

Caution regarding forward-looking statements

This document contains certain forward-looking statements with respect to Manulife Bank of Canada's ("MBC" or the "Bank") financial condition, results of operations and business. Forward-looking statements can generally be identified by words such as "will," "expects," "believes," "seeks," "estimates," "potential," "possible," "targeting," and variations of these words and similar expressions.

Forward-looking statements involve inherent risks and uncertainties and, therefore, undue reliance should not be placed on them. Readers are cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statement. These factors include changes in general economic conditions in the market in which MBC operates, changes to government policy and regulation, and factors specific to MBC.

The forward-looking statements in this document are, unless otherwise indicated, as of the date they are made. MBC makes no commitment to revise or update any forward-looking statements.

B20 Disclosures

Residential mortgage loans and Manulife One

MBC has a conservative and high-quality mortgage loans portfolio. As at December 31, 2022, MBC had \$3.9 billion residential mortgage loans, of which \$3.4 billion (87%) were insured⁷ and \$0.5 billion (13%) were uninsured. In addition, the Bank had \$17.8 billion of Manulife One loans of which \$3.6 billion (20%) were insured and \$14.2 billion (80%) were uninsured. Overall, as at December 31, 2022, MBC had \$21.7 billion in residential mortgage and Manulife One mortgage loans of which \$7.0 billion (32%) were insured. All residential mortgage loans and Manulife One mortgage loans were originated in Canada.

The table outlining the residential mortgage loans and Manulife One portfolios by geographic region⁸ and type is included in the quantitative disclosures below.

Residential mortgage loans and Manulife One (fixed⁹) portfolios by amortization period

A summary of MBC's residential mortgage loans and Manulife One (fixed) by remaining amortization¹⁰ period based on the contractual terms of the mortgage agreement is presented in the quantitative section below.

Average loan-to-value (LTV) ratio

The LTV ratio factors in the amount of collateral value that supports the loan in comparison to the loan value. The LTV ratio on MBC's total uninsured residential mortgage portfolio, including HELOCs was 51% as at December 31, 2022 (December 31, 2021 – 49%). This calculation is weighted by mortgage balances and adjusted for property values based on the Teranet – National Bank National Composite House Price Index.

The Bank regularly monitors the credit quality of its portfolio and has implemented a proactive management program, where the Bank takes corrective actions prior to loans going into arrears. The Bank also performs stress tests in order to assess the expected losses on the portfolio in a scenario of a severe shock to the real estate market. The tests indicate that MBC is well positioned to absorb credit losses resulting from conditions assumed in the stress tests.

The following provides a summary of the weighted average LTV ratio by geographic region¹¹ and type for newly originated and acquired uninsured mortgage loans and HELOCs (including refinances with increase in funds or limits) during the current period.

⁷ Insured mortgage loans and Manulife One accounts refer to mortgage loans and accounts whereby the exposure to default is mitigated by insurance through the CMHC or other private mortgage default insurers.

⁸ Region is based upon address of property mortgaged.

⁹ Fixed represents the amortizing portion of the Manulife One account.

¹⁰ Remaining amortization is the difference between the contractual amortization and the time elapsed since origination.

¹¹ Region is based upon address of property mortgaged.

Remuneration¹²

Overview

Executive compensation at MBC is designed to attract and retain executives and to focus them on objectives that deliver superior business results. Compensation is based on a “pay for performance” compensation philosophy and is aligned with the achievement of MBC’s short-term and longer-term strategic goals. MBC follows the compensation policies and programs of MFC, its ultimate parent company.

MFC’s compensation program, governance and other pertinent information are described in MFC’s Proxy Circular (https://www.manulife.com/content/dam/corporate/en/documents/investors/MFC_PC_2023_Y1_EN.pdf). In addition, MFC’s Proxy Circular contains disclosures relating to the most important design characteristics of its compensation programs including the ways in which current and future risks are considered and reflected in remuneration of employees. MFC’s executive compensation program contains a number of features and practices that are generally considered to decrease the risk associated with compensation including but not limited to:

- A compensation horizon that is appropriately balanced between short-term, and longer-term;
- The use of multiple performance metrics in incentive plan design;
- Compulsory share ownership requirements; and
- Stress testing of the current compensation designs to ensure potential payouts continue to be aligned with business performance.

The tables below provide aggregate information on compensation in respect of full year 2022 and 2021, for employees whose actions have a material impact on MBC’s risk exposure (“Material Employees”). Material Employees include members of the executive leadership team of MBC, which is comprised of personnel at the Assistant Vice President level or higher. To protect against conflict of interest, the variable and deferred compensation for the CRO of MBC is based on the overall financial results of MFC’s Canada segment¹³ as opposed to the financial results of MBC.

¹² Disclosures on remuneration are required on an annual basis. These are included in the Q4 Financial Performance and Regulatory Disclosures document each year.

¹³ MFC’s Canada segment is a leading financial services organization offering a diverse range of protection, estate planning, investment and banking solutions through a diversified multi-channel distribution network. MBC is part of the Canada segment.

Glossary

Basel III framework

- Pillar 1 – CAR: Outlines methodologies to calculate capital and set minimum capital requirements;
- Pillar 2 – Supervisory Review: Requires banks to maintain a formal internal capital adequacy assessment process, subject to supervisory review; and
- Pillar 3 – Market Discipline: Complements other pillars by providing enhanced public disclosures to enable market participants to understand the risk profile of the bank and assess the application of Basel III capital requirements.

Risk weighted assets (“RWA”)

Under Basel III, OSFI requires banks to meet minimum risk-based capital requirements for exposures to credit risk, operational risk and market risk, where there are significant trading activities. Risk-weighted assets are calculated for each of these types of risks and added together to determine total risk weighted assets.

Common Equity Tier 1 (“CET1”) capital

Comprised mainly of common shares, retained earnings and AOCI, net of applicable regulatory adjustments.

Additional Tier 1 capital

Consists of Tier 1 instruments issued that do not meet the criteria of CET1, contributed surplus from the issuance of instruments not included in CET1, instruments issued by consolidated subsidiaries not included in CET1, net of applicable regulatory adjustments.

Tier 2 capital

Consists of eligible general allowances and subordinated debt, net of applicable regulatory adjustments.

Capital ratios

Regulatory capital ratios are calculated by dividing CET1, Tier 1 and Total Capital by risk-weighted assets. In addition to the CET1, Tier 1 and Total Capital Ratios, Canadian Deposit-taking Institutions are required to ensure that a Leverage Ratio meets a minimum level prescribed by OSFI. All items that are deducted from capital are excluded from total assets.

Leverage ratio

The Leverage Ratio is calculated by dividing the Bank’s Tier 1 Capital by the Bank’s Total Exposure. The Bank’s Total Exposure is the sum of the following: (a) on-balance sheet exposures; (b) derivative exposures; (c) securities financing transaction exposures; and (d) off-balance sheet exposures.

Efficiency ratio

The ratio represents total money expended to earn a dollar of revenue i.e. a ratio of expense to revenue. A low ratio indicates that the Bank has been efficiently utilizing its resources.