Manulife Financial Corporation

Management's Discussion and Analysis

For the three and nine months ended September 30, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") is current as of November 10, 2016, unless otherwise noted. This MD&A should be read in conjunction with our unaudited Interim Consolidated Financial Statements for the three and nine months ended September 30, 2016 and the MD&A and audited consolidated financial statements contained in our 2015 Annual Report.

For further information relating to our risk management practices and risk factors affecting the Company, see "Risk Factors" in our 2015 Annual Information Form, "Risk Management", "Risk Factors" and "Critical Accounting and Actuarial Policies" in the MD&A in our 2015 Annual Report, and the "Risk Management" note to the consolidated financial statements in our most recent annual and interim reports.

In this MD&A, the terms "Company", "Manulife", "we" and "our" mean Manulife Financial Corporation ("MFC") and its subsidiaries.

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A OVERVIEW

A1 Earnings

In the third quarter of 2016 ("3Q16"), Manulife's net income attributed to shareholders was $1,117 million, fully diluted earnings per common share was $0.55 and return on common shareholders' equity ("ROE") was 11.1%, compared with $622 million, $0.30, and 6.5%, respectively, for the third quarter of 2015 ("3Q15").The increase in net income attributed to shareholders largely reflects strong growth in core earnings[1] (described below) and $297 million of investment-related experience gains compared with investment-related experience charges of $220 million in 3Q15. Net income attributed to shareholders in 3Q16 also reflected a $455 million charge to strengthen actuarial reserves following our annual review and a $97 million charge to write-off an intangible asset related to our John Hancock Long-Term Care ("JH LTC") distribution network by the net gain of $414 million related to the direct impact of equity markets and interest rates.

Net income attributed to shareholders is comprised of core earnings (consisting of items we believe reflect the underlying earnings capacity of the business), which amounted to $996 million in 3Q16 compared with $870 million in 3Q15, and items excluded from core earnings, which netted to gains of $121 million in 3Q16 compared with charges of $248 million in 3Q15. Core earnings increased $126 million, of which $68 million related to investment-related experience (gains in 3Q16 of $17 million versus charges in 3Q15 of $51 million). The remaining $58 million increase consisted of new business and in-force growth in Asia, and improved policyholder experience due to updated actuarial methods and assumptions, partially offset by higher interest expense as a result of recent debt issuances. Core earnings in 3Q16 included net policyholder experience charges of $20 million post-tax ($37 million pre-tax). Both 3Q16 and 3Q15 included net favourable items related to tax, reinsurance and other items.

Items excluded from core earnings increased $369 million primarily due to the turn-around in investment-related experience (gains in 3Q16 of $280 million versus charges in 3Q15 of $169 million). Items excluded from core earnings in 3Q16 also comprised gains of $414 million related to the direct impact of markets, charges of $455 million for the annual review of actuarial methods and assumptions and a charge of $97 million related to the impairment of an intangible asset as a result of reductions in JH LTC new business.

- Investment-related experience in 3Q16 was broad-based across our general fund investment portfolio and included gains related to fixed income reinvestment, higher than expected returns on our alternative long-duration assets and strong credit experience. On a year-to-date basis, investment-related experience gains were $17 million and therefore, in accordance with our definition of core earnings, we included this amount in 3Q16 core earnings. (See section G3 "Performance and Non-GAAP Measures").
- The direct impact of markets in 3Q16 consisted of $96 million related to equity markets, $218 million related to the direct impact of interest rates on the valuation of our policy liabilities, primarily due to narrowing swap spreads, and realized gains on the sale of available-for-sale ("AFS") bonds of $255 million, partially offset by $155 million of charges related to actions to reduce our exposure to equity markets and interest rates. These actions included reducing the amount of equity investments that support long-term guarantee products and increasing interest rate hedges.
- The annual review of actuarial methods and assumptions included a $415 million net charge related to updating morbidity, mortality, lapse, future premium and tax cash flow assumptions on our JH LTC business and a charge of $313 million related to reducing ultimate reinvestment rate ("URR") assumptions, partly offset by a net gain of $273 million related to other updates including policyholder experience assumptions on our U.S. Variable Annuity business. As the changes in assumptions took place as of the beginning of the quarter, there was a favourable impact on core earnings in 3Q16 of $35 million primarily related to the updates in JH LTC policyholder experience.

Net income attributed to shareholders for the 9 months ended September 30, 2016 was $2,866 million compared with $1,945 million for the 9 months ended September 30, 2015 and year-to-date core earnings in 2016 was $2,734 million compared with $2,569 million in 2015. Of the $921 million increase in net income, $782 million related to the direct impact of equity markets and interest rates (gains in year-to-date 2016 compared with a small loss for the same period of 2015) and $165 million related to the increase in core earnings.

[1] This item is a non-GAAP measure. See "Performance and Non-GAAP Measures" below.

A2 Sales

Insurance sales[1] were $1,010 million in 3Q16, an increase of 20%[2] compared with 3Q15. Asia insurance sales increased 28%, driven by double digit growth in most territories, and strong contributions from the DBS Bank Ltd partnership. Canadian insurance sales increased 27% as a result of the inherent variability in group benefits sales. U.S. insurance sales declined 13% as a result of heightened competition and the market's focus on products with guarantee features that we have de-emphasized.

Wealth and Asset Management ("WAM") net flows[1] were $2.7 billion in 3Q16 compared with $4.5 billion in 3Q15 and gross flows were $27.4 billion in 3Q16 compared with $25.9 billion in 3Q15.

- In 3Q16, strong net flows in Canada, U.S. pensions and Asia were partially offset by net outflows in Manulife Asset Management ("MAM"), due to the inherent variability in the institutional advisory business, as well as net outflows in U.S. mutual funds which were negatively impacted by year-to-date underperformance in a few key funds and customers' reduced appetite for actively managed solutions.
- The 6% increase in gross flows was driven by Asia and Canada. U.S. gross flows declined 2% as robust mid-market sales in our pension business only partially offset a decline in mutual fund sales. In Canada, gross flows increased 9% driven by mutual fund sales reflecting our strong product line-up and successful sales campaigns. In Asia, gross flows nearly doubled due to money market fund subscriptions in mainland China, record pension sales in Hong Kong, and improved mutual fund sales in Indonesia.

Other Wealth sales[1] were $2.0 billion in 3Q16, in line[2] with the $1.8 billion reported in 3Q15. Other Wealth sales in Asia increased 7%, driven by recent product launches and distribution expansion. In Canada, Other Wealth sales were down 8% due to previous changes to our higher risk segregated fund products, including repricing.

A3 Capital related items

The Minimum Continuing Capital and Surplus Requirements ("MCCSR") ratio for The Manufacturers Life Insurance Company ("MLI") was 234% as at September 30, 2016 compared with 236% as at June 30, 2016 and 226% as at September 30, 2015. The increase was primarily due to capital issuances, partially offset by growth in capital requirements. MFC's MCCSR ratio was 205% as at September 30, 2016. The difference between the MLI and MFC ratios was largely due to the $5.4 billion of MFC senior debt outstanding that, under OSFI rules, does not qualify as available capital at the MFC level.

MFC's financial leverage ratio at September 30, 2016 was 29.3%, a decrease of 40 basis points from June 30, 2016, reflecting an increase in equity due to strong earnings growth. The ratio increased 6.6 percentage points from September 30, 2015, reflecting the capital issuances noted above.

A4 Other item

In response to industry trends and stagnant consumer demand, we announced that we will discontinue new sales of our stand-alone individual long-term care product. This decision will not have a material impact on our on-going earnings. We are committed to serving our existing customers and honoring our obligations to our over 1.2 million long-term care policyholders. We intend to continue to offer long-term care coverage as an accelerated benefit rider to our wide range of life insurance products, as this has become an increasingly popular alternative to stand-alone long-term care insurance policies in recent years.

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[1] This item is a non-GAAP measure. See "Performance and Non-GAAP Measures" below.

[2] Percentage growth (declines) in sales, gross flows, premiums and deposits and assets under management and administration are stated on a constant currency basis. Constant currency basis is a non-GAAP measure. See "Performance and Non-GAAP Measures" below.

B FINANCIAL HIGHLIGHTS

	Quarterly Results			YTD Results	
($ millions, unless otherwise stated, unaudited)	**3Q16**	2Q16	3Q15	**2016**	2015
Net income attributed to shareholders	**$ 1,117**	$ 704	$ 622	**$ 2,866**	$ 1,945
Preferred share dividends	**(34)**	(37)	(29)	**(100)**	(87)
Common shareholders' net income	**$ 1,083**	$ 667	$ 593	**$ 2,766**	$ 1,858
Core earnings(1)	**$ 996**	$ 833	$ 870	**$ 2,734**	$ 2,569
Basic earnings per common share ($)	**$ 0.55**	$ 0.34	$ 0.30	**$ 1.40**	$ 0.95
Diluted earnings per common share ($)	**$ 0.55**	$ 0.34	$ 0.30	**$ 1.40**	$ 0.94
Diluted core earnings per common share ($)(1)	**$ 0.49**	$ 0.40	$ 0.43	**$ 1.34**	$ 1.27
Return on common shareholders' equity ("ROE")	**11.1%**	7.1%	6.5%	**9.7%**	7.1%
Core ROE(1)	**9.8%**	8.4%	9.2%	**9.2%**	9.5%
Sales(1)					
Insurance products	**$ 1,010**	$ 914	$ 803	**$ 2,878**	$ 2,353
Wealth and Asset Management gross flows(1)	**$ 27,418**	$ 26,644	$ 25,862	**$ 82,290**	$ 83,597
Wealth and Asset Management net flows(1)	**$ 2,694**	$ 4,822	$ 4,514	**$ 9,192**	$ 25,639
Other Wealth products	**$ 2,038**	$ 2,000	$ 1,845	**$ 6,422**	$ 5,385
Premiums and deposits(1)					
Insurance products	**$ 8,347**	$ 8,422	$ 7,476	**$ 24,955**	$ 21,750
Wealth and Asset Management products	**$ 27,418**	$ 26,644	$ 25,862	**$ 82,290**	$ 83,597
Other Wealth products	**$ 1,476**	$ 1,712	$ 1,595	**$ 4,629**	$ 4,755
Corporate and Other	**$ 22**	$ 21	$ 24	**$ 65**	$ 64
Assets under management and administration ($ billions)(1)	**$ 966**	$ 934	$ 888	**$ 966**	$ 888
Capital ($ billions)(1)	**$ 51.8**	$ 50.9	$ 47.9	**$ 51.8**	$ 47.9
MLI's MCCSR ratio	**234%**	236%	226%	**234%**	226%

(1) This item is a non-GAAP measure. See "Performance and Non-GAAP Measures" below.

B1 Third quarter earnings analysis

The table below reconciles net income attributed to shareholders to core earnings.

	Quarterly Results			YTD Results	
($ millions, unaudited)	**3Q16**	2Q16	3Q15	**2016**	2015
Core earnings(1)					
Asia Division	**$ 394**	$ 342	$ 338	**$ 1,107**	$ 900
Canadian Division	**354**	333	336	**1,025**	900
U.S. Division	**394**	361	375	**1,144**	1,134
Corporate and Other (excluding expected cost of macro hedges and core investment gains)	**(102)**	(125)	(66)	**(334)**	(213)
Expected cost of macro hedges(2)	**(61)**	(78)	(62)	**(225)**	(152)
Investment-related experience in core earnings(3)	**17**	-	(51)	**17**	-
Core earnings	**$ 996**	$ 833	$ 870	**$ 2,734**	$ 2,569
Investment-related experience outside of core earnings(3)	**280**	60	(169)	**-**	(169)
Core earnings and investment-related experience in excess of amounts included in core earnings	**$ 1,276**	$ 893	$ 701	**$ 2,734**	$ $2,400
Direct impact of equity markets and interest rates and variable annuity guarantee liabilities (see table below)(3),(4)	**414**	(170)	232	**718**	(64)
Changes in actuarial methods and assumptions	**(455)**	-	(285)	**(443)**	(354)
Integration and acquisition costs	**(23)**	(19)	(26)	**(56)**	(110)
Tax and other items	**(95)**	-	-	**(87)**	73
Net income attributed to shareholders	**$ 1,117**	$ 704	$ 622	**$ 2,866**	$ 1,945

(1) This item is a non-GAAP measure. See "Performance and Non-GAAP Measures" below.

(2) Actual market performance differed from our valuation assumptions in 3Q16, which resulted in a macro hedge experience loss of $109 million. This loss is included in the direct impact of equity markets and interest rates and variable annuity liabilities below.

(3) As outlined under "Critical Accounting and Actuarial Policies" below, net insurance contract liabilities under IFRS for Canadian insurers are determined using the Canadian Asset Liability Method ("CALM"). Under CALM, the measurement of policy liabilities includes estimates regarding future expected investment income on assets supporting the policies. Experience gains and losses are reported when current period activity differs from what was assumed in the policy liabilities at the beginning of the period. These gains and losses can relate to both the investment returns earned in the period, as well as to the change in our policy liabilities driven by the impact of current period investing activities on future expected investment income assumptions. The direct impact of equity markets and interest rates is separately reported. Our definition of core earnings (see "Performance and Non-GAAP Measures") includes up to $400 million of favourable investment-related experience reported in a single year.

