in a new regulation like this, it's fraught with potential unintended consequences, and the journey to get to where we are now has been quite an interesting one where every time there's a change to the draft regulation, we can experience quite a lot of fluctuation in the outcome. But I think we're ending up in a pretty good place now, and the dialogue has been very, very constructive with our regulator.

On the leverage ratio side, what we experienced here was in the lead up to 2015, as interest rates increased, we were able to bring the leverage ratio down. And subsequent to Investor Day 2015, interest rates have come off quite significantly. And so, we've raised a significant amount of capital in the form of senior debt and sub debt to deal with that consequence. So our leverage ratio is back up around 29% to 29.5%.

We were able to diversify our funding which is a great thing from a risk perspective for Manulife shareholders and very much welcomed by our rating agency friends as well. And we've been to the U.S twice now with very, very successful offers of our debt and we also carried out the sub debt issue in Singapore led by our good friends in DBS. And again, nothing that we had to do, but it just felt like a great thing to do, and the pricing was pretty reasonable, and it was a very, very successful issue, led by – the syndicate led by DBS.

And then finally, we did the Formosa bond issue. So, we've really been out and about diversifying, and we now have a high-quality problem, which is when we want to do a debt issue, where do we go? Because we got lots of people to keep happy. So, that's a much better problem to have than having all your eggs in one particular basket.

Okay. So, I would say, just on the point of our leverage, I would emphasize that our calculation of leverage – some people say, well, 29% is a bit high. Our calculation of leverage is very conservative. We include just about everything in that. So preference shares, for example, count as a leverage from our perspective. Anything that's not common equity, as far as we are concerned, is debt.

So, the second half of what I want talk to you about is the path to higher shareholder returns. And the fact is that although I've just shown you some good metrics that make us feel pretty happy, we're not entirely happy, and I'll show you why.

So, first of all, if you look at the total shareholder return over the last five years, we've actually done very well. 21% compound, which compares with our peer group, and the peer group is defined on the slide, but it's basically an international selection of life insurers, some who have asset management activities. 18%-ish, S&P 500 just under 15%, TSX around 8%. So, happy days, 21.2%.

However, if you look at our track record over the last 15 years or so, it's not quite the same. So, this falls into three buckets. The run up to the Financial Crisis, Manulife was a star, outperformed just about everyone. And all was good, and then, really got hammered. As many of you know and were around in Canada when this happened. I was not. But, the Manulife stock prices suffered greatly in the Financial Crisis and subsequently, had the burden, if you like of carrying the hedging program that we had to put into place to deal with a very significant market risk and volatility that we had to deal with. And so, although in the last five years, we've actually generally outperformed, we haven't got back what we lost in the Financial Crisis. So, that's the headline, we're not back to where we should be and that's why we're not satisfied.

We want to get the valuation expansion and get that multiple back and we're setting about how we can do that. And let me explain what we've been doing. So, what we've done is really put a focus on one of the drivers of the share price, and what the shareholders really appreciate. And the first thing is, it's very, very clear, and most of you in the room are very well aware of this. But, there is a very strong correlation between ROE and the price to book ratio. If you plot it, it's unbelievably strong correlation. So we've got a real focus on ROE in a way that we probably didn't have when we were worried about hedging programs and recovering from the Financial Crisis and the like.

The other aspects that we know are very important to shareholders are basically the ability to increase dividends or the free cash flow. The second is to have a reasonable level of financial risk and not be weighed down by an undue amount of risk and then to see strong earnings per share growth. So, we're aware that these are the things that drive the share price, if you like, and drive shareholder value.

So, if you kind of break those things down, you can sort of put them into four categories. One is profitability, the second is cash generation, the third is growth outlook, and the fourth is risk. And so they, all of those aspects really fit into one or more of those valuation drivers. So, what we did was we assessed, and this is where it has taken place over the last two years but we now got to a place where we talk about this stuff sort of every day which is part of the objective.

What we did was we plotted all our businesses against those drivers. So, on one axis, we have profitability and cash generation on the vertical axis. And then on the horizontal axis, we have growth and risk. And there, you can see we plotted all our businesses, and the size of the bubble reflects the amount of capital tied up in the business.

And we have four categories of business. So, the dark green is Core Growth. Core Growth is what it says. These are the businesses that are growing, they have returns that are above our target return, the markets they are in are growth markets, and they're basically where we want to allocate capital.

The lighter green are what we call Core Return. So, these businesses are perfectly good businesses, they have adequate returns, but we think whatever that business is probably doesn't have the same growth opportunity as the dark green businesses. But we still like these businesses.

The yellow is the Turnaround or Improve businesses. So, these are businesses which we think should be Core Return at least, but right now, they're not. So they're underperforming for some reason. So that can be, they need to perform better or it can be a scale issue particularly in relation to say, a small Asian unit, something like Cambodia, which is a greenfield startup. It still doesn't have the scale. So that would be in something like what we would call Turnaround /Improve. We just need more scale.

And then we have Legacy. And so, and sometimes we change the word for this. The other day, we started calling it Heritage. Perhaps we should have a competition for the most positive adjective or noun associated with this little collection of businesses. So the Legacy businesses are basically those where we don't see growth, they're generating earnings and cash but they probably turn up a lot of capital and returns are not adequate to meet our objectives.

So what you can see here is, we've got a collection of very, very nice green businesses towards the top right of the chart. But on the bottom left, we have some pretty significant red businesses or amber or red or whatever and that's the headwind that we face.

So, to give you a little bit more information on this, if we break these down into what fits into which category, here's a sort of summary of what's where. So Core Growth on the left-hand side, virtually all the global Wealth and Asset Management businesses, which includes mutual funds, pensions, institutional asset management. Virtually all of that is in Core Growth.

Virtually all the Asian insurance is also in Core Growth, the exceptions being Japan and the – one or two of the very small locations, sort of immaterial in the scheme of things as of now. Also on the left-hand side, we have the whole Vitality construct that Donald talked about earlier on and people would talk about a lot more later. All that direct-to-consumer activity, all the digitization stuff, some of that is really, really attractive in terms of the metrics associated with it, and we regard all of that as Core Growth. Core return, the two main parts of that are the group benefits business in Canada which is producing an okay return but should be doing better. And that's largely an expense issue and we need to drive more expenses out of that business. And then, the Japanese life business.

The Japanese life business is a perfectly nice business. It's got a very acceptable return. As I repeatedly tell people, we're not competing with Nippon Life. We're not really competing with Meiji Yasuda. We're a bit of a niche, nimble player, and we can do very nicely. So it's a good business for us. But the Japanese market, the insurance market, at any rate, is relatively mature.

Incidentally, the WAM market in Japan is not mature. The propensity of investors in Japan to invest their personal balance sheets in anything other than money under the mattress or cash in the bank has not been high. And there is a trend towards more investment in mutual funds and the like. But the level of penetration of mutual funds and the like in Japan is still very low by most Western standards.

In the Turnaround/Improve, that's largely the active North American insurance businesses. And it's largely a question of getting more efficient in getting costs out. Not entirely, but that's I would say, a good summary. And then the subscale – one or two subscale businesses in Asia: Cambodia, I mentioned; Thailand will be another one. But most of the businesses are on the left-hand side.

And then on the right-hand side in the Legacy, it's our old favorites, it's long-term care, variable annuity, and some of the long duration guarantee businesses. So, just as an example, U.S. wealth and asset management businesses, so looking through the four lenses, high profitability, very good returns on equity, very cash generative because very low use of capital, growing well.

Our Retirement Plan Services business, we have a very prominent business position in the small case market. We now have a better position in the mid-market following the New York Life life acquisition, and we see that as a growth market. We have potential to grow there. The market's pretty fragmented. We've got a reasonable scale. We are a low-cost producer, we believe, because we carry out a lot of our processes for that business in low-cost locations. Risk, pretty low risk. So that business is an example of Core Growth.

If I go to the Canadian transformation of the insurance business, so, currently, the profitability is okay, but not what it should be. The cash generation is good. It's a cash cow. Growth outlook. It's fine. The Canadian market is relatively mature but there's a relatively small number of competitors, and we think with things like Vitality, we can differentiate. So a new product will be helpful. And risk. It's okay from a risk perspective. So we see this as a turnaround opportunity, and we've just got to drive a better return out of this business. And there's a lot of focus on expenses to do that.

If we then go to an example of a less satisfactory business, this will be the legacy businesses, primarily in the United States, and they produce earnings, and they will continue to produce earnings, but the earnings are not sufficient. They'll be producing maybe high-single-digit ROEs; high capital consumption.

Cash generative. We don't want growth, and they have a high level of risk associated with them, as we know, because of the uncertainties over future policyholder behavior and the like. And so that would be an example of a Legacy business. And in the case of these businesses, we just have to try to find ways to reduce our exposure and, at the same time, get costs out.

So, in that regard, we have actually had some early-ish wins, but on a relatively small scale. So we did actually pay for the New York Life business using a a closed block of life business in the United States. We've done some reinsurance transactions. We've taken some other actions around financing of redundant reserves, et cetera. So we're very active on this file.

We are in discussions or have been in discussions and will continue to be in discussions in regard to the U.S. and Canada. So far, we haven't got a deal over the line, but this is not a point-in-time analysis. This is a continuing dialogue, and we will keep driving to try to see if we could find a counterparty whose return assumptions or return requirements are maybe different from ours.

I mean, if we've got a business that's got an 8% return, we regard that as insufficient. There are people who think 8% is a wonderful thing, pension funds, even some Asian investors. So it should be possible to transact. But it's not entirely easy because, at the end of the day, it all depends on the assumptions people are prepared to make. And let's see how we get on. And it's easy to talk about; it's less easy to do, but we continue to put a lot of emphasis on this.

And then on the right-hand side of the page, the longer-term opportunities. It's probably fair to say two years ago it was very difficult to have any sensible conversation with anyone about VA or Long-Term Care. More recently, you can have conversations about VA. They're not as crazy as they were two years ago in terms of people's expectations, but they're still not something we could recommend a transaction against.

Until very recently, there were no conversations we had around Long-Term Care. There are now some – the start of some conversations and we're starting to see some interest from counterparties potentially in transacting on particular blocks of the Long-Term Care portfolio.

So I don't see anything happening imminently in – on the right-hand side of the page, but at least directionally I feel that we're having some dialogues that were not really there two years ago. And that would be assisted by the direction of interest rates.

Okay. So just to wrap up then, this all feeds through into the way we reward our executives. So one of the very important things is, if you're going to talk about total shareholder return, shareholder value creation, if you don't put it on people's scorecards, then it doesn't get sufficient attention.

One of the things that I've learned in life – I was a bit naïve, I didn't realize this before I left the accounting profession – was if you don't put something on someone's scorecard, it doesn't get done. It's very simple actually. Most people say, isn't that obvious? So it took me 48 years to realize that, but it's absolutely true.

So today – on the left-hand side of the page – we have a 50% weighting towards today's financial results. But we have 30% towards growing Asia and the global Wealth and Asset Management businesses. So, a big focus on the EBITDA for the wealth business and on NBV generation for the Asian insurance businesses.

And then we have 20% around transforming the culture of the organization. But that's highly quantitative. So it focuses on things like employee engagement scores or customer – Net Promoter Score, the sort Roy was talking about.

But on the right-hand side, you can see our medium and long term incentives very much tied to the TSR. So first of all, a much higher proportion of our remuneration if you like is now in the form of PSUs. So we all care passionately about the stock price I can tell you. And then more specifically, the relative TSR has become a much, much more important piece of the equation. So a very large proportion of the metrics that drive the PSU score is relative to TSR, and that's relative to our global peer group, which I showed you earlier on.

Okay. So that just about wraps up what I wanted to tell you. And so we've had a top down approach to driving this TSR and shareholder value thing, to drive performance, but we've also performed the bottom up analysis to be very clear about the role of every business unit and what its role in the organization is and what its focus should be. Is it growth, is it Turnaround, what is it? And that's starting to play through into actions. And that will drive our planning as we go through the current planning cycle and it will drive our activity. And I'm fully expecting you'll see more evidence of the results of the TSR focus in specific actions that occur over the next couple of years.

And so thank you for listening to that. I think that just about wraps up what I wanted to say to you, so I'm now going to hand it back to Rob, who's going to now facilitate a Q&A session. Thank you.

Robert Veloso, Vice president, investor Relations, Manulife Financial Corp.

Thanks, Steve. We'll now open up the Q&A session. Joining Steve, Roy, and Donald on the panel is also Steven Finch, who is our Chief Actuary. So feel free to ask questions to anyone on the panel. Just before we start, please wait for a microphone to be handed to you before you start and I'll acknowledge you. Also, kindly state your name and company affiliation for the transcript, and please limit yourself to one or two questions, and we'll get back to you if we can.

QUESTION AND ANSWER SECTION

<Q – Linda Sun-Mattison – Sanford C. Bernstein Ltd.>: Thank you for giving me the chance to ask the first question. My name is Linda Sun-Mattison and I cover your company for Bernstein. I have two questions. First, I'm very delighted to see your focus on ROE and the way you look at the green bubbles, the light green, et cetera, et cetera. What is missing, I think, from Steve, your presentation, is what you've been doing in terms of ROE compared to EPS? We didn't see that. And also we got the bubble, but we don't know exactly each segment ROE.

So my question is if we are seeing 80% of NBV come from Asian Insurance and you're growing in the high ROE Wealth – WAM business, what your ROE would be in three, five years' time? And what can drive that, assuming you can't do anything with the LTC and VA book? That's the first question, and it's very long, sorry about that.

And second question is Vitality and this whole digital thing. And also I happen to cover Discovery, which owns the IP product of Vitality. My question is if it's really good – Discovery is like US$6.5 billion cap, why don't you just buy the company?

<A – Steve Roder – Manulife Financial Corp.>: Great. Thanks, Linda. Great questions. I'll take the first one and then I'll pass the second one over to Roy, I think, to maybe talk about Discovery and Vitality, and talk about when he's planning to buy the company.

Okay. First of all, the ROE. Our core ROE in the first quarter was 11.1%. And I think at the bottom of the cycle, our ROE was a little under 10% at one point, and that was partly due to the fact that the sort of interaction between U.S. dollar and interest rates had sort of helped us but had hindered us in terms of blowing out the balance sheet. And so, the equity in the balance sheet had absolutely exploded, and it was a contributing factor to driving down the ROE.

Our stated ROE target is 13% in the medium term. We put that target out there at Investor Day 2015. And the path to get there is really, I'd say, broken down into three components. So the first is, to your point, if you're growing Asia and WAM faster, which we'd expect to happen, and they have the highest ROEs and by definition, the weighting towards those increases and that should increase the ROE. So that's the first factor.

The second factor is that we've carried out four very significant transactions in the last three years. So, the Standard Life Canada transaction is now close to fully integrated and is producing earnings in line with the plan we had for it at the time. And we did say on one of the earnings calls, I think, that the forecast ROE for the Standard Life transaction was a little shy of that 13%, but it was pretty close. So there was a strategic component to the Standard Life deal.

New York Life is, let's say, three quarters integrated. But DBS and Standard Chartered, there's a long way to go in terms of earnings accretion. So, DBS will take some time to produce earnings returns as the book builds. There's no in-force on Day 1, so we need to see the in-force build and the recurring premiums building up.

So, in fact, in 2016, we had anticipated that – and I'm probably saying more than I should say to my very good friends from DBS – we actually didn't think DBS would generate earnings, but it did actually generate very modest earnings. But that tells you that given the amount of money that was involved in investing in DBS partnership, there's a long way to go on that one.

And then Standard Chartered Bank, we paid for that in the fourth quarter of 2016, and it's very, very early days there. So as those deals become fully accretive in accordance with the business cases, if you like, that were outlined when we agreed to do the transactions, that's the second component and will help the ROE equation.

I think the third is expenses. We started a program back in 2012 which we called E&E. I think we're going to come out with a new brand fairly soon, but the E&E program. And we undertook to get $400 million of costs out of the organization. And in fact we got $500 million out.

And then people say, well, did it drop to the bottom line, which is a bit of a sort of odd question if you think about it. The answer is yes, it did drop to the bottom line, but we also invested it and spent it. And we did two things. First of all, we invested in even more projects to get even more out of the organization. So, the infrastructure project, GO, in and modernizing our investment division processes and back office, if you like, would be one of those.

The valuation systems project on the actuarial valuations, that's another very, very significant project. Ticket size is about $80 million. So there's some very significant projects that we've been able to fund without sort of being too obvious in a sense. And at the same time, we've invested into things like ManulifeMOVE, Vitality, the point-of-sale technology that we use for our agents now in many parts of Asia, the DBS technology, a number of things have all got funded out of those saves.

But as we go forward, I'd anticipate that we're going to be looking for additional saves, and I suspect in due course, we'll probably talk more about that once Roy has got his feet under the desk as it were. And I would expect that that will become more obvious in our earnings as we go forward.

So those are the real drivers. So I can see our way to 13%. I've got the waterfall chart that gets me to 13%. And if we can get to that, then that's obviously going to benefit our stock price. But to your point, I think one of our biggest competitors, begins with a P in the UK, and I think they operate at more like 15%. And that's why – that's part of the reason why – they trade at a multiple superior to ours. And so that shows you the size of the prize for us.

<A – Roy Gori – Manulife Financial Corp.>: And on Vitality, your question on Vitality, Linda, I guess what I would say there is that it's still very early days for us. Vitality in the U.S. and Vitality in Canada, and then in Asia, we've launched ManulifeMOVE, it's really a new way of doing business. It's really embodying this idea that we want to engage with customers in a way that they actually live their everyday lives and reward them for being healthy and active, which ultimately gives us a great benefit.

Early days, but their results are very encouraging. We're delighted with the progress we're making across all the geographies in that space and we are looking to expand and build on the success we've had. Whilst I would never say never to an acquisition, I would say that Discovery expands their presence and capability way beyond the vertical of insurance, and partnering with them, leveraging their capability and knowledge is something that is working very well for us today. So I'd probably leave it at that.

<A – Rob Veloso – Manulife Financial Corp.>: Questions?

<Q – Meny Grauman – Cormark Securities, Inc.>: Hi. It's Meny Grauman from Cormark Securities in Toronto. It seems like when you talk about your legacy business, it seems like a big part of the issue in terms of dealing with some of the lower performing businesses there, it's just that there's a gap in pricing between what you want and what other potential buyers are willing to pay.

And I'm just wondering, first of all, this observation, it seems like that's the message that, Steve, you're presenting but I don't know if I'm reading too much into it. But Roy, it seemed like in your comments, in terms of portfolio optimization, it seems like maybe you signaled a little bit more impatience in that process. I'm wondering is – which outlook is the correct outlook if I'm misinterpreting it? And basically, when you look at the different businesses, how much patience do you really have and how do you think about that, at what point do you feel like you need to do something and you can't just wait any longer for the market to come to your price?

