

# Manulife profit falls on stock markets, currency

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By Lynne Olver

TORONTO (Reuters) - Profit at **Manulife Financial Corp** (nyse: MFC - news - people ) fell 8.5 percent in the second quarter, missing analyst forecasts, as weak equity markets, a stronger Canadian dollar and tax-related provisions all took a toll.

But Manulife, North America's No. 2 life insurer, also raised its dividend by 8 percent to 26 Canadian cents a share, and stressed that its insurance and wealth management sales grew by double digits.

"We again experienced excellent sales results in almost every one of our businesses," Chief Executive Dominic D'Alessandro said on a conference call.

He said the company's costs are under control, it is expanding and gaining market share.

"We don't run the business for quarter-to-quarter purposes, we run it for the long term ... we look forward to continuing to deliver strong results in the periods ahead, no matter what the economic conditions are," D'Alessandro said.

Manulife earned C\$1.01 billion (\$963.3 million), or 66 Canadian cents a share, down from year-earlier C\$1.1 billion, or 71 Canadian cents a share.

Analysts had expected profit of 71 Canadian cents a share before exceptional items, according to Reuters Estimates.

Manulife shares were off 3.1 percent at C\$36.44 on the Toronto Stock Exchange late in the session.

"Obviously the headline number was short of consensus, it's a slight miss," said Jukka Lipponen, insurance analyst at investment bank Keefe, Bruyette & Woods.

"In the corporate segment they had a loss, and I was looking for positive earnings. But in terms of top-line growth, they had a lot of strength in a number of areas."

Excluding currency movements, insurance sales rose 18 percent and wealth management sales climbed 14 percent.

Toronto-based Manulife, which operates in Canada, the United States and Asia, said charges from insurance sales growth, less favorable credit and equity markets and tax-related charges on leveraged lease investments more than offset improvements in earnings from a higher insurance in-force base and investment gains.

Equity market declines, primarily in the U.S. and Hong Kong, hurt fee income while the higher Canadian dollar trimmed earnings by C\$41 million in the quarter, Manulife said. About 70 percent of its income is denominated in foreign currencies.

The year-over-year currency drag should abate in upcoming quarters, RBC Capital Markets analyst Andre-Philippe Hardy said in a research note.

Despite the earnings drop, operating results were strong and the investment portfolio continues to be well diversified, Chief Financial Officer Peter Rubenovitch said.

"Our exposure to problematic investments remains quite modest, and the current market environment has presented good investment opportunities, allowing us to add some attractive (credit) spread assets of high quality," Rubenovitch said.

The company said premiums and deposits rose 5 percent to C\$17.26 billion. Annualized return on equity was 17 percent in the quarter, down from 18.5 percent a year earlier.

"All in, given the markets we're in, it wasn't a bad quarter," said Ohad Lederer, an analyst at Veritas Investment Research. "Whenever there's this much turbulence in the market, they will have turbulence as well."

Total funds under management slipped 3 percent to C\$400.3 billion due partly to the stronger Canadian dollar, Manulife said. (\$1=\$1.05 Canadian)