(4) The direct impact of equity markets and interest rates is relative to our policy liability valuation assumptions and includes changes to interest rate assumptions, including experience gains and losses on derivatives associated with our macro equity hedges. We also include gains and losses on derivative positions and the sale of AFS bonds in the Corporate and Other segment. See table below for components of this item.

Components of the direct impact of equity markets and interest rates and variable annuity guarantee liabilities in the table above:

	Quarterly Results			YTD Results	
($ millions, unaudited)	**3Q16**	2Q16	3Q15	**2016**	2015
Direct impact of equity markets and variable annuity guarantee liabilities	**$ 96**	$ (97)	$ (419)	**$ (151)**	$ (376)
Fixed income reinvestment rates assumed in the valuation of policy liabilities	**218**	(113)	647	**512**	298
Sale of AFS bonds and derivative positions in the Corporate and Other segment	**255**	40	4	**512**	14
Risk reduction related items(1)	**(155)**	-	-	**(155)**	-
Direct impact of equity markets and interest rates and variable annuity guarantee liabilities	**$ 414**	$ (170)	$ 232	**$ 718**	$ (64)

(1) The risk reduction actions in 3Q16 included selling equity investments supporting our products with guarantee features and increasing the amount of interest rate hedges. The sale of equity investments resulted in a decrease in our underlying earnings sensitivity before hedging and also reduced the amount of hedging instruments used in the macro hedging program (see section E4 "Publically traded equity performance risk" below).

B2 Revenue

	Quarterly Results			YTD Results	
($ millions, unaudited)	**3Q16**	2Q16	3Q15	**2016**	2015
Net premium income	**$ 7,197**	$ 6,706	$ 6,233	**$ 20,631**	$ 17,213
Investment income	**3,568**	3,213	2,708	**10,081**	8,566
Other revenue	**2,921**	2,794	2,487	**8,544**	7,404
Revenue before items noted below	**$ 13,686**	$ 12,713	$ 11,428	**$ 39,256**	$ 33,183
Realized and unrealized gains (losses) on assets supporting insurance and investment contract liabilities and on macro hedging program	**771**	7,922	3,672	**17,555**	(1,146)
Premiums ceded, net of ceded commissions and additional consideration relating to Closed Block reinsurance transaction	**-**	-	(7,996)	**-**	(7,996)
Total revenue	**$ 14,457**	$ 20,635	$ 7,104	**$ 56,811**	$ 24,041

Total revenue in 3Q16 was $14.5 billion compared with $7.1 billion in 3Q15. The amount of revenue reported in any fiscal period can be significantly affected by fair value accounting, which can materially impact the reported realized and unrealized gains or losses on assets supporting insurance and investment contract liabilities, a component of revenue (see section B6 "Impact of fair value accounting" below). Accordingly, we discuss specific divisional drivers of revenue before unrealized gains and losses in section C "Performance by Division". In 3Q15, total revenue was also impacted by the completion of the reinsurance of John Hancock's closed block of participating policies ("Closed Block"), where we reported a net reinsurance premium of $8.0 billion. (The net reinsurance premium was fully offset by an increase in the change in reinsurance assets on the Statement of Income).

3Q16 revenue before net realized and unrealized gains (losses) on assets and before premiums ceded under the Closed Block transaction, increased $2.3 billion compared with 3Q15, primarily due to business growth.

Net realized and unrealized gains and losses on assets supporting insurance and investment contract liabilities and on the macro hedging program declined $2.9 billion to a gain of $0.8 billion in 3Q16 compared with a gain of $3.7 billion in 3Q15. The variance of 3Q16 compared with 3Q15 was primarily due to the impact of the decline in interest rates on the fair value of the fixed income investments in 3Q15.

On a year-to-date basis, revenue before net realized and unrealized gains (losses) and premiums ceded under the Closed Block transaction increased $6.1 billion for the same reasons noted above. Net realized and unrealized gains on assets supporting insurance and investment contract liabilities and on the macro hedging program were a gain of $17.6 billion for year-to-date 2016 compared with a loss of $1.1 billion in 2015. The impact of lower U.S. risk free interest rates and lower North American swap rates primarily accounted for the gain in year-to-date 2016, whereas the loss in year-to-date 2015 resulted from the impact of higher interest rates in 2Q15 which more than offset the gains from the general decline in interest rates in both 3Q15 and 1Q15.

B3 Premiums and deposits

Premiums and deposits is an additional measure of our top line growth. It includes all new policyholder cash flows and, unlike total revenue, is not impacted by the volatility created by fair value accounting. Premiums and deposits for insurance products were $8.3 billion in 3Q16, an increase of 9%[1] compared with 3Q15. Year-to-date premiums and deposits were $25.0 billion in 2016 compared with $21.8 billion in 2015.

Deposits for WAM products were $27.4 billion in 3Q16, an increase of $1.6 billion, or 6%, compared with 3Q15. Year-to-date deposits were $82.3 billion in 2016 compared with $83.6 billion in 2015.
Premiums and deposits for Other Wealth products were $1.5 billion in 3Q16, a decrease of $0.1 billion, or 9%, compared with 3Q15. Year-to-date premiums and deposits were $4.6 billion in 2016 compared with $4.8 billion in 2015.

B4 Assets under management and administration

Assets under management and administration ("AUMA") as at September 30, 2016 were $966 billion, an increase of $78 billion, or 9%[1], compared with September 30, 2015. WAM AUMA increased 11% from the prior year to $525 billion, driven by investment returns and positive net flows.

B5 Capital

MFC's total capital as at September 30, 2016 was $51.8 billion, an increase of $0.9 billion from June 30, 2016 and an increase of $3.9 billion from September 30, 2015. The increase from September 30, 2015 was primarily driven by net income over the last 12 months and net capital issuances. As noted in section A3 above, MLI's MCCSR ratio was 234% at September 30, 2016.

B6 Impact of fair value accounting

Fair value accounting policies affect the measurement of both our assets and our liabilities. The impact on the measurement of both assets and liabilities of investment activities and market movements are reported as experience gains (losses) on investments and the direct impact of equity markets and interest rates and variable annuity guarantees, each of which impacts net income attributed to shareholders (see section A1 "Earnings" above for discussion of 3Q16 experience).

Net realized and unrealized gains reported in investment income were $0.8 billion for 3Q16 (3Q15 – $3.7 billion) as noted above in section B2 "Revenue".

As outlined in the "Critical Accounting and Actuarial Policies" in the MD&A in our 2015 Annual Report, net insurance contract liabilities under IFRS are determined using CALM, as required by the Canadian Institute of Actuaries ("CIA"). The measurement of policy liabilities includes the estimated value of future policyholder benefits and settlement obligations to be paid over the term remaining on in-force policies, including the costs of servicing the policies, reduced by the future expected policy revenues and future expected investment income on assets supporting the policies. Investment returns are projected using current asset portfolios and projected reinvestment strategies. Experience gains and losses are reported when current period activity differs from what was assumed in the policy liabilities at the beginning of the period. We classify gains and losses by assumption type. For example, current period investing activities that increase (decrease) the future expected investment income on assets supporting policies will result in an investment-related experience gain (loss).

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[1] Percentage growth (declines) in sales, gross flows, premiums and deposits and assets under management and administration are stated on a constant currency basis. Constant currency basis is a non-GAAP measure. See "Performance and Non-GAAP Measures" below.

B7 Impact of foreign currency exchange rates

Changes in foreign currency exchange rates, primarily the Japanese Yen compared with the Canadian dollar for 3Q16 compared with 3Q15 and the U.S. dollar and Japanese Yen compared with the Canadian dollar for year-to-date 2016 compared with year-to-date 2015, had a favourable impact on core earnings of approximately $22 million in 3Q16 compared with 3Q15 and $139 million for year-to-date 2016 compared with year-to-date 2015. The impact of foreign currency on items excluded from core earnings is not relevant given the nature of these items. As applicable, each line item on our financial statements has been impacted by changes in foreign currency exchange rates.

C PERFORMANCE BY DIVISION

C1 Asia Division

($ millions, unless otherwise stated)	Quarterly results			YTD Results	
Canadian dollars	**3Q16**	2Q16	3Q15	**2016**	2015
Net income attributed to shareholders	**$ 561**	$ 28	$ 111	**$ 710**	$ 696
Core earnings[1]	**394**	342	338	**1,107**	900
Revenue	**4,665**	5,485	3,230	**16,517**	9,272
Revenue before realized and unrealized investment income gains and losses[2]	**4,866**	4,557	3,866	**14,225**	10,211
Premiums and deposits	**9,222**	8,729	5,965	**25,982**	21,511
Assets under management ($ billions)	**121.7**	114.2	97.0	**121.7**	97.0
U.S. dollars					
Net income attributed to shareholders	**US$ 430**	US$ 22	US$ 84	**US$ 540**	US$ 558
Core earnings	**302**	266	258	**838**	713
Revenue	**3,572**	4,255	2,467	**12,465**	7,357
Revenue before realized and unrealized investment income gains and losses	**3,727**	3,533	2,953	**10,759**	8,091
Premiums and deposits	**7,064**	6,772	4,558	**19,688**	17,157
Assets under management ($ billions)	**92.8**	87.7	72.4	**92.8**	72.4

(1) See "Performance and Non-GAAP Measures" for a reconciliation between IFRS net income attributed to shareholders and core earnings.
(2) See B6 "Impact of fair value accounting".

Asia Division's net income attributed to shareholders was $561 million in 3Q16 compared with $111 million in 3Q15. Net income attributed to shareholders is comprised of core earnings, which was $394 million in 3Q16 compared with $338 million in 3Q15, and items excluded from core earnings, which amounted to a net gain of $167 million in 3Q16 compared with a net charge of $227 million in 3Q15.

Expressed in U.S. dollars, the presentation currency of the division, net income attributed to shareholders was US$430 million in 3Q16 compared with US$84 million for 3Q15 and core earnings were US$302 million in 3Q16 compared with US$258 million in 3Q15. Items excluded from core earnings were a net gain of US$128 million for 3Q16 compared with a net charge of US$174 million in 3Q15.

Core earnings in 3Q16 increased 13% compared with 3Q15 after adjusting for costs arising from the expansion of our dynamic hedging program (there is a corresponding decrease in macro hedging costs in the Corporate and Other segment) and the impact of changes in foreign currency rates.. The growth in core earnings was driven by solid growth from in-force business and continued strong growth in new business volumes, partially offset by less favourable policyholder experience and the impact of declining interest rates.

Year-to-date net income attributed to shareholders was US$540 million in 2016 compared with US$558 million in 2015. Year-to-date core earnings after adjusting for the increased dynamic hedging costs, noted above, and the impact of changes in foreign currency rates increased by US$112 million in 2016 compared with the same period in 2015. The increase reflects similar factors as described above for the current quarter as well as gains in 1Q16 related to two separate reinsurance treaties. The increase in core earnings expressed in U.S. dollars was mostly offset by the unfavourable change in the direct impact of equity markets and interest rates. In Canadian dollars, year-to-date net income attributed to shareholders increased by $14 million to $710 million and year-to-date core earnings increased by $207 million to $1,107 million due to the factors above, and reflected a net $90 million favourable impact due to changes in foreign currency rates versus the Canadian dollar.

Revenue of US$3.6 billion in 3Q16 increased 45% compared with 3Q15. Excluding realized and unrealized gains (losses) on assets supporting insurance and investment contract liabilities, revenue was US$3.7 billion, an increase of 26% compared with 3Q15 driven by strong growth in sales over the past 12 months along with stable in-force growth, notably in Hong Kong, Japan and Singapore. Year-to-date revenue was US$12.5 billion in 2016 compared with US$7.4 billion in 2015.

Premiums and deposits of US$7.1 billion in 3Q16 increased 47% compared with 3Q15. Premiums and deposits for insurance products of US$2.5 billion increased 26% driven by growth in insurance sales, expanded distribution channels, and solid recurring premium growth from in-force business. WAM deposits of US$3.5 billion in 3Q16 increased 90% compared with 3Q15, primarily driven by a recovery in mutual fund sales in mainland China coupled with solid pension deposits growth in Hong Kong. Other Wealth premiums and deposits in 3Q16 of US$1.0 billion increased by 8% compared with 3Q15, driven by new product launches, expanded distribution reach and improved market performance which boosted single premium unit-linked product sales. Year-to-date premiums and deposits were US$19.7 billion in 2016, an increase of 15% compared with 2015.

Assets under management were US$92.8 billion as at September 30, 2016, an increase of 21% from September 30, 2015, driven by strong net customer inflows of US$11.8 billion, with all lines of business contributing to the increase, as well as net investment results over the past 12 months.