<A – Steve Roder – Manulife Financial Corp.>: So yeah. I mean, am I impatient? Yeah, I'm pretty impatient. I guess, just as a matter of principle I'd like to get things done. So I'm glad you feel that because I think I want people to recognize the impatience. But on the other hand, we're not going to do a deal that doesn't make sense for our shareholders. That's the main point. We don't have to do anything because we're very, very fortunate. If you look at many of our North American peers, they don't have necessarily these great growth platforms that we've got.

And so, that does that afford as little bit of a luxury there, but on the other hand, those returns that we've just been talking about, that 13%, that doesn't assume any transaction. So we can accelerate that with a transaction.

And generally, you're right. The biggest reason that you don't get something done is because someone else wants to price something differently, but that's because they want their return. And if you start talking to people about VA and you say, well, what discount rate are you going to use? And they say 15%, we might as well just stop right there frankly because that would have a very, very significant impact in terms of the sort of charge you'd end up taking.

Now that just happens to be what private equity players tend to want to get. It doesn't necessarily have anything to do with reality. It's just their perception of what's a reasonable return. But we have much, much better conversations than that. We've been pretty close and we'll keep going.

And I think the way you have to look at it is, if someone else has different assumptions, they want to use a different assumption and effectively it might mean that there's a charge associated with that transaction. If it expands your ROE sufficiently, that might still be in the best of interest of shareholders.

<Q – Meny Grauman – Cormark Securities, Inc.>: Right.

<A – Steve Roder – Manulife Financial Corp.>: So the way we're looking at these things is to look at it through a sort of shareholder value creation lens. And say, okay, the balance of these factors, does that make it a sensible deal for shareholders or not, and who knows.

<A – Roy Gori – Manulife Financial Corp.>: I'd just add, I think there's an incredible consistency in the entire management team around the urgency and impatience around dealing with our legacy businesses. We are not going to take any option off the table. And we'll look at what will generate the best return for the shareholder, and that will include divestitures but we'll also look at much more aggressive management of our in-force in parallel with that.

<Q – Meny Grauman – Cormark Securities, Inc.>: Related question. Has there been a change in how you view these businesses since, let's say, the last Investor Day? When I listen to you speak, it sounds like there's quite a bit of consistency between how you view these legacy businesses but has there been any development? I mean, one area that I think of is the Long-Term Care business where you stopped writing the stand-alone business. Are there any other examples where you've sort of evolved in terms of what you see in these businesses?

<A – Steve Roder – Manulife Financial Corp.>: Yeah. Let me have a go at that and Roy may want to comment. But I think I'd say focus is critical. So there was a long dialogue with the U.S. division management about the standalone long-term care business. And finally, we got to a conclusion and decided to stop writing it. And the numbers involved in what we were writing were pretty insignificant frankly.

But I can tell you the change that's made in terms of the focus on the in-force is staggering. Because all of a sudden, the management isn't worrying about the 10 policies they're going to sell that quarter or whatever, it happens to be they're entirely focused on the in-force. And so, the degree of analysis, the thought process around the in-force management, has improved dramatically in the last six months, and I think it's all about focus.

So, I know Roy and I think very similarly on this. You've got to focus on things. Don't try and do too many things. And if you can focus on things, you get better results. So for us now, there's very much this drive towards focus and stop doing sort of peripheral things that clutter your desk up and your day up.

<A – Steve Roder – Manulife Financial Corp.>: Roy, do you want to add to that?

<A – Roy Gori – Manulife Financial Corp.>: Yes. I think you hit it right on the head.

<A – Steve Roder – Manulife Financial Corp.>: Okay.

<Q – Humphrey Lee – Dowling & Partners Securities LLC>: Humphrey Lee from Dowling & Partners. A question for Don and may be Roy. So in your earlier remarks, you talked about looking maybe 10 years ahead, that China could be as big as Canada or U.S. in terms of core earnings contribution. In order to get that, do you think you can just do it through organic growth or do you need some fundamental changes there in order to achieve such an aspiration?

<A – Donald A. Guloien – Manulife Financial Corp.>: Well, I think, Humphrey, thank you for the question, what we're seeing is expansion of the number of businesses that we have. So we've been in the insurance business for roughly 20 years in China. We just celebrated our 20th anniversary. We've had the wealth and asset management business for a roughly half that time through our TEDA relationship. We've now been given the right to do what's been known as a WFOE, which is a wholly-foreign owned enterprise that gives us access to a whole range of different wealth management alternatives under a wholly-owned franchise. And we're very hopeful that the pension market will develop along the same lines as it has in Hong Kong, which will afford us hopefully another opportunity.

So all these things in concert, I think afford us that opportunity. The Chinese government has a very strong interest in seeing foreign companies play a bigger part of their market. They have committed to opening the market up and we believe they're acting consistent with that. So no, when I say that, I think that's just the opportunity. It is not reflective of any acquisitions although I wouldn't rule that out.

<Q – Humphrey Lee – Dowling & Partners Securities LLC>: And then on the pension side, if there were opportunities to come, can you operate it as a wholly-owned company or do you need some type of a JV partner in order to pursue those opportunities?

<A – Don A. Guloien – Manulife Financial Corp.>: It's is not clear at this time and it could go either way quite frankly.

<Q – Humphrey Lee – Dowling & Partners Securities LLC>: And if I could sneak in one more. On the digital side, I heard loud and clear about the end-to-end digitalization. But my understanding is, a lot of times, the drag on the back-end is because of a lot of the legacy systems that you may have. And one of the key drivers to truly achieve that digitalization is to streamline or move everything on to one platform. Can you talk about maybe where you are in terms of that back-end legacy system? Where do you stand in terms of converting everything into one platform?

<A – Roy Gori – Manulife Financial Corp.>: Yeah. Thanks. Humphrey, well, I think you're right. Most time and attention, when people talk about digitization, is generated towards new applications that are really the fringe of the business. But the real prize for us and our industry is digitizing our existing processes for our existing systems. And there, it's not a simple exercise. You can't just digitize bad processes. You need to simplify and make them much more customer friendly and then ultimately you need to invest time, money and effort into converting off very manual, paper-based processes and systems into digital platforms.

We do have multiple platforms. But that shouldn't inhibit us from advancing our digitization efforts. Technology today allows for the creation of service layers above legacy systems, which in many ways actually reduces the reliance on legacy systems and allows us to use apps above that micro services layer to really create the experience for customers and ultimately interface with multiple legacy systems in parallel.

Ultimately, if you do that, you can create a process whereby your legacy systems become actually dumb data warehouses in time, and then converting them at a later point becomes a much more economical exercise and doesn't reduce your ability to get the benefits that you're seeking on the digitization front.

<A – Rob Veloso – Manulife Financial Corp.>: We'll take the next question from this side.

<Q – Sumit Malhotra – Scotia Capital, Inc.>: Sumit Malhotra from Scotia Capital. A couple of questions. First for Steve. Your tone or your body language, I guess, I can say since we're here, around the LICAT transition and what that does to Manulife's capital, sounds better today than I thought it did for most of last year.

Has there been a shift on the part of OSFI that's given you that comfort? And maybe more directly, do you feel that LICAT in any way inhibits the ability of the company to double-down on the balance sheet optimization, as Roy put it?

<A – Steve Roder – Manulife Financial Corp.>: Okay. I guess it's probably fair to say that as time's gone by, more and more of the kind of uncertainties and the discussion points around the LICAT process, if you like – gradually, we've been kind of ticking items off the list because there's been a series of dialogues around some of the interpretations and whatever. So it's probably fair to say now we've got more certainty than we had before. So that is probably a reasonable reflection of my tone and body language. So, yeah, I feel better about it now than I would have done, say, a year ago. That's absolutely true.

In terms of does it change our business, does it change our behaviors in some way, not really because, over the last several years, we've been really taking actions to write far less capital-intensive product or enter into significant guarantees, et cetera. So, the trend of our business over the last four or five years has really been kind of consistent with where LICAT is taking us anyway. So I don't see it actually – and we have to do the formal analysis of this once we get the final LICAT note issued.

But I don't see it's going to drive a great deal of change in what we actually do, as it were, as a business. But, we're just closer to the finish line now. I think the big challenge is going to be about communication because this thing is going to look different. So the way it's been calibrated, we expect 1 LICAT point is going to be worth about $500 million, whereas currently 1 MCCSR point is worth about $200 million. So that's one challenge.

And then the other is that currently, we carry a slightly higher MCCSR ratio which recognizes the volatility we have in our income statement arising from the alternative assets and the mark-to-market volatility that we experience. And under LICAT, that specific feature of our portfolio is taken care of in the calculation because the calculation is risk-based. So on that basis, you'd expect that rather than standing out as having a high MCCSR ratio, you'd expect that we should fall into the pack under LICAT and that's okay kind of thing, because it's all taken care of in Pillar 1 as opposed to Pillar 2. But that's going to take a bit of explaining. So we've already talked a lot to investors about that and to the analyst community, but we need to do a lot more of that, and OSFI needs to do quite a bit of that as well.

<A – Rob Veloso – Manulife Financial Corp.>: So, over there.

<Q – Gabriel Dechaine – National Bank Financial, Inc.>: Good morning. Gabriel Dechaine, National Bank Financial. I'll put the glasses on, makes me look smarter. First of all, Steve, thanks for the story about the Canadian soldier to open your comments, appreciated that. And also for the candor and acknowledgement of how ROE is going to drive your valuation and improving it, obviously. We're all asking, or most of us are asking about the balance sheet optimization. I don't think anybody's got VA or Long-Term Care disposition in their base case. I'm a bit more interested in the early wins and the in-flight activities. On the early wins side, you talk about this – something you did to generate $200 million to $300 million of additional earnings over time in this level term insurance. Can we talk about that? I've not seen that before. And then, in-flight, how big are those orange bubbles? How much capital? How much, I guess, upside to your ROE could some of the transactions deliver?

<A – Steve Roder – Manulife Financial Corp.>: Yeah. So in terms of the qualification, I'm going to get Steve to answer the detailed question on that particular action that we took – Steve Finch. But, there is significant amount of capital tied up in those businesses. The biggest chunks of it, they're our long-term care and VA, by a considerable way. But there is also significant capital in certain closed blocks aside from that in Canada and U.S. We haven't given quantification of that, and we haven't quantified the full potential upside from an ROE perspective, and I don't think we would plan to do that right now. But the point is, it's all over and above the waterfall that gets us to 13%. It's all kind of icing on the cake, if you like. But it wouldn't be that hard to see a significant transaction that is a nice increment in terms of generating capital and may be tens of points of ROE or something of that sort. I mean, I don't think you're going to see a deal that takes us from 11% to 13% ROE overnight. But you might see one that gives us an extra 15 bps or 20 bps or something like that. And then, that strikes me as all worthwhile.

I'll just pass it to Steve. Do you want to talk about that action, Steve?

<A – Steve Finch – Manulife Financial Corp.>: Yeah. On the term products, Gabriel, on some of our U.S. term products, they have level premiums for 10 or 20 years. And then there is a large jump in the renewal premiums. And when those products were introduced, there was no real experience in the industry on how consumers would behave when their premiums jumped. We work with some of the largest reinsurers in the U.S. and they've developed a body of experience on what might be an optimal premium pattern when you get to the end of that premium paying period. And they've been able to zero in on rates where more of our customers will continue the coverage. So, it's as simple as updating the premiums to try to optimize and keep more of the customers on the books.

<Q – Gabriel Dechaine – National Bank Financial, Inc.>: So over time, that $200 million to $300 million, what are we talking about, like 5, 10 years or...?

<A – Steve Finch – Manulife Financial Corp.>: I would think probably in the five-year type range.

<Q – Gabriel Dechaine – National Bank Financial, Inc.>: Okay. All right. Well, thank you.

<A – Rob Veloso – Manulife Financial Corp.>: A question from Table 5.

<Q – Nick Stogdill – Credit Suisse Securities (Canada), Inc>: Hi. Nick Stogdill from Credit Suisse. Steve, in one of your slides, you kind of talked about a few of the business just needing to get costs out and better expense management. Is it a matter of these costs weren't addressed with the E&E or is that they were and that there's more to do? Are they big enough to move the needle on ROE? And is there a set timeframe with which they might be addressed? Or is that can be part of sort of E&E part two when Roy takes over?

<A – Steve Roder – Manulife Financial Corp.>: Yeah. Okay. I'll make some general comments about that. I think under E&E, a lot of the low-hanging, easier-to-get-at fruit was picked, if you like. But more recently, we started doing some really kind of difficult things, which have a significant impact on costs. So the one I like to talk about is – it's a very good example – will be the Valuation System Transformation project. And this goes to the back-office digitization that Roy was talking about.

But, essentially, what this product is doing is that we, like every major lifeco that I have ever come across, have a proliferation of Excel spreadsheets administered by actuaries in every business unit, who, by the way, have usually made themselves indispensable because they are the only ones who know how the thing works. It's all very difficult to kind of get at. And so, you went up with this sort of legacy of Excel spreadsheets in a massively inefficient process, whereby the actuaries spend an awful lot of time moving data around as opposed to analyzing it.

So that's the starting point. So what we've done is – and this project has been going on for couple of years and it's got about another two years to go – we've basically created a data cube in an Azure (?) cloud. And gradually, we're transferring all the actuarial data into the data cube and eliminating the Excel spreadsheet. So, so far, we have eliminated 4,000 Excel spreadsheets. Believe it or not, 4,000 Excel spreadsheets.

So this project cost about $85 million, but the run rate saved at the end of it is somewhere in the$15 million to $20 million per year per category. So not only does it really stack up from a financial point of view, but it makes us massively more efficient. By the way, how you implement IFRS 17 if you've got 4,000 Excel spreadsheets, I'm not quite sure. So it puts us in a really good position for that. And we know we're leading edge with this thing, but that'll be an example.

The GO project is another massive undertaking. So we're doing a lot of stuff that's really getting into the infrastructure of the organization that's less easy. On the go forward, I think we'll see more of that. So in the Canadian division, they need to spend money modernizing some of their systems and processes. There will be significant investment, but huge savings. And then I think we need to think about structurally - so we talked about legacy earlier on - how do we bring even more focus to the legacy businesses. There are things we could do.

So, I think we've got a long way to go, but it's not cancelling the newspaper. It's major sustainable saves. We can get there, but we really need to keep driving hard and a lot of it is not necessarily easy, but we've got a culture of getting after it now.

Roy, do you want to add anything?

<A – Roy Gori – Manulife Financial Corp.>: No, I think the only thing I'd add is that expense management isn't a one-off exercise. It has to be part of the culture and we've done E&E, and I think we've gained from that experience. But we need to be leaner and faster and we need to constantly have this idea that cost out is just the way we need to do business. So, we're going to leverage the platform that we've built off the back of E&E and drive a bolder ambition and agenda on expense management. It's going to come from a whole lot of different fronts, whether that's legacy system rationalization, whether it's getting rid of Excel spreadsheets, paper. We have 144 million pieces of paper in Asia that we process every year, so digitizing our operations again gives us a huge source of cost advantage. And leveraging the global strength of this franchise. We've got a big procurement spend that we make globally and leveraging our scale is, again, another opportunity for us to take cost out. So I think it's certainly going to be a big focus for the franchise as you saw. It's going to be one of the big priorities that we narrow in on, and it won't come from one magic bullet or opportunity.

Robert Veloso, Vice president, investor Relations, Manulife Financial Corp.

All right. Thanks, everyone; now we've run out of time for Q&A. Most of these panelists will be here throughout the day, so if there's any other questions on this theme, we can still take them later today.

MANAGEMENT DISCUSSION SECTION

Robert Veloso, Vice president, investor Relations, Manulife Financial Corp.

Welcome back, everyone. Our next speaker is Roy Gori, Group President and Phil Witherington, Interim CEO of Manulife Asia, and they're going to provide us with an update on how we're executing on our Asia opportunity. Following that, we'll have a Q&A session on Asia, but you can get back to any questions you didn't get to on the first session. And after that, we're going to showcase some of the exciting things we're doing in Asia through some labs. So, I'll ask Roy to step up to the mic right now and get it started.

Roy Gori, President, Manulife Financial Corp.

Thanks, Rob. Welcome back, everyone. Phil and I are going to do a bit of a tag team on this presentation, the Asia opportunity presentation. We're going to cover it in three key components. One, we're going to actually bring you back to Investor Day 2015 and at that Investor Day, we shared several key insights with you. A) We shared with you the strong presence that we have in Asia, we talked about the compelling market opportunity. Everyone talks about the growth in Asia and the opportunity that's present and that will emerge over the next 10, 15, 20 years. So, I want to remind you all of what we said back then, and then we also unveiled the strategy that we were going to execute in Asia to deliver against that opportunity. So that's Part A.

Part B is where we hold ourselves accountable to what we've actually done. So, we're going to actually walk you through the financials and non-financials of the last two years, and you'll get a sense of where we're actually performing and where we're out delivering versus where we perhaps have some room to go. And that might be a little bit unusual that we're holding ourselves accountable to an Investor Day of two years past, but I think it is important for you to see, not only the progress, but exactly where our focus and energy has gone over the last couple of years and where we think the energy will be going forward.

Phil is going to get up and then share with you more on the financials and a deep-dive into the numbers that are underpinning our performance in Asia, and then he's going to give you an update on some of the key markets across Asia and how we're performing there and what our strategy is to win in those key markets.

All right, so recap back to Investor Day 2015. I think I was on the job maybe 2.5 to 3 months at the time, and at that meeting, what I said was that, we have an incredibly compelling presence in Asia. We've been in Asia for 120 years; we had at that time, just 7 million customers, we operated in 12 markets, had about 60,000 leading agency professionals, about 10,000 to 12,000 employees, 100 bank partners and over $100 billion of assets under management.

Now, this is a very enviable position; there aren't many players, Pan-Asia players that have got a presence of this size and significance, and more importantly, to have the capability to have been in these markets for as long as we have, it's really given us knowledge of the marketplace, knowledge of the consumers in those markets, a good understanding of the regulatory environment and perhaps more importantly, a strong brand that we could execute our strategy to build our business from in terms of the next era.

Many folks talk about the big opportunity that is Asia and they get excited about that, but you just can't put your shingle up overnight and expect to do business in Asia. It comes through the test of time; it comes through having been in this part of the world for a long period of time and establishing the credibility and the credentials with customers, regulators and all other key stakeholders. So we had, and have, an incredibly compelling proposition in terms of the presence of our Asia footprint.

