U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 40-F

(Check One)

o Registration statement pursuant to Section 12 of the Securities Exchange Act of 1934

or

þ Annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2004

Commission file number 1-14942

MANULIFE FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Canada	**6311**	**Not applicable**
(Province or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number (if applicable))	(I.R.S. Employer Identification Number (if applicable))

200 Bloor Street East, NT 11, Toronto, Ontario, Canada M4W 1E5
(416) 926-3000
(Address and Telephone Number of Registrant's Principal Executive Offices)

James Gallagher, Manulife Financial Corporation, 601 Congress Street, Boston MA 02210
(617) 572-6000
(Name, Address (Including Zip Code) and Telephone Number
(Including Area Code) of Agent For Service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	**Name of each exchange on which registered**
Common Shares	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act. None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act. None.

For annual reports, indicate by check mark the information filed with this Form:

þ Annual Information Form þ Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 807,562,047 common shares

Indicate by check mark whether the registrant by filing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934 (the "Exchange Act"). If "Yes" is marked, indicate the file number assigned to the registrant in connection with such rule.

Yes o No þ

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days.

Yes þ No o

Principal Documents

The following documents, filed as exhibits 99.1, 99.2 and 99.3 hereto, are hereby incorporated by reference into this Annual Report:

(a) Renewal Annual Information Form, dated March 21, 2005, for the fiscal year ended December 31, 2004;

(b) Management's Discussion and Analysis for the fiscal year ended December 31, 2004; and

(c) Consolidated Financial Statements for the fiscal year ended December 31, 2004 *(Note 23 to the Consolidated Financial Statements relates to United States Accounting Principles and Reporting (U.S. GAAP)).*

Certifications and Disclosure Regarding Controls and Procedures.

(a) Certifications. See Exhibits 99.4 and 99.5 to this Annual Report on Form 40-F.

(b) Disclosure Controls and Procedures. As of the end of Manulife Financial Corporation's (the "Company") fiscal year ended December 31, 2004, an evaluation of the effectiveness of the Company's "disclosure controls and procedures" (as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) was carried out under the supervision and with the participation of the Company's principal executive officer and principal financial officer. Based upon that evaluation, the Company's principal executive officer and principal financial officer have concluded that as of the end of that fiscal year, the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and (ii) accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

(c) Changes in Internal Control Over Financial Reporting. No change in the Company's internal controls over financial reporting (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended) occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Audit Committee Financial Expert.

The Board of Directors of Manulife Financial Corporation (the "Company") has determined that each of Messrs. Benson, Celeste, DeWolfe, Dineen, Graham, Kierans and Sawchuk (the "Financial Experts") has the necessary qualifications to be designated as an "audit committee financial expert" (within the meaning of applicable U.S. Securities and Exchange Commission rules). The Financial Experts are independent, as that term is defined by the New York Stock Exchange's listing standards. The disclosure provided under the heading "Audit & Risk Management Committee" on page 41 of the Company's Renewal Annual Information Form, filed as Exhibit 99.3 hereto, is incorporated by reference herein.

Code of Ethics.

The Company has adopted a Code of Business Conduct and Ethics ("Code") that applies to all directors, officers and employees, and that qualifies as a "code of ethics" as that term is defined in Form 40-F. The Code is available for viewing on the Company's website at:

http://www.manulife.com/corporate/corporate2.nsf/LookupFiles/DownloadableFileCorporateGovernance-CodeofBusinessConduct/$File/businessConductEthics.pdf

The Code was amended as of February 10, 2005 to combine the existing codes of the Company and John Hancock Financial Services, Inc.

Principal Accountant Fees and Services.

The following table represents the fees billed by Ernst & Young LLP to the Manulife Financial group of companies in 2004 and 2003. The increase in fees in 2004 is due to the merger with John Hancock Financial Services, Inc. and primarily relates to annual audit fees of the Company's new subsidiaries and fees incurred with respect to the transaction itself.

(Canadian $ in millions)	Year ended December 31, 2004	Year ended December 31, 2003
Audit fees	$ 23.9	$ 7.5
Audit-related fees	1.1	0.5
Tax fees	0.9	2.2
All other fees	0.4	0.4
	$ 26.3	$ 10.6

Audit Fees
Fees for audit services totaled approximately Canadian $23.9 million in 2004 and approximately Canadian $7.5 million in 2003, including fees associated with the annual audit, the reviews of the Company's quarterly reports, statutory audits and regulatory filings.

Audit-Related Fees
Fees for audit-related services totaled approximately Canadian $1.1 million in 2004 and approximately Canadian $0.5 million in 2003. Audit-related services principally include due diligence in connection with mergers and acquisitions, audits in connection with proposed or consummated acquisitions, and consultations concerning financial accounting and reporting standards.

Tax Fees
Fees for tax services totaled approximately Canadian $0.9 million in 2004 and approximately Canadian $2.2 million in 2003. Fees for tax services include tax compliance, tax planning and tax advice services.

All Other Fees
Fees for all other services not included above totaled approximately Canadian $0.4 million in 2004 and Canadian $0.4 million in 2003.

Pre-Approval Policies and Procedures.

The Audit and Risk Management Committee ("Audit Committee") reviews all requests for proposed audit or permitted non-audit services to be provided by the Company's independent auditor under the Audit Committee's Protocol for Approval of Audit and Permitted Non-Audit Services. Under this Protocol, the Audit Committee annually

reviews and pre-approves recurring audit and non-audit services that are identifiable for the coming year. This Protocol also requires that any audit or non-audit services that are proposed during the year be approved by the Audit Committee, or by a member of the Audit Committee appointed by the Audit Committee.