C2 Canadian Division

	Quarterly results			YTD Results	
($ millions, unless otherwise stated)	**3Q16**	2Q16	3Q15	**2016**	2015
Net income (loss) attributed to shareholders	**$ 435**	$ 359	$ 276	**$ 1,394**	$ 584
Core earnings[(1)]	**354**	333	336	**1,025**	900
Revenue	**4,029**	5,354	2,689	**14,169**	7,607
Revenue before realized and unrealized investment income gains and losses[(2)]	**3,119**	3,146	2,613	**9,255**	8,108
Premiums and deposits	**7,379**	7,977	7,285	**22,780**	22,361
Assets under management ($ billions)	**237.9**	231.3	216.2	**237.9**	216.2

(1) See "Performance and Non-GAAP Measures" below for a reconciliation between IFRS net income attributed to shareholders and core earnings.

(2) See B6 "Impact of fair value accounting".

Canadian Division's 3Q16 net income attributed to shareholders was $435 million compared with $276 million in 3Q15. Net income attributed to shareholders is comprised of core earnings, which was $354 million in 3Q16 compared with $336 million in 3Q15, and items excluded from core earnings, which were a net gain of $81 million in 3Q16 compared with a net charge of $60 million in 3Q15.

Core earnings increased $18 million reflecting improved policyholder experience and reinsurance treaty recaptures in 3Q16. The change in items excluded from core earnings was primarily due to investment-related experience gains of $35 million in 3Q16 compared with charges of $144 million in 3Q15.

Year-to-date net income attributed to shareholders in 2016 was $1,394 million compared with $584 million for the same period of 2015. Year-to-date core earnings in 2016 of $1,025 million were $125 million higher than the first 9 months of 2015, reflecting improved policy holder experience.

Revenue in 3Q16 was $4.0 billion compared with $2.7 billion in 3Q15 driven by the impact of fair value accounting. Total revenue before net realized and unrealized gains was $3.1 billion in 3Q16 compared with $2.6 billion in 3Q15. The increase was driven by typical variability in reinsurance treaty revenue and the non-recurrence of $0.2 billion of investment impairments recognized in 3Q15. Year-to-date revenue was $14.2 billion in 2016 compared with $7.6 billion in 2015 primarily driven by the impact of fair value accounting.

Premiums and deposits in 3Q16 were $7.4 billion, $0.1 billion higher than 3Q15 levels. Year-to-date premiums and deposits were $22.8 billion in 2016 compared with $22.4 billion in 2015.

Assets under management were $237.9 billion as at September 30, 2016, an increase of $21.7 billion from September 30, 2015, driven by growth in our WAM businesses and the favourable impact of lower interest rates on fixed income assets and of higher markets on equity investments over the past 12 months.

C3 U.S. Division

($ millions, unless otherwise stated)	Quarterly results			YTD Results	
Canadian dollars	**3Q16**	2Q16	3Q15	**2016**	2015
Net income attributed to shareholders	**$ 559**	$ 407	$ 507	**$ 1,207**	$ 1,137
Core earnings[1]	**394**	361	375	**1,144**	1,134
Revenue	**5,502**	9,589	896	**25,080**	6,618
Revenue before realized and unrealized investment income gains and losses and excluding the Closed Block reinsurance transaction[2]	**5,200**	4,785	4,923	**14,384**	14,543
Premiums and deposits	**19,143**	17,194	19,520	**55,523**	50,056
Assets under management and administration ($ billions)	**540.6**	521.8	509.0	**540.6**	509.0
U.S. dollars					
Net income attributed to shareholders	**US$ 428**	US$ 316	US$ 387	**US$ 920**	US$ 897
Core earnings	**302**	280	286	**865**	901
Revenue	**4,216**	7,440	686	**18,935**	5,288
Revenue before realized and unrealized investment income gains and losses and excluding the Closed Block reinsurance transaction	**3,985**	3,714	3,762	**10,904**	11,553
Premiums and deposits	**14,670**	13,336	14,913	**41,988**	39,650
Assets under management and administration ($ billions)	**412.1**	401.1	380.0	**412.1**	380.0

(1) See "Performance and Non-GAAP Measures" below for a reconciliation between IFRS net income attributed to shareholders and core earnings.
(2) See B6 "impact of fair value accounting"

U.S. Division's 3Q16 net income attributed to shareholders was $559 million compared with $507 million in 3Q15. Net income attributed to shareholders is comprised of core earnings, which amounted to $394 million in 3Q16 compared with $375 million in 3Q15, and items excluded from core earnings, which amounted to a net gain of $165 million in 3Q16 compared with a net gain of $132 million in 3Q15.

Expressed in U.S. dollars, the functional currency of the division, 3Q16 net income attributed to shareholders was US$428 million compared with US$387 million in 3Q15, core earnings was US$302 million compared with US$286 million in 3Q15, and items excluded from core earnings were a net gain of US$126 million in 3Q16 compared with a net gain of US$101 million in 3Q15.

The US$16 million increase in core earnings reflected the favourable impact of changes in actuarial methods and assumptions on reported policyholder experience gains/losses and lower amortization of deferred acquisition costs on in-force variable annuity business; partially offset by the impact of lower JH Insurance sales and lower tax benefits. The favourable variance of US$25 million in items excluded from core earnings related to investment-related experience gains compared with losses in 3Q15, partially offset by the write-off of an intangible asset related to JH LTC's distribution network and less favourable market-related impacts.

Year-to-date net income attributed to shareholders was US$920 million compared with US$897 million for the same period in 2015 and included core earnings of US$865 million, a US$36 million decrease from the same period in 2015. The drivers of the core earnings variance were consistent with 3Q16 as well as from lower fee income in WAM businesses attributable to the impact of market volatility and shifts in business mix, and adverse policyholder experience in JH LTC in the first two quarters of 2016. On a Canadian dollar basis, year-to-date core earnings increased by $10 million to $1,144 million, aided by a $54 million favourable impact related to the strengthening of the U.S. dollar compared with the Canadian dollar, offset by the factors noted above.

Revenue in 3Q16 was US$4.2 billion compared with US$0.7 billion in 3Q15. 3Q15 included the Closed Block reinsurance transaction with ceded premiums of US$6.1 billion. Excluding realized and unrealized gains on assets supporting insurance and investment contract liabilities and the Closed Block reinsurance transaction, revenue was US$4.0 billion compared with US$3.8 billion in 3Q15. The increase was due to higher investment income and fee income attributed to asset growth. Year-to-date revenue was US$18.9 billion in 2016 compared with US$5.3 billion in 2015.

Premiums and deposits for 3Q16 were US$14.7 billion, compared with US$14.9 billion in 3Q15. Premiums and deposits for insurance products were US$1.6 billion, down 1% compared with 3Q15 driven by a decline in Life premiums. WAM deposits of US$12.8 billion decreased by 2% from 3Q15 driven by a decline in mutual fund deposits partially offset by higher Retirement Plan Services deposits from the mid-market business. Year-to-date premiums and deposits were US$42.0 billion in 2016 compared with US$39.7 billion in 2015.

Assets under management and administration as at September 30, 2016 were a record US$412.1 billion, up 8% from September 30, 2015. The increase was driven by WAM net flows of US$3.6 billion, investment income and the impact of lower interest rates on the valuation of fixed income investments.

C4 Corporate and Other

	Quarterly Results			YTD Results	
($ millions, unless otherwise stated)	**3Q16**	2Q16	3Q15	**2016**	2015
Net income (loss) attributed to shareholders	**$ (438)**	$ (90)	$ (272)	**$ (445)**	$ (472)
Core loss (excluding macro hedges and core investment gains)[1]	**$ (102)**	$ (125)	$ (66)	**$ (334)**	$ (213)
Expected cost of macro hedges	**(61)**	(78)	(62)	**(225)**	(152)
Investment-related experience included in core earnings	**17**	-	(51)	**17**	-
Total core loss	**$ (146)**	$ (203)	$ (179)	**$ (542)**	$ (365)
Revenue	**$ 261**	$ 207	$ 289	**$ 1,045**	$ 544
Premiums and deposits	**1,519**	2,900	2,189	**7,654**	16,240
Assets under management ($ billions)	**65.8**	66.9	65.8	**65.8**	65.8

(1) See "Performance and Non-GAAP Measures" for a reconciliation between IFRS net income attributed to shareholders and core earnings.

Corporate and Other is composed of: investment performance on assets backing capital, net of amounts allocated to operating divisions and financing costs; Investment Division's external asset management business; Property and Casualty Reinsurance business; as well as run-off reinsurance operations including variable annuities and accident and health.

For segment reporting purposes, the impact of updates to actuarial assumptions, settlement costs for macro equity hedges and other non-operating items are included in this segment's earnings.

Corporate and Other reported a net loss attributed to shareholders of $438 million in 3Q16 compared with a net loss of $272 million in 3Q15. The increased net loss was due to higher charges related to the annual review of actuarial methods and assumptions. The net loss attributed to shareholders is comprised of core loss and items excluded from core loss. The core loss of $146 million in 3Q16 compared with a core loss of $179 million in 3Q15; items excluded from core loss amounted to charges of $292 million in 3Q16 compared with charges of $93 million in 3Q15.

The $33 million favourable variance in core loss related to the $68 million increase in investment-related experience reported in core earnings, partially offset by the impact of a strengthening U.S. dollar on interest allocated to the U.S. and Asia divisions when expressed in Canadian dollars, and higher interest expense due to recent debt issuances.

As noted above, the variance in items excluded from core loss primarily related to changes in actuarial methods and assumptions.

On a year-to-date basis the net loss attributed to shareholders was $445 million in 2016 compared with a net loss of $472 million for the same period of 2015. The year-to-date core loss was $542 million compared with $365 million in 2015 reflecting $73 million of higher expected macro hedging costs, and other items consistent with the items described above. Items excluded from core loss were a net gain of $97 million in 2016 compared with a net charge of $107 million in 2015.

Revenue in 3Q16 was $261 million comparable with the $289 million in 3Q15. Year-to-date revenue was $1,045 million in 2016 compared with $544 million in 2015, driven by higher realized gains on the sale of AFS bonds and the release of interest on resolution of tax-related positions.

Premiums and deposits for 3Q16 were $1.5 billion, a decrease of 31% compared with $2.2 billion in 3Q15. These amounts primarily relate to Investment Division's external asset management business.

Assets under management of $65.8 billion as at September 30, 2016 (September 30, 2015 – $65.8 billion) included assets managed by Manulife Asset Management on behalf of third-party institutional clients of $74.0 billion (September 30, 2015 – $65.5 billion) and the Company's own funds of $7.1 billion (September 30, 2015 – $7.0 billion), partially offset by a $15.3 billion (September 30, 2015 – $6.7 billion) total company adjustment related to the reclassification of derivative positions net of the cash received as collateral on derivative positions.

D PERFORMANCE BY BUSINESS LINE

D1 Additional information for Wealth and Asset Management

We provide additional financial information by line of business, to supplement our existing primary disclosure based on geographic segmentation. This information should help facilitate a better assessment of the financial performance of our WAM businesses and allow for relevant comparisons to be made with global asset management peers. The supplemental information for WAM businesses includes an income statement, core earnings, core earnings before interest, taxes, depreciation and amortization ("Core EBITDA"), net flows, gross flows and assets under management and administration[1]. Core EBITDA was selected as a key performance indicator for WAM businesses, as earnings before interest, taxes, depreciation and amortization ("EBITDA") is widely used among asset management peers, and core earnings is a primary profitability metric for the Company overall.

Wealth and Asset Management highlights

	Quarterly Results			YTD Results	
($ millions, unless otherwise stated)	**3Q16**	2Q16	3Q15	**2016**	2015
Core earnings	**$ 159**	$ 152	$ 167	**$ 451**	$ 475
Core EBITDA	**288**	288	312	**861**	922
Net flows	**2,694**	4,822	4,514	**9,192**	25,639
Gross flows	**27,418**	26,644	25,862	**82,290**	83,597
Assets under management ($ billions)	**445**	428	404	**445**	404
Assets under management and administration ($ billions)	**525**	503	477	**525**	477

In 3Q16, we continued to generate positive net flows. Core earnings was $159 million compared with $167 million in 3Q15 and Core EBITDA was $ 288 million compared with $312 million in 3Q15. The decrease in core earnings and Core EBITDA primarily reflects strategic investments to optimize our operational infrastructure and to expand our distribution reach in Europe and Asia, partially offset by higher fee income on higher asset levels.

D2 Additional information by business line

In addition to the WAM businesses, the two tables below include core earnings and assets under management and administration for our Other Wealth and Insurance business lines. Other Wealth consists of variable and fixed annuities, single premium products sold in Asia, and Manulife Bank in Canada[2]. Insurance includes all individual and group insurance businesses.

1 Core earnings, core EBITDA, net flows, gross flows and assets under management and administration are non-GAAP measures. See "Performance and Non-GAAP measures" below.

2 Manulife Bank new loan volumes are no longer being reported as sales.

Core earnings by line of business

($ millions)	Quarterly Results 3Q16	2Q16	3Q15	YTD Results 2016	2015
Wealth and Asset Management[1]	**$ 159**	$ 152	$ 167	**$ 451**	$ 475
Insurance	**638**	557	559	**1,799**	1,539
Other Wealth[2]	**337**	328	322	**1,018**	934
Corporate and Other[3]	**(138)**	(204)	(178)	**(534)**	(379)
Total core earnings	**$ 996**	$ 833	$ 870	**$ 2,734**	$ 2,569

[1] Wealth and Asset Management is comprised of our fee-based global WAM businesses that do not contain material insurance risk including: mutual funds, group retirement and institutional asset management.