We then talked about the opportunity, the growth opportunity that's Asia, and everyone again gets very excited when you see the big numbers that are projected in terms of how the various industry metrics are going to grow and unfold over the next 10, 15, 20 years. Life insurance premiums are expected to more than double over the 10 years from 2015, to $1.8 trillion.

Now, that growth is coming from two key sources. One is the low penetration of insurance in this part of the world, and then, b) the growth of the middle class – and I talked about that a little bit earlier, but the growth of the middle class is really fueling this tremendous growth of the insurance sector. And if you look at 2016 alone, 80% of the world's life insurance premium growth actually came from Asia. So this isn't just numbers that are projected out and that are only going to be realized 5, 7, or 10 years' time. We're actually seeing this dynamic unfold right now.

Household wealth is also projected to grow at an exponential pace; in fact, almost three times in the 10 years from 2015 to 2025, to over $100 trillion. Now, in addition to the absolute pie growing and becoming much bigger, we have another phenomenon that presents a huge opportunity for us and our wealth management business and that is that the majority of the household balance sheet is tied up in cash. In fact, 50% of the Asian household balance sheet is in cash and they compare that to the U.S. where it's only 15%. So, in addition to the opportunity that's present in the growth of absolute wealth, you also have a dynamic of shift in the asset classes from cash which is not really generating the best return for consumers, to more productive asset classes. Now given again, our presence, scale, size and credentials, we really stand to gain as that market really unfolds and grows. So the opportunity obviously presented is very significant.

We then said that there were five key focus areas. And again, the key theme that hopefully people are getting is that the name of the game is to focus on the key things that really matter. And for us in Asia, there were five key areas that we were focused on in a laser-like fashion; and I'm just going to briefly walk you through the opportunity that's present under each of those pillars, because this is where we believe that we can not only differentiate ourselves from the competition, but actually create value for the shareholder and ultimately win.

The first was around this idea of being the leader in unsurpassed customer experience. Now, I shared with you earlier, that our industry globally doesn't do a great job in the customer experience field. I think you saw Net Promoter Scores globally of about negative 6. Now in 2014, in Asia, the Net Promoter Scores for our industry were negative 32. I think we're only second last to the used car sales industry.

Now, Manulife did better than industry average. Our Net Promoter Scores were negative 10 and we felt that the opportunity was to really become a standout leader in the space of the customer experience, and in doing so, create a real differentiation between us and the rest. The economics around this are also quite compelling. 10-percentage-point improvements in NPS translates to a 6% uplift in NBV. So this isn't, again, just about doing this because we want to be nice. There's a commercial reality associated with this focus.

The second key pillar for us was around delivering holistic solutions and integrating wealth. Now, many of our competitors in Asia were doing exactly the opposite of this. They've either divested their wealth on asset management businesses or rebranded them and separated them in separate legal entities away from their Life business. Now, we decided that we wanted to do the exact opposite of that. Our core capability was around integrating wealth with our Life operation, and in doing so, present holistic solutions to the customer.

Today, we have, on average, 1.4 products per customer and if we can increase that just by 0.1, that translates to an incremental – $170 million of incremental APE. So, the commercial reality of this is obviously very compelling, very strong, but we also see that when we really focus on delivering holistic solutions, we're not just a single-product provider, but rather we're really meeting holistically the needs of the customer, which creates a much stronger bond between us and them.

The third focus for us was around delivering a premium agency. Now, in Asia today, there are more than 7 million agents. Some of our competitors in China have more than 1.5 million agents. That's the population of a small country. So we were never ever going to win the arms race for the most number of agents. That's not a game that we want to play, but what we do want to win in, is having the most professional, most qualified, and the highest quality agents in the industry. And as our starting point was actually very strong because we actually had already a strong brand presence and acknowledgement of credibility because of the strength of our agency force across the various markets.

And again here, the economics are again quite compelling: 10% increase in productivity per agent translates to very significant increase in APE sales. So our focus is not necessarily in tripling the number of agents that we have, but rather driving the most highest quality premium agent force and ultimately, that translates into a much higher productive outcome.

Bancassurance, we saw also as a key opportunity for our franchise. Across Asia, about 15 years ago, bancassurance represented about 15% of total insurance sales and in the space of only 15 years, that grew to between 30% to 50% depending on the marketplace. Now, we were underrepresented in the bancassurance area; we had only 15% contribution from bancassurance to our total sales. So, we saw this was a tremendous opportunity for us and obviously, off the back of successfully tying up our partnership with DBS, we felt this was going to be a platform for tremendous growth.

Now, again, it wasn't just DBS that we had a partnership with; with DBS, we have six exclusive bancassurance partners across Asia Pacific and that gives us access to a total of 18 million customers. Our penetration of that 18 million customer base was very low, in fact only 5%. So increasing our penetration rate from 5% to 10% translates to a million increase in customer base for us. So this was clearly a big focus area for us, and I'll share with you some of the results in that area.

And then finally, we realized that we needed to really lift our game in terms of digitizing the experience that customers have with us. Customers are, quite frankly, not happy to be filling out 16-page application forms, answering 128 questions. They want a process of dealing with companies like ours, which is more consistent with the way they are operating their daily lives. People are picking up their phones and transacting, but when it comes to their interaction with our industry, it is real still very much two decades old. So that was again a big focus for us, and again, we know that digitally engaged customers buy more products and have a deeper relationship. So they were the key focus areas for us that we highlighted in early 2015.

So, how have we delivered? I'm going to share with you the results of the last couple of years, and on the financial front, the results are really very encouraging. We've grown our sales quite significantly; in fact, over the two years from 2014 to 2016, we've grown sales at a CAGR of 34%, and that's almost triple the CAGR of the prior five years. New business value, as Steve highlighted earlier, we only started measuring in 2014, but we grew new business value by 45% per annum.

And when we're obviously growing our new business value at a rate that's higher than our APE sales, we are increasing the margin of the business. And again, core earnings again, we really delivered some strong growth, 16% growth per annum over the two years from 2014, and that's a significant multiple of the delivery in the five years prior. So on the financial front, we've really accelerated our business momentum.

In addition to looking at how we've performed versus our own targets, we also have a keen eye on looking at how we've performed versus the competition; and we don't just look at the average of our industry. The bible we hold for ourselves is the best in our industry. So, here, we're comparing ourselves to the leading insurance peers, pan-Asia peers; and you can sort of guess if you like, who peer 1, 2 and 3 is, but across the key financial metrics of our franchise, we've either grown on par with them or we've outperformed them. And again, that really has brought back this sense of confidence around this winning approach.

Asia, as a result of all of that, and Donald and Steve highlighted this earlier, is now a much more significant contributor to Manulife globally. We now represent almost 70% of the total Group sales, more than 80% of new business value and we are now 1/3 of the Group's core earnings.

In 2014, we were heavily reliant on three key markets: Japan, Hong Kong and Indonesia. They were the only three markets that we had scale of greater than $100 million APE sales per annum. Now if I dial that forward to 2016, there are only three markets where we don't have scale of more than $100 million in APE sales. So we've now got seven businesses and this is again a very important aspect of how we measure success because the diversification of our franchise and the ability to create greater scale in some of the markets that were traditionally smaller for us, really gives us an incredible amount of diversification and risk offset.

And again, on the point of diversification, you can see some further proof points; since 2009, our APE sales have tripled, but the contribution is now much more balanced. Other Asia represents almost 40% of our sales in 2016, when it was only 30% in 2009; and then if you look at the distribution channels, bancassurance, we were significantly underrepresented at 14% of our sales in 2014. Now, we've increased our contribution from bancassurance to 30% almost, and we've now got a very healthy balance between bancassurance, agency and other channels that includes financial planners, digital et cetera.

I'm going to spend a couple of minutes just deep-diving in each of the strategic pillars that are referenced earlier to give you a bit of a sense of how we've performed on the strategic agenda. So in addition to focusing very keenly on our short term financial delivery, we're also holding ourselves very accountable for our longer term metrics in terms of how we have advanced our agenda across the pillars that I've mentioned earlier.

On the unsurpassed customer experience front, we've improved our NPS scores. We went from the negative 10 that I referenced earlier, to negative 2.5; and while we're happy that we're moving in the right direction, we're not quite yet ready to celebrate a negative NPS score. When we get to a positive territory, we'll crack open the champagne. But NPS now is really embedded in the way that we run the business. When we have a management meeting, we'll start with NPS metrics, not only at the country level, but at the touch-point level, within each marketplace. So we'll know the NPS scores for claims, versus the front-end, versus the call center, and we hold ourselves very accountable to progress and movements on a monthly basis across those various transactional touch points.

We achieved the 8 million customer mark in Q1 of this year. That's an 18% growth over 2015 and again, that's a great sign for us, the growth of our scale of our franchise. In the area of delivering holistic solutions and integrating wealth into our insurance offering, we increased the number of customers that had more than one product with us. In 2014, it was 26% of our customers; had just one product with us and we increased that to 30%, 4-percentage-point improvement. Now, this is a big number to move, because you're talking about effectively a base of 7.5 million, 8 million customers.

But here, I really think there's still a tremendous opportunity for us to really grow. There are still 70% of our customers that only have one product with us and quite frankly, there's an opportunity for us to engage with them more holistically against their broader need set.

We did a pilot in Hong Kong, where we equipped our agents with a licensing to sell mutual funds; and we did have historically a focus in this space, but it wasn't really an area of intense scrutiny and over the course of 2016, we increased the number of licensed agents that were able to sell mutual funds by 51%, and that translated into a 72% lift in mutual fund sales from our agency force.

So we're really only piloting this with very small teams at this point, but if you think about the opportunity for us as we embark on this agenda across our 70,000 agency force, this really presents quite a unique opportunity for us in the wealth space and quite honestly, is a differentiator versus some of the other more traditional wealth players in Asia.

Steve and Donald again mentioned earlier our success in MPF. We're very proud of the fact that in Q4 of last year, we became the number one MPF scheme provider and we've had just tremendous growth over five,six years in the MPF space, in fact a 16% CAGR year-on-year. So the wealth business is obviously a very strong part of our franchise and we clearly see just tremendous opportunity for us to further integrate the offerings with the insurance part of our business.

On the agency front, again, here, we're delighted with the progress and what's really underpinning our focus on agency is a program that we call Mission Extraordinary, and this is where we're really using a very different way to, I guess, recruit, onboard and skill our agency force; and if I'm absolutely honest, many of the insurance players across Asia are really just looking for a pulse when they're recruiting agency, but we're holding the bar quite high. And here, we're using new tools to decide whether a prospective agency recruit will be qualified and will ultimately be successful, but we're also training them in a very intense way, we're equipping them with the right tools, we're providing certification which really makes sure that when they come through and are able to actually ultimately sell to customers, they're incredibly qualified and able to represent our brand in a way that we believe we need them to.

And when I think about the changing regulatory landscape, I'm actually quite delighted that I only have 70,000 agents. There's going to be much more regulatory scrutiny on selling practices, so the drive to really equip our agency force with the best tools, but also the highest standards of quality assurance are really going to put us in good stead.

So, again you can see there some key metrics that demonstrate the lift and the improvement in agency and the pilots that we really went very aggressively on our MX program, Hong Kong and Indonesia really demonstrated very encouraging results for us. We've seen a significant lift in NBV productivity in both those markets and that is effectively the difference between agents that are recruited the traditional way versus agents that are recruited through the MX machine.

On the banca front, again, we're obviously delighted to have kicked off our partnership with DBS, and a lot of effort went into preparing for the DBS launch. We have incredible collaboration between our teams and really as Su Shan highlighted last night, it's hard to tell who the DBS person is and who the Manulife person is when you're in a meeting; and that was really a springboard for us and quite honestly, the technology that we've built with DBS, the straight-through process that exists, is quite frankly unlike any other that I've seen in bancassurance globally and I would actually say that we have, in our partnership with DBS, the best bancassurance capability globally.

We grew bancassurance four-fold from 2014 to 2016, five-time multiple in the exclusive space. Obviously DBS is a significant contributor there, but even if you take out the DBS contribution, the other exclusive banker partnerships grew by 50% over that time period. And just quite honestly, that was a function of a much more focused execution with each of those partners; having meetings with the CEOs of each of those banks on a quarterly basis to review and assess the performance and understand where the weaknesses were and what we needed to do to bridge any of the gaps that we saw.

Our non-exclusive partnerships have also grown and as I showed you earlier, bancassurance now represent 30% of our business and will continue to be a driving force for us as we look to the next couple of years.

On the Digital front, results are encouraging, but if I'm absolutely honest, I would say that this is an area that we haven't done as well as I would have liked to have done. We've increased the number of customers that we're digitally engaged with and we are delighted with MOVE. We crossed the 100,000 MOVE-enabled customer threshold just recently, and MOVE's now in force in Hong Kong, the Philippines and in China. There, we're really getting access to a segment of the population that quite frankly would never ever want to talk us about insurance, and that's the Gen Y population and almost 60% of the MOVE customers are actually Gen Y.

And then in China, we've had great success with WeChat. I think you're going to see that in the lab a little bit later, and now 20% of our claims in China are going through WeChat. Those are being processed, in the majority of cases, in the same day. But again,if I am critical, I would say that this is an area that's going to require much stronger focus.

Humphrey highlighted earlier that the key to success in digitization isn't necessarily coming up with just the fancy apps at the fringe, but rather digitizing all of our existing process and operations; and that's where really we're going to have to get a lot sharper and quite frankly, a little bit more brutal about our execution.

So in summary, I'd say that Asia is a core driver of growth for Manulife. We've got an incredible platform. It's one that we are very, very proud of and we can really capitalize on the opportunity that is Asia, through the tremendous scale and diversification that we already have. Distribution in Asia is absolutely key, and what I'm proud of is that we've got, now, a much more diversified distribution footprint. We've got a very solid and strong agency force that we're going to continue to work on making more professional and having the bar even higher in terms of the quality standards we're applying against that agency force. We're delighted with our partnerships, and partnerships will continue to be a source of growth for us and ultimately a core competency that's going to be very difficult to replicate.

Digital is going to become a much more important way through which customers are going to want to interact with us and if you think about it again, the analogy I highlighted earlier, 15 years earlier, bancassurance was really still in the very nascent stages of evolution, and many people questioned whether bancassurance would ever become a key channel for insurance sales. Digital's sort of in that same zone. It represents less than 5% of insurance sales today across Asia, but in five years' time, it will represent more than 20% of sales and we need to get on the front foot and not wait for that train to leave the station.

And then, finally, we've got a very clear strategy; focus is the key here and every bit of our energy is going against the five key strategic pillars that are going to differentiate us and ultimately allow us to win.

So with that said, I'm going to now hand over to Phil, who's going to give you much more of a deep-dive into the financials of our business over the course of the last couple of years, and then we're going to talk a little bit more about some of the big markets that we operate here in Asia.

Phil Witherington, Interim CEO, Manulife Asia

Well, thank you, Roy; and I must apologize to Roy and any Australians in the room because unlike Roy, I have removed all references, all contextual references to Australia from my presentation. We'll be making a few contextual references to Canada, reflecting our heritage.

As Roy shared with you, we are transforming the performance of our business. And Roy shared with you the growth over the past two years has accelerated. But what we've actually seen is a continuation of that momentum into the first quarter of 2017. So, in the first quarter of 2017, our annual premium equivalent sales increased by 31% here in Asia. And the growth in new business value has accelerated and in the first quarter was 53%. And core earnings were also up by 17% year-on-year. And this does reflect the execution of our strategy, but also combined with disciplined financial management.

And I would like to look more closely at new business value performance. So, two years ago, at the 2015 Investor Day in Toronto, we introduced local basis new business value as a key metric. We have consistently delivered on new business value since the introduction of that metric. In the first quarter of 2017, new business value was 3.6 times the amount from the first quarter of 2014.

As you can see from the bottom of this slide, we've not only improved absolute dollar value of new business value, but our margins have also increased by 10 percentage points in just three years. There is opportunity for us to improve margins further as if we compare ourselves to our market leading Pan-Asian peers, we're still below our peers in terms of new business value margin.

So looking at key drivers of the growth in new business value in the last two years, volume and scale have had the largest impacts. And let me talk to each of those in more detail.

In respect to volume, we had strong sales across our distribution channels and territories adding more than US$300 million of incremental NBV.

In terms of scale alongside growth, we've delivered expense efficiencies. In particular, as Roy highlighted, in Asia excluding Hong Kong and Japan, we've achieved scale in most of our markets. This has led to a 7.6 percentage point increase in new business margin across these markets.

Other impacts have been neutral despite significant headwinds from interest rates. This is a reflection of various management actions that we've taken to address headwinds. For example, in Japan, as a result of the negative interest rate environment, we have focused very much on non-yen denominated products which now constitute 40% of our overall APE in Japan. Furthermore, we've removed products with lower margins from our shelf and re-priced other less profitable products.

Our actions to re-price products and improve margins and product mix are somewhat offset by diversification of our business into bank and broker channels.

Before I move on further, I would like to recap on what EV or embedded value and NBV and new business value actually mean. So starting with embedded value. Embedded value is a measure of the present value of shareholders' interests in expected future distributable earnings on in-force business. It does not include any value associated with future new business. It relates to the in-force business.

EV consists of two components. The first is adjusted net worth, and this is shown as the light green component of the bars on this chart. And adjusted net worth is realizable value of shareholders' equity as of the valuation date, and excludes goodwill and intangible assets. This does include the tangible net worth of our Wealth and Asset Management businesses, but that is the extent of inclusion of WAM in embedded value.

Value of in-force shown as the dark green components of the bars on this chart is the present value of expected future statutory earnings on in-force insurance and other wealth business less the cost of holding capital on a local regulatory basis.

New business value refers to the EV generated by new business sold in an accounting period that accretes to value of in-force or VIF over time, and this is a metric that we use on a day-to-day basis to manage our business.

So this slide shows the movement in EV over the two-year period since we introduced EV and NBV as key metrics in 2014. As of the end of 2016, Asia embedded value was US$13.1 billion, an increase of US$4 billion representing growth of 43% from two years ago. Of the US$4 billion increase in embedded value, US$3.1 billion came from new business and in-force before impacts from non-operating items such as investments and capital movements. This is what we refer to as EV operating profit on the slide. And you can think of this as analogous to IFRS core earnings, but measured on an embedded value basis.

We've already covered contribution from new business in previous slides, but I would like to highlight that in-force value generation has also been very strong.

Interest on embedded value of US$1.9 billion largely reflects the unwind of discount rates. You can also see that operating experience variances are neutral, and this reflects the robustness of our assumptions.

The remaining embedded value increase primarily reflected higher notional allocation of group surplus, partially offset by the impact of acquisitions and distribution agreements related to intangible assets arising from DBS and Standard Chartered Bank deals.