All audit and non-audit services provided to the Company by Ernst & Young LLP have been pre-approved by the Audit Committee. The Audit Committee has reviewed the magnitude and nature of these services to ensure that they are compatible with maintaining the independence of the external auditor.

Off-Balance Sheet Arrangements.

The Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Tabular Disclosure of Contractual Obligations.

The required disclosure has been provided under the heading "Contractual Obligations" in the Company's Management's Discussion and Analysis, filed as Exhibit 99.2 to this Annual Report on Form 40-F.

Identification of the Audit and Risk Management Committee.

The registrant has a separately-designated standing audit committee, called the Audit and Risk Management Committee, established in accordance with section 3(a)(58)(A) of the Exchange Act. The members of the Audit and Risk Management Committee are:

Kevin E. Benson	Lino J. Celeste	Richard B. DeWolfe
Robert E. Dineen, Jr	Allister P. Graham	Thomas E. Kierans
Arthur R. Sawchuk		

Disclosure Pursuant to the Requirements of the New York Stock Exchange.

Independence of Directors

Based on the standards established by the New York Stock Exchange, the Board of Directors of the Company has determined that all but one member of the Board is independent. Dominic D'Alessandro, the Company's President and Chief Executive Officer, is not an independent Director. The Board has determined that no other Director is in a relationship with the Company that would cause the Director to lose his or her status as independent.

Presiding Director at Meetings of Non-Management Directors

Each meeting of the Board and of its Committees is followed by an *in camera* meeting at which the independent Chair of the Board or the independent Chair one of the Committees of the Board acts as Chair of the meeting.

Communication with Non-Management Directors

Shareholders wishing to contact non-management Directors of the Company may write to the Chair of the Board, in care of the Corporate Secretary, at the head office of the Company, 200 Bloor Street East, Toronto, Ontario, Canada, M4W 1E5.

Corporate Governance Guidelines

The Company has established corporate governance guidelines in accordance with the requirements of the New York Stock Exchange. These guidelines, which the Company calls Corporate Governance Practices, are available for viewing on the Company's website at:

http://www.manulife.com/corporate/corporate2.nsf/LookupFiles/GovernanceStatement/$File/Statement2004.pdf

The Company's corporate governance practices meet or exceed the domestic issuer corporate governance requirements of the New York Stock Exchange Rules.

Board Committee Charters

The Company has established Board committee charters in accordance with the requirements of the New York Stock Exchange, which are available for viewing on the Company's website at:

http://www.manulife.com/corporate/corporate2.nsf/Public/directorsandcommittees.html

Requests for copies of these documents should be made by contacting the Corporate Secretary at the head office of the Company.

UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

A. Undertaking.

The registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

B. Consent to Service of Process.

The Company has previously filed a Form F-X in connection with the class of securities in relation to which the obligation to file this report arises.

Any change to the name or address of the agent for service of process of the registrant shall be communicated promptly to the Securities and Exchange Commission by an amendment to the Form F-X referencing the file number of the relevant registration statement.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 28, 2005.

Manulife Financial Corporation

By: /s/ Christer V. Ahlvik
Name: Christer V. Ahlvik
Title: Vice President, Corporate Law and Corporate Secretary

EXHIBIT INDEX

Exhibit	Description
99.1	Renewal Annual Information Form, dated March 21, 2005, for the fiscal year ended December 31, 2004
99.2	Management's Discussion and Analysis for the fiscal year ended December 31, 2004
99.3	Consolidated Financial Statements for the fiscal year ended December 31, 2004 *(Note 23 to the Consolidated Financial Statements relates to United States Accounting Principles and Reporting (U.S. GAAP))*
99.4	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14 of the Securities Exchange Act of 1934
99.5	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14 of the Securities Exchange Act of 1934
99.6	Section 1350 Certification of Chief Executive Officer
99.7	Section 1350 Certification of Chief Financial Officer
99.8	Consent of Auditors
99.9	Consent of Appointed Actuary
99.10	Sections of the 2004 Annual Report entitled "Business of the Annual Meeting — Appointment of Auditors", "Board of Directors", "Statement of Corporate Governance Practices", "Risk Management" and "Principal Subsidiaries" (*Incorporated by reference into the Renewal Annual Information Form, dated March 21, 2005, for the fiscal year ended December 31, 2004*)
99.11	Annual Report of John Hancock Financial Services, Inc. (SEC File No. 1-15607) on Form 10-K for the twelve months ended December 31, 2003, filed on March 15, 2004 (*Incorporated by reference into the Renewal Annual Information Form, dated March 21, 2005, for the fiscal year ended December 31, 2004*)
99.12	Quarterly Statement of John Hancock Financial Services, Inc. (SEC File No. 1-15607) on Form 10-Q for the three months ended March 31, 2004, filed on June 7, 2004 (*Incorporated by reference into the Renewal Annual Information Form, dated March 21, 2005, for the fiscal year ended December 31, 2004*)
99.13	Code of Business Conduct and Ethics (*Amended as of February 10, 2005*)

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MANULIFE FINANCIAL CORPORATION

RENEWAL ANNUAL INFORMATION FORM

March 21, 2005

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GLOSSARY

For the purpose of this annual information form ("Annual Information Form"), the term "Company" or "Manulife Financial" refers, at all times prior to September 23, 1999, to The Manufacturers Life Insurance Company ("Manufacturers Life") and its subsidiaries, and at all times on or after September 23, 1999, to Manulife Financial Corporation ("MFC") and its subsidiaries, including Manufacturers Life.