[2] Other Wealth includes variable and fixed annuities, single premium products sold in Asia, and Manulife Bank.

[3] Excludes Manulife Asset Management results that are included in WAM. Corporate and Other results are net of internal allocations to other divisions.

Assets under management and administration by line of business

As at ($ billions)	September 30, 2016	June 30, 2016	September 30, 2015
Wealth and Asset Management	**$ 525.0**	$ 502.6	$ 476.6
Insurance	**267.0**	257.5	235.0
Other Wealth	**182.2**	180.8	176.1
Corporate and Other	**(8.2)**	(6.7)	0.3
Total assets under management and administration	**$ 966.0**	$ 934.2	$ 888.0

The following table shows the core earnings of the WAM, Insurance and Other Wealth business lines by division.

Core earnings by line of business by division

($ millions)	Quarterly Results 3Q16	2Q16	3Q15	YTD Results 2016	2015
Wealth and Asset Management					
Asia	**$ 52**	$ 37	$ 38	**$ 127**	$ 123
Canada	**33**	46	40	**118**	106
U.S.	**82**	68	90	**214**	232
Corporate and Other	**(8)**	1	(1)	**(8)**	14
Total Wealth and Asset Management	**159**	152	167	**451**	475
Insurance					
Asia	**240**	232	227	**721**	589
Canada	**207**	174	165	**553**	419
U.S.	**191**	151	167	**525**	531
Total Insurance	**638**	557	559	**1,799**	1,539
Other Wealth					
Asia	**101**	73	73	**258**	188
Canada					
Manulife Bank	**30**	25	26	**85**	96
Canada excluding Manulife Bank	**84**	88	105	**269**	279
Total Canada	**114**	113	131	**354**	375
U.S.	**122**	142	118	**406**	371
Total Other Wealth	**337**	328	322	**1,018**	934
Corporate and Other	**(138)**	(204)	(178)	**(534)**	(379)
Total core earnings	**$ 996**	$ 833	$ 870	**$ 2,734**	$ 2,569

E RISK MANAGEMENT AND RISK FACTORS UPDATE

This section provides an update to our risk management practices and risk factors outlined in the MD&A in our 2015 Annual Report. The shaded text and tables in this section of the MD&A represent our disclosure on market and liquidity risk in accordance with IFRS 7 “Financial Instruments – Disclosures”. Accordingly, the following shaded text and tables represent an integral part of our unaudited Interim Consolidated Financial Statements.

E1 Regulatory update

As noted in our 2015 annual report, the Office of the Superintendent of Financial Institutions ("OSFI") will be implementing a revised approach to the regulatory capital framework in Canada to come into effect in 2018. In September 2016, OSFI released the final Life Insurance Capital Adequacy Test ("LICAT") guideline. Over the next few months the industry will be conducting impact assessments of the final guideline, including sensitivity testing. Based on the results, OSFI will assess if the new standard requires any further adjustments.

With respect to the impact of LICAT, OSFI has noted that:[1]

- Overall level of excess capital in the industry under LICAT vs. MCCSR is not expected to change significantly
- LICAT ratios and MCCSR ratios are not directly comparable
- Impact on individual life insurers will depend on what businesses they are engaged in, risks that they choose to take on and how these are managed

We expect to continue to be in a strong capital position under the new framework.[2]

E2 Variable annuity and segregated fund guarantees

As described in the MD&A in our 2015 Annual Report, guarantees on variable products and segregated funds may include one or more of death, maturity, income and withdrawal guarantees. Variable annuity and segregated fund guarantees are contingent and only payable upon the occurrence of the relevant event, if fund values at that time are below guaranteed values.

We seek to mitigate a portion of the risks embedded in our retained (i.e. net of reinsurance) variable annuity and segregated fund guarantee business through the combination of our dynamic and macro hedging strategies (see section E4 "Publicly traded equity performance risk" below).

The table below shows selected information regarding the Company's variable annuity and segregated fund guarantees gross and net of reinsurance.

Variable annuity and segregated fund guarantees, net of reinsurance

	September 30, 2016			December 31, 2015		
($ millions)	Guarantee value	Fund value	Amount at risk(4),(5)	Guarantee value	Fund value	Amount at risk(4),(5)
Guaranteed minimum income benefit(1)	**$ 5,937**	**$ 4,408**	**$ 1,540**	$ 6,642	$ 4,909	$ 1,740
Guaranteed minimum withdrawal benefit	**68,514**	**60,351**	**8,347**	73,232	65,090	9,231
Guaranteed minimum accumulation benefit	**20,042**	**20,507**	**28**	19,608	23,231	72
Gross living benefits(2)	**94,493**	**85,266**	**9,915**	99,482	93,230	11,043
Gross death benefits(3)	**12,370**	**16,905**	**1,363**	13,693	13,158	1,704
Total gross of reinsurance	**106,863**	**102,171**	**11,278**	113,175	106,388	12,747
Living benefits reinsured	**5,191**	**3,879**	**1,319**	5,795	4,312	1,486
Death benefits reinsured	**3,395**	**3,158**	**555**	3,874	3,501	682
Total reinsured	**8,586**	**7,037**	**1,874**	9,669	7,813	2,168
Total, net of reinsurance	**$ 98,277**	**$ 95,134**	**$ 9,404**	$ 103,506	$ 98,575	$ 10,579

(1) Contracts with guaranteed long-term care benefits are included in this category.
(2) Where a policy includes both living and death benefits, the guarantee in excess of the living benefit is included in the death benefit category as outlined in footnote 3.
(3) Death benefits include stand-alone guarantees and guarantees in excess of living benefit guarantees where both death and living benefits are provided on a policy.
(4) Amount at risk (in-the-money amount) is the excess of guarantee values over fund values on all policies where the guarantee value exceeds the fund value. This amount is not currently payable. For guaranteed minimum death benefit, the amount at risk is defined as the current guaranteed minimum death benefit in excess of the current account balance. For guaranteed minimum income benefit, the amount at risk is defined as the excess of the current annuitization income base over the current account value. For all guarantees, the amount at risk is floored at zero at the single contract level.
(5) The amount at risk net of reinsurance at September 30, 2016 was $9,404 million (December 31, 2015 – $10,579 million) of which: US$5,777 million (December 31, 2015 – US$6,046 million) was on our U.S. business, $1,007 million (December 31, 2015 – $1,564 million) was on our Canadian business, US$371 million (December 31, 2015 – US$190 million) was on our Japan business and US$253 million (December 31, 2015 – US$277 million) was related to Asia (other than Japan) and our run-off reinsurance business.

The amount at risk on variable annuity contracts and segregated fund guarantees, net of reinsurance was $9.4 billion at September 30, 2016 in line with December 31, 2015.

[1] Slides 21 and 22, OSFI LICAT Webcast Information Session held on September 15, 2016.
[2] See "Caution regarding forward-looking statements" below.

The policy liabilities established for variable annuity and segregated fund guarantees were $9,835 million at September 30, 2016 (December 31, 2015 – $7,469 million). For non-dynamically hedged business, policy liabilities increased from $840 million at December 31, 2015 to $1,016 million at September 30, 2016. For the dynamically hedged business, the policy liabilities increased from $6,629 million at December 31, 2015 to $8,819 million at September 30, 2016.

The increase in the total policy liabilities for variable annuity and segregated fund guarantees since December 31, 2015 is primarily due to the impact of the decrease in swap rates in the U.S., Canada, and Japan on the dynamically hedged business, partially offset by the favourable impact of equity markets in the U.S. and Canada, and the annual review of actuarial methods and assumptions.

E3 Caution related to sensitivities

In this document, we provide sensitivities and risk exposure measures for certain risks. These include sensitivities due to specific changes in market prices and interest rate levels projected using internal models as at a specific date, and are measured relative to a starting level reflecting the Company's assets and liabilities at that date and the actuarial factors, investment activity and investment returns assumed in the determination of policy liabilities. The risk exposures measure the impact of changing one factor at a time and assume that all other factors remain unchanged. Actual results can differ significantly from these estimates for a variety of reasons including the interaction among these factors when more than one changes; changes in actuarial and investment return and future investment activity assumptions; actual experience differing from the assumptions, changes in business mix, effective tax rates and other market factors; and the general limitations of our internal models. For these reasons, the sensitivities should only be viewed as directional estimates of the underlying sensitivities for the respective factors based on the assumptions outlined below. Given the nature of these calculations, we cannot provide assurance that the actual impact on net income attributed to shareholders will be as indicated or on MLI's MCCSR ratio will be as indicated.

E4 Publicly traded equity performance risk

As outlined in our 2015 Annual Report, our macro hedging strategy is designed to mitigate public equity risk arising from variable annuity guarantees not dynamically hedged and from other products and fees. In addition, our variable annuity guarantee dynamic hedging strategy is not designed to completely offset the sensitivity of policy liabilities to all risks associated with the guarantees embedded in these products (see pages 52 and 53 of our 2015 Annual Report).

The tables below show the potential impact on net income attributed to shareholders resulting from an immediate 10, 20 and 30% change in market values of publicly traded equities followed by a return to the expected level of growth assumed in the valuation of policy liabilities. If market values were to remain flat for an entire year, the potential impact would be roughly equivalent to an immediate decline in market values equal to the expected level of annual growth assumed in the valuation of policy liabilities. Further, if after market values dropped 10, 20 or 30% they continued to decline, remained flat, or grew more slowly than assumed in the valuation, the potential impact on net income attributed to shareholders and on MLI's MCCSR ratio could be considerably more than shown. Refer to section F3 "Sensitivity of policy liabilities to updates and assumptions" for more information on the level of growth assumed and on the net income sensitivity to changes in these long-term assumptions. The potential impact is shown after taking into account the impact of the change in markets on the hedge assets. While we cannot reliably estimate the amount of the change in dynamically hedged variable annuity guarantee liabilities that will not be offset by the profit or loss on the dynamic hedge assets, we make certain assumptions for the purposes of estimating the impact on shareholders' net income.

This estimate assumes that the performance of the dynamic hedging program would not completely offset the gain/loss from the dynamically hedged variable annuity guarantee liabilities. It assumes that the hedge assets are based on the actual position at the period end, and that equity hedges in the dynamic program are rebalanced at 5% intervals. In addition, we assume that the macro hedge assets are rebalanced in line with market changes.

It is also important to note that these estimates are illustrative, and that the hedging program may underperform these estimates, particularly during periods of high realized volatility and/or periods where both interest rates and equity market movements are unfavourable.

Potential impact on net income attributed to shareholders arising from changes to public equity returns(1),(2),(3)

As at September 30, 2016 ($ millions)	-30%	-20%	-10%	10%	20%	30%
Underlying sensitivity to net income attributed to shareholders(4)						
Variable annuity guarantees	**$ (5,120)**	**$ (3,140)**	**$ (1,420)**	**$ 1,100**	**$ 1,880**	**$ 2,370**
Asset based fees	**(440)**	**(300)**	**(150)**	**150**	**300**	**440**
General fund equity investments(5)	**(910)**	**(600)**	**(300)**	**290**	**580**	**880**
Total underlying sensitivity before hedging	**(6,470)**	**(4,040)**	**(1,870)**	**1,540**	**2,760**	**3,690**
Impact of macro and dynamic hedge assets(6)	**4,600**	**2,850**	**1,300**	**(1,150)**	**(2,060)**	**(2,760)**
Net potential impact on net income after impact of hedging	**$ (1,870)**	**$ (1,190)**	**$ (570)**	**$ 390**	**$ 700**	**$ 930**

As at December 31, 2015 ($ millions)	-30%	-20%	-10%	10%	20%	30%
Underlying sensitivity to net income attributed to shareholders(4)						
Variable annuity guarantees	$ (5,180)	$ (3,140)	$ (1,410)	$ 1,080	$ 1,860	$ 2,420
Asset based fees	(470)	(310)	(160)	160	310	470
General fund equity investments(5)	(1,030)	(680)	(340)	330	670	1,020
Total underlying sensitivity before hedging	(6,680)	(4,130)	(1,910)	1,570	2,840	3,910
Impact of macro and dynamic hedge assets(6)	4,750	2,920	1,360	(1,240)	(2,250)	(3,090)
Net potential impact on net income after impact of hedging	$ (1,930)	$ (1,210)	$ (550)	$ 330	$ 590	$ 820

(1) See "Caution related to sensitivities" above.

(2) The tables above show the potential impact on net income attributed to shareholders resulting from an immediate 10, 20 and 30 % change in market values of publicly traded equities followed by a return to the expected level of growth assumed in the valuation of policy liabilities.

(3) Please refer to section F3 "Sensitivity of policy liabilities to updates and assumptions" for more information on the level of growth assumed and on the net income sensitivity to changes in these long-term assumptions.

(4) Defined as earnings sensitivity to a change in public equity markets including settlements on reinsurance contracts, but before the offset of hedge assets or other risk mitigants.

(5) This impact for general fund equities is calculated as at a point-in-time and does not include: (i) any potential impact on public equity weightings; (ii) any gains or losses on AFS public equities held in the Corporate and Other segment; or (iii) any gains or losses on public equity investments held in Manulife Bank. The participating policy funds are largely self-supporting and generate no material impact on net income attributed to shareholders as a result of changes in equity markets.