Let's now look at free surplus generation. So free surplus is the adjusted net worth in excess of capital requirements. Over the last two years, we've delivered strong free surplus generation from in-force whilst continuing to invest in our business. We generated US$2.4 billion of free surplus from our in-force businesses, mainly from Hong Kong and Japan as these are our largest and most mature markets, and also US$240 million from our Wealth and Asset Management businesses in Asia.

After covering the unallocated overhead expenses of $230 million over the two-year period, we reinvested US$1.5 billion into new business generation. This gave rise to a net addition of US$930 million of free surplus over the two-year period.

I would now like to look at our future free surplus generation capacity. This slide shows distributable earnings or free surplus generation on a discounted basis, which is essentially how our US$13.1 billion of embedded value is expected to emerge in the coming years. It demonstrates that we're able to generate strong free surplus generation in the near term. US$2.5 billion of allocated surplus on the left represents the same US$2.5 billion of free surplus you would have seen on the previous slide.

On a present value basis, a further US$5.1 billion is expected to emerge as free surplus over the next five years, which represents nearly 40% of embedded value. We are well-positioned to support business growth and remittances to our parent company.

I would now like to comment on new business mix and product risk management. Our growth is being delivered without diluting the quality of our portfolio. Half of our sales in 2016 were of participating and pass-through products, which many of the risks, both favorable and unfavorable impacts, are borne by policyholders. The remaining portion of our business is non-participating in nature with a well-balanced mix between short-term business and long-term business.

Our shorter-term products are less interest rate sensitive as they're closely matched to underlying assets. Our longer-term products are subject to disciplined asset liability management and provide attractive shareholder returns.

As you know, we have been actively reducing our exposure to market risk embedded in our products, and this is illustrated by our withdrawal from variable annuity new business in Japan.

We also leverage our global experience when pricing and reserving for policyholder behavior. We set our assumptions with consideration to our North American experience, and we do this to reflect the potential that we may see similar experience emerge in Asia over time.

As you can see, while we remain firmly oriented around a growth-driven strategy here in Asia, we are also very disciplined in ensuring the quality of our product development and risk management.

I would now like to consider the components of core earnings. In 2016, nearly US$1 billion of core earnings were from our insurance and other wealth businesses, and over US$130 million of core earnings were from our high ROE and low capital intensive Wealth and Asset Management businesses. Whilst a significant proportion of our core earnings is from in-force business, 20% of earnings in 2016 came from the impacts of insurance and other wealth new business. This number represents the post-tax impact of new business after adjusting for minority interest, most notably in China.

Our Asia business is in growth mode, generating notable new business gains on the current Canadian-IFRS accounting basis. Upon adoption of IFRS 17, we expect earnings from Asia division to be less sensitive to new business volumes. Under IFRS 17, profit is recognized in in-force earnings over the life of the underlying insurance contracts.

So in summary, we have delivered strong new business value growth and improving margins. Our in-force business is a material driver of embedded value. And we are generating significant free surplus and the quality of our earnings is robust with 80% coming from our in-force portfolio. As you can see, we're building our business in Asia, and we're delivering high quality growth and generating value for shareholders.

I would now like to provide an update on some of our key markets, key businesses here in Asia. I'll be covering Japan, Hong Kong, Singapore, and I'll touch briefly on China, because tomorrow we'll cover China in more detail along with our remaining markets as a part of our Emerging Asia session in Vietnam.

So starting with Japan. Japan is the third largest economy in the world as Donald highlighted earlier. It's the second largest insurance market, and it's also the second largest pool of personal assets with an estimated US$17 trillion of household net worth, of which half is held in cash. And Japan has a rapidly aging population. In Japan, there are 60 million people aged 50 or above, and this segment of the population controls the bulk of household assets. Over the next 10 years, there's expected to be 1 million new retirees per year and about US$100 billion annually in lump-sum payments upon retirement. A significant proportion of these assets will be invested away from the retirees' primary banks. More than half of the US$1 trillion of money-in-motion over the next decade is expected to flow into new investments.

Manulife is a relatively small and nimble player operating on a niche basis in the Japan market and we attract high returns and solid growth. In fact, we've grown three times faster than the market as a whole since 2014. We have a leadership position in the COLI market, that's the corporate-owned life insurance market and we're using that strength to unlock new retail retirement opportunities.

We have a well-diversified distribution platform with more than 2,000 agents, 1,000 managing general agents or MGAs and over 70 bank partners. And while Japan has recently been experiencing negative interest rates, we have managed to deliver both increase in growth and an increase in profitability. We've done this by taking actions to change our product mix, including the launch of more foreign currency denominated products.

So in Japan, our strategy to win is to continue to engage customers early in their retirement journeys, to take full advantage of our established retirement capabilities, optimize our distribution channels and increase our focus on customer needs and ongoing customer engagement.

Our focus on profitability has led to strong double-digit growth in our sales, new business value, and core earnings between 2014 and 2016.

So moving on to Hong Kong. Hong Kong spends approximately 5% of its GDP on social programs and this compares to 17% in Canada, 19% in Australia and Japan at 23%. Hong Kong has a rapidly aging population and a significant retirement gap that on average is US$219,000 per retiree.

In the last 30 years, the elderly population has doubled from 8% of the population to 16% of the population. And that's expected to double again by 2050, such that one-third of the population will be considered elderly.

The health market in Hong Kong is substantially underserved. 70% of private health expenditure is out-of-pocket and we've seen continued medical inflation in this market.

Mainland Chinese Visitors represented 37% of the markets' new premiums in 2016. We are seeing rising customer expectations in Hong Kong and regulatory expectations for increased transparency and increased professionalism of our industry.

Here in Hong Kong, Manulife has a large base of over 2 million customers. We have a leading position in the Mandatory Provident Fund retirement market, that's the MPF retirement market with a 22% share of AUM by scheme sponsor and a 32% share of industry net cash flows, which bodes well for future growth in our scale. We've been very focused on the health opportunity and we're one of the leading providers in this market.

In 2015, we launched ManulifeMOVE, linking insurance premiums to activity levels, helping to improve our customers' health and wellness. We'll provide a demonstration of ManulifeMOVE later in the session.

We have 7,200 professional agents, 80% of which are licensed to sell MPF, and a growing number of which are licensed to sell mutual funds, an example of the application of our strategy to provide holistic advice and solutions.

We have successfully diversified our distribution channels, including activation of our exclusive partnerships with DBS for insurance and other wealth solutions and Standard Chartered Bank for retirement solutions.

Our strategy to win in Hong Kong is to leverage our brand strength and our leading position in retirement to provide protection and decumulation solutions.

We will enhance our health and wellness proposition as a part of an integrated ManulifeMOVE ecosystem. We will deepen our relationships with bancassurance partners and brokers. And we intend to accelerate agency productivity improvements through our Mission Extraordinary program as Roy articulated earlier and that will include the use of digital tools, and we will continue our strong track record of innovation.

So, in terms of financials in Hong Kong, APE sales and new business value have grown at strong double-digit rates between 2014 and 2016. Earnings in Hong Kong are robust and exceed $0.5 billion per annum. In the last two years, earnings grew by 5% per annum, reflecting a non-recurring margin release in the 2014 baseline.

Moving on to Singapore. So, Singapore has the highest GDP per capita in Southeast Asia. Singapore is a regional high net worth hub with US$1 trillion of household net worth. Like Japan and Hong Kong, it has an aging population. The proportion of those aged over 65 is expected to double the 2015 level by 2025. The mortality protection gap is over US$400 billion and has grown at an annual rate of 9% between 2004 and 2014.

In recent years, the market has experienced a distribution shift from tied agency to other channels and most notably the beneficiary channels of that have been bancassurance and financial advisory. As a proportion of total market, tied agency has fallen from 50% of the industry's new business in 2010 to 36% in 2016. And the regulator in Singapore has been very focused on promoting the digitization of our industry.

So, looking at Manulife in Singapore, we've delivered tremendous success over the past two years. We're now the second largest life insurance company in Singapore with a 19% share of new business. This is real step change from our number nine market position in 2014.

Our partnership with DBS gives us access to 85% of the Singapore population. More importantly, DBS has two to three times more primary bank accounts than its leading peers, providing us with access to a platform of unrivalled quality.

The partnership with DBS is off to a great start. Sales have increased by 47% compared to the previous partner, and we became number one in bancassurance in the first quarter of activation of the partnership, and we retained that position for 2016 as a whole, and we did this with quality. We successfully increased coverage of DBS's high net worth customer base and also improved sales of our regular premium products to 75% of 2016 APE.

We delivered full digital platform integration with DBS' financial planning systems with more than 90% of submissions through ePOS, an electronic point of sales tool. We have collaborated successfully on digital innovation and we'll provide a demonstration of this later in the day.

This is genuinely a collaborative partnership bringing wider benefits to both Manulife and DBS. For example, we successfully worked with DBS to execute Singapore's first ever U.S. commercial property REIT, raising SGD 500 million. We also have our wealth products on DBS' platform, including mutual funds in Singapore, but also pension products in Hong Kong.

While DBS is strong, it's not been the sole driver of our performance. We have omni-channel distribution in Singapore, and we're particularly proud of our success in financial advisory.

We launched Manulife Financial Advisors or MFA in 2015 with 200 advisors, and we now have more than 600. We've achieved a market leadership position in this channel with a 26% share of new business in 2016.

So our strategy to win in Singapore. There remains significant opportunity to build on the strong start to the DBS partnership, and we'll continue to increase penetration of DBS' customer base of 4.5 million customers. We will continue to expand our financial advisory business, and we'll enhance our focus on agent productivity.

We'll target the high net worth population with tailored high net worth solutions and tailored service, and we will continue to invest in digital and analytics.

In terms of financial performance in Singapore, with our recent success, Singapore is now a significant contributor to our business in Asia, with clear step changes in APE sales, new business value and core earnings.

So, I will cover China very briefly today. As I said, I'll cover it in more depth tomorrow in Vietnam. But China is a very large and rapidly growing market. Growth is supported by a number of megatrends including huge GDP expansion, a low penetration rate and the rise of the middle-class, along with liberalization of the market by the central government. We've been growing across provinces and tomorrow we'll look specifically at Jiangsu.

We have a unique position in China with a 51% ownership of our joint venture with Sinochem and among the best geographical footprints of foreign companies operating in China. We also have a 49% interest in our asset management joint venture Manulife TEDA. We have recently received the first Wholly Foreign-Owned Entity or WFOE Investment Company license to further expand our Wealth and Asset Management operations in China. This investment company license is an important milestone that is only possible because of our strong positioning in China. For example, one of the qualifying criteria is an existing controlling interest in China that we have through our partnership with Manulife-Sinochem.

Growth has been very strong and China is now our fourth largest market in Asia with clear prospects for continued momentum.

So in summary, Asia is already a core driver of growth for Manulife, and we're well on our way to transforming our business. We have a compelling platform to capitalize on this opportunity, one that is already at scale and diversified not only geographically, but also in terms of our distribution mix. We have a professional agency model, the highest quality partnerships and a growing innovation portfolio, and we have a clearly articulated strategy that is delivering tangible results.

Finally, as the performance of our key markets demonstrates, we have a proven track record of execution.

So with that, I will pause and hand over to Rob to coordinate the Q&A process. Thank you.

Robert Veloso, Vice president, investor Relations, Manulife Financial Corp.

Thanks, Phil. We'll now open up to Q&A, and joining Roy, Phil and the existing panel that's on the table, we also have Michael Dommermuth, who heads our Wealth and Asset Management business in Asia. So please make him feel useful and ask him a question. Again, please limit yourselves to one question. We'll try to get back to you if we have the time and if you could name yourself and the company you work for that would be greatly appreciated. We'll start here with Darko.

QUESTION AND ANSWER SECTION

<Q – Darko Mihelic – RBC Dominion Securities, Inc.>: Hi. Hello. It's Darko from RBC Capital Markets. You touched on something very briefly in the Hong Kong section. I wondered if you can elaborate a little bit on the Mainland Chinese Visitors and how much that represents for yourselves in terms of sales. And more importantly perhaps, with the recent cut off of UnionPay, what happens next? And what do you think the outlook is for Mainland China Visitors to Hong Kong? Thank you.

<A – Phil Witherington – Manulife Asia>: Sure. Thank you, Darko. I think it make sense for me to take that one. So Hong Kong MCVs, as we said, it's an important component of the market here in Hong Kong for Manulife for a number of years. I think it's fair to say we have a very balanced business, and our primary focus has been on serving the domestic customer base here in Hong

Kong. So when we look at the proportion of our business that sales to Mainland Chinese Visitors represent, take 2016 as a whole, it was 25% of our business.

And we saw that reduced slightly in the first quarter of 2017, reduced to 20% of our business. But I think the key point is that, we recognized that Mainland Chinese Visitors are an important component to the market, but we serve that very much on a demand-led basis with our primary focus being on the domestic customer base.

I should also point out that when we look at our Hong Kong business, whilst it's balanced between domestic customers and Mainland Chinese Visitors with our focus on domestic customers, we also have strong businesses outside of what we call Insurance and Other Wealth.

So we have the market-leading MPF position and of course that is a domestic customer base. We also have a mutual fund business, which is the sale of mutual funds to largely domestic customers here in Hong Kong.

So on to the second component of your question, I suppose the future outlook given the changes that we've seen with UnionPay. So the UnionPay restrictions have now been in place for some time. And what we have seen is that many Mainland Chinese customers that have international backgrounds or international ambitions already have bank accounts here in Hong Kong. Very oftenthe premiums are not necessarily being transferred directly from the Mainland by way of cross-border payments, but being settled domestically from bank accounts here in Hong Kong.

I think you can see from the slight reduction in the proportion of our business that is generated from Mainland Chinese Visitors, there may be some friction being generated in the market from closing some of the payment channels. But for us, it's not had a material impact. If it were to have a material impact, and that component of our business, if it were to disappear, in the context of our Asia business, if we take Q1 as an example, it represented 4% of our sales. So, it's not something that we lose sleep over. We're also very keen not for the MCV segment of our business to become something that we rely upon as a source of future growth.

<A – Roy Gori – Manulife Financial Corp.>: Let me just add, Darko, our focus from an MCV perspective is very much around the quality and controls and compliance of our sales. So, this is something we spend a lot of time and energy against . As a result, our contribution in terms of sales for our business in Hong Kong is significantly less than the market average. And quite frankly, we're not upset about that.

We believe that our focus for the Hong Kong franchise should be around the domestic market player. We believe that there is a key need for Mainland Chinese customers to buy products here in Hong Kong, and we want to satisfy that need. But it's not going to be the mainstay of our franchise here.

<A – Rob Veloso – Manulife Financial Corp.>: Arjan?

<Q – Arjan van Veen – UBS Ltd.>: Thank you. Arjan van Veen from UBS. Just curious in your earnings profile outlook.You've given your valuemetrics have grown incredibly quickly in the last couple of years. How should we think about how that emerges over the next few years? And noting the fact that you mentioned that there's quite a few businesses still subscale in Asia that I assume will in time pick up. I assume you've spent a fair bit building some of the bancassurance relationships, et cetera. So maybe if you can give us a bit more color about how we should think about that?

<A – Phil Witherington – Manulife Financial Corp.>: Yeah, so it's hard for me to provide any forward-looking guidance in terms of earnings. But what I can say is that our focus on managing the business on a value basis, so really driving the business in the direction of generating higher NBV, over time, that will translate to Canadian IFRS core earnings. So what we have seen in recent quarters and recent years is growth in Canadian IFRS core earnings, but at a slower rate than new business growth. So what NBV represents is effectively the future earnings discounted to present value.

So I think what we can take from that is all other aspects remaining equal, the growth of the in-force components of our earnings should expand. But of course, the new business component of our earnings will be sensitive to the levels of sales that we're able to achieve and the level of value that we're able to achieve.

Any further comments?

<A – Rob Veloso – Manulife Financial Corp.>: Mario?

<Q – Arjan van Veen – UBS Ltd.>: Can I just follow-up, is there anything we should focus on in particular, like is it China where some of the key drags are in terms of – or is this some stuff that's failing out fairly quickly anyway like you said the bancassurance development costs or anything like that? Is that – when we look at your metrics going forward, should we be looking at specific areas in terms of seeing, maybe there's some acceleration there?

<A – Phil Witherington – Manulife Asia>: Yeah. So, Roy's comments about scale and that the chart that showed that we've inverted the scale equation that we have. At the last Investor Day we said we had three markets that were genuinely at scale. Now we have seven. What that means is that in terms of profitability, almost all of our businesses in Asia are contributors to profitability. In absolute dollar terms, Japan and Hong Kong remain very significant, but it's actually interesting if we look at Asia Other now, it's an increasing component of our total earnings in Asia. About 40% of our earnings in Asia are coming from that Other Asia component.

So as scale increases in those markets and there is a drag from some of our smaller markets, Thailand, for example, and our continued investment in Cambodia as we grow to achieve scale there. As they grow, particularly Cambodia as it grows and achieves breakeven, we would expect some of that drag to reduce. So, my expectation in terms of growth rates is that the fastest-growing components of our portfolio should be Asia outside of Hong Kong and Japan.

<A – Rob Veloso – Manulife Financial Corp.>: Mario?

<Q – Mario Mendonca – TD Securities, Inc.>: Mario Mendonca, TD Securities. Steve, in your opening remarks, you talked about the payout ratio for the total company declining over time, and I think the only way that would happen is if dividend growth lagged core earnings growth over the next few years. That's the sort of logical conclusion. Is there anything happening externally that's causing you or the company to retain capital or maybe not distribute as much capital from Asia up to the top of the company, either regulatory change or is there something happening?

<A – Steve Roder – Manulife Financial Corp.>: No. No, it's just a function of the growth capital really from Asia. So when we started off with that target payout ratio, it was based on a perception that – and this is a sort of a sweeping generalization – that you can turn something like 70% of North American core earnings into free cash and 50% of Asia. That was the sort of hypothesis. And if you put that together, by the time you think about debt finance, preference dividends, whatever else, we arrived at 30% to 40% payout. Now, as the Asia component increases, I could just see that marginally coming off and hence 35% payout is still pretty good. So I don't want to overstate that.

I don't think there's really any specific external issues as they relate to Asia in terms of regulation. In general, the Canadian regulation is more stringent than any other regulation. The one location that we sometimes struggle with on remittance has been the Hong Kong one, because the Hong

Kong regulatory regime is still factor-based. As I've said before, it's based on a very old UK regulation still today. And it's very, very interest rate sensitive. And so that can sometimes be a bit painful in terms of remittability. And sometime in the future, the new regulatory authority here will sort that out. And it will have a risk-based ratio, but we don't know what it looks like yet. That's the one we have to pay attention to. But there's no specifics.

