Financial Strength

Manulife Financial Corporation is a leading Canada-based financial services group with principal operations in Asia, Canada and the United States. Clients look to Manulife for strong, reliable, trustworthy and forward-thinking solutions for their most significant financial decisions. Operating as Manulife in Canada and Asia, and primarily through John Hancock in the United States, we offer a diverse range of financial protection and wealth management products and services through an extensive network of employees, agents and distribution partners.

Selecting a financial partner requires detailed evaluation, especially when your needs involve a long-term obligation such as a life insurance policy, pension or annuity. We understand that financial strength is at the core of our clients’ decision-making process. Our high quality investment portfolio, diverse business and prudent risk management practices are key reasons clients choose Manulife and John Hancock. We are committed to delivering on obligations today, and for many years to come.

Well Recognized Brands with a History of Financial Stability

Manulife and John Hancock are internationally recognized brands which have stood for financial strength and integrity for more than 125 years. Millions of customers have chosen Manulife and John Hancock to provide them with solutions for their financial needs. We continue to focus on our growth strategies and to improve efficiency and effectiveness to better serve clients.

Strong Financial Strength Ratings

Ratings are a comprehensive measure of financial strength. Manulife and John Hancock have strong ratings from the following five rating agencies – A.M. Best, DBRS, Fitch, Moody’s and Standard & Poor’s.

<table>
<thead>
<tr>
<th>Rating Agency</th>
<th>Rating</th>
<th>Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.M. Best</td>
<td>A+ (Superior – 2nd of 13 ratings)</td>
<td>Stable</td>
</tr>
<tr>
<td>Dominion Bond Rating Service</td>
<td>AA (low) (Excellent - 4th of 22 ratings)</td>
<td>Stable</td>
</tr>
<tr>
<td>Fitch Ratings</td>
<td>AA- (Very Strong – 4th of 19 ratings)</td>
<td>Stable</td>
</tr>
<tr>
<td>Moody’s Investors Service</td>
<td>A1 (Low Credit Risk – 5th of 21 ratings)</td>
<td>Stable</td>
</tr>
<tr>
<td>Standard &amp; Poor’s</td>
<td>AA- (Very Strong – 4th of 21 ratings)</td>
<td>Stable</td>
</tr>
</tbody>
</table>

Financial Strength Ratings apply to the main life operating companies of Manulife Financial Corporation including The Manufacturers Life Insurance Company, John Hancock Life Insurance Co. (U.S.A.), John Hancock Life & Health Insurance Co. and John Hancock Life Insurance Co. of New York. DBRS does not rate the U.S. insurance subsidiaries separately. All ratings current as of February 1, 2016.

““The ratings on Manufacturers Life reflect its very strong business risk profile which is supported by its highly diverse franchise, with leading market positions in Canada, the U.S., and Asia. The ratings also reflect the very strong financial risk profile that includes very strong capital and earnings, and a well-diversified and high-quality investment portfolio.”

Standard & Poor’s, July 7, 2015

Significant Scale

Manulife’s size and scale translate into a substantial capital base, a diversified operating platform and ample resources to fund growth opportunities – all factors indicative of our financial strength. As at December 31, 2015, our market capitalization was US$29.4 billion (C$40.9 billion), making Manulife one of the largest life insurance companies in the world.

Global Life Insurers

Market Capitalization (US$ Billions)

![Market Data as at December 31, 2015. Source: Ipreo](https://example.com/image)
Prudent Risk Management Practices

Risk management is a core strength and focus of our business – from the roots of the design of every individual product we sell, through the direct oversight of the Company’s senior management.

Recognized Enterprise Risk Management

Manulife has a rigorous risk management framework that is applied globally. This framework requires all our activities in every market to meet strict enterprise-wide risk management criteria. Manulife’s enterprise risk management ("ERM") is viewed as strong by Standard & Poor’s, reflecting a positive assessment of the Company’s risk management culture, risk controls, risk models, and emerging and strategic risk management. Manulife has a strong commitment to ERM, demonstrated by our success in balancing the Company’s level of risk with our strategic business, growth and profitability goals.

Managing Equity Market and Interest Rate Risk Exposures

We continue to manage our product offerings and product mix in order to manage risk, and produce higher risk-adjusted returns. Equity market sensitivity\(^1,2\) and interest rate sensitivity\(^1,3\) are diligently managed within established Board approved risk appetite and limits. Since 2009, Manulife has undertaken significant hedging to mitigate equity market risk, and as of December 31, 2015, our earnings sensitivity to a 10% decline in equity markets was C$550 million. At December 31, 2015, we estimated our earnings sensitivity\(^3\) to a 50 basis point parallel decline in interest rates to be C$100 million.