(6) Includes the impact of rebalancing equity hedges in the macro and dynamic hedging program. The impact of dynamic hedge rebalancing represents the impact of rebalancing equity hedges for dynamically hedged variable annuity guarantee best estimate liabilities at 5% intervals, but does not include any impact in respect of other sources of hedge ineffectiveness e.g. fund tracking, realized volatility and equity, interest rate correlations different from expected among other factors.

Potential impact on MLI's MCCSR ratio arising from public equity returns different from the expected return for policy liability valuation(1),(2)

	Impact on MLI's MCCSR ratio					
Percentage points	-30%	-20%	-10%	10%	20%	30%
September 30, 2016	**(11)**	**(7)**	**(4)**	**1**	**3**	**4**
December 31, 2015	(14)	(7)	(4)	1	3	7

(1) See "Caution related to sensitivities" above. In addition, estimates exclude changes to the net actuarial gains/losses with respect to the Company's pension obligations as a result of changes in equity markets, as the impact on the quoted sensitivities is not considered to be material.

(2) The potential impact is shown assuming that the change in value of the hedge assets does not completely offset the change in the dynamically hedged variable annuity guarantee liabilities. The estimated amount that would not be completely offset relates to our practices of not hedging the provisions for adverse deviation and of rebalancing equity hedges for dynamically hedged variable annuity liabilities at 5% intervals.

The following table shows the notional value of shorted equity futures contracts utilized for our variable annuity guarantee dynamic hedging and our macro equity risk hedging strategies.

As at ($ millions)	**September 30, 2016**	December 31, 2015
For variable annuity guarantee dynamic hedging strategy	**$ 14,100**	$ 13,600
For macro equity risk hedging strategy	**3,900**	5,600
Total	**$ 18,000**	$ 19,200

E5 Interest rate and spread risk

As at September 30, 2016, we estimated the sensitivity of our net income attributed to shareholders to a 50 basis point parallel decline in interest rates to be a charge of nil million, and to a 50 basis point increase in interest rates to be a benefit of nil million, after rounding results to the nearest $100 million.

The 50 basis point parallel decline includes a change of 50 basis points in current government, swap and corporate rates for all maturities across all markets with no change in credit spreads between government, swap and corporate rates, and with a floor of zero on government rates where government rates are not currently negative, relative to the rates assumed in the valuation of policy liabilities, including embedded derivatives. For variable annuity guarantee liabilities that are dynamically hedged, it is assumed that interest rate hedges are rebalanced at 20 basis point intervals.

As the sensitivity to a 50 basis point change in interest rates includes any associated change in the applicable reinvestment scenario used to calculate our actuarial liabilities, the impact of changes to interest rates for less than, or more than 50 basis points is unlikely to be linear. The reinvestment scenario changes tend to amplify the negative effects of a decrease in interest rates, and dampen the positive effects of an increase in interest rates. Furthermore, the actual impact on net income attributed to shareholders of non-parallel interest rate movements may differ from the estimated impact of parallel movements because our exposure to interest rate movements is not uniform across all durations.

The potential impact on net income attributed to shareholders does not take into account any future potential changes to the URR assumptions or calibration criteria for stochastic risk free rates which are promulgated periodically by the Actuarial Standards Board ("ASB"), or other potential impacts of lower interest rate levels, for example, increased strain on the sale of new business or lower interest earned on our surplus assets. In 3Q16, we updated economic reinvestment assumptions for risk free rates assumed in the valuation of policy liabilities, including our URR assumptions and calibration criteria for stochastic risk free rates. These updates reflect that interest rates are lower than they were when the current prescribed URR assumptions and calibration criteria for stochastic risk free rates were promulgated, and therefore, there may be a downward bias when the ASB updates the promulgation, which we expect to occur in 2017. As at September 30, 2016, we estimated the sensitivity of our net income attributed to shareholders of a 10 basis point decrease in our URR assumptions and a commensurate change in our calibration criteria for stochastic risk free rates to be a charge of $300 million.

Potential impact on net income attributed to shareholders and MLI's MCCSR ratio of an immediate 50 basis point parallel change in interest rates relative to rates assumed in the valuation of policy liabilities[(1),(2),(3),(4)]

	September 30, 2016		December 31, 2015	
As at	-50bp	+50bp	-50bp	+50bp
Net income attributed to shareholders ($ millions)				
Excluding change in market value of AFS fixed income assets held in the surplus segment	**$ -**	**$ -**	$ (100)	$ 100
From fair value changes in AFS fixed income assets held in surplus, if realized	**900**	**(800)**	600	(600)
MLI's MCCSR ratio (Percentage points)				
Before impact of change in market value of AFS fixed income assets held in the surplus segment[(5)]	**(7)**	**5**	(6)	4
From fair value changes in AFS fixed income assets held in surplus, if realized	**4**	**(4)**	3	(3)

(1) See "Caution related to sensitivities" above. In addition, estimates exclude changes to the net actuarial gains/losses with respect to the Company's pension obligations as a result of changes in interest rates, as the impact on the quoted sensitivities is not considered to be material.

(2) Includes guaranteed insurance and annuity products, including variable annuity contracts as well as adjustable benefit products where benefits are generally adjusted as interest rates and investment returns change, a portion of which have minimum credited rate guarantees. For adjustable benefit products subject to minimum rate guarantees, the sensitivities are based on the assumption that credited rates will be floored at the minimum.

(3) The amount of gain or loss that can be realized on AFS fixed income assets held in the surplus segment will depend on the aggregate amount of unrealized gain or loss.

(4) Sensitivities are based on projected asset and liability cash flows at the beginning of the quarter adjusted for the estimated impact of new business, investment markets and asset trading during the quarter. Any true-up to these estimates, as a result of the final asset and liability cash flows to be used in the next quarter's projection, are reflected in the next quarter's sensitivities. Impact of realizing fair value changes in AFS fixed income assets is as of the end of the quarter.

(5) The impact on MLI's MCCSR ratio includes both the impact of the change in earnings on available capital as well as the change in required capital that results from a change in interest rates. The potential increase in required capital accounted for all of the 7 point impact of a 50 bp decline in interest rates on MLI's MCCSR ratio this quarter.

The $100 million decrease in sensitivity to a 50 basis point decline in interest rates from December 31, 2015 was primarily due to normal rebalancing as part of our interest risk hedging program, partially offset by updates to our valuation assumptions as a result of our annual review of actuarial methods and assumptions.

The following table shows the potential impact on net income attributed to shareholders resulting from a change in credit spreads and swap spreads over government bond rates for all maturities across all markets with a floor of zero on corporate spreads, relative to the spreads assumed in the valuation of policy liabilities.

Potential impact on net income attributed to shareholders arising from changes to corporate spreads and swap spreads(1),(2),(3)

As at ($ millions)	**September 30, 2016**	December 31, 2015
Corporate spreads(4)		
Increase 50 basis points	**$ 900**	$ 700
Decrease 50 basis points	**(900)**	(700)
Swap spreads		
Increase 20 basis points	**$ (600)**	$ (500)
Decrease 20 basis points	**600**	500

(1) See "Caution related to sensitivities" above.
(2) The impact on net income attributed to shareholders assumes no gains or losses are realized on our AFS fixed income assets held in the surplus segment and excludes the impact arising from changes in off-balance sheet bond fund value arising from changes in credit spreads. The participating policy funds are largely self-supporting and generate no material impact on net income attributed to shareholders as a result of changes in corporate and swap spreads.
(3) Sensitivities are based on projected asset and liability cash flows at the beginning of the quarter adjusted for the estimated impact of new business, investment markets and asset trading during the quarter. Any true-up to these estimates, as a result of the final asset and liability cash flows to be used in the next quarter's projection, are reflected in the next quarter's sensitivities.
(4) Corporate spreads are assumed to grade to an expected long-term average over five years.

The $200 million increase in sensitivity to a 50 basis point decline in corporate spreads from December 31, 2015 was primarily due to interest rate movements in the U.S., Japan and Canada and updates to our valuation assumptions as a result of our annual review of actuarial methods and assumptions. The $100 million increase in sensitivity to a 20 basis point increase in swap spreads from December 31, 2015 was primarily due to normal rebalancing as part of our interest risk hedging program.

E6 Alternative long-duration asset ("ALDA") performance risk

The following table shows the potential impact on net income attributed to shareholders resulting from changes in market values of ALDA that differ from the expected levels assumed in the valuation of policy liabilities.

Potential impact on net income attributed to shareholders arising from changes in ALDA returns(1),(2),(3),(4),(5)

As at	**September 30, 2016**		December 31, 2015	
($ millions)	-10%	10%	-10%	10%
Real estate, agriculture and timber assets	**$ (1,300)**	**$ 1,200**	$ (1,200)	$ 1,200
Private equities and other ALDA(6)	**(1,200)**	**1,200**	(1,100)	1,100
Alternative long-duration assets	**$ (2,500)**	**$ 2,400**	$ (2,300)	$ 2,300

(1) See "Caution Related to Sensitivities" above.
(2) This impact is calculated as at a point-in-time impact and does not include: (i) any potential impact on ALDA, weightings; (ii) any gains or losses on ALDA held in the Corporate and Other segment; or (iii) any gains or losses on ALDA held in Manulife Bank.
(3) The participating policy funds are largely self-supporting and generate no material impact on net income attributed to shareholders as a result of changes in ALDA returns.
(4) Net income impact does not consider any impact of the market correction on assumed future return assumptions. For some classes of ALDA, where there is not an appropriate long-term benchmark available, the return assumptions used in valuation are not permitted by the Standards of Practice and CIA guidance to result in a lower reserve than an assumption based on a historical return benchmark for public equities in the same jurisdiction.
(5) Please refer to section F3 "Sensitivity of policy liabilities to updates and assumptions" for more information on the level of growth assumed and on the net income sensitivity to changes in these long-term assumptions.
(6) A 10% market decline in oil and gas holdings, direct and indirect, would result in an estimated $200 million reduction in net income attributed to shareholders.

The increased sensitivity from December 31, 2015 to September 30, 2016 was primarily due to the impact of the decrease in risk free rates in the U.S. and Canada, which decreased the rates at which funds can reinvested, partially offset by the weakening of the U.S. dollar relative to the Canadian dollar during the period.

F ACCOUNTING MATTERS AND CONTROLS

F1 Critical accounting and actuarial policies

Our significant accounting policies under IFRS are described in note 1 to our Consolidated Financial Statements for the year ended December 31, 2015. The critical accounting policies and the estimation processes related to the determination of insurance and investment contract liabilities, assessment of relationships with other entities for consolidation, fair value of certain financial instruments, derivatives and hedge accounting, provisioning for asset impairment, determination of pension and other post-employment benefit obligations and expenses, income taxes and uncertain tax positions, valuation and impairment of goodwill and intangible assets and the measurement and disclosure of contingent liabilities are described on pages 69 to 79 of our 2015 Annual Report.

F2 Actuarial methods and assumptions

A comprehensive review of actuarial methods and assumptions is performed annually. The review is designed to reduce the Company's exposure to uncertainty by ensuring assumptions for both asset-related and liability-related risks remain appropriate. This is accomplished by monitoring experience and selecting assumptions which represent a current best estimate view of expected future experience, and margins that are appropriate for the risks assumed. While the assumptions selected represent the Company's current best estimates and assessment of risk, the ongoing monitoring of experience and changes in the economic environment are likely to result in future changes to actuarial assumptions, which could be material.

The quantification of the impact of the 2016 comprehensive review of valuation methods and assumptions is as of July 1, 2016 for all lines of business.

In 3Q16, the completion of the annual review of actuarial methods and assumptions resulted in an increase in insurance and investment contract liabilities of $682 million, net of reinsurance, and a decrease in net income attributed to shareholders of $455 million post-tax.

For the quarter ended September 30, 2016 **Assumption**	Change in gross insurance and investment contract liabilities	Change in net insurance and investment contract liabilities	Change in net income attributed to shareholders (post-tax)
Long-Term Care triennial review	**$ 639**	**$ 639**	**$ (415)**
Mortality and morbidity updates	**(12)**	**(53)**	**76**
Lapses and policyholder behaviour			
U.S. Variable Annuities guaranteed minimum withdrawal benefit incidence and utilization	**(1,024)**	**(1,024)**	**665**
Other lapses and policyholder behaviour	**509**	**427**	**(353)**
Economic reinvestment assumptions	**459**	**443**	**(313)**
Other updates	**650**	**250**	**(115)**
Net impact	**$ 1,221**	**$ 682**	**$ (455)**

Long-Term Care triennial review

U.S. Insurance completed a comprehensive long-term care experience study. This included a review of mortality, morbidity and lapse experience, as well as the reserve for in-force rate increases filed as a result of the 2013 review. In addition, the Company implemented refinements to the modelling of future tax cash flows for long-term care. The net impact of the review was a $415 million charge to net income attributed to shareholders.