<Q – Mario Mendonca – TD Securities, Inc.>: No changes then. And maybe just a different type of question for Roy. You talked about strategic activities you could take to lessen the importance of the legacy business in-force activities. Has there been any sort of structural reason why that hasn't been possible up until now or is it just a matter of prioritizing?

<A – Roy Gori – Manulife Financial Corp.>: No, I don't think there's anything that stopped us from executing more on our legacy businesses in the past. But I think – again, what I'd say is that we've been focused on our legacy businesses, and that's been an area that we've documented as being a key priority for our franchise. I'd say that we're, again, going to double down. That's going to be an area that we're going to have to accelerate our efforts. And again, all options are on the table, divestitures. But again in-force optimization is going to play a key role as well. So I think it's just the heightened focus and acceleration of our efforts in that space.

<A – Rob Veloso – Manulife Financial Corp.>: Question from Linda and then Tom.

<Q – Linda Sun-Mattison – Sanford C. Bernstein Ltd.>: Hi. This is Linda from Bernstein again. I have some kind of operational questions. On slide 29, Phil, I just want to check what are your participating and pass-through products? What is the average guarantee rate on that book?

And on the non-participating long-term, what kind of products just roughly you are referring to? And another question is you mentioned about 1.4 products per customer currently held by each customer. And, Roy, you said that is not satisfactory. You want to increase that. So I want to know whether you have a parameter and how does that compare with your peers in Asia?And if you have insurance and wealth management product, you should be selling more products. So I'm just trying to get a little bit of clarity on quantifiable parameters from you? Thank you.

<A – Phil Witherington – Manulife Asia>: Okay. So let me make a start. So firstly, on our products, whether it'd be Hong Kong or other markets, really the terms and conditions that apply to our customers, they do vary by products and vary by the extent to which we impose charges to customers. So typically customers were charged the features that they're provided with.

I think the important point on participating business is that we're able to manage the risk and pass much of the risk upside and downside to the customer. So, for example, if you look at a typical participating portfolio structure, you would have by far the majority of assets in fixed income securities. It's certainly how we manage our portfolios and that means that our ability to have a very high level of confidence in fulfilling minimum crediting rates, whether it be capital or other guarantee levels. We have a very high level of confidence in that.

You had a question on what long-term products really mean; and when we talk about long-term products, we're looking at something really in excess of 10, 15 years, something that in many Asian markets would be difficult to directly hedge with a fixed income portfolio, reflecting that many of the fixed income capital instruments in markets across Asia really tend to only go out for 10 years.

And your final question in terms of products per customer, we have 1.4 products per customer on average across Asia. We consider that to be woefully low given our strategy to provide holistic advice and solutions and we do have a vision of a time when our customers don't just have an insurance product in isolation, they have a number of different products fulfilling different needs that they have. They would have retirement products and also more flexible wealth management products, really reflecting on our expectations to grow the wealth and asset management business here in Asia, which we are relying upon Mr. Dommermuth sitting here to your right, to my left. So, Linda.

<A – Roy Gori – Manulife Financial Corp.>: Let me just add to that; you asked a question about a target; we don't have a specific target, but we agree, it's woefully low and it's an area that we think is a tremendous opportunity; and given the platform that we have from a product and solution perspective, this is a key differentiation opportunity for us. The competitors in our space don't typically publish this and I certainly haven't seen any stats in that field. Do you know some?

<Q – Linda Sun-Mattison – Sanford C. Bernstein Ltd.>: [indiscernible]

<A – Roy Gori – Manulife Financial Corp.>: In certain markets they've highlighted that they've got to, but they haven't sort of given you the overall Asia stats? Right. So, I'm not going to comment on that, but what I'd say is that our industry again has done a poor job here. It's been single-product sales and in most instances, the customers are sold the product and never talked to again, or very rarely talked to again, and we really want to change that. We think that our opportunity is to really engage with our customers and the focus on distribution is the key part of that.

When you have a professional agency force, you have less attrition, therefore you have less turnover from a customer perspective in terms of the agent that's actually handling your relationship and you can actually start understanding the needs of the customer better and then providing solutions to them. I'll also say that if you can actually engage the customer at origination with a broader set of solutions, it's much, much easier to look at fulfilling a several-product-sale construct than it is doing it two or three years down the track once the customers had a product and quite frankly has forgotten what they have with you.

So, it is a big part of our focus. It's not an easy metric to move, but it is certainly a focus area for us and we think that can be a big differentiator for us and again, with a relatively smaller agency force, we think that we can move the needle here, perhaps better than some of our competitors.

<A – Rob Veloso – Manulife Financial Corp.>: I think Tom had a question.

<Q – Tom MacKinnon – BMO Capital Markets (Canada)>: Yeah. Thanks. Tom MacKinnon, BMO Capital. I wanted to ask just a question that relates to the first session. Historically, Manulife's been organized by division with Canada, the U.S. and Asia, and then we got a little bit on this wealth – on this WAM segment, so that's a different lens, and then now, this morning, Steve presented another lens that has like Core Growth, Core Return kind of Turnaround, and then Legacy.

To what extent do you think your organizational structure, by division, has been a headwind in terms of optimizing focus or capital returns associated with some of these business that may have been embedded in this divisional structure and are you looking at reorganizing the company around some of the different ways that Steve presented this morning? Because each one has a different focus; I mean, they get lost sometimes in the divisional structure. Just some comments on that.

<A – Roy Gori – Manulife Financial Corp.>: Yeah, so, Tom, I think that's a great question and I think you're quite right in that, org structure can often be a limiting factor in terms of execution and focus. And for me, structure's got to follow strategy, and you've got a bit of a glimpse of the strategy focus for the next couple of years. And we've got to really ask ourselves the question, are we organized optimally to execute against that strategy, and specifically, the focus around legacy and some of the other core parts of our business. So, it certainly is an area that I am spending a lot of time and thinking and discussing this with the leadership team, and if there are org changes that come off that assessment, we'll share that with you, but nothing to unveil at this point.

<Q – Steve Wong – BlackRock Asset Management North Asia Ltd.>: Steve from BlackRock. So, two questions from me. One is regarding the Singapore segment. So, recently we are seeing very strong growth in Singapore sales. So, I want to ask if there's any meaningful product mix difference or margin difference versus the rest of the Asia region? So, that's the first question.

Secondly it's regarding the Hong Kong domestic business penetration. So, market is a having a view that Hong Kong is pretty penetrated, given it is a quite developed city, but if you look at the domestic Hong Kong business as a whole, the growth of the industry is still quite decent. So, would love to hear management's view regarding how do we look at the penetration of the city in terms of insurance? Thanks.

<A – Phil Witherington – Manulife Financial Corp.>: Okay. Steve, let me tackle those. So, the first one related to Singapore and product mix; so, what we're seeing in Singapore is, most of our business is in fact endowment business and that's consistent across our distribution channels, but one thing that is, for us, particularly important is that the quality of endowment business that we're writing, we're happy with it. It's high. So, we certainly try and focus on longer term endowment products and regular premium products.

In my earlier comments on – through the DBS partnership where we've achieved 75% of our premiums is recurring premiums; new business premiums being recurring, that's actually a significant milestone and I think speaks to the quality of DBS as a distribution channel, the quality of the partnership.

Elsewhere, in our Singapore business, Universal Life is important in Singapore and it's certainly not the majority of our business, but it can vary between 20% and 1/3 of our new business in that market, very much focused on high-net-worth customers, which is consistent with our earlier comments that Singapore is a high-net-worth hub and the high-net-worth customer segment is something we see as a large opportunity.

So, moving onto Hong Kong, I think your question was really about our expectations as to what extent is Hong Kong underserved or over-served as a market. Insurance penetration is actually relatively high when you look at the statistics in Hong Kong, 13%, but we also need to bear in mind that a good deal of that has been exaggerated by some shorter-term products sold through banks. That's not really a strategy that we have pursued for many years. So it's actually hard to see what the underlying coverage is of insurance of the Hong Kong population.

To me what is very clear is that the need for insurance in Hong Kong is more obvious than any other market in the world. The level of state provision of benefits here is very low and therefore, there's a significant onus on individuals to make their own preparations to cover future risks and future events. I think that was clear from the statistic I quoted that 75% of private medical expenditure is out-of-pocket, and I think that speaks to the opportunity that we see in the health sector here in Hong Kong. So, lots more work for us and the industry to do.

<A – Rob Veloso – Manulife Financial Corp.>: We'll take one more question, I think; Scott?

<Q – Scott Russell – Macquarie Capital Ltd.>: Good morning. Scott Russell from Macquarie. Thanks for all the new disclosures, we're going to be absorbing these for quite some time, I suspect. I've got two questions, please, and the first one is back to that slide 29. You've broken it up, last year's sales between par, non-par, long term, short term. I think what might be useful for a lot of us here is the breakdown there of each of the three slices between protection versus savings. Obviously you can have a component of the par premium which is risk protection, and I suspect that some of the short-term non-par models havebeen protection, but if you could make some comments around how much of your sales last year were protection,that would be helpful.

<A – Roy Gori – Manulife Financial Corp.>: Scott, would you like to give the second question as well, so that we have them both and then can respond together?

<Q – Scott Russell – Macquarie Capital Ltd.>: Yeah. Sure. So the second one is specifically about bancassurance, and if you lift the penetration rate by 5 percentage points, it'll add a million customers. I could go and do some tricky mathematics to work backwards from your 8 million customers today, how many of those are bancassurance customers and therefore, what the penetration rate of your bancassurance arrangements are, but perhaps you could just help us with those numbers as well to understand where you are and where you can get to on a 10-year term?

<A – Phil Witherington– Manulife Financial Corp.>: Okay. So let's start with the first one on the products and long-term, short-term business, how it splits between protection and wealth. Most of our business here in Asia, it's fairly consistent across our markets, is a hybrid of the two. So whilst we have some business that's one end of the spectrum, that's pure protection, in premium terms, that tends to be less significant. And then you've got the other end of the spectrum which is pure wealth and asset management business; we've disclosed that separately, it's not part of our APE sales.

So most of our business is what I would describe as being a hybrid and typically, if you take critical illness as an example, it fulfills a protection purpose, but much of our critical illness business has a cash value, which means that from a customer perspective, it also fulfills a wealth need, as well as a protection need. And I think that hybrid nature of our business is consistent with many of our competitors across the region.

However, what is different is, given this hybrid nature, there can be a lot of judgment about what you can classify as protection and what you could classify as wealth and so, I think it becomes somewhat arbitrary to try and give a percentage split between the two. One thing I can say is that our Insurance and Other Wealth business all includes an element of protection. Our pure WAM business, the Wealth business, is disclosed separately and we don't include that in the EVbeyond the net assets of the underlying business.

Moving on to your second question on the bancassurance levels of penetration, where we are now and where we may be able to get to, we see a tremendous opportunity to increase the penetration of our bank partnerships. Many of them are in the early stages of maturity in markets across Asia, that penetration through banca is low and penetration in the industry as a whole is low. So, I think you can try and back-solve what our actual penetration is from the sensitivity that we gave, but we have access to 20 million customers through our bank partnerships and our total customer base in Asia has just touched 8 million. So there's still a long way for us to go in terms of penetration.

Robert Veloso, Vice president, investor Relations, Manulife Financial Corp.

I'd now like to welcome Linda Mantia, our Chief Operating Officer, who will be presenting on how we are driving customer-centricity and innovation at Manulife. We'll then follow with a Q&A panel and two more labs sessions. Linda?

Linda P. Mantia, Senior Executive Vice President & Chief Operating Officer, Manulife Financial Corp.

Thanks, Rob, just making sure everyone's awake, no jetlag or anything. Thanks very much for having me here,speaking today. It is my first time meeting many of you and hope everyone enjoyed the lunch. I think our lunch speaker was a very tough act to follow, couldhave heard a pin drop and I don't think anyone was napping. So, again, tough to follow.

Earlier today, we spoke about the growth opportunities in our Asian business, and following me, we're going to talk about the growth across our wealth and asset management businesses. But against all of our businesses and all of our geographies and with all of our people, we are going to be very focused in everything we do on customer centricity and innovation.

Around the world, we need to be committed to developing more holistic, energizing, engaging and long-lasting client relationships. We're going to be very focused in our growth on a targeted focus on customer centricity and innovation, areas that have been a key part of my focus since I joined Manulife late last year.

Today, we wanted to focus on the digital transformation that is underpinning this. It will echo many of the things that you heard from earlier speakers and a lot of the proof points, but we've thought it was important and helpful to show you how this is coming together in an integrated plan across Manulife.

As I mentioned, I'm new to Manulife. And when you're new, you really want to try and understand the history of an organization and find those sustainable competitive advantages. And as you can see, innovation is not new to us. This slide points out innovations that have occurred in Canada over the past while.

We have been a company of firsts. In 1887, we were already focused on improving all lives by being one of the first to offer life insurance to women. Focusing on specific customer segments, we were the first in North America to offer life insurance to those who have controlled diabetes. And more recently, we have been the first to insure clients living with HIV. We have a significant opportunity ahead of us, and I'm so excited about leveraging the strong history as we move forward.

But we know that change is happening at a pace that is unprecedented, clearly echoed by the professor during our lunch. And we need to move quickly because we need to meet the needs of our clients during these changing times.

The chart in the slide shows the pace at which industries have been changing. We know that new technologies get deployed most quickly in industries that have a high velocity of interactions directly with the clients.

When fintech first came on the stage in financial services, the first industry that was impacted was payments. When it came to payments for the first time in history, we saw over five different industries going at that area to innovate. They weren't going after it to come after the profit pools in financial services, instead, these different industries – telcos, retailers, technology giants as well as the financial institutions – were moving so quickly to ensure that they could participate in the commerce associated with mobile where they knew people were going to be, and even more importantly going forward to participate in the commerce that was going to be conducted through the Internet of Things.

To date, the pace of change in the industries in which Manulife operates has been slower as the speed of adaption in our industries has been moving more consistently with how we don't interact as often with our clients. We don't have that high velocity. Insurance, traditionally, was not like this.

Today, we do see a tremendous opportunity to improve the client experience and we want to be an industry shaper to take advantage of the confluence of the technological and medical advancements, and to drive a much more friendly low-cost solution geared to delivering on our purpose.

So in 2015, we made a concerted effort to become a purpose-driven organization, to galvanize our employees to begin to think about our business differently and consistently putting the customer at the center of all that we do.

In shaping our purpose, we considered all the factors that have been changing in demographics, technology, and we looked at the needs and the irritants that have been impacting our clients. These are captured in this video. Just if we could play the video.

[Video presentation]

So, in thinking about our purpose in our teams we'd become ruthlessly focused on how to help our clients meet their dreams and aspirations, how to help all of our clients during their lives and help their loved ones that they're trying to protect. It was coincidental this morning when I was opening my iPad, there was a quote from Howard Schultz. It was Forbes' quote of the day. And he said, "When you're surrounded by people who share a passionate commitment around a common purpose, anything is possible". And with the size of opportunity ahead of us, this purpose has become foundational into really energizing our team to begin to think so differently and to really imagine the latent needs of our clients.

So, in going after this purpose, we are building on our strengths. You've heard a lot about these strengths earlier today and the opportunities. We know that we need to enhance the trust that we have earned with our clients, our employees, the many different partners that we work with all over the world, with the regulators and our shareholders, as it is key to our future in this changing time. You can see from the number of proof points that have been referred to earlier today by Roy and the rest of the team, that we are very committed to leading the industry transformation, and are very focused on adapting to how we respond to our customers' changing needs.

When we think about digital, we really think about it in two buckets. In the first area, it really is about creating a better customer experience to drive the efficiency and also to take advantage of digital acquisition to acquire our clients. We know that our customer expectations are shaped by the digital leaders. They are experienced in online and mobile shopping, they look for and need simplicity in their products and services, immediacy in their interactions, connectivity via the multiple digital devices, and ubiquity. We need to serve them anytime and anywhere. That is the experience that they're expecting. We know that that is where the bar is.

And as Roy said earlier today, we know we are not meeting that bar. So our focus is to not just meet it but to exceed it, and while doing that, lower our cost of acquisition and be very focused on driving a very rich end-to-end client experience while providing online guidance and meeting our fiduciary standards.

So if the first bucket is really around driving out the cost, I think there were many questions around what we're doing in our cost program and this is really where we see a big opportunity to save. That was our first bucket. The second area, you've been seeing some of it, is our opportunity to offer innovative products and services to our clients to re-imagine that experience. And as we talked about, insurance has not been a sexy product for our clients, because we haven't conveyed it in a way that really helps our clients understand that we know what their needs are and that we're capable of delivering on it.

As many have said, the best way to predict the future is to invent it. So our reimagining initiatives start with the client to deliver on their need and we need to do this in a way that is not encumbered by our current silos, by our legacy systems that we've talked about, or by the paradigms that we have.

And we also need to think about how to factor in all of the new capabilities like predictive analytics, the Internet of Things and block chain. We also recognize that in looking at how we re-imagine our businesses, we have to look outside of our own walls in developing that solution and look to be part of other's ecosystems or bring other players into our ecosystem, doing what we need to do to deliver on that customer solution.

We see this as just an incredible time to shape the future with all of the changes in demographics globally, medical breakthroughs, new technologies, because together these are creating the possibility for one-to-one relationships, solutions and really being a meaningful partner to our clients in ways that we could never before have imagined.

So when we talk about the digital driving the efficiency, this page has three different examples. First, is improving customer service. I think we have more than chatted about WeChat, so I won't talk about it too much more. But I think it's a really important example. It is where our clients are and that is where we have to meet them.

To participate in that channel, we have to get very good at digital acquisition. To participate in that channel, we have to have simple products that clients can easily understand and can do through a simple number of clicks. I don't know how many have heard the expression, no more fat fingers. You can't have clients doing any data entry anymore. They need to take that picture. They need to take their selfie. We need to have digital identity really cracked.

And what's fantastic about what Kai and her team been doing around WeChat and the teams have been doing with DBS is that we've learned and we're bringing all those lessons to other parts of our business.

We've also been focusing on enabling our intermediaries and our agents. I am very, very passionate about digital and there is a lot of debate whether the distribution for insurance and wealth products will change, and if so, when. The key is to focus on our customers. For us, we see the incredible value that our agents provide in the way they advise our clients.

Earlier today, you heard about Mission Extraordinary. It really is around building the most professional agency force to differentiate our teams. This is driving the efficiency. But we also know that clients are going to want a porpoise in and out of different channels. They don't even want to think about what channel do I want to be in. So the way we build the technology in supporting our digital strategies has to allow for simplicity of moving between channels and being ready to meet that anytime, anywhere expectation.