The following are brief explanations of certain terms as used in this Annual Information Form.

ACLI (American Council of Life Insurers) — an insurance industry association for life insurance companies in the United States, which works to promote a legislative and regulatory environment favourable to its members and provides information and educational resources to the public.

annuities — contracts that provide income payments at regular intervals, usually for a specified period (an annuity certain) or for the lifetime of the annuitant (a life annuity). Annuity contracts are offered on both an immediate and a deferred basis. Under immediate annuities, the payment of income commences at, or very shortly after, the date of issue of the contract. Under deferred annuity contracts, the payment of income commences on some specified future date, such as five years after the contract is issued. Contracts can be fixed or variable.

Canadian GAAP — Canadian generally accepted accounting principles as promulgated by The Canadian Institute of Chartered Accountants.

cash value — the gross value for which an in force policy can be surrendered.

COLI (corporate owned life insurance) — a specialized insurance product which provides tax-efficient funding vehicles for employee deferred compensation programs.

common investment platform — a common group of investment funds that are offered to the Company's customers across multiple variable insurance, annuity and pension product lines.

endowment insurance — life insurance policy which pays the face value at earlier of death or maturity date.

Fraser Group Universe Report — an annual report on pricing, profitability and market share in the Canadian group insurance industry, published by the Fraser Group, an independent Canadian consulting firm.

general fund — those assets and liabilities which a life insurance company reports on its consolidated balance sheet and for which a life insurance company bears the investment risk. Products treated as part of the general fund include participating whole life insurance, universal life insurance, term insurance, group life and health insurance and fixed-rate insurance, annuity and pension products, as well as reinsurance.

GIC (guaranteed investment contracts) — certificates of deposit on which guaranteed interest is payable or compounded annually and maturity is a specified term, usually one to five years.

group life and health insurance — insurance which insures the lives of a group of people (group life) or provides coverage for medical and dental costs, and income replacement for disabilities (group health) to a group of people under a master contract. Typically used by employers to provide coverage for their employees.

ICA — the *Insurance Companies Act* (Canada), as amended, including the regulations thereunder which apply to insurance companies that are incorporated under Canadian federal law and to foreign insurance companies that operate in Canada on a branch basis.

in force — an insurance or annuity contract which has not expired or otherwise been terminated.

individual life insurance — insurance which pays a stipulated sum in the event of the death of a named individual.

Letters Patent of Conversion — the letters patent issued under the ICA to effect the conversion proposal of Manufacturers Life from a mutual company to a company with common shares effective September 23, 1999.

LIMRA (Life Insurance Marketing Research Association) — an association which supports and enhances the marketing functions of life insurance companies through original research, products and services.

MCCSR (Minimum Continuing Capital and Surplus Requirements) — capital and liquidity requirements imposed by OSFI for Canadian federally regulated life insurance companies.

Minister of Finance — the Minister of Finance (Canada) or any Minister of State who has been delegated any of the Minister's powers, duties and functions under the ICA.

mortality risk — the risk arising from an insured person's death.

NAIC (National Association of Insurance Commissioners) — an association of the chief insurance supervisory officials of each state, territory or possession of the United States.

OSFI — the Office of the Superintendent of Financial Institutions (Canada), the primary regulator of federal financial institutions and federal pension plans.

Plan of Demutualization — the plan of demutualization of Manufacturers Life, which, for the purposes of the ICA, constituted a conversion proposal.

policy loan — a loan made to a policyholder based on the security of the cash value of a policy.

policyholder — the person who owns an insurance or annuity policy. Although the policyholder is usually the insured, in the case of group insurance the policyholder is usually the employer rather than the employee.

producer group — groups of agents and brokers who deal collectively with insurance companies in the areas of products, underwriting and compensation. A producer group also offers marketing and sales support to its members, as well as continuing education.

RRIF (registered retirement income fund) — a fund of undistributed accumulations of retirement savings, within the meaning of the *Income Tax Act* (Canada).

RRSP (registered retirement savings plan) — a savings plan for the purpose of providing a retirement income, within the meaning of the *Income Tax Act* (Canada).

reinsurance — the acceptance by one or more insurers, called reinsurers, of a portion of the risk underwritten by another insurer which has directly contracted to provide the coverage. The legal rights of the policyholder are not affected by the reinsurance transaction and the insurer issuing the insurance contract remains primarily liable to the policyholder for payment of policy benefits.

retrocession — a form of reinsurance that involves the assumption of risk from a reinsurer rather than the direct writer of the policy or policies.

SEDAR – the System for Electronic Document Analysis and Retrieval, found at www.sedar.com.

segregated fund — a fund, having its own portfolio of investments, kept separate from the general fund of a life insurance company in connection with one or more insurance policies or annuity contracts under which the company's liability to the policyholders varies with the performance of the fund.

Superintendent — the Superintendent of Financial Institutions (Canada).

surplus — the excess of assets over liabilities and other obligations in an insurance company's financial statements calculated in accordance with applicable accounting principles.

term life insurance — a life insurance policy which pays a stipulated sum on the death of the individual life insured, provided that death occurs within a specified number of years. There is usually no cash value.

third party administrator — a company that provides administrative support, including regulatory compliance, reporting and document processing, to sponsors of group plans.

underwriting — the process by which an insurance company assesses the risk inherent in an application for insurance prior to acceptance and issuance of a policy.

universal life insurance — a life insurance policy in which premiums, less expense charges, are credited to a policy account from which periodic charges for life insurance are deducted and to which interest and investment income are credited. Universal life insurance accumulates a cash value.

variable product — an insurance, annuity or pension product contract for which the reserves and/or benefits may vary in amount with the market value of a specified group of assets held in a segregated fund.

whole life insurance — a life insurance policy payable upon the death of the insured, with a fixed premium and accumulating cash values.