Expected future claims costs increased primarily due to claims periods being longer than expected in policy liabilities, and a reduction in lapse and mortality rates. This increase in expected future claims costs was partially offset by a number of items, including expected future premium increases resulting from this year's review and a decrease in the margin for adverse deviations related to the rate of inflation embedded in our benefit utilization assumptions.

The review of premium increases assumed in the policy liabilities resulted in a benefit to earnings of $1.0 billion; this includes future premium increases that are due to our 2016 review of morbidity, mortality and lapse assumptions, and outstanding amounts from our 2013 state filings. Premium increases averaging approximately 20% will be sought on the vast majority of the in-force business, excluding the carryover of 2013 amounts requested. Our assumptions reflect the estimated timing and amount of state approved premium increases. Our actual experience obtaining price increases could be materially different than we have assumed, resulting in further increases or decreases in policy liabilities, which could be material.[1]

Mortality and morbidity updates
Mortality and morbidity assumptions were updated across several business units to reflect recent experience, including updates to morbidity assumptions for certain medical insurance products in Japan, leading to a $76 million benefit to net income attributed to shareholders.

Updates to lapses and policyholder behaviour
U.S. Variable Annuities guaranteed minimum withdrawal benefit incidence and utilization assumptions were updated to reflect recent experience which led to a $665 million benefit to net income attributed to shareholders. We updated our incidence assumptions to reflect the favourable impact of policyholders taking withdrawals later than expected. This was partially offset by an increase in our utilization assumptions.

In Japan, lapse rates for term life insurance products were increased at certain durations which led to a $228 million charge to net income attributed to shareholders. Other updates to lapse and policyholder behavior assumptions were made across several product lines, including term products in Canada, which led to a $125 million charge to net income attributed to shareholders.

Updates to economic reinvestment assumptions
The Company updated economic reinvestment assumptions for risk free rates used in the valuation of policy liabilities which resulted in a $313 million charge to net income attributed to shareholders. These updates included a proactive 10 basis point reduction to our URR assumptions and a commensurate change in our calibration criteria for stochastic risk free rates. These updates reflect the fact that interest rates are lower than they were when the current prescribed URR and the calibration criteria for stochastic risk free rates were promulgated by the Actuarial Standards Board ("ASB") in 2014. The ASB has indicated that it will update the promulgation periodically, when necessary. We expect the promulgation to be updated in 2017 and, if required, we will make further updates to our economic reinvestment assumptions at that time.

Other updates
Other model refinements related to the projection of both asset and liability cash flows across several business units led to a $115 million charge to net income attributed to shareholders. This included a charge due to refinements to our CALM models and assumptions offset by a benefit due to refinements to the modelling of future tax cash flows for certain assets in the U.S.

F3 Sensitivity of policy liabilities to updates and assumptions

When the assumptions underlying our determination of policy liabilities are updated to reflect recent and emerging experience or change in outlook, the result is a change in the value of policy liabilities which in turn affects income. The sensitivity of after-tax income to updates to asset related assumptions underlying policy liabilities is shown below, assuming that there is a simultaneous update to the assumption across all business units.

For updates to asset related assumptions, the sensitivity is shown net of the corresponding impact on income of the change in the value of the assets supporting policy liabilities. In practice, experience for each assumption will frequently vary by business and geographic market and assumption updates are made on a business/geographic specific basis. Actual results can differ materially from these estimates for a variety of reasons including the interaction among these factors when more than one changes; changes in actuarial and investment return and future investment activity assumptions; actual experience differing from the assumptions; changes in business mix, effective tax rates and other market factors; and the general limitations of our internal models.

Most participating business is excluded from this analysis because of the ability to pass both favourable and adverse experience to the policyholders through the participating dividend adjustment.

[1] See "Caution regarding forward-looking statements" below.

Potential impact on net income attributed to shareholders arising from changes to asset related assumptions supporting actuarial liabilities

As at	**Increase (decrease) in after-tax income**			
($ millions)	**September 30, 2016**		December 31, 2015	
Asset related assumptions updated periodically in valuation basis changes	Increase	Decrease	Increase	Decrease
100 basis point change in future annual returns for public equities[1]	**$ 600**	**$ (500)**	$ 600	$ (600)
100 basis point change in future annual returns for ALDA[2]	**3,000**	**(3,700)**	3,000	(3,400)
100 basis point change in equity volatility assumption for stochastic segregated fund modelling[3]	**(200)**	**200**	(300)	300

[1] The sensitivity to public equity returns above includes the impact on both segregated fund guarantee reserves and on other policy liabilities. For a 100 basis point increase in expected growth rates, the impact from segregated fund guarantee reserves is a $200 million increase (December 31, 2015 – $200 million increase). For a 100 basis point decrease in expected growth rates, the impact from segregated fund guarantee reserves is a $200 million decrease (December 31, 2015 – $200 million decrease). Expected long-term annual market growth assumptions for public equities pre-dividends for key markets are based on long-term historical observed experience and compliance with actuarial standards. The growth rates for returns in the major markets used in the stochastic valuation models for valuing segregated fund guarantees are 7.5% per annum in Canada, 7.6% per annum in the U.S. and 5.2% per annum in Japan. Growth assumptions for European equity funds are market-specific and vary between 5.8% and 7.85%.

[2] ALDA include commercial real estate, timber and agricultural real estate, direct oil and gas properties, and private equities, some of which relate to oil and gas. Expected long-term return assumptions are set in accordance with the Standards of Practice for the valuation of insurance contract liabilities and guidance published by the CIA. The guidance requires that the investment return assumption for these assets should not be higher than the historical long-term average returns of an appropriate broad-based index. Where such experience is not available, investment return assumptions should not result in a lower reserve than an assumption based on a historical return benchmark for public equities in the same jurisdiction. Annual return assumptions for ALDA include market growth rates and annual income such as rent, production proceeds, dividends, etc.

[3] Volatility assumptions for public equities are based on long-term historical observed experience and compliance with actuarial standards. The resulting volatility assumptions are 17.0% per annum in Canada and 17.15% per annum in the U.S. for large cap public equities, and 19% per annum in Japan. For European equity funds, the volatility assumptions vary between 16.25% and 18.4%.

The increase in sensitivity to a change in future annual ALDA returns from December 31, 2015 to September 30, 2016 was primarily due to the impact of the decrease in risk free rates in the U.S. and Canada, which decreased the rates at which funds can reinvested, partially offset by the weakening of the U.S. dollar relative to the Canadian dollar during the period.

F4 Accounting and reporting changes

Refer to note 2 of our unaudited Interim Consolidated Financial Statements for the three and nine months ended September 30, 2016 for the accounting and reporting changes during the quarter.

F5 Quarterly financial information

The following table provides summary information related to our eight most recently completed quarters.

As at and for the three months ended ($ millions, except per share amounts or otherwise stated, unaudited)	Sept 30, 2016	Jun 30, 2016	Mar 31, 2016	Dec 31, 2015	Sept 30, 2015	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014
Revenue								
Premium income								
Life and health insurance	**$ 5,950**	$ 5,497	$ 5,728	$ 5,331	$ 5,092	$ 4,708	$ 4,589	$ 4,305
Annuities and pensions	**1,247**	1,209	1,000	1,381	1,141	869	814	528
Premiums ceded, net of ceded commission and additional consideration relating to Closed Block reinsurance transaction	**-**	-	-	-	(7,996)	-	-	-
Net premium income	**7,197**	6,706	6,728	6,712	(1,763)	5,577	5,403	4,833
Investment income	**3,568**	3,213	3,300	2,899	2,708	3,216	2,642	2,664
Realized and unrealized gains (losses) on assets supporting insurance and investment contract liabilities(1)	**771**	7,922	8,862	(1,916)	3,672	(10,161)	5,343	6,182
Other revenue	**2,921**	2,794	2,829	2,694	2,487	2,491	2,426	2,301
Total revenue	**$ 14,457**	$ 20,635	$ 21,719	$ 10,389	$ 7,104	$ 1,123	$ 15,814	$ 15,980
Income (loss) before income taxes	**$ 1,314**	$ 947	$ 1,353	$ 136	$ 988	$ 650	$ 844	$ 724
Income tax (expense) recovery	**(117)**	(231)	(298)	76	(316)	28	(116)	(17)
Net income	**$ 1,197**	$ 716	$ 1,055	$ 212	$ 672	$ 678	$ 728	$ 707
Net income attributed to shareholders	**$ 1,117**	$ 704	$ 1,045	$ 246	$ 622	$ 600	$ 723	$ 640
Reconciliation of core earnings to net income attributed to shareholders								
Total core earnings(2)	**$ 996**	$ 833	$ 905	$ 859	$ 870	$ 902	$ 797	$ 713
Other items to reconcile net income attributed to shareholders to core earnings(3):								
Investment-related experience in excess of amounts included in core earnings	**280**	60	(340)	(361)	(169)	77	(77)	(403)
Direct impact of equity markets, interest rates and variable annuity guarantee liabilities	**414**	(170)	474	(29)	232	(309)	13	377
Impact of major reinsurance transactions, in-force product changes and recapture of reinsurance treaties	**-**	-	-	(52)	-	-	12	-
Change in actuarial methods and assumptions	**(455)**	-	12	(97)	(285)	(47)	(22)	(59)
Net impact of acquisitions and divestitures	**(23)**	(19)	(14)	(39)	(26)	(54)	(30)	12
Tax-related items	**2**	-	1	2	-	31	30	-
Other items	**(97)**	-	7	(37)	-	-	-	-
Net income attributed to shareholders	**$ 1,117**	$ 704	$ 1,045	$ 246	$ 622	$ 600	$ 723	$ 640
Basic earnings per common share	**$ 0.55**	$ 0.34	$ 0.51	$ 0.11	$ 0.30	$ 0.29	$ 0.36	$ 0.33
Diluted earnings per common share	**$ 0.55**	$ 0.34	$ 0.51	$ 0.11	$ 0.30	$ 0.29	$ 0.36	$ 0.33
Segregated funds deposits	**$ 8,291**	$ 7,899	$ 8,693	$ 8,324	$ 8,401	$ 7,790	$ 8,270	$ 6,240
Total assets (in $ billions)	**$ 742**	$ 725	$ 696	$ 703	$ 682	$ 657	$ 687	$ 579
Weighted average common shares (in millions)	**1,973**	1,972	1,972	1,972	1,971	1,971	1,936	1,864
Diluted weighted average common shares (in millions)	**1,976**	1,976	1,976	1,977	1,977	1,992	1,959	1,887
Dividends per common share	**$ 0.185**	$ 0.185	$ 0.185	$ 0.170	$ 0.170	$ 0.170	$ 0.155	$ 0.155
CDN$ to US$1 - Statement of Financial Position	**1.3116**	1.3009	1.2970	1.3841	1.3394	1.2473	1.2682	1.1601
CDN$ to US$1 - Statement of Income	**1.3050**	1.2889	1.3724	1.3360	1.3089	1.2297	1.2399	1.1356

(1) For fixed income assets supporting insurance and investment contract liabilities and for equities supporting pass-through products and derivatives related to variable hedging programs, the impact of realized and unrealized gains (losses) on the assets is largely offset in the change in insurance and investment contract liabilities.

(2) Core earnings is a non-GAAP measure. See "Performance and Non-GAAP Measures" below.

(3) For explanations of other items, see "Q3 earnings analysis" table in section B "Financial Highlights" and for an operating segment split of these items see the 8 quarter trend tables in section G3 "Performance and Non-GAAP Measures" which reconcile net income attributed to shareholders to core earnings.

F6 Other

No changes were made in our internal control over financial reporting during the three and nine months ended September 30, 2016, that have materially affected or are reasonably likely to materially affect our internal control over financial reporting. As in prior quarters, MFC's Audit Committee reviewed this MD&A and the unaudited interim financial report and MFC's Board of Directors approved this MD&A prior to its release.

G OTHER

G1 Quarterly dividend

On November 9, 2016, our Board of Directors approved a quarterly shareholders' dividend of $0.185 per share on the common shares of MFC, payable on and after December 19, 2016 to shareholders of record at the close of business on November 22, 2016.

The Board of Directors also approved that, in respect of MFC's December 19, 2016 common share dividend payment date and pursuant to MFC's Canadian Dividend Reinvestment and Share Purchase Plan and its U.S. Dividend Reinvestment and Share Purchase Plan, the required common shares be purchased on the open market. The purchase price of such shares will be based on the average of the actual cost to purchase such common shares. There are no applicable discounts because the common shares are being purchased on the open market and are not being issued from treasury.

The Board also declared dividends on the following non-cumulative preferred shares, payable on or after December 19, 2016 to shareholders of record at the close of business on November 22, 2016.

Class A Shares Series 2 – $0.29063 per share
Class A Shares Series 3 – $0.28125 per share
Class 1 Shares Series 3 – $0.136125 per share
Class 1 Shares Series 4 – $0.120295 per share
Class 1 Shares Series 5 – $0.275 per share
Class 1 Shares Series 7 – $0.2875 per share
Class 1 Shares Series 9 – $0.275 per share
Class 1 Shares Series 11 – $0.25 per share
Class 1 Shares Series 13 – $0.2375 per share
Class 1 Shares Series 15 – $0.24375 per share
Class 1 Shares Series 17 – $0.24375 per share
Class 1 Shares Series 19 – $0.2375 per share
Class 1 Shares Series 21 – $0.35 per share

G2 Outstanding shares – selected information

Common Shares

As at November 4, 2016 MFC had 1,973,194,665 common shares outstanding.