For some of our – what are we calling them now – heritage areas, legacy areas, we're pretty excited about what the robotics capabilities can bring to bear to our back office activities. To date, we have reviewed over 1,800 of our processes globally. Of those 1,800, about 770 we characterized as having very low complexity, really good candidates for the use of robotics. So we've done some proofs of concepts and proof points to be able to see what kind of savings could we bring. For the spend impacted by these low complexity areas, in each of our proof points that we did and we did it across each division, Canada, the U.S. and Asia, we have found we can take out 35% to 55% of those addressable costs.

Robotics is in its early stages. I don't think we're behind others in this area, so we're watching it very closely. We're watching the technologies that underpin it, like optical character recognition or artificial intelligence and how they mature, so we can capitalize on this. As Roy said earlier, we're a decade or two behind other industries but maybe this is a chance to leapfrog.

So that covered the things we're doing to improve our efficiency. The second area is to use digital to imagine the new ways to meet the needs of our clients. As populations age, and chronic diseases become the leading cause of death and millennials become even more health and fitness conscious, we're focused in looking at these technological developments to really think about how we can develop new health and wellness propositions to our clients.

ManulifeMOVE and Vitality in the United States and Canada are significant parts of our health story. And as you've heard, we sold over 100,000 ManulifeMOVE policies. This has been designed with the key attributes of leading rewards programs and taking advantage of wearables, and this has been a win-win relationship, and the relationship that has been building with our client has just made such a huge difference to what we've been able to imagine as possible.

With the end customer in mind and with continuous market feedback, we are now developing new products and offerings and have begun partnering with leading technology players and retailers to offer an innovative solution set. What has been particularly exciting for us is how we moved on ManulifeMOVE. When we wanted to get going, it took the team 10 weeks to launch it and the app itself took only six weeks. My colleagues will talk a little more about this in one of our labs that's going to follow.

In reimagining, retirement solutions is a key area of focus. We know that aging demographics have really began to shift our investors' focus from maximizing returns to minimizing risk in the mass market segment. According to external research, within the next five years, over 75% of global retail assets will be held by retirees or near-retirees.

We come to this opportunity from a position of strength. We have over 6 million participants and we've been entrusted with over $280 billion of their retirement assets. So in our businesses , we are focusing on a holistic retirement solution that prepares our clients for it and takes them into their retirement years, and takes them into it with control, confidence, and passion about the next stage of their lives.

Elements of this includes our goals-based advice, personalized tools that prompts for next best actions, we've put in nudges to help our clients really think about how they're planning and how they're spending. And we've been enriching the content that goes with it. A little later, Kai will spend more time talking about this segment.

So, how are we going to drive this digital transformation. So, we are really working hard with our employees in building out training, inspiring curiosity, experimentation and excitement. We know that this is a cultural change, we're not just transforming ourselves, we need to transform an industry, and we need the customers to think about us differently.

To accelerate the outcomes, we've been complementing our teams in many ways. Two ways are – in the example here, our innovation network, we have been building out of the norm teams very close to where all our businesses are. For example, in Waterloo we have our RED Lab very close to Communitech. And then we've been building, you've seen it in some of the slides, our LOFTs, our Labs of Forward Thinking. We built those in Boston, Singapore, and Toronto. These LOFTs are focused on key areas of technological advancement and doing behavioral economics as well.

These labs also act as catalysts for this cultural movement that I've been describing. And we've begun to leverage our enterprise crowdsourcing and deploying workshops, and hackathons – actually I like Su Shan's word, makeathons, I think she said, new word for me. That has been designed to train employees in areas like lean startup, agile, and design thinking.

To date, these programs have touched over 14,000 of our employees but we have a lot more to do. During the lab segment that follows, my colleagues will show some of the innovation work that has been underway and there will be portions of it actually that we incorporated from the hackathons that were conducted in Boston.

We've also been developing third party partnerships and making investments as we focus on building out our network outside of Manulife to stimulate creativity and new ways of working. In addition, we're expanding our team by complementing them with new workforce skills. So for example, in analytics, we've been deploying it across the value chain looking at distribution, sales and marketing, underwriting, pricing and claims and in-force servicing, as well as some of our internal processes around talent and supply chain management.

We've been growing underwriting an analytics teams deliberately by seeking out specialized talent to advance the strategies. Our goal is to be a data-driven organization and to have data and analytics be a core part of our DNA. So one area of our focus in analytics has been the quality of outcomes in life insurance. As many of you know, applying for life insurance has historically been a tedious and onerous process and no one really has enjoyed being pricked or having to produce some embarrassing bodily fluids.

Through our enhanced risk models, we've reduced the complexities in the underwriting process to shorten it from 24 days to 2 days for qualified customers. We've done this by removing the unnecessary paperwork and the need for that fluid testing.

What's great about these kinds of examples is that you can see that a lot of the cost can come out of the process. But what's much more exciting for our employees is that we've been able to really create a much, much better client experience, and we've been able to do this without expanding our risk tolerance. So these past vignettes are really snapshots of our journey to date. We are continuing to embark on this accelerated digital transformation to enable both our client and our cost strategies.

So really, we've been approaching this in these two phases. The first phase, as I talked about, was setting that aspiration, that purpose for our clients and establishing our strategic themes around customer centricity and innovation. Our second big focus has been from the inside, building the conviction on our path forward, as we know in this area that success requires not just a new of way working but an inherently different way of thinking. So to build conviction, we have experimented. You've heard many examples around the proof points by which we can build our business case to go forward. And in the reimagination initiatives, some are already forming part of a new platform for us globally, new ways to accelerate the acquisition of clients and new ways to expand our relationship with them.

We've hired new workforce skills to complement the strength of our team and we've been purposefully investing in innovation as we know we need to leapfrog and to differentiate and to do it in a sustainable ongoing way. These experiments, the hiring of the new skills and investing in innovation, together have given us conviction to take us where we are now, our third phase, where we are going to be looking to programmatically mobilize and scale these digitization and reimagination efforts. Together, we are setting the business's vision and goals and we're being very disciplined in how we're going to build out this business case and clearly list out the actions, timelines and incentives. There'll be a lot more on this to come.

So, to conclude, the customer is at the center of everything that we're doing. We're going to take full advantage of our current capabilities, full advantage of our global scale and our market position, take full advantage of all of the local knowledge and experience that we're gathering in all the different markets that we compete to accelerate and transform. And finally, we expect we can deliver significant operating efficiency to fund further investments that will be beneficial for all our stakeholders.

And with that, I am done. Thank you. I believe we're moving to Q&A.

QUESTION AND ANSWER SECTION

<A – Rob Veloso – Manulife Financial Corp.>: So, joining Linda on the Q&A panel, we have Greg Framke who is our Chief Information Officer, Francesco Lagutaine who's our Chief Marketing and Experience Officer for Asia, and Steven Dorval who heads Innovation and Advice for John Hancock.

I just want to remind everyone, please wait for the microphone. Limit yourself to one question, and state your name and company information. We'll start with that side of the room.

<Q – Gabe Dechaine – National Bank Financial, Inc.>: Okay. Thanks. Gabriel Dechaine, National Bank. I got a couple actually, just the slide here that shows the efficiency improvement in your application and sale process, from 24 days to 2 days. It's impressive. Just wondering what happens without medical tests. Like how does that affect the risk profile of these businesses?

And then, on an unrelated topic, it's about the earlier presentations. One slide showed – or during Roy's presentation, the flags of countries that were subscale in 2014 that are at scale today. How do you define scale and is it just a matter if it's breakeven or above? And then, how come so many countries went from subscale to above scale in a two-year timeframe?

<A – Linda Mantia – Manulife Financial Corp.>: So, thank you for the question. I'll take the first one and then hand it over to Roy for the second one. The work that's been under way in terms of reducing it has really taken advantage of the analytics we've done today and really shortening the questions. And so far, all of our foundational testing has proven that we have not taken any additional risks associated with this. And what the team has been doing is complementing ones that have any questions associated with it with follow-up questions. But we still get it done in that amount of time. And Roy.

<A – Roy Gori – Manulife Financial Corp.>: Yeah. Gabriel, the, I guess, definition of scale for us in that slide was C$100 million of APE, so APE sales per annum. And I guess, the point we're really trying to illustrate is that, we were a three-trick pony quite effectively. We had a business that was very much driven off the back of Hong Kong, Japan and Indonesia. And our other businesses were really very small, not contributing very significantly to our overall operation. And again, if you go back to 2009, Other Asia represented less than 30% of our total Asia Pacific sales.

And in 2016, we got that up to 39%. So the contribution itself grew in absolute terms, but also as a percentage of our franchise, it's grown. And what drove that? Again, it's the key driving forces of improving the productivity of our agency which again is a key driver of growth of sales in this part of theworld, and bancassurance, really leveraging our bancassurance partnerships. We talk about DBS and the strength of its business in Singapore, but DBS also has a very strong presence here in Hong Kong, in China, and in Indonesia. So we're really getting the benefits of that partnership across the other geographies. And then we've really reactivated our bancassurance partnerships more broadly. Because quite honestly, we really weren't focused on driving the execution.

We've signed the deals, and pretty much we're just leaving it to our bank partners to deliver, and that's not the way you drive bancassurance. The way to drive bancassurance is to drive accountability, make sure that key goals and targets are embedded in branch manager scorecards, in individual relationship managers, and that there's got to be an accountability at the CEO level of the bank to deliver against the targets that we set and agree with them. And the tightening up of that accountability and focus really helped us drive that big uptick in volumes.

I wouldn't say that our journey's done, we still have much, much more to do in the space of building scale, so that we're, again, even more dependent on some of the big markets that are significant and important for us.

<A – Rob Veloso – Manulife Financial Corp.>: Next question.

<Q – Paul Holden – CIBC World Markets, Inc.>: Thanks. Paul Holden, CIBC. So, Linda, in your presentation, you talked about how you're a decade or two behind some other industries in terms of technology innovation. And I'd view Manulife, traditionally, your core area of expertise would be underwriting insurance. So, how much do you worry about disruption from potential new competitors from other industries, particularly the technology industry and what do you view as their key barriers of entry?

<A – Linda Mantia – Manulife Financial Corp.>: Thanks, Paul, for the question. When you look at the purpose in those unmet needs of our clients and the irritants and all of the advancements in technology and medicine, you can imagine much like that payments example that there'll be a lot of industries coming after this opportunity whether it's from the medical field, the pharma field, different financial services, the big players in China, the technology giants. I think the profit pools, when you look the problem as wealth and health more generally, it's huge.

So I think when we look at it, we're worried about our current competitors, you always do. But it is these new players and people who will approach this with a very different way of thinking. And so, that's why we're in a rush. You can't move too quickly to meet our customer needs. You can't get too efficient and more straight through too quickly. So we see no downsides moving with urgency across it, but we do feel very fortunate, we are incredibly well positioned to grow our business. We just have a lot to do given that history that you mentioned.

<Q – Meny Grauman – Cormark Securities, Inc.>: It's Meny Grauman from Cormark Securities. When it comes to digital transformation, I think the big issue that analysts and investors have is really trying to figure out how well a company is doing in that area, everyone talks about it now, and especially on a relative basis, that's the key question. So I'm just wondering, from your perspective, what advice would you give us? Like what should we be looking at in order to track your progress especially relative to peers? What are the key metrics that will tell us whether the story is actually working and that you're actually ahead of the game?

<A – Linda Mantia – Manulife Financial Corp.>: I will pass this to Roy in a moment. Just because from my lens, we're right at that stage of trying to establish the KPIs. And as an industry, there aren't that many out there. Having come from, at least part of it, the Canadian banks, where the KPIs are very transparent and clear, it is hard to compare yourself against the competition. I think everybody is moving to begin to get better at this. But we don't yet or at least not today are ready to discuss what those KPIs are to be able to tell you, are we ahead or behind, not just of our competitors but against our ambitions.

<A – Roy Gori – Manulife Financial Corp.>: Yeah. Let me add. I think Linda hit it right on the head. And it's a fair question, Meny. I don't think we have done a great job of communicating what success looks like when we are embarking on this digital transformation. And quite honestly, internally, we've spent a lot of time discussing and debating this.

And that's been very fruitful and I think we're now aligning on how we're going to measure success. It includes things like how many customers we're acquiring digitally, how many of our processes are straight through. So when a customer touches us at one point, does it go straight through to the back end or is it touched by humans along the way? We're looking at how many of our customers are engaging with us for servicing in a digital way.

So we're now putting much more robustness around the metrics that internally we're going to use to measure success here and hold ourselves accountable to that through scorecards, KPIs and so on.

And it's a fair question. Should we be publishing some of these and giving you away to measure whether we're making progress or not and it's something that we'll probably have to take away and come back to you on.

<A – Rob Veloso – Manulife Financial Corp.>: Humphrey?

<Q – Humphrey Lee – Dowling & Partners Securities LLC>: Humphrey Lee from Dowling & Partners. Just referring to a slide – page 8 of the slides, I'm just trying to get an understanding in terms of the processes that you can automate, what would theprocesses account for on a cost basis right now? I just want to get a handle in terms of the potential cost savings.

<A – Linda Mantia – Manulife Financial Corp.>: So you're referring to page 8 around where we can apply robotics?

<Q – Humphrey Lee – Dowling & Partners Securities LLC>: Yes.

<A – Linda Mantia – Manulife Financial Corp.>: Yeah. So the three examples are good examples around taking the paper-based applications that we currently get, as an example around new business enrollments, our new business activities. Right now, those are very paper based and they come often handwritten. So in terms of sizing that, if you're trying to do the math, we're not prepared to kind of share any of those numbers. I know that if I were you, I'd be asking for a lot of things to begin to try and fill in some of these blanks. But if you look at it overall for these 1,800 processes, about 40% being candidates, we really will apply it against the low complexity, but that's not necessarily where the high costs are. So we're excited about how it matures and is able to be used in the more complex areas of our business.

<A – Rob Veloso – Manulife Financial Corp.>: Darko?

<Q – Darko Mihelic – RBC Dominion Securities, Inc.>: Hi. Thank you. It's Darko from RBC. Couple of questions that arise, but one – maybe just one simple one. When I look at page 11, one of the ways that we always try and understand how serious a company is about technology and innovation, we like to think about the size of the budget and the number of people involved. And if I'm reading this correctly, there's only 60 FTEs globally involved with your initiatives. Is it just me or does that sound relatively small for a company of your size, complexity and geographic reach?

And would you be willing to much like the Canadian banks have been willing to recently open up and speak about the budget for your innovation and your two separate buckets. The first bucket being cost savings and the second bucket being reimagining how you're doing business. That might help us understand how serious Manulife is on this front. Thank you.

<A – Linda Mantia – Manulife Financial Corp.>: Thanks, Darko. On your first point around the 60 FTE, it's funny we did actually discuss, do we put it there. But we wanted to be transparent. We have a lot of data scientists in our company given the nature of the company. And we've done this very, very deliberately around hiring the top kinds of PhDs to complement the skill sets that we don't have.

We believe that our numbers will look more like 500 in short term, but for where we're at, we wanted to go about doing this very deliberately. As you know there is a race around these skill sets and we've been able to pull a lot of very strong talent because we're putting them against things where we're ready. We're building out our data warehouse, so we can get better access to that data, but there is a little bit of lead time that's needed. So we're making sure we're doing that in the right way so that it can be analyzed.

And in terms of the second part of your question around our willingness to begin to say how much are we investing and then what are those saves, that just fully aligns with what Roy described.

That's the work we're doing and we're going to take that away because, I agree, I think that just keeps us all right on our front foot being able to talk about where we are.

<A – Rob Veloso – Manulife Financial Corp.>: John?

<Q – John Aiken – Barclays Capital Canada, Inc.>: John Aiken with Barclays. So, I guess, we're not going to pin you down on any numbers in terms of the budget. But when I take a look at what you're talking about from the digitalization versus the reimagination. In this process as you're bringing new products or new offerings to the forefront through this process, are you finding that this is actually – well, you're streamlining, but is it costing you less to bring new products on board through the – with what you've been able to achieve so far with the digitization?

<A – Linda Mantia – Manulife Financial Corp.>: Thanks, John. In terms of is it costing us less, I think the teams that have really set themselves up in an agile way, whether it's the work in Canada on theManulife Bank or the teams that are really fully engaged on DBS, they are finding that always-on teamthat we need to get to across the board in agile – is getting these products to market much, much more quickly, and the culture and the momentum and that passion really starts to drive things. Where we find things are taking longer or things that go deep into our legacy systems and that's where, as per the question earlier, the technology that we're trying to build out with the service layer to allow our agile teams to pull out it much more quickly becomes more important.

<A – Roy Gori – Manulife Financial Corp.>: Yeah. Let me just add. I think you're absolutely right, Linda. And, you got to think, this is an organization of 34,000, 35,000 people, and we're moving from a waterfall delivery process to an agile process, and that's a big transformation. It's got to start with the pilots that proved success, and then we will build on that and ultimately, the pyramid will shift to the complete opposite direction. And it's through proving success in our agile methodology and getting the wins in that space that we will get more confidence that we can actually roll that out more holistically.

But it is a big training exercise in many ways. We got people that are used to legacy system development, which is very waterfall, as I mentioned. And it's a re-thinking of how to actually go to market. But ultimately, we're seeing some tremendous success with the agile delivery that we've executed as Linda said in various instances already.

<A – Rob Veloso – Manulife Financial Corp.>: Linda?

<Q – Linda Sun-Mattison – Sanford C. Bernstein Ltd.>: I have a question for Linda, probably just follow on the Instasure that you launched with DBS. It seems to be a very great idea. I'm just wondering whether you will be able to push similar types of applications through other exclusive bancassurance partners?

And second question is, again, in this presentation about reducing the term insurancetype of policy from 24 days to 2 days, I can't remember the number but it's in one of the slides. Surely, that will save you a lot of costs. And are you reflecting the cost savings in premium charges orare you going to capture it back) in cost savings? Thank you.

<A – Linda Mantia – Manulife Financial Corp.>: So thanks, Linda. I'll take your second question and then hand the Instasure, and our ability to use with other bancassurance partners over to Roy.

So just in the second question around taking that process from 24 days down to 2 days. As you know, well, right now, that product is being used in Canada and the United States and that process has really allowed us to be more competitive. In those markets, it is wildly competitive in terms of premiums. So right now, we are in our early stages. We're actually not delivering fully on the savings, because we're doing that foundational testing and we have to get much, much better in terms of building foundational tests as we do our advanced analytics to ensure back to the other question that we're not accidentally exposing the company.