FINANCIAL PRESENTATION AND EXCHANGE RATE INFORMATION

Unless otherwise indicated, all financial information contained herein is given for the Company. The Company maintains its financial books and records in Canadian dollars and presents its financial statements in accordance with Canadian GAAP as applied to life insurance enterprises in Canada and the accounting requirements of the Superintendent. None of the accounting requirements of the Superintendent is an exception to Canadian GAAP.

Unless otherwise indicated, references in this Annual Information Form to "$," "Cdn.$" or "dollars" are to Canadian dollars. Exchange rates used for currency conversion to Canadian dollars for financial statements in this Annual Information Form are summarized in the following table:

	As at and for the year ended December 31		
	2004	2003	2002
U.S. dollar			
Balance sheet	1.2036	1.2924	1.5796
Statement of operations	1.3015	1.4015	1.5704
Japanese yen			
Balance sheet	0.011718	0.012066	0.013302
Statement of operations	0.012035	0.012088	0.012554

Notes: (1) Rates shown are the Canadian dollar price per U.S. dollar and Japanese yen. In accordance with Canadian GAAP, balance sheet amounts are converted at rates on the dates indicated, while statement of operations amounts are converted using the average rate for each quarter. The rate of exchange disclosed above for the annual Statement of Operations, which is the sum of each quarterly Statement of Operations, is the annual average for each year.
(2) Rates are based upon noon rates of exchange published by the Bank of Canada.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements contained in or incorporated by reference in this Annual Information Form, including those relating to the Company's strategies and other statements that are predictive in nature, that depend upon or refer to future events or conditions, are forward-looking statements with respect to the Company. These statements generally can be identified by the use of forward-looking words such as "may", "will", "expect", "intend", "estimate", "anticipate", believe" or "continue" or the negative thereof or similar variations. Although management believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties and actual results may differ materially from those expressed or implied by such forward-looking statements. Important factors that could cause actual results to differ materially from the Company's expectations include the matters discussed in this Annual Information Form and the documents incorporated by reference herein and include general economic and market factors, including interest rates, business competition and changes in government regulations or in tax laws.

CORPORATE STRUCTURE

HISTORY AND INCORPORATION

Manulife Financial Corporation was incorporated under the ICA on April 26, 1999 for the purpose of becoming the holding company of Manufacturers Life following its demutualization. Manufacturers Life was incorporated on June 23, 1887, by a Special Act of Parliament of the Dominion of Canada. Pursuant to the provisions of the *Canadian and British Insurance Companies Act* (Canada), the predecessor legislation to the ICA, Manufacturers Life undertook a plan of mutualization and became a mutual life insurance company on December 19, 1968. As a mutual life insurance company, Manufacturers Life had no common shareholders and its board of directors was elected by its participating policyholders in accordance with the ICA. Pursuant to Letters Patent of Conversion, effective September 23, 1999, Manufacturers Life implemented a plan of demutualization under the ICA and converted to a life insurance company with common shares and became the wholly owned subsidiary of MFC. MFC's head office and registered office is located at 200 Bloor Street East, Toronto, Canada, M4W 1E5.

INTERCORPORATE RELATIONSHIPS

The Company conducts its business activities through subsidiary companies in Canada, the United States, Hong Kong, Japan, the Philippines, Singapore, Indonesia, Thailand and Vietnam. The Company operates through branches in Barbados, Bermuda and Germany and through branches of subsidiaries in Taiwan and Macau. In China, the Company operates through a joint venture established with a local company. In Malaysia, the Company operates through a publicly traded corporation which is 46% owned by the Company.

The principal subsidiaries of MFC, including direct and indirect subsidiaries, are listed on page 124 and 125 of MFC's 2004 Annual Report filed on SEDAR ("2004 Annual Report"), which pages are incorporated herein by reference. These companies are incorporated in the jurisdiction in which their head office is located.

CORPORATE STRATEGY

Manulife Financial's overall corporate objective is to continue its record of profitable growth by building on its position as a leading provider of financial protection and wealth management products and services in Canada, the United States and selected international markets. In pursuing this objective, management seeks to operate Manulife Financial in accordance with certain core values: professionalism; providing real value to its customers; integrity; maintaining financial strength; and being an employer of choice. To realize its objective, Manulife Financial pursues the following specific strategies.

Build on Existing Business Franchises

Management believes that Manulife Financial has built strong platforms for future growth in Canada, the United States and Asia. The Company enjoys recognized financial strength and leadership positions in a number of diverse international markets ranging from developing to mature. Management intends to strengthen the Company's business franchises in its existing markets and to expand into new markets where management believes Manulife Financial has a competitive advantage that will enable the Company to establish a leading market position. In 2004, the Company completed the merger with John Hancock Financial Services, Inc. ("John Hancock") and significantly expanded the Company's positioning in North America by adding the John Hancock operations and brand in the United States and the business of The Maritime Life Assurance Company ("Maritime Life") in Canada. In Asia, the merger increased scale and expanded Manulife Financial's presence into Malaysia and Thailand. Management believes that the Asian region's economic and demographic trends offer excellent medium and long-term growth potential. In 1996, Manulife opened the first foreign joint venture life insurance company in China with operations in Shanghai and by the end of 2004, had established branch operations in Guangzhou and Beijing. In late 2004, the Company received a branch license for Ningbo and expects to begin operations in that city in 2005. In 1999, the Company became the first Canadian life insurer with operations in Japan, one of the world's largest insurance markets. The Japanese operation was expanded with the purchase of the in force business of Daihyaku Mutual Life Insurance Company ("Daihyaku") in 2001. The Company has also expanded its Asian operations in recent years through acquisitions in the Philippines, Indonesia, and Taiwan.