G3 Performance and Non-GAAP Measures

We use a number of non-GAAP financial measures to measure overall performance and to assess each of our businesses. A financial measure is considered a non-GAAP measure for Canadian securities law purposes if it is presented other than in accordance with generally accepted accounting principles used for the Company's audited Consolidated Financial Statements. Non-GAAP measures include: Core Earnings (Loss); Core ROE; Diluted Core Earnings Per Common Share; Core Earnings Before Interest, Taxes, Depreciation and Amortization ("Core EBITDA"); Core Investment Gains; Constant Currency Basis (measures that are reported on a constant currency basis include percentage growth in Sales, Gross Flows, Premiums and Deposits, Core EBITDA, and Assets under Management and Administration); Premiums and Deposits; Assets under Management and Administration; Assets under Management; Assets under Administration; Capital; Embedded Value; New Business Value; New Business Value Margin; Sales; APE Sales; Gross Flows and Net Flows. Non-GAAP financial measures are not defined terms under GAAP and, therefore, are unlikely to be comparable to similar terms used by other issuers. Therefore, they should not be considered in isolation or as a substitute for any other financial information prepared in accordance with GAAP.

Core earnings (loss) is a non-GAAP measure which we use to better understand the long-term earnings capacity and valuation of the business. Core earnings excludes the direct impact of changes in equity markets and interest rates as well as a number of other items, outlined below, that are considered material and exceptional in nature. While this metric is relevant to how we manage our business and offers a consistent methodology, it is not insulated from macro-economic factors, which can have a significant impact.

Any future changes to the core earnings definition referred to below, will be disclosed.

Items that are included in core earnings are:

1. Expected earnings on in-force, including expected release of provisions for adverse deviation, fee income, margins on group business and spread business such as Manulife Bank and asset fund management.
2. Macro hedging costs based on expected market returns.
3. New business strain.

4. Policyholder experience gains or losses.
5. Acquisition and operating expenses compared with expense assumptions used in the measurement of insurance and investment contract liabilities.
6. Up to $400 million of favourable investment-related experience reported in a single year which is referred to as "core investment gains". This means up to $100 million in the first quarter, up to $200 million on a year-to-date basis in the second quarter, up to $300 million on a year-to-date basis in the third quarter and up to $400 million on a full year basis in the fourth quarter. Any investment-related experience losses reported in a quarter will be offset against the net year-to-date investment-related experience gains with the difference being included in core earnings subject to a maximum of the year-to-date core investment gains and a minimum of zero. To the extent any investment-related experience losses cannot be fully offset in a quarter they will be carried forward to be offset against investment-related experience gains in subsequent quarters in the same year, for purposes of determining core investment gains.
7. Earnings on surplus other than mark-to-market items. Gains on available-for-sale ("AFS") equities and seed money investments are included in core earnings.
8. Routine or non-material legal settlements.
9. All other items not specifically excluded.
10. Tax on the above items.
11. All tax-related items except the impact of enacted or substantially enacted income tax rate changes.

Items excluded from core earnings are:

1. The direct impact of equity markets and interest rates and variable annuity guarantee liabilities, consisting of:
   - The earnings impact of the difference between the net increase (decrease) in variable annuity liabilities that are dynamically hedged and the performance of the related hedge assets. Our variable annuity dynamic hedging strategy is not designed to completely offset the sensitivity of insurance and investment contract liabilities to all risks or measurements associated with the guarantees embedded in these products for a number of reasons, including; provisions for adverse deviation, fund performance, the portion of the interest rate risk that is not dynamically hedged, realized equity and interest rate volatilities and changes to policyholder behaviour.
   - Gains (charges) on variable annuity guarantee liabilities that are not dynamically hedged.
   - Gains (charges) on general fund equity investments supporting insurance and investment contract liabilities and on fee income.
   - Gains (charges) on macro equity hedges relative to expected costs. The expected cost of macro hedges is calculated using the equity assumptions used in the valuation of insurance and investment contract liabilities.
   - Gains (charges) on higher (lower) fixed income reinvestment rates assumed in the valuation of insurance and investment contract liabilities, including the impact on the fixed income ultimate reinvestment rate ("URR").
   - Gains (charges) on sale of AFS bonds and open derivatives not in hedging relationships in the Corporate and Other segment.
2. Net favourable investment-related experience in excess of $400 million per annum or net unfavourable investment-related experience on a year-to-date basis. Investment-related experience relates to fixed income redeployment, alternative long-duration asset returns, credit experience and asset mix changes. This favourable and unfavourable investment-related experience is a combination of reported investment experience as well as the impact of investing activities on the measurement of our insurance and investment contract liabilities.
3. Mark-to-market gains or losses on assets held in the Corporate and Other segment other than gains on AFS equities and seed money investments in new segregated or mutual funds.
4. Changes in actuarial methods and assumptions.
5. The impact on the measurement of insurance and investment contract liabilities of changes in product features or new reinsurance transactions, if material.

6. Goodwill impairment charges.
7. Gains or losses on disposition of a business.
8. Material one-time only adjustments, including highly unusual/extraordinary and material legal settlements or other items that are material and exceptional in nature.
9. Tax on the above items.
10. Impact of enacted or substantially enacted income tax rate changes.

The following table summarizes for the past eight quarters core earnings and net income (loss) attributed to shareholders.

Total Company

	Quarterly Results							
($ millions, unaudited)	**3Q16**	2Q16	1Q16	4Q15	3Q15	2Q15	1Q15	4Q14
Core earnings (loss)								
Asia Division	**$ 394**	$ 342	$ 371	$ 334	$ 338	$ 283	$ 279	$ 260
Canadian Division	**354**	333	338	352	336	303	261	224
U.S. Division	**394**	361	389	332	375	385	374	338
Corporate and Other (excluding expected cost of macro hedges and core investment gains)	**(102)**	(125)	(107)	(85)	(66)	(74)	(73)	(112)
Expected cost of macro hedges	**(61)**	(78)	(86)	(74)	(62)	(46)	(44)	(47)
Investment-related experience included in core earnings	**17**	-	-	-	(51)	51	-	50
Total core earnings	**996**	833	905	859	870	902	797	713
Investment-related experience outside of core earnings	**280**	60	(340)	(361)	(169)	77	(77)	(403)
Core earnings plus investment-related experience outside of core earnings	**1,276**	893	565	498	701	979	720	310
Other items to reconcile core earnings to net income attributed to shareholders:								
Direct impact of equity markets and interest rates and variable annuity guarantee liabilities (details below)	**414**	(170)	474	(29)	232	(309)	13	377
Recapture of reinsurance treaties	**-**	-	-	(52)	-	-	12	-
Change in actuarial methods and assumptions	**(455)**	-	12	(97)	(285)	(47)	(22)	(59)
Integration and acquisition costs	**(23)**	(19)	(14)	(39)	(26)	(54)	(30)	12
Tax-related items	**2**	-	1	2	-	31	30	-
Other items	**(97)**	-	7	(37)	-	-	-	-
Net income attributed to shareholders	**$ 1,117**	$ 704	$ 1,045	$ 246	$ 622	$ 600	$ 723	$ 640
Other market-related factors								
Direct impact of equity markets and variable annuity guarantee liabilities	**$ 96**	$ (97)	$ (150)	$ 77	$ (419)	$ 28	$ 15	$ (142)
Gains (charges) on higher (lower) fixed income reinvestment rates assumed in the valuation of policy liabilities	**218**	(113)	407	(97)	647	(362)	13	533
Gains (charges) on sale of AFS bonds and derivative positions in the Corporate segment	**255**	40	217	(9)	4	25	(15)	(14)
Risk reduction items	**(155)**	-	-	-	-	-	-	-
Direct impact of equity markets and interest rates and variable annuity guarantee liabilities	**$ 414**	$ (170)	$ 474	$ (29)	$ 232	$ (309)	$ 13	$ 377

Asia Division

($ millions, unaudited)	**3Q16**	2Q16	1Q16	4Q15	3Q15	2Q15	1Q15	4Q14
				Quarterly Results				
Asia Division core earnings	**$ 394**	$ 342	$ 371	$ 334	$ 338	$ 283	$ 279	$ 260
Investment-related experience outside of core earnings	**62**	(25)	(20)	(3)	21	7	-	(2)
Core earnings plus investment-related experience outside of core earnings	**456**	317	351	331	359	290	279	258
Other items to reconcile core earnings to net income attributed to shareholders								
Direct impact of equity markets and interest rates and variable annuity guarantee liabilities	**107**	(287)	(238)	76	(248)	15	(17)	78
Tax-related items	**-**	-	10	2	-	(2)	20	-
Integration and acquisition costs	**(2)**	(2)	(2)	-	-	-	-	-
Net income attributed to shareholders[1]	**$ 561**	$ 28	$ 121	$ 409	$ 111	$ 303	$ 282	$ 336

[1] The 2015 earnings on assets backing capital allocated to each operating segment have been restated to align with the methodology used in 2016.

Canadian Division

($ millions, unaudited)	**3Q16**	2Q16	1Q16	4Q15	3Q15	2Q15	1Q15	4Q14
				Quarterly Results				
Canadian Division core earnings	**$ 354**	$ 333	$ 338	$ 352	$ 336	$ 303	$ 261	$ 224
Investment-related experience outside of core earnings	**35**	(88)	(78)	(180)	(144)	14	(81)	(199)
Core earnings plus investment-related experience outside of core earnings	**389**	245	260	172	192	317	180	25
Other items to reconcile core earnings to net income attributed to shareholders								
Direct impact of equity markets and interest rates and variable annuity guarantee liabilities	**60**	130	346	(201)	97	(114)	(65)	48
Recapture of reinsurance treaty and tax-related items	**-**	-	-	(52)	-	1	12	-
Integration and acquisition costs	**(14)**	(16)	(6)	(23)	(13)	(14)	(9)	-
Net income (loss) attributed to shareholders[1]	**$ 435**	$ 359	$ 600	$ (104)	$ 276	$ 190	$ 118	$ 73

[1] The 2015 earnings on assets backing capital allocated to each operating segment have been restated to align with the methodology used in 2016.

U.S. Division

($ millions, unaudited)	**3Q16**	2Q16	1Q16	4Q15	3Q15	2Q15	1Q15	4Q14
				Quarterly Results				
U.S. Division core earnings	**$ 394**	$ 361	$ 389	$ 332	$ 375	$ 385	$ 374	$ 338
Investment-related experience outside of core earnings	**192**	93	(233)	(146)	(34)	64	(9)	(154)
Core earnings plus investment-related experience outside of core earnings	**586**	454	156	186	341	449	365	184
Other items to reconcile core earnings to net income (loss) attributed to shareholders								
Direct impact of equity markets and interest rates and variable annuity guarantee liabilities	**72**	(47)	82	142	174	(251)	99	322
Integration and acquisition costs	**(4)**	-	(4)	(5)	(8)	(32)	-	-
Intangibles write-off	**(97)**	-	-	-	-	-	-	-
Other items	**2**	-	7	-	-	-	-	-
Net income attributed to shareholders[1]	**$ 559**	$ 407	$ 241	$ 323	$ 507	$ 166	$ 464	$ 506

[1] The 2015 earnings on assets backing capital allocated to each operating segment have been restated to align with the methodology used in 2016.

Corporate and Other

($ millions, unaudited)	Quarterly Results 3Q16	2Q16	1Q16	4Q15	3Q15	2Q15	1Q15	4Q14
Corporate and Other core loss (excluding expected cost of macro hedges and core investment gains)	**$ (102)**	$ (125)	$ (107)	$ (85)	$ (66)	$ (74)	$ (73)	$ (112)
Expected cost of macro hedges	**(61)**	(78)	(86)	(74)	(62)	(46)	(44)	(47)
Investment-related experience included in core earnings	**17**	-	-	-	(51)	51	-	50
Total core loss	**(146)**	(203)	(193)	(159)	(179)	(69)	(117)	(109)
Investment-related experience outside of core earnings	**(9)**	80	(9)	(32)	(12)	(8)	13	(48)
Core loss plus investment-related experience outside of core earnings	**(155)**	(123)	(202)	(191)	(191)	(77)	(104)	(157)
Other items to reconcile core earnings (loss) to net income (loss) attributed to shareholders								
Direct impact of equity markets and interest rates and variable annuity guarantee liabilities	**175**	34	284	(46)	209	41	(4)	(71)
Changes in actuarial methods and assumptions	**(455)**	-	12	(97)	(285)	(47)	(22)	(59)
Integration and acquisition costs	**(3)**	(1)	(2)	(11)	(5)	(8)	(21)	12
Tax-related items	**-**	-	(9)	-	-	32	10	-
Other items	**-**	-	-	(37)	-	-	-	-
Net income (loss) attributed to shareholders(1)	**$ (438)**	$ (90)	$ 83	$ (382)	$ (272)	$ (59)	$ (141)	$ (275)

(1) The Corporate and Other segment includes earnings on assets backing capital net of amounts allocated to operating divisions. The 2015 earnings on assets backing capital allocated to each operating segment have been restated to align with the methodology used in 2016.