So right now, our goal would be to just use it to be able to compete and really use it to engage with our clients through that digital channel as quickly as we can and to keep that relationship and communication going.

<A – Roy Gori – Manulife Financial Corp.>: And on your second question on Instasure, I'd actually step back a bit and reference the excitement that we have for the entire DBS partnership actually centered on the fact that we are innovating quite extensively with DBS, and we're finding that a lot of the learnings that we're getting in our markets that we operate with DBS are transportable not only to other DBS markets, but quite frankly, to other bancassurance partnerships. So whether that's Instasure or our digital connectivity into the frontend systems of the bank, these are great learnings for us and transporting them and leveraging them for the benefit of our other partnerships is really a big focus area for us and a huge potential. So that's going to continue to be a driving force for us.

Robert Veloso, Vice president, investor Relations, Manulife Financial Corp.

Great. We're out of questions. Before we get going, I would just want to make a clarification on something on the last Q&A. We were talking about the FTE, 60 FTE, that relates solely to data analytics and not to innovation globally. So it was just the data scientists, the Ph.D.s, that sort of thing.

MANAGEMENT DISCUSSION SECTION

Robert Veloso, Vice president, investor Relations, Manulife Financial Corp.

All right. Welcome back. Our final speaker today will be Kai Sotorp, who heads our global wealth and asset management business, and he's providing us the presentation on where we are in global wealth and asset management and the solid growth momentum we're seeing there. And after that, we'll follow with Q&A and our last two lab sections. Go ahead, Kai.

Kai Sotorp, President & Chief Executive Officer-Manulife Asset Management and Executive Vice President & Global Head-Wealth & Asset Management, Manulife Financial Corp.

Good afternoon, ladies and gentlemen. It's the homestretch. I will try and get through this pretty promptly. And let me first, though, introduce you to some of my colleagues, because there are 6,000 of us who are in the wealth and asset management business globally, many people who contribute to the results that you're going to be seeing here.

To my right here, we have three gentlemen who collectively represent about 70% of that total workforce. To my immediate right is Kevin Adolphe. He runs globally the private markets business, so all of the alternative assets that you'll hear about. To his immediate right we have Peter Gordon, who runs the biggest retirement plan forum that we've got in the U.S., so call it retirement products and services, long-time experience in the retirement business. And then, hopefully, who will receive some questions, because he didn't at the last panel that he was on. Michael Dommermuth, who runs our Asia wealth and asset management business. And these three gentlemen are here because those are three aspects of our strategy that are crucial for growth as we see it going forward in wealth and asset management.

So you'll hear these recurring themes, alternatives, retirement, and Asia. So with that, let me then just proceed into my presentation today. I'm going to focus on how we look at the opportunity in wealth and asset management, and what in turn is then driving our strategy and how we think we can position well against that opportunity. And we will talk a little bit about along the way how we are also bringing some greater client centricity to the table and how we're utilizing what we perceive to be a very well-diversified and complementary set of businesses to generate a stable growth outlook for the firm in wealth and asset management.

To begin with, just set the stage, who are we today? Largely through organic growth, with the exception of three transactions engaged in the retirement side, we have grown this business collectively to C$565 billion in assets. It's a collective achievement of people that you see on the podium. Donald started this about 20 years ago. He was one of the founders of Manulife Asset Management, and his basic dream was, how do you bring the collective omnibus capabilities of an insurer who has survived for well over 100 years to the individual investor.

And a lot of what we're going to talk about today is, in fact, how we bring that complexity in a simpler way through multi-asset solutions to our individual clients. And I'll tell you why throughout the presentation that's relevant.

We operate in 16 countries. We've had some very strong investment track records along the way. We have 154 four- and five-star rated funds, and those have contributed together with our diversified distribution to 29 quarters of consecutive positive net new money. And as many of you know, you track a lot of the people in the wealth and asset Management business, not many people can say that. Especially last year was a tough time for many operators.

So we are now the 17th largest money manager globally, as ranked by Pensions & Investments, on the institutional side, and 24th in aggregate out of world rankings. So we're now starting to join quite an illustrious group of very, very, steeply competitive partners that we go up against, and they are very well-know brand names. And we're going to lift our game to compete with them.

The global asset management business is characterized by three trends. You know them well. I won't go too much into detail, but we also see those trends continuing in the future. The first is the migration of lot of assets from active to passive. So you have to ask yourself a question, how do you compete with that when you're an active manager? And I'll try to address that for you.

The second, the growth of alternatives. Hedge funds is one example, but the other alternatives, illiquid assets that we deal in is the second. And then third, the migration towards solutions, why that effect is taking place, and how we're responding to it. These three things, we think, are going to be even more predominant over the next 20 years or so with the asset management industry. And you can see on the far right the significant amount of what we believe will be assets in motion that will be captured by these three big themes. So it should be no surprise to you that what we're doing is specifically targeting each of these three areas.

But before I get into to those, I also want to communicate to you that we continue to believe active fundamental management will be highly relevant. I think what's happening in the industry is more of a client segmentation that you would see typical of a mature consumer market. It is one in which clients are becoming ever more aware and discerning for themselves, do they want to buy cheap, do they want to buy value, do they want to buy expensive with features, and that is how the industry must respond. So I do not it see as a binary active versus passive, and the active players are going to disappear.

What I see is that we have to work harder for the fees that we're going to be charging for active, number one. And number two, we have to bring that active capability in a more meaningful way to the client. It's very important to note that there are now, at this point in the world, many, many thousands more funds that invest in the underlying securities than those securities themselves, whether it'd be bonds or stocks. And, obviously, that's leading to a very profoundly confusing environment for our clients. That is another reason why you've seen the migration towards things like passive and things like solutions.

If you look at this page, it's still confined, in our view, to the larger, very efficient markets. U.S. large cap, global equity, global fixed income, would be the three largest asset classes. They represent about 60% of the asset flows that are going into the passive market. It's also very much still a North America phenomenon. And that's not to say that it's not going to continue to sweep throughout the world, but there are many, many clients, many, many markets that will still have a need for active management.

And then last one I would make here is, there is a lot of money in motion that as an active manager you could benefit from. The mandates that are put out for bids, whether it'd be intermediaries or institutional, are still outpacing one another 2.5-to-1 relative to those going from active to passive. So we think active management will remain highly relevant and it has to be supported. We just need to demonstrate higher conviction. At the same time, we have to pivot to these three trends that I went through.

The other final trend that we are responding to, and you've heard this alluded to today in many of the presentations – I think it's a common theme for us at Manulife – the world is rapidly aging. It's inevitable that I think one of the big things sweeping through asset and wealth management will be the recognition in the previous 50 years our industry was characterized by accumulation, and the next 50 years increasingly the industry will be characterized by decumulation.

So why is that relevant? When you're accumulating, you typically have other income sources and you worry more about things like total return and you're looking for things like capital gain, and you worry a little bit less about what the principal underlying would look like. When you no longer have the luxury of those 20 or 30 or 40 years to build that wealth, you start worrying about principal protection, you start worrying more about risk management, and you worry about income. And so it's another reason why we are seeing the trend towards outcome-oriented solution.

Along the way, we have to recognize that the retirement gap is massive and it's growing. If you look at this page here, you can see that today, our estimates and others are that the retirement gap, the money that is needed to actually fund retirement is the equivalent of the total investable assets of the asset management industry, $70 trillion. So it's already at a 50% funded ratio, and by 2050 that funding gap is going to increase to $400 trillion.

Somewhere along the way, the industry has done a poor job. It has done a poor job in serving its clients if, instead of dealing with this by putting more assets into risk-based investments and keeps in certain markets like Asia 50% of its investable wealth in bank deposits, which own next to zero. So what's happening with the story is important to capture.

We think within this context, and the reason you've heard so much about Asia and you'll hear about it in wealth and asset management, that the growth of this $400 trillion is going to be very much focused around Asia. You might recall one of the previous presentations. The summation of both U.S. and China will be about $260 trillion of this $400 trillion shortfall. And the rest of Asia will probably be another $60 trillion to $70 trillion. So that's a huge, huge gap anchored in two big markets that we're currently present in, one in the U.S. that is a developed nation, and one that we perceive presents a growth opportunity for us that we're well positioned for.

On the right side of the page, you can also see – I'm sorry. One additional point to note is that, all of the countries in Asia, without exception, are massively underinvested in pensions. So if you look at this pension gap, as large as it is, it's even larger in Asia, because the percent of GDP devoted to pensions is somewhere in the 9% to 10% range. In some markets, it's as low as couple percent. The U.S., it's 138%; Canada, it's 157%; and Europe is a smattering of between 100% and above.

So as we are pursuing this need, it's clear that we have to focus where the need is going to be, and that's the individuals or that middle age and above aging population in Asia.

Final point. In the past people relied on institutions and in the future they don't have those. They don't have government and they don't have corporate pensions. And why is this meaningful? If you look here, 48% of retirement age population won't receive a pension going forward. Today, defined contribution plans represent 50% of worldwide retirement assets and yet, only 16% of the individual beneficiaries think they understand anything about retirement. So if we're going to bring solutions to the table, not only do we have to address the issue around fulfillment on outcomes, but it has to be simple. It has to be understandable to overcome the inertia that you heard Steve Dorval talk about earlier, the fact that people want to go watch TV or Netflix or do something else besides make an investment decision. There is stats that will show you that in the United States, 401(k) investors will spend less than four hours a year dealing with retirement decisions.

Now, our strategy is focused on providing holistic, differentiated solutions. We don't think clients bucket us by whether we're providing a mutual fund or whether we're providing a protection product or a banking product. Frankly, they look at their entire asset base as fungible. And we, in fact, will respond to that by bringing together, as Roy had pointed out, both insurance and where we have it in Canada, for example, banking and wealth and asset management. We do not believe in segregating those two lines of business. If we're going to be relevant for clients, we have to bring everything to the table. And there will be clients who prefer to have an investment instrument wrapped with a protection feature and those who just want it straight, and they all have different pricing sensitivities.

Our strengths enable us to focus a strategy around six concepts. First, managed architecture; we believe we're client-centric and on the side of the client, because we do not just offer our own captive capability. We bring to the table what we see as best-in-class. If we don't have it, we rent it; if we're not good at it, we rent it. The key is to provide what's relevant for a client, regardless of where it's made. Now, that has a certain profit margin impact, but our view is we're seeking the collective increased share of wallet of a client, and we'll gain the economic value and leverage that way. If we can respond to their need and not look at it as our hammer is looking for every nail out there.

Second, linkage of insurance and wealth; we are a unique differentiator in that respect. We don't just go up against the hundreds of assets managers or the dozens of insurance companies. We're probably competing with a handful of global financial companies that can offer both wealth, protection, life capabilities.

The third element is risk and liability management. So one of the things that we have done well for 130 years is set our investment policy based on when we think liabilities will be due, what amount of our investments need to be total return-oriented capital gain or income generating. This is a skill that individuals don't have and this is the responsibility they will increasingly face. And so we're going to bring our asset/liability and risk management competencies into the products, design them to be as simple as possible, so it's a soup and nuts fulfillment.

The fourth element of our strategy is when we talk client alignment, we think about local distribution that is completely customized and engaged around that local market needs. We reach out powerfully into Asia, because we have Hong Kong individuals as Hong Kong life agents, Indonesian nationals serving Indonesian clients, et cetera.

The second aspect is alignment around the manufacturing. So on the internal capabilities, everything is about teams, and those teams are compensated based on their investment performance. If a client makes money, they make money. If they don't, the same happens. And importantly, their deferred compensation goes into their own strategies. So they're completely aligned with the client in terms of outcomes.

When you talk about the client alignment around private markets, it's even more important that we have an insurance balance sheet that we can leverage for co-investment. We had a very successful example of this, this last spring when we launched a Singapore REIT company. We raised assets for an asset class that the local market had very little comprehension about, and that's pure play U.S. real estate. We targeted high net worth investors, not sophisticated institutions. And why were they interested and willing to come along?

One of the features – besides the fact that it had good dividend characteristics, one of the features was that the insurance company was willing to take on a 10% – up to 10% ownership stake in the funds. So as people were looking to make very long-term holding decisions in an asset class that's illiquid, it gave them comfort that the insurance company believed enough in these portfolios; in fact, had held some of the properties in its general account and was continually willing to hold in those properties. It gave them comfort that we will bring money where our month was.

Multi-asset capabilities is essential for outcome-oriented capabilities. Diversification is the one free good that does exist in asset management, and that is critical if you're going to generate outcomes. And finally, our view one of the reasons we're interested in growing retirement administration, and a lot of you might ask why we're doing this when a lot of people would like to sell – although, as a side note, for every seller there's a buyer, so there's people going in as well as going out. But one of the reasons is the only chance that folks have at this point when they retire to get fulfillment is they go to broker-dealers or banks, who charge a hefty amount of money to do that for them.

And our view is we can with $281 billion of assets migrate to more cost effective fund administration total fulfillment platform. Everything we do in-plan, collecting monies, disbursing monies, reallocating monies, generating statements, and performance reporting is exactly what will be relevant for ex-plan assets as well. And the key part of our strategy, as Peter will tell you, is to create advice capabilities that will reach into not only in-plan advice, but ex-plan, and thereby extend the tenure of the clients that we serve. These are the six components of our strategy.

So since our last Investor Day, how have we progressed in this respect? First, we have responded to the trend around passive. We don't think that we can build passive. We don't want to compete. We don't think we can compete with BlackRock or State Street for three reasons. They're massively at-scale. Secondly, they enjoy revenues and custody that we don't. And third, they have securities lending revenues.

However, we believe it's very relevant to provide an alternative to active. And the way we're doing it is we're partnering up. This is one of the rental capabilities that we have with managed architecture. We're partnering up with Dimensional Fund Advisors, DFA, a very well-renowned, long-tenured company that's in multi-factor quant investing that can create enhanced indexing. Historically been very focused on institutional markets without the desire to get into retail, and we are wrapping their capability into our retail funds. We've launched a series of those now in the U.S. I think the fund lineup is up to 15 funds, and we've launched an initial six in Canada, and we'll be running that and we'll take that into other markets.

There is one response since we spoke to you last in 2015 around the whole passive trend. We've also worked for the past year-and-a-half on what we call decumulation solutions, and that is generating income-generating properties of funds that can vary the degree of capital gain and income generation across the lifespan of an individual on a highly customized basis. And we're about to launch in the second half of this year funds in the U.S. and Canada, and in the spring of next year in Asia. It will be an evolution against target date and target risk. Target date and target risk are not customizable, and they don't look past retirement.

With the demographic knowledge and actuarial knowledge that we have, we've engineered outcomes whereby we can project what the income needs of an individual will be past retirement, for healthcare, for discretionary spending, for living, household, food, et cetera. And we can map that into strategies through goal-based advice that will give them a very tailored and customized flight path.

We're also in the process of launching digital in-plan advice capabilities. Peter is going to tell you about what we're doing in the U.S. and Canada in this respect. And along the way, one of the things we recognized is, if we're going to continue growing and do all these things for our clients, we have to become more efficient. We have to offer things cheaper and we have to be able to scale. And as you may recall, when I talked to you guys in 2015, one of the things that we said we faced was weaving together 16 different markets, 16 independent operating companies into a seamless, scalable capability. And we recognized that to do so, we had to build an architecture and an infrastructure whereby that can happen. And we've been spending the past year-and-a-half on that.

We've launched it. It's called Project GO. It's first stage is over C$100 million, total will be a C$200 million project. But it is the only way that we will be able to continue to grow in all the markets we're foreseeing and be able to transport the technology and transport the knowledge of how we operate from market to market in as cost effective a way as possible. And you'll see in the margins that we've taken some hits over the recent past because of that, but it's the right thing to do for the franchise.

We acquired a liability-driven investment team with the Standard Life acquisition and we've been putting that to use. It's now C$15 billion in size, and I already talked about the Singapore REIT we're launching multi-asset strategies and capabilities. We've onboarded three teams in the absolute return space. We are broadening the dimension from pure target risk and target date.

Finally, what I don't have here is we have integrated the three acquisitions that we've made. My colleagues in the executive committee, Marianne Harrison in Canada, my colleagues in the U.S. and Roy's colleagues in Hong Kong, have now integrated the Standard Life transaction, the New York Life transaction, and Standard Chartered. All the synergies are yet to be extracted, but the clients are fully embedded, and we have actually retained way more in the book than we thought we would possibly do in the first two. So we've successfully done that, and that was a yeoman's job there as well.

And the very final point I would say is we've also monetized some of our fundamental capabilities. So when I spoke to you last, we had identified five or six core capabilities. One of them was core fixed income. At the time, it was about a $15 billion asset base. It is now $43 billion. Our global equity has gone from zero to $6 billion. Our U.S. Core and Core Plus Fixed Income and for you analysts, you might say that's about the most boring, most saturated asset class, why would we possibly do anything in U.S. Core and Core Plus, it's gone from $5 billion to $25 billion, and is headed for $30 billion within the next three months.

So there's a proof point that active still has a role to play in people's portfolios. The expected outcomes of all of this is, one, enhanced client experience; two, extended client tenure and retention; greater depth of relationships; enriched dialogue with our clients, similar to what we're trying to do on the insurance side; and the ability to weather market trends through broad solution suites.

I have a great luxury of having come in with tremendous decisions made over the prior decades by the leadership of Manulife. So when you look at what we have to work through, we have three very complementary, very diverse businesses. The characteristics of retail are attractive, because they're procyclical. They're attractive because you can grab asset flow quickly. They're high margin, they're high fee. But the procyclicality also means they're volatile. And it also means that the client tenure is short. The average tenure now in retail markets are about 3.3 years. That means you have to amortize your acquisition costs and make your profit in three years.

In contrast to that, we have institutional asset management, which offers a comprehensive suite of solutions, very attractive, seven to eight-year tenure; lower fee, but non-procyclical and stays with you. In retirement platforms, the fees are less asset intensive, so market volatility doesn't impact you as much and the tenure is 15 to 20 years. We have 425 investment professionals, 23 teams, public equity, fixed income, and multi-assets. And more importantly, we have a whole range of very diverse assets that Kevin Adolphe is going to speak to in private assets that are very, very attractive, 425 people in 16 countries is a very broad platform.

We're generating strong investment performance. One quick comment on equity and asset allocation. Last year was a tough year, was non-quality based recovery, and this year we have roared back again. We have about 71% of our equity and about 80% of multi-assets outperforming peers and the benchmark. We have about 43% of our assets are externally managed, 57% internally. That's resulting in 154 Morningstar-rated funds. So the core table stakes is there, our investment competency.

So how we translate this performance is on this page. 30% CAGR in retail in terms of the gross flows. Retail assets under management have grown 25%. You might ask since the last Investor Day how have we done. The growth in both those capabilities is about 20%. They've come under duress in the U.S. because of the passive flows. And we've gained market share or maintained market share.