Deliver Customized and Innovative Products and Services

Management believes that delivering customized and innovative financial protection products and wealth management products and services, which provide sustainable value at competitive prices, will continue to be a growth driver for Manulife Financial. Accordingly, the Company focuses on understanding customer needs and on developing, maintaining and deepening long-term customer relationships. To address the changing needs of its target customers, the Company has developed the ability to quickly bring new offerings to the marketplace to complement its broad array of products. In Canada, the Company was the first to introduce a single combined personal borrowing and banking account, Manulife One, which provides customers with flexibility in managing their finances. In addition, the Company was the first to offer, through independent financial advisors, a mutual fund investment account giving customers access to multiple investment management firms. In the United States, the addition of John Hancock has expanded the breadth and depth of its product range and added new investment offerings and managers for its common investment platform. Building on its leading position in the long-term care market, the Company launched Corporate Solutions, a new worksite program designed to meet the growing long-term care insurance needs of the small business market in the United States. In Asia, the Company introduced the first participating life insurance policy to China and the first investment-linked insurance product to Taiwan. In Vietnam, the Company was first to link life insurance face amounts to the U.S. dollar exchange rate or gold prices. Manulife Life Insurance Company ("Manulife Japan") has been a leader in offering innovative products to Japanese consumers, being among the first insurers to offer universal life insurance and variable annuity products in Japan.

Capitalize on Multiple Distribution Channels

Management believes that tailoring the Company's distribution channels to allow customers in each geographic and product market to purchase the Company's products and services through their preferred channel will enable Manulife Financial to further penetrate its target markets. In the United States and Canada, the Company has been highly successful in expanding and diversifying its distribution capabilities while at the same time continuing to nurture traditional relationships. In Canada, the Company has significantly expanded its relationship with managing general agencies and has executed several unique strategic alliances with other financial services companies to expand the product portfolio available to its distributors and to broaden distribution of its own products. In the United States, the John Hancock merger significantly broadened the Company's distribution capabilities providing access to the John Hancock Financial Network ("JHFN"), the M-Financial Group and to bank distribution channels. In Asia, where it is the norm for agents to represent a single company, the Company sells its products and services through an

exclusive agency force. In Japan, Manulife Financial has expanded its distribution reach through agreements with a number of banks and stockbrokers. In early 2004, Manulife Japan entered into a strategic alliance with the Bank of Tokyo-Mitsubishi, Ltd. for individual variable annuity product development and sales. Early success in this alliance helped to increase variable annuity sales by roughly 260% to $2.4 billion in 2004. By offering a diverse range of products and providing ongoing sales and marketing support, Manulife Financial strives to maintain long-term relationships with its agents, brokers and other distributors in each market. The Company expects to continue its strategy of anticipating and responding to changing customer distribution preferences.

Leverage Technology to Enhance Customer and Producer Services

Manulife Financial is committed to the development and leveraging of technology to provide improved service to clients and support to the Company's distribution partners. In Canada, the Company's Internet support services for group plan administrators and customers include electronic processing and enrollment for Group Pension clients as well as electronic claims processing and payments for Group Benefits members. In Asia, Manulife Financial introduced Hong Kong's first bilingual insurance web site for agents and launched a web site for its Vietnamese customers. Manulife Financial has also invested in technology to realize productivity gains from improved business processes. In 2002, Manulife Financial outsourced the management of its information technology infrastructure and operations, helping the Company deliver improved customer service and significant expense management opportunities as well as providing strategic flexibility to integrate new businesses. In 2004, the Company announced an agreement to outsource the provisioning and management of Internet Protocol ("IP") based infrastructure. The new platform is expected to deliver improved network reliability, scalability and cost efficiencies and to be the foundation for an enterprise-wide voice over IP deployment at Manulife Financial.

Leverage Successful Strategies across Different Markets

Manulife Financial's product and geographic diversity positions the Company to transfer products and services, technology, distribution and marketing strategies, and business knowledge from one market to other markets. Management believes that the ability to leverage across markets enables the Company to capitalize quickly on emerging economic and demographic trends. In Japan, the Company introduced universal life insurance and variable annuities, leveraging its expertise with these products in Canada and the United States. Also in Japan, the Company revitalized its sales force by leveraging the expertise of its Asian businesses in managing and growing career agency forces. In China, Manulife Financial adopted the increasing protection option from its other Asian markets and specifically tailored it to meet the needs of the Chinese market.

Implement Strategic Acquisitions

Manulife Financial intends to focus on making strategic acquisitions in the financial services industry that strengthen and complement its core operations and that are priced to provide acceptable financial returns. Management believes that it is essential for the Company to participate proactively in the continuing consolidation of the financial services industry, with the objective of increasing Manulife Financial's overall size and enhancing its market position in internationally diverse markets. Management believes that the Company's experience in executing and implementing strategic acquisitions, together with its management and capital resources, position Manulife Financial to continue its acquisition program with a focus on expanding its financial protection and wealth management businesses internationally.