Significant Liquidity

In today’s changing economic climate, liquidity is critical to any financial institution. Manulife is fully self-funded, meaning our businesses generate enough cash flow to sustain our operations without being dependent on the commercial paper markets or other short-term funding arrangements. We have consciously avoided businesses that give rise to immediate liquidity needs and this allows us to maintain high levels of liquidity. Manulife has consistently retained a high level of cash and high grade short-term assets, which totaled C$17.9 billion as at December 31, 2015.

\(^1\) See “Caution related to sensitivities” in section E3 of the fourth quarter 2015 press release.

\(^2\) Earnings sensitivity to equity markets is defined as the potential impact on net income attributed to shareholders of an immediate 10% decline in market values of publicly traded equities. See “Publicly traded equity performance risk” in section E4 of the fourth quarter 2015 press release.

\(^3\) Earnings sensitivity to interest rates is defined as the impact of a 50bps parallel decline in interest rates on the net income attributed to shareholders. See “Interest rate and spread risk” in section E5 of the fourth quarter 2015 press release.

\(^4\) Non-GAAP measure. See “Performance and Non-GAAP Measures” in our fourth quarter 2015 press release.

Strong Capital Levels

Strong capital levels are also a good measure of financial strength. Having a large capital base enables us to sustain strong credit ratings, finance new opportunities, and most importantly, maintain our commitments to our policyholders.

Our consolidated capital levels\(^4\) totaled C$49.9 billion as at December 31, 2015. Additionally, The Manufacturers Life Insurance Company (MLI) ended the fourth quarter 2015 with a Minimum Continuing Capital and Surplus Requirements (MCCSR) ratio of 223%, well above the supervisory target of 150%.
A Diverse Business Plan

At Manulife, we have successfully built a diverse business platform that offers a range of financial products in both developed and developing markets around the world. Through our principal operations in Asia, Canada and the United States, we address the needs of millions of clients with a mix of products and services that are relevant and tailored to their diverse needs. Diversity in geography, product, and distribution are key contributors to our financial strength.

Geographic Diversity
Manulife has market leading positions in Asia, Canada and the United States. Our diverse international operations allow us to leverage our people, products, technology and expertise across markets while helping provide natural hedges that ensure our risks and opportunities are effectively diversified. Our geographic footprint enables us to extend our brand, gain synergies, and benefit from economies of scale. This in turn provides operating earnings stability and a broadly diversified balance sheet, all of which help maintain our long-term financial strength.

Product Diversity
Manulife is a market leader in both financial protection and wealth management businesses. We provide a suite of products and services to meet the current and future needs of individual and group customers. Financial protection products and services include individual life insurance, group life, health and disability insurance, and long-term care. Wealth management products and services include group retirement, annuities, mutual funds, exchange-traded funds, Undertakings for Collective Investment in Transferable Securities, unit linked products, institutional asset management, and banking. We pride ourselves in providing the very best financial protection and investment management services, tailored to customers in every market where we do business.

Multiple Distribution Channels
Manulife has a strong, well diversified distribution platform which includes independent advisors, contracted agents, financial planners, brokers, broker-dealers and other distribution partners. We have deep and growing relationships across multiple channels worldwide. This allows us to meet the varying needs of our international base of customers, regardless of their chosen distribution channel.

Sales Rank

<table>
<thead>
<tr>
<th>Canada</th>
</tr>
</thead>
<tbody>
<tr>
<td>#2 Defined Contribution Group Pensions</td>
</tr>
<tr>
<td>#2 Individual Segregated Funds</td>
</tr>
<tr>
<td>#3 Individual Life and Living Benefits</td>
</tr>
<tr>
<td>#3 Group Benefits</td>
</tr>
<tr>
<td>#8 Mutual Funds</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>#2 Small Case Market (&lt;$10M) 401(k) plans</td>
</tr>
<tr>
<td>#6 Mid-Case Market ($10M - $100M)</td>
</tr>
<tr>
<td>#9 Mutual Funds</td>
</tr>
<tr>
<td>#10 Individual Life Insurance</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1 Hong Kong Mandatory Provident Fund</td>
</tr>
<tr>
<td>#3 China Insurance</td>
</tr>
<tr>
<td>#5 Philippines Insurance</td>
</tr>
<tr>
<td>#3 Vietnam Insurance</td>
</tr>
<tr>
<td>#7 Indonesia Insurance</td>
</tr>
<tr>
<td>#8 Hong Kong Insurance</td>
</tr>
<tr>
<td>#6 Singapore Insurance</td>
</tr>
</tbody>
</table>

Sources: Most recent market data available (based on 3Q15 YTD figures unless otherwise specified) from various independent market surveys including LIMRA, Tillinghast, Fraser, IFIC and other sources.