Our institutional client business is more recent. It started about six years ago. In 2012, we only had C$8 billion of assets. We've now grown that pretty significantly in terms of flows, in terms of our asset base. We started with an asset base of C$29 billion and we've grown that in excess of C$84 billion. Just since 2015 when we spoke last, we've had compound annual growth rate of 64% in terms of our gross flows and 43% in terms of the asset base. Why is this important? Institutional clients are sophisticated, they're tough. If you want to know do we have a quality, look to whether we have success in the institutional segment, and see then that that will translate into growth in retail.

Final point there on retirement. We've also had very strong growth in retirement. It is now a sizable business for us, C$282 billion of assets. If you strip out just the last two years, the growth rate is in the 40% range. We're serving over 6.3 million clients directly and we've increased market share or maintained in every segment.

So, steady asset expansion, positive earnings trajectory, 28% CAGR in terms of AUM, and more importantly, 37% CAGR in terms of our core EBITDA over that period of time. We have invested over the past two years. If you take out strategic investments, in 2016, we maintained our profit margin from 2014. And that's very important to recognize. Q1 2017, we saw a reversion back to the 27% range. Our target remains still to be in excess of 30%. But I think, more important is what's happening to the quantum. Nice steady expansion from C$980 million to C$1.2 billion and stayed fairly consistent in terms of core EBITDA. The quantum is important as a contributor to EPS. We've made investments in GO. We're building out advice. We're focusing on decumulation. And finally, we're expanding into the 35% of the global market that we weren't touching.

Let me just talk real quick about retirement, and then I'll turn it over to Kevin and to Peter. So we've delivered a sizable growth in our retirement platforms. Retirement today represents 9% of the total company's core earnings. It's already a very sizable business. It means we have a leverageable core competency that we can take into other markets, now representing C$360 million of profits and assets that generate tremendous exposure to 6.3 million clients. Importantly, we see that as a very stable asset growth source. We're already at scale in the core markets that we can then leverage to new growth opportunities. We can enhance that asset base and that revenue generation with digital capabilities, and generate long-term relationships with employers and participants, far beyond what you would typically see in direct institutional or in retail.

This is just a snapshot. It's in the pages. I think Peter can sort of talk about this a little bit more. I would like to just point out that we've very successfully transitioned the knowledge in the U.S. and Canada businesses into Hong Kong. And then we leveraged our unique distribution capability through our agents and bancassurance distribution competencies with a global product lineup to generate what is currently the number one leading spot, and that is exactly the template that we would take forward into other markets in Asia. It's an example of why I think we can make this transition and exploit the opportunity sets that we've talked about.

Decumulation is a sizeable opportunity, $2 trillion a year over the next the five years just in the U.S. It requires engagement around tailored goal-based advice. And to Roy's point, you have to offer it anywhere when the client needs it, in whatever form they need it, so digital, holistic planning is part of that engagement model, and Peter will talk more about that. You've heard so much about this. I don't need to go in detail about the Asia opportunity. Just to tell you that retirement alone is going to grow from $7 trillion today to about $16 trillion by 2025. It's a sizeable opportunity, I think very companies besides us are well-positioned to exploit this.

So, let me reiterate. Well positioned to capitalize on the competencies and the opportunity set that we see. We're going to absolutely continue to pursue a client-centric strategy. It starts with being open architecture and seeking fulfillment around better engagement. We have a highly diversified complementary portfolio that stabilizes the earnings outlook, and we bring differentiated competencies, as well as strong performance and fundamental capabilities, and we have a very strong base of direct engagement through our retirement platforms.

So with that, I'm going to open to the Q&A. Thank you very much.

QUESTION AND ANSWER SECTION

<A – Rob Veloso – Manulife Financial Corp.>: So joining Kai in the Q&A, we have Peter Gordon, who heads our Retirement Plan Services business for John Hancock. We have Michael Dommermuth, who heads Wealth & Asset Management in Asia. He would be delighted to take any of your questions on wealth and asset management in Asia. In fact, first question must be addressed to Michael. And by the way we have Kevin Adolphe, who leads our Private Markets business around the world.

And just one last reminder, please wait for microphone, please limit yourself to one question, and please state your name. Thanks.

Humphrey?

<Q – Humphrey Lee – Dowling & Partners Securities LLC>: Humphrey Lee from Dowling & Partners. So I do have a question for Michael.

<A – Michael Dommermuth – Manulife Financial Corp.>: Thank you.

<Q – Humphrey Lee – Dowling & Partners Securities LLC>: Thank you. So, when you look at the Asia asset management market, there's definitely a bias by the Asia consumers towards the real assets instead of mutual funds. So I've heard from Roy's presentation talking about getting the agents to have license to sell mutual fund as part of the strategy to expand the wealth and asset management in Asia. But what are you doing differently compared to your peers in terms of really driving that potential growth or unlocking that potential?

<A – Michael Dommermuth – Manulife Financial Corp.>: Let me talk broadly about why I think we're going to win, and I'll deal with the agency part as well. But of the 70,000 agents that we have across Asia, 25,000 of them are qualified or licensed to sell ILP, which are really just mutual funds with a light deathwrap, 7,000 are qualified to sell pension funds, and 3,000 are qualified to sell mutual funds. Today, our key focus is on the agency side realizing that opportunity has been really focused very much on just two markets, Malaysia, which we acquired, as well as Hong Kong. That test is now over. We now understand what it takes to harness that distribution current. So what you'll be seeing from us is expanding across the region what we call that alpha distribution model.

But given that I wasn't asked a question on the last section that I was on, I'll more broadly answer your question in terms of why I think we are going to win by really looking at two markets, if I might. The first point I want to make is other asset managers don't really have their owncaptive distribution in Asia, but if we really want to understand why I think we win in Asia, take a look at China, for example.

In China, we can attack that through all sorts of different venues, four to be precise. MAM Hong Kong is the hub of our operations. Within a HKD 15 trillion market, we are one of the largest asset managers in Hong Kong. In fact, we own 20% of the bond market. That is a gateway, a gateway between China and the rest of the world. Mainland Chinese probably buy about 30% to 50% of mutual funds in Hong Kong. Bond connect, which we expect to be operational in the third quarter, is a $800 billion to $1.3 trillion opportunity, especially if China bonds were included in global bond benchmarks. And as one of the leading fixed income managers, we're best positioned to address that market.

The WFOEallows us to address the outsourced market offshore buying into our private and public market capabilities. That's about $900 billion today. In five years, we think it will be about $1.4 trillion. MTEDA is our retail fund house. It is a competitive player in a $1.3 trillion market. In five years' time, we think that that would be a $2.3 trillion market. And finally, as you've heard before, we do want a JV or a pension presence in China. And if we have all those things, theWFOE, MAM

Hong Kong, Manulife TEDA, we would have a footprint in China like no other wealth and asset management shop anywhere in the world. I would go on, but in each of those markets we have a competitive position that would be hard for other asset management companies to compete against.

<A – Roy Gori – Manulife Financial Corp.>: And I'll just add, complementing what Michael just said, we also have this global capability, which is again very unique. Our presence and capability in the U.S. market coupled with our long understanding of retirement in the Canadian market really makes us incredibly unique. So we are really incredibly well-positioned to capture the retirement opportunity and the broader wealth management growth that really is becoming such a big part of what we're seeing in Asia.

<A –Donald A. Guloien– Manulife Financial Corp.>: And adding to what Roy and Michael said, we also have the agent distribution system in China, where we are the only foreign company to have the ability for our agents to sell mutual funds. Now currently there's only about 400 of them that we've qualified for that, because we want to go slowly on it, but we've got 15,000 agents in China and we can do a lot more than that.

<A – Rob Veloso – Manulife Financial Corp.>: Arjan, and then Tom.

<Q – Arjan van Veen – UBS Ltd.>: Thank you. Arjan van Veen with UBS. Just looking at your core EBITDA margins of mid-20s, if I look at global funds management groups, they tend – the best-of-breed tend to be in the low-60s to mid-60s kind of range. So I was just curious if there's any reason why you couldn't get to those kind of levels.

<A – Kai Sotorp – Manulife Financial Corp.>: Well, so we have this debate a lot in the company. You are talking about sort of pure breed, sort of a niche or single strategy based companies, that's one thing, which means it's a bit apples to oranges. So what we're looking for is, not just margin, we're looking for core EBITDA expansion in terms of quantum. And what we don't want to do is trade off good quantum expansion that translates into EPS growth with low capital attached to it just in the pursuit of margin, so that's one thing.

But I do agree, we have to increase our efficiency and scale for a very different set of reasons. One is, if we're going to succeed in being competitive to clients, we have to respond to the client segmentation trend that's out there. There are clients that are going to be more discerning around the price/value trade-off. There are clients that are going to be more cost-oriented. All that's going to put fee pressures on the industry, and we have to become more efficient just to actually stay ahead of the game. And you can only stay ahead of the game if you continue to invest, and then you have to build a buffer for your investment.

So we're not satisfied with where we're at, but I'm also pointing out it's not correct to compare us to a 40% to 60% margin player if it's a pure play hedge fund or a pure play private equity company, when you're talking about a company that has as diverse a set of operations as 16 markets reaching into 6.3 million with direct participants for retirement, et cetera.

Now, our long-term projection is that we will capture higher share of wallet in those investments that we've currently made. We'll do so in a more cost-efficient basis. And we'll see expansion in the tenor of the client relationship and the external to plan advice that we'll be giving will roll in additional assets going forward, and that will then provide a tremendous productivity spike.

Does that answer your question? It's a complicated set of dimensions that you're bringing to the table. I still think that we should be striving for the range of margins that we indicated at the Investor Day forum. But at the same time, we're making significant investments that I think you'd want us to make if we're going to stay relevant as a long-term dominant wealth player in the world. And for a few years, that's going to temper margins.

If you were to add back the spend that we're making, we're probably currently in terms of 2017 Q1 to Q2, already probably close to 30%, if you add back the strategyspend that I was referring to earlier. So we're making good progress.

<Q – Tom MacKinnon – BMO Capital Markets (Canada)>: Tom MacKinnon, BMO Capital. Kai, maybe you can talk a little bit about the managed architecture system that you have, like Manulife, if it doesn't have it, it rents it. So it has to determine, first of all, what it is. So how do you determine what it is that you have to go rent? And how do you build up rental partners? And if they don't have that, then you can upset them by going somewhere else. So maybe you can talk a little bit about what margins are and why you chose this route than just trying to build.

<A – Kai Sotorp – Manulife Financial Corp.>: So first of all, we call it managed guided architecture. It's not open architecture. We're not a broker-dealer like Morgan Stanley with 3,500 funds that they paired back in May to 2,500. That's not our story. It's very selective. First, we are seeking always to identify market trends. And second, if we have a capability in that area, we seek to evaluate how competitive it is. And if the answer to that is we don't have it and it's not competitive, we then seek out companies that are institutional quality, who are not in the retail space, who do not want to build up the retail service infrastructure required, who don't get very comfortable with the wholesale and where storytelling involved. And we enter into, for a period of time, exclusive arrangements. So number one, they are not going to be popping up in other areas as retail providers.

Number two, there's no desire for us to then go seek out other competing offers, and they're going find us as a valuable partner. So it's a very selective set of choice. Now, we give up economics along the way, because we're giving up the sub-advisory fee that's paid out. And so we are trying to manage that balance and you've seen what it's resulted in, which is 57% is within our own company and 43% is outsourced. But I also think the growth that you've seen in our company and the continued growth, frankly, through 29 quarters is in part based on the fact that we have a very broad range of capacity. So those are the kinds of criteria that we use in our decision. Did that answer the question, Tom?

<Q – Tom MacKinnon – BMO Capital Markets (Canada)>: [Question Inaudible]

<A – Kai Sotorp – Manulife Financial Corp.>: So the question is, how do we identify market trends? So each market is quite unique, part of the structure here is we have Canadian division, organized around Canadian requirements. We have U.S. division organized around their client segments. The same in Asia. So each market head, and his and her distribution leads, are the ones who actually – grassroots are interacting with the distributors and identifying appetites and engaging, frankly, with the clients. So that's how we identify. It's very grassroots and it's market by market. I don't know if anyone would like to enhance that answer.

<A – Donald A.Guloien – Manulife Financial Corp.>: I'll jump in. I think, going back to Arjan's question, there is two aspects to our global wealth business. One is managing money, which is what MAM does, right? It was kind of like book publishing. And then the other part is operating the retail store that has other publishers' books there. So our 401(k) business in the United States is a great example that way of open architecture. Now, it's going to become very difficult to operate under DOL's standards without open architecture, so a lot of people are having to adapt to our model.

But with that, we have all the fund companies in the world wanting to be on that platform. So we hear their best, latest, greatest ideas, and if they have sort of better mousetrap, we put it on the platform. If it's a good, sensible alternative, whether we have it or not, that gives us the capability in MAM to develop that capability or to ignore it and say, this is some specialty thing that is unique to ABC FundCo and we don't want to do that in a million years.

Then also Arjan speaks to the margins, because the margins on manufacturing can be 60% on just running asset management, but the margins on the record keeping side, which is running a 401(k) business, are not 60%. They are more or like retail margins in groceries or books, and we combine the two. What's important, though, is that we're profitable in all these businesses that there is a positive margin on it and the mix of the business. If we grow the 401(k) business to double its size over in the next year, that will bring down the average margin, but add more EBITDA and more value to the company, right? But the average margin will go down, but it's a good thing.

So, Tom, maybe is the answer to your question is, we have an IMS team that is constantly reviewing the best offering from fund managers around the world, listening to the customers what they want to see on the platform, but basically seeing the best ideas from both customers and suppliers, and MAM chooses to provide some segment of that, which is now about 57% of the overall global mix. And I used the United States example. It's the same thing in Canada with the DC plans. Employers don't want to just see Manulife product on the DC plans as good as MAM is. So a whole range of other suppliers are there, including fund managers that are here present today on those platforms, on the DC platforms, but we get a good percentage of that business.

<A – Kai Sotorp – Manulife Financial Corp.>: And the local distribution heads are incentivized to maximize their market share vis-à-vis the distribution. So they have a strong desire to bring viable content to the table.

<Q – Paul Holden – CIBC World Markets, Inc.>: Thank you. Paul Holden, CIBC. So you've clearly put up tremendous organic growth. You've done a good job highlighting why you have a lot of organic growth ahead of you. I would argue with regulatory change, competitive shifts in the industry, there is going to be lot of dislocations in the asset management business going forward. So I want to know how you think about M&A with those potential dislocations if it would be of interest in particular situations or not?

<A – Kai Sotorp – Manulife Financial Corp.>: I'll turn that question over to Roy.

<A – Donald A. Guloien – Manulife Financial Corp.>: Let me take that one. We can't get into it too deep. And the reason I'm grabbing this, because it really has to do with the biggest opportunities in the U.S. market, where you've got people playing in the 401(k) business that are supplying 100% of the product themselves through their own money management arm. And under DOL standards, that's a tougher thing to do. I mean, you can have the clients signed away every time they transact a thick thing that says I am not acting in your best interest, that's a tough thing to do. So increasingly the people who are in that aspect of the business with that offering are having to think about alternatives, and that does create some opportunities for us. Peter Gordon is the expert in that.

<A – Peter Gordon – John Hancock Retirement Plan Services LLC>: Well, I think, yeah, we're always interested. If you do an acquisition, that's fine. Integrating it, if you can't integrate it properly, it's like a bad idea. And so there's a lot of failed acquisitions. So far we've been successful in the three – two that are improving out, and I think the third is on its way. But, yeah, I think if the opportunity arises and all the right pieces are in place, my vote is to actually do another one. But Roy. But they're not just flying off the shelves. It's going to be as they come, so to speak.

<A – Donald A. Guloien – Manulife Financial Corp.>: Yeah, scale does count in the 401(k) business. I'm the one who's been walking around saying, margins over market share, but scale counts in the 401(k) business, which is why we did Standard Life, which is why we did Standard Chartered in Hong Kong, and why we did New York Life in the United States. And, yeah, if Roy opens up the purse, we may be doing more in the future.

<A – Rob Veloso – Manulife Financial Corp.>: Any additional questions?

<Q – Sumit Malhotra – Scotia Capital, Inc.>: Sumit Malhotra, Scotia Capital. For Kai, a couple of questions. First, a clarification. You mentioned a couple of times with respect to the EBITDA margin where the company would have been – where the business would have been ex of the Project GO expenditures. So when you make that statement, should we take it that the bulk of that investment is now complete and that 27% and rising level that we saw earlier this year is now the run rate that we're on? So that's a clarification.

Then secondly, your slide on flows, passive/active, by geography, you spoke about what a lot of us have seen. The U.S. is still by far the biggest part of your AUM. So what has Manulife's experience been on the passive/active front in the U.S., and is that big enough to stop this positive flows trend that the company's enjoyed?

<A – Kai Sotorp – Manulife Financial Corp.>: So on Project GO, the project I think is, , about 70% throughits expenditure phase. Something like that. And so, it's got probably another 18 months to run, but we've had last year and this year a big amount of the drain. There are other factors that were in there, by the way, because we've had strategic initiatives around building up distribution. So Europe distribution is one aspect. It's not just GO,there's other aspects to the strategic spend. And we've been spending on our decumulation and digital advice capability. So there's a whole smattering of things. But I highlighted that because I think that is closer to what we think would be the normalized operating margin. But you're going to probably have another 12 to 18 months of spend there.

On the second question, passive versus active, yes, the U.S. was affected last year, our retail business. So, collectively, we had 29 continued quarters, including the four quarters of last year. But for three of those four quarters, the U.S. on the retail side, was a negative outflow. And the biggest reason was the trend from active to passive. We had launched the strategic beta funds earlier that year. But the market appetite was not for strategic beta. It was pure low-cost passive ETFs. Now, we have been building up momentum in our strategic betas. It's rounding on $1 billion in terms of assets, which is not bad. And so we think we're going to get additional traction and they will show up very well especially, I think, in the markets that we're going to see going forward.

As you all know, reasonably full price markets are out there bounding almost everywhere. Passives are going to have a harder time delivering for people, and enhanced index probably with some degree of quality control can outperform. So for those people who want the value trade and the cheaper fulfillment, something like strategic beta would be relevant. And we expect to see the U.S. get an uplift from that.

The other thing that affected the U.S. retail was a couple of our core investment strategies. SLI GARS was one of them, an outcome oriented strategy had underperformance. And related to the very post-cyclical nature of the retailers I just described, they don't sit for very long with underperformance. So we had some switch-out redemptions.

Did that answer the question? Thank you.