GENERAL DEVELOPMENT OF THE BUSINESS

THREE YEAR HISTORY

The Company has proactively participated in the continuing consolidation and globalization of the financial services industry. In 2004, the Company completed the merger with John Hancock, including its subsidiary Maritime Life. On completion of the merger, the Company became the largest public company and the largest life insurance company in Canada, the second largest life insurer in North America and the fifth largest in the world based on market capitalization as at April 28, 2004. More information about John Hancock can be found on pages 3 to 203 of John Hancock's 2003 Annual Report on Form 10-K with respect to 2003, 2002 and 2001 and on pages 2 to 34 of John Hancock's unaudited comparative interim consolidated financial statements for the three months ended March 31, 2004, as set out in John Hancock's quarterly statement in Form 10-Q for the quarter ended March 31, 2004, which have been filed by the Company with Canadian provincial securities administrators through SEDAR and are incorporated by reference into this Annual Information Form.

In December 2004, Manufacturers Life, MFC Insurance Company Limited, another Canadian insurance company subsidiary of the Company, and Maritime Life completed a reorganization that resulted in Maritime Life and MFC Insurance Company Limited transferring their business and assets to Manufacturers Life. Also in late 2004, the Company and its locally affiliated Thai holding company increased their ownership percentage in Interlife John

Hancock Assurance Public Company Limited ("Interlife John Hancock") to roughly 95 percent of the outstanding common shares of Interlife John Hancock.

In 2003, the Company completed three acquisitions, all in Asia. In Indonesia, the Company acquired the Indonesian life insurance business of Zurich Financial Group ("Zurich") on October 31, 2003 and acquired PT ING-Aetna Life ("ING") on November 30, 2003. In the Philippines, the Company acquired the insurance portfolio of Zurich Life Philippines, Inc. on November 4, 2003.

In 2002, the Company completed two acquisitions and increased its ownership position in two joint venture operations. In the Philippines, the Company acquired the Philippines life and pension and education operations of CMG Life Insurance Company, Inc. in November 2002. In September 2002, Manulife Financial acquired the remaining interest in OUB Manulife Pte. Ltd. from its former joint venture partner and subsequently renamed the wholly owned subsidiary Manulife (Singapore) Pte. Ltd. During 2002, the Company also increased its equity interest in P.T. Asuransi Jiwa Manulife Indonesia from 51% to 71%. On March 25, 2002, Manulife Financial and Zurich North America Canada completed an agreement to transfer all the outstanding shares of Zurich Life Insurance Company of Canada ("Zurich Life") to Manulife Financial, making Zurich Life a wholly owned subsidiary of Manulife Financial.

BUSINESS OPERATIONS

The Company provides a wide range of financial products and services, including individual life insurance, group life and health insurance, long-term care insurance, pension products, annuities and mutual funds to individual and group customers in the United States, Canada, Asia and Japan. The Company also provides investment management services with respect to the Company's general fund assets, segregated fund assets, mutual funds and institutional investment services. The Company offers reinsurance services, specializing in life retrocession and property and casualty reinsurance.

As at December 31, 2004, the Company had approximately 20,000 employees and operated in 19 countries and territories worldwide. The Company's business is organized into seven operating divisions, comprised of the U.S. Protection, U.S. Wealth Management, Canadian, Asian, Japan, Reinsurance and Guaranteed and Structured Financial Products ("G&SFP") Divisions. Each division has profit and loss responsibility and develops products, services, distribution and marketing strategies based on the profile of its business and the needs of its market.

SELECTED FINANCIAL STATISTICS BY DIVISION

The following chart provides a breakdown by operating division of the Company's total net income, premiums and deposits and funds under management as at and for the year ended December 31, 2004.

Division	Net Income	Premiums and Deposits	Funds Under Management
U.S. Protection	18%	12%	16%
U.S. Wealth Management	16%	46%	37%
Canadian	24%	22%	17%
Asian	13%	9%	5%
Japan	6%	7%	3%
Reinsurance	9%	2%	1%
G&SFP	8%	2%	12%
Corporate and Other	6%	0%	9%

U.S. OPERATIONS

U.S. Operations includes the U.S. Protection, U.S. Wealth Management, and G&SFP Divisions of the Company. U.S. Protection Division, consisting of Individual Insurance and Long-Term Care operations, offers life and health insurance solutions for individuals and families. U.S. Wealth Management Division, which consists of Annuities, Group Pensions and Mutual Funds operations, provides clients with a wide selection of wealth management solutions for their personal, family and business needs. G&SFP Division offers a variety of specialized products and services to qualified defined benefit and defined contribution retirement plans, and other domestic and international investors. Effective January 2005, G&SFP will be managed by the U.S. Wealth Management Division.

To provide its clients with a single and comprehensive identity in the United States, the Company rebranded most of its U.S. based legal entities, products and services under the John Hancock name effective January 1, 2005. A selective list of rebranded legal entities includes:

Rebranded Name	Former Name
John Hancock Life Insurance Company (U.S.A.)	The Manufacturers Life Insurance Company (U.S.A.)
John Hancock Life Insurance Company of New York	The Manufacturers Life Insurance Company of New York
John Hancock Distributors LLC	Manulife Financial Securities LLC
John Hancock Trust	Manufacturers Investment Trust
John Hancock Investment Management Services, LLC	Manufacturers Security Services, LLC
Manulife Insurance Company	Investors Partners Life
John Hancock Financial Network	Signator Financial Network

U.S. Operations operates principally through four insurance subsidiaries: John Hancock Life Insurance Company (U.S.A.) ("John Hancock USA"), John Hancock Life Insurance Company of New York ("John Hancock New York"), John Hancock Life Insurance Company ("John Hancock Life"), and John Hancock Variable Life Insurance ("John Hancock Variable"). In addition, U.S. Operations operates through Avon Long Term Care Leaders LLC ("Avon LTCL"), and has a joint venture arrangement with Metropolitan Life through its Long Term Care Partners LLC ("LTC Partners") subsidiary. Small blocks of business are also maintained in two subsidiaries, Manulife Insurance Company ("MIC") and John Hancock Insurance Company of Vermont ("JHVT"). U.S. Operations also operates through a mutual fund subsidiary, John Hancock Funds LLC ("John Hancock Funds") and three distribution-only subsidiaries, John Hancock Distributors LLC ("John Hancock Distributors"), Signator Investors, Inc. ("Signator Investors") and Signator Insurance Agency.

John Hancock USA offers individual insurance, 401(k) group annuity pension and individual annuity products in all states except New York, and John Hancock New York offers these products in the State of New York. John Hancock Life offers individual insurance, annuity, long-term care and G&SFP products in all states and John Hancock Variable offers certain individual insurance and annuity products in all states except New York.

Avon LTCL acts as a third party administrator and as a reinsurance intermediary in transactions involving companies ceding portions of their long-term care business. LTC Partners holds the business related to the Federal Long Term Care Insurance program (the "Federal Program"). MIC, a wholly owned subsidiary of John Hancock Variable, maintains a block of individual insurance policies sold in prior years. JHVT offers trust-owned health insurance to third parties through the G&SFP Division.

John Hancock Funds, a registered broker-dealer wholly owned by John Hancock Advisers LLC ("John Hancock Advisers"), distributes retail mutual funds and privately managed accounts. John Hancock Distributors, a registered broker-dealer and registered investment advisor wholly owned by John Hancock USA, is the distributor of College Saving Plans ("529 Plans") and 401(k) mutual fund contracts. Signator Investors is a registered broker-dealer and a registered investment adviser that distributes proprietary and non-proprietary wealth management and protection products, and Signator Insurance Agency distributes variable individual insurance and variable annuity products.

Investment Platform

U.S. Operations offers products that provide customers with fixed and variable rate investments. Fixed rate products, offered by Annuities, Group Pensions, Individual Insurance and G&SFP, provide customers with a guaranteed investment return. Variable rate products, offered by most of U.S. Operations' businesses, enable clients to participate in equity market growth through both segregated and mutual fund investment vehicles. In addition, the Company maintains certain segregated accounts offered by the G&SFP Division.

The Common Investment Platform

As a result of the merger between the Company and John Hancock, two investment platforms are available for the Company's variable individual insurance and annuity products: the John Hancock Investment Trust and the John Hancock Variable Series Trust. By mid-2005 these two platforms are expected to merge into the John Hancock Trust, forming a single common investment platform. The combined platform will enable customers to retain their existing investment selections when transferring between or purchasing new 401(k) group annuity pension, variable annuity or variable insurance products. A common investment platform means that distributors and customers need to be familiar only with one set of investment funds. Customers will also find it easier to assemble personalized solutions across the wide array of individual insurance, annuity and 401(k) products. Customers will be provided with tools to identify an asset mix from among the options available on the common investment platform that best matches their risk and return preferences.

Management believes that clients consider the investment performance to be a key criterion in selecting a segregated fund. The Company's common investment platform provides a broad spectrum of diversified domestic and international equity and fixed income funds that are managed by leading investment companies selected for their distinctive investment style and expertise. The Company draws on a variety of internal and external experts to continually review and adjust the investment selections on the platform to ensure it remains comprehensive and

competitive from a performance standpoint. The Company actively “manages the managers” in an institutional fashion across a wide spectrum of investment and risk criteria, monitoring performance, the managers’ investment processes, professionals and risk controls.

For those customers who want a simplified approach to investing, the Company also provides a suite of five Lifestyle Funds consisting of pre-packaged, fully diversified portfolios of funds. Each portfolio has been designed to match the needs and risk tolerance of a wide range of customers, from conservative to aggressive.

Other Investment Platforms

The Pensions Platforms

In addition to the common investment platform, U.S. Wealth Management also offers its Group Pensions customers a retail platform and a Retirement Select platform. The retail platform enables smaller 401(k) pension plan sponsors to access well-known investment funds through the Company’s separate accounts, while the relatively new Retirement Select platform offers customers direct access to familiar and highly distinguished mutual funds. These platforms are subject to the same rigorous selection and review process as the common investment platform.

The Mutual Fund Platform

For clients of the Mutual Funds business unit of U.S. Wealth Management, U.S. Operations offers the mutual fund platform. This platform provides clients with equity, income, international and sector solutions managed by in-house and external investment managers. An extensive selection of open-end funds and specifically crafted closed-end funds are distributed to retail, private client, and institutional investors. Leveraging the expertise of seasoned investment professionals, a disciplined team approach is taken to portfolio management and research.

The Federal Long Term Care Platform

The Long-Term Care business of the U.S. Protection Division has set up a single-customer separate account for the Federal Program. This segregated fund allows the business to tailor the investment strategy specifically to the needs of the Federal Program. This platform is not available to other customers.

The G&SFP Platform

The G&SFP Division’s fee-based products offer clients a number of investment options that generally pass the investment results of invested assets through to the contract holder with no, or minimal guarantees. Certain of these products offer equity or fixed income investment classes through separate accounts.

Proprietary Retail Distribution Networks

In addition to a wide variety of distribution channels and networks, U.S. Operations offers its products and services through two highly recognized and established proprietary retail networks: JHFN and Essex Corporation (“Essex”).

JHFN is a nationally recognized career agency distribution system that offers innovative protection and wealth management solutions to individuals, families and businesses. The network provides access to a variety of proprietary and non-proprietary products and services to facilitate the sale of wealth accumulation and protection oriented products. Essex is a leading bank distributor that offers both proprietary and non-proprietary annuity, mutual fund and insurance products. Essex also offers a continuing education curriculum to registered broker-dealer representatives.

U.S. PROTECTION

U.S. Protection Division provides life and long-term care insurance products and services to select markets. The Individual Insurance operation focuses on high net-worth and emerging affluent markets by providing estate and business planning solutions with an array of insurance products. The Long-Term Care operation provides insurance to individuals and groups to cover the costs of long-term care services including nursing homes, assisted living care facilities, adult day care and at home care. The division uses a multi-channel distribution network, including JHFN. In 2004, Individual Insurance and Long-Term Care accounted for 87% and 13% respectively, of the division’s total funds under management, and 81% and 19% respectively of the division’s total premiums and deposits.

In 2005, U.S. Protection will move forward under the John Hancock brand, capitalizing on its leading sales positions in both the individual insurance and long-term care markets. The division will remain focused on building distribution strength, maintaining superior service levels and developing innovative products while completing the integration of the Company and John Hancock.

Individual Insurance

The Individual Insurance business has established a reputation for providing innovative and competitive products, offering expert underwriting and having a broad based multi-channel distribution network.

Individual Insurance primarily offers its clients single and survivorship universal and variable universal products, as well as specialized COLI products. The rate of investment return on universal insurance policies may change from

time to time due to factors such as the investment performance of the universal life asset portfolio, but is subject to minimum guaranteed rates. Variable universal life insurance products offer clients an opportunity to participate in equity market growth by investing in segregated funds.

The Individual Insurance business has developed a reputation for expertise in underwriting mortality risk, particularly for the older age market. The underwriting area continually updates standards based on emerging trends and medical developments in risk assessment. The business is also able to place large individual insurance policies due to large retention limits of U.S. $20 million for single lives and U.S. $25 million on survivorship cases.

Individual insurance products are sold through a multi-channel strategy that includes JHFN as well as third-party distributors. The third-party channels include independent agents, brokerage general agents, producer groups, broker-dealers and banks. The business actively develops and maintains its relationships with these distributors by providing technical support, delivery of competitive products, and advance marketing and sales support. Over the years, the business has solidified its strong shelf-space position with key distributors and broadened its distribution channels by establishing new relationships with broker-dealers, producer groups and banks.

Individual Insurance has a history of being able to rapidly develop and launch innovative products and features. Product development in 2004 was focused on streamlining the Individual Insurance product portfolio into a merged company platform and included an updated version of the highly successful Single-Life Universal Life product. The business also recently launched a new product to be sold to non-U.S. residents. Distribution and service improvements were principally focused on ensuring no disruption to customers as Individual Insurance integrated the operations of John Hancock. In 2005, all products will be promoted under the John Hancock name and a common set of underwriting guidelines will be implemented.

Long-Term Care

Long-term care insurance reimburses customers for the costs of care needed when an insured is no longer able to perform the ordinary activities of daily living or is cognitively impaired. The Long-Term Care business manufactures and sells individual and group insurance products, and reinsures portions of similar business sold by niche providers. Individual policies are available for sale to people between the ages of 18 and 84. Group products are designed for employees of small to large employers or other affinity plan sponsors.

John Hancock was one of the first companies to offer long-term care insurance and has been in the market for more than 15 years. Currently, John Hancock is the number two provider of long-term care insurance in the U.S. market, measured by sales results and based on data published by LIMRA. The Company has expertise in all aspects of long-term care business from marketing and sales to claims processing. Products meet “tax-qualified” regulatory requirements so that premiums may be deductible when filing a U.S. tax return and the benefits are not taxable.

Long-term care products are sold within the United States through a multi-channel strategy that includes traditional independent agents, general agents, producer groups, broker-dealers and wirehouses. The Company develops and maintains its relationships with these distributors by providing technical support, delivery of customized products, and marketing and sales support. Over the years, the Company has broadened its distribution channels by establishing new relationships with broker-dealers and producer groups and through partnerships with other insurance companies.

Avon LTCL acts as a third party administrator, offering its expertise in product design, underwriting, and claims processing on a fee-for-service basis. It also acts as an intermediary in reinsurance transactions involving companies ceding portions of their long-term care business.

Competition

Each of the U.S. markets in which the U.S. Protection Division operates is highly competitive. Competitors in the individual insurance and long-term care markets vary across product lines, but are primarily other large insurance companies that distribute through similar channels. Competitive advantage is based on the ability to develop flexible product features to meet individual customer needs, and to develop and service a variety of distribution channels.

U.S. Protection’s competitive strengths include innovation, underwriting expertise, multiple distribution channels and high quality customer service. The division’s competitive position is also enhanced due to scale from leading sales positions in both the individual and long-term care insurance markets, and to the Company’s strong financial strength and credit ratings.

U.S. WEALTH MANAGEMENT

U.S. Wealth Management provides a variety of personal and family-oriented wealth management products and services to select individual and business markets. The Annuities operation offers variable annuity, fixed annuity and 529 Plan products primarily to middle and upper-income individuals. The Group Pension operation provides 401(k) plans to small and medium-sized businesses and pension mutual fund