1 Based on Investor Economics Aggregates plus IFIC unsuppressed quarterly results including IFIC’s estimates of CI Investments and Invesco Trimark determined by publicly available information.

2 Net sales market rank per Strategic Insight based on Intermediary-Sold Market.

3 Based on net new cash flows.

4 Represents the market rank among Foreign Invested Insurance Companies, based on agency produced individual business, for Manulife-Sinochem Life Insurance Co. Ltd.

5 Based on most recent industry reporting for the year ended December 31, 2014.
A High Quality, Diversified Investment Portfolio

Our investment philosophy employs a bottom-up approach which combines our strong asset management skills with an in-depth understanding of the characteristics of each investment. We are not limited to fixed income investments but rather have a diversified blend of assets, including a variety of alternative long-duration asset classes, which provides a distinctive positioning. We use a disciplined approach across all asset classes, and we do not chase yield in the riskier end of the fixed income market. This philosophy has resulted in a well-diversified, high quality investment portfolio, with excellent credit experience.

A Disciplined Investment Philosophy

Manulife has always followed a prudent investment approach – avoiding complexity, setting limits, diversifying, and applying a healthy dose of skepticism in all our credit decisions. This philosophy continues to serve us well.

Our invested assets totaled C$309.3 billion as at December 31, 2015 and included a variety of asset classes that are highly diversified by geography and sector. This diversification has historically produced superior returns while reducing overall risk.

Limited Net Exposure\(^1\) to Notable Items

Our exposure to notable items is very limited in the context of our total invested assets, which totaled C$309.3 billion as at December 31, 2015.

- Financials fixed income net exposure\(^1\) of C$17.8 billion is well diversified by geography, sub-sector and name.
- Gross unrealized losses limited to C$3.0 billion of our Debt Securities and Private Placement Debt portfolio.
- Gross unrealized losses for Debt Securities and Private Placement Debt trading at less than 80% of cost for greater than 6 months of only C$55 million.
- The potential future impact to shareholders’ pre-tax earnings for Debt Securities and Private Placement Debt trading at less than 80% of cost for greater than 6 months is limited to C$54 million\(^1\).
- Monoline insurance net exposure\(^1\) of C$609 million in wrapped bonds but we place no reliance on the guarantees.
- Limited net exposure\(^1\) to:
  - RMBS (C$71 million).
  - European bank hybrids (C$179 million)\(^2\).
  - Greece, Italy, Ireland, Portugal, and Spain\(^2\):
    - No direct sovereign or financial sector debt exposure to Greece, Portugal, or Spain.
  - Bank, financial and sovereign debt (C$61 million).
  - Limited exposure to credit default swaps (“CDS”), with C$747 million notional outstanding of CDS protection sold.
  - ALDA Oil & Gas holdings represent less than 1% of our total invested asset portfolio.

For additional details on our investment portfolio, please refer to our Investment Fact Sheet available on manulife.com.

All figures in accordance with International Financial Reporting Standards “IFRS” carrying value; quoted as at December 31, 2015 unless otherwise noted.

\(^1\) Excludes par and pass-thru and reflects the cumulative impact of downgrades on reserves.

\(^2\) Presented based on location of issuer.

Highly Diversified Asset Mix

C$309.3 billion, Carrying values as of December 31, 2015

- Government Bonds 22%
- Corporate Bonds 28%
- Policy Loans 2%
- Loans to Bank Clients 1%
- Real Estate 5%
- Power & Infrastructure 2%
- Private Equity & Other ALDA 1%
- Timberland & Farmland 2%
- Public Equities 5%
- Oil & Gas 1%
- Other 1%
- Cash & Short-Term Securities 6%
- Securitized MBS/ABS 1%
- Mortgages 14%
- Private Placement Debt 9%
- Fixed Income & Other

- 84% of the total portfolio, of which 95% is Investment Grade.

Alternative Long-Duration Assets

- Diversified by asset class and geography.
- Historically generated enhanced yields without having to pursue riskier fixed income strategies.
- Oil & Gas ALDA holdings represent less than 1% of our total invested asset portfolio.

Public Equities

- Diversified by industry and geography.
- Primarily backing participating or pass-through liabilities.

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