Core return on common shareholders' equity ("Core ROE") is a non-GAAP profitability measure that presents core earnings available to common shareholders as a percentage of the capital deployed to earn the core earnings. The Company calculates Core ROE using average common shareholders' equity.

Diluted core earnings per common share is core earnings available to common shareholders expressed per diluted weighted average common share outstanding.

The Company also uses financial performance measures that are prepared on a **constant currency basis**, which are non-GAAP measures that exclude the impact of currency fluctuations (from local currency to Canadian dollars at a total company level and from local currency to U.S. dollars in Asia). Quarterly amounts stated on a constant currency basis in this MD&A are calculated, as appropriate, using the income statement and balance sheet exchange rates effective for 3Q16. Measures that are reported on a constant currency basis include percentage growth in sales, gross flows, premiums and deposits, Core EBITDA, and assets under management and administration.

Premiums and deposits is a non-GAAP measure of top line growth. The Company calculates premiums and deposits as the aggregate of (i) general fund premiums, net of reinsurance, reported as premiums on the Consolidated Statements of Income, (ii) segregated fund deposits, excluding seed money ("deposits from policyholders"), (iii) investment contract deposits, (iv) mutual fund deposits, (v) deposits into institutional advisory accounts, (vi) premium equivalents for "administration services only" group benefits contracts ("ASO premium equivalents"), (vii) premiums in the Canadian Group Benefits reinsurance ceded agreement, and (viii) other deposits in other managed funds.

Premiums and deposits ($ millions)	Quarterly Results 3Q16	2Q16	3Q15
Net premium income and investment contract deposits	**$ 7,235**	$ 6,773	$ 6,238
Deposits from policyholders	**7,470**	7,376	7,854
Mutual fund deposits	**19,152**	17,270	16,768
Institutional advisory account deposits	**1,477**	2,879	2,165
ASO premium equivalents	**748**	869	804
Group Benefits ceded premiums	**1,058**	1,506	1,012
Other fund deposits	**123**	126	116
Total premiums and deposits	**37,263**	36,799	34,957
Currency impact	**-**	375	89
Constant currency premiums and deposits	**$ 37,263**	$ 37,174	$ 35,046

Assets under management and administration ("AUMA") is a non-GAAP measure of the size of the Company. It is comprised of the non-GAAP measures assets under management ("AUM"), which includes both assets of general account and external client assets for which we provide investment management services, and assets under administration ("AUA"), which includes assets for which we provide administrative services only. Assets under management and administration is a common industry metric for WAM businesses.

Assets under management and administration

As at ($ millions)	September 30, 2016	June 30, 2016	September 30, 2015
Total invested assets	$ 328,756	$ 321,664	$ 297,835
Segregated funds net assets	313,904	303,154	301,276
Assets under management per financial statements	642,660	624,818	599,111
Mutual funds	162,994	154,804	147,185
Institutional advisory accounts (excluding segregated funds)	71,935	71,437	62,931
Other funds	8,649	8,293	6,549
Total assets under management	886,238	859,352	815,776
Other assets under administration	79,719	74,868	72,199
Currency impact	-	5,358	(5,818)
Constant currency assets under management and administration	$ 965,957	$ 939,578	$ 882,157

Capital The definition we use for capital, a non-GAAP measure, serves as a foundation of our capital management activities at the MFC level. For regulatory reporting purposes, the numbers are further adjusted for various additions or deductions to capital as mandated by the guidelines used by OSFI. Capital is calculated as the sum of (i) total equity excluding accumulated other comprehensive income ("AOCI") on cash flow hedges and (ii) liabilities for preferred shares and capital instruments.

Capital

As at ($ millions)	September 30, 2016	June 30, 2016	September 30, 2015
Total equity	$ 43,315	$ 42,383	$ 40,890
Add AOCI loss on cash flow hedges	391	415	309
Add liabilities for capital instruments	8,134	8,132	6,681
Total capital	$ 51,840	$ 50,930	$ 47,880

Core EBITDA is a non-GAAP measure which Manulife uses to better understand the long-term earnings capacity and valuation of the business on a more comparable basis to how global asset managers are measured. Core EBITDA presents core earnings before the impact of interest, taxes, depreciation, and amortization. Core EBITDA was selected as a key performance indicator for WAM businesses, as EBITDA is widely used among asset management peers, and core earnings is a primary profitability metric for the Company overall.

Wealth and Asset Management

	Quarterly Results							
($ millions, unaudited)	3Q16	2Q16	1Q16	4Q15	3Q15	2Q15	1Q15	4Q14
Core EBITDA	$ 288	$ 288	$ 285	$ 302	$ 312	$ 314	$ 296	$ 255
Amortization of deferred acquisition costs and other depreciation	89	77	85	84	84	82	77	63
Amortization of deferred sales commissions	24	26	29	22	27	27	30	22
Core earnings before income taxes	175	185	171	196	201	205	189	170
Core income tax (expense) recovery	(16)	(33)	(31)	(41)	(34)	(45)	(41)	(41)
Core earnings	$ 159	$ 152	$ 140	$ 155	$ 167	$ 160	$ 148	$ 129

Embedded value ("EV") is a measure of the present value of shareholders' interests in the expected future distributable earnings on in-force business reflected in the Consolidated Statement of Financial Position of Manulife, excluding any value associated with future new business. The adjusted net worth is the IFRS shareholders' equity adjusted for goodwill and intangibles, fair value of surplus assets, third-party debt, and pension liabilities, and local statutory balance sheet, regulatory reserve, and capital for Manulife's Asian business. The value of in-force business in Canada and the U.S. is the present value of expected future IFRS earnings on in-force business less the present value of the cost of holding capital to support the in-force business under the MCCSR framework. The value of in-force business in Asia reflects local statutory earnings and capital requirements. The value of in-force excludes businesses without material insurance risks, such as Manulife's WAM businesses, Manulife Bank and the Property and Casualty Reinsurance business. EV is calculated as the sum of the adjusted net worth and the value of in-force business.

New business value ("NBV") is the change in embedded value as a result of sales in the reporting period. NBV is calculated as the present value of shareholders' interests in expected future distributable earnings, after the cost of capital, on actual new business sold in the period using assumptions that are consistent with the assumptions used in the calculation of embedded value. NBV excludes businesses with immaterial insurance risks, such as Manulife's wealth and asset management businesses, Manulife Bank and the Property and Casualty Reinsurance business. NBV is a useful metric to evaluate the value created by the Company's new business franchise.

New business value margin is calculated as NBV divided by annualized premium equivalents ("APE") excluding non-controlling interests. APE is calculated as 100% of annualized first year premiums for recurring premium products, and as 10% of single premiums for single premium products. Both NBV and APE used in the NBV margin calculation are after non-controlling interests and exclude wealth and asset management businesses, Manulife Bank and the Property and Casualty Reinsurance business. The NBV margin is a useful metric to help understand the profitability of our new business.

Sales are measured according to product type:
For individual insurance, sales include 100% of new annualized premiums and 10% of both excess and single premiums. For individual insurance, new annualized premiums reflect the annualized premium expected in the first year of a policy that requires premium payments for more than one year. Single premium is the lump sum premium from the sale of a single premium product, e.g. travel insurance. Sales are reported gross before the impact of reinsurance.

For group insurance, sales include new annualized premiums and administrative services only premium equivalents on new cases, as well as the addition of new coverages and amendments to contracts, excluding rate increases.

Annualized premium equivalent ("APE") sales is comprised of 100% of regular premiums/deposits and 10% of single premiums/deposits for both insurance and other wealth products. APE sales are presented for Asia to provide consistency of scope for NBV disclosures and industry practice.

Other Wealth sales include all new deposits into variable and fixed annuity contracts. As we discontinued sales of new Variable Annuity contracts in the U.S. in 1Q13, subsequent deposits into existing U.S. Variable Annuity contracts are not reported as sales. Asia variable annuity deposits are included in APE sales.

Bank new lending volumes include bank loans and mortgages authorized in the period.

Gross flows is a business measure for Manulife's WAM businesses and includes all deposits into the Company's mutual funds, college savings 529 plans, group pension/retirement savings products, private wealth and institutional asset management products. Gross flows are a common industry metric for WAM businesses as it provides a measure of how successful the businesses are at attracting assets.

Net flows is presented for our WAM businesses and includes gross flows less redemptions for our mutual funds, college savings 529 plans, group pension/retirement savings products, private wealth and institutional asset management products. Net flows are a common industry metric for WAM businesses as it provides a measure of how successful the businesses are at attracting and retaining assets.

G4 Caution regarding forward-looking statements

From time to time, MFC makes written and/or oral forward-looking statements, including in this document. In addition, our representatives may make forward-looking statements orally to analysts, investors, the media and others. All such statements are made pursuant to the "safe harbour" provisions of Canadian provincial securities laws and the U.S. Private Securities Litigation Reform Act of 1995.

The forward-looking statements in this document include, but are not limited to, statements with respect the expected impact of the decision to discontinue new sales of our stand-alone individual long-term care product, our ability to obtain state approved price increases on our John Hancock Long-Term Care business, Manulife's expected capital position under the new LICAT guideline and the anticipated impact of an update to the ASB's URR assumptions.

The forward-looking statements in this document also relate to, among other things, our objectives, goals, strategies, intentions, plans, beliefs, expectations and estimates, and can generally be identified by the use of words such as "may", "will", "could", "should", "would", "likely", "suspect", "outlook", "expect", "intend", "estimate", "anticipate", "believe", "plan", "forecast", "objective", "seek", "aim", "continue", "goal", "restore", "embark" and "endeavour" (or the negative thereof) and words and expressions of similar import, and include statements concerning possible or assumed future results. Although we believe that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements and they should not be interpreted as confirming market or analysts' expectations in any way.

Certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such statements. Important factors that could cause actual results to differ materially from expectations include but are not limited to: general business and economic conditions (including but not limited to the performance, volatility and correlation of equity markets, interest rates, credit and swap spreads, currency rates, investment losses and defaults, market liquidity and creditworthiness of guarantors, reinsurers and counterparties); changes in laws and regulations; changes in accounting standards applicable in any of the territories in which we operate; changes in regulatory capital requirements applicable in any of the territories in which we operate; our ability to execute strategic plans and changes to strategic plans; downgrades in our financial strength or credit ratings; our ability to maintain our reputation; impairments of goodwill or intangible assets or the establishment of provisions against future tax assets; the accuracy of estimates relating to morbidity, mortality and policyholder behaviour; the accuracy of other estimates used in applying accounting policies, actuarial methods and embedded value methods; our ability to implement effective hedging strategies and unforeseen consequences arising from such strategies; our ability to source appropriate assets to back our long-dated liabilities; level of competition and consolidation; our ability to market and distribute products through current and future distribution channels, including through our collaboration arrangements with Standard Life plc, bancassurance partnership with DBS Bank Ltd and distribution agreement with Standard Chartered; unforeseen liabilities or asset impairments arising from acquisitions and dispositions of businesses, including with respect to the acquisitions of Standard Life, New York Life's Retirement Plan Services business, and Standard Chartered's MPF and Occupational and Retirement Schemes Ordinance ("ORSO") businesses; the realization of losses arising from the sale of investments classified as available-for-sale; our liquidity, including the availability of financing to satisfy existing financial liabilities on expected maturity dates when required; obligations to pledge additional collateral; the availability of letters of credit to provide capital management flexibility; accuracy of information received from counterparties and the ability of counterparties to meet their obligations; the availability, affordability and adequacy of reinsurance; legal and regulatory proceedings, including tax audits, tax litigation or similar proceedings; our ability to adapt products and services to the changing market; our ability to attract and retain key executives, employees and agents; the appropriate use and interpretation of complex models or deficiencies in models used; political, legal, operational and other risks associated with our non-North American operations; acquisitions and our ability to complete acquisitions including the availability of equity and debt financing for this purpose; the failure to realize some or all of the expected benefits of the acquisitions of Standard Life, New York Life's Retirement Plan Services business, and Standard Chartered's MPF and ORSO businesses; the disruption of or changes to key elements of the Company's system or public infrastructure systems; environmental concerns; our ability to protect our intellectual property and exposure to claims of infringement; and our inability to withdraw cash from subsidiaries.

Additional information about material risk factors that could cause actual results to differ materially from expectations and about material factors or assumptions applied in making forward-looking statements may be found in this document under "Risk Management and Risk Factors Update" and "Critical Accounting and Actuarial Policies" as well as under "Risk Factors" in our most recent Annual Information Form, under "Risk Management", "Risk Factors" and "Critical Accounting and Actuarial Policies" in the Management's Discussion and Analysis in our most recent annual report, in the "Risk Management" note to consolidated financial statements in our most recent annual and interim reports and elsewhere in our filings with Canadian and U.S. securities regulators.

The forward-looking statements in this document are, unless otherwise indicated, stated as of the date hereof and are presented for the purpose of assisting investors and others in understanding our financial position and results of operations, our future operations, as well as our objectives and strategic priorities, and may not be appropriate for other purposes. We do not undertake to update any forward-looking statements, except as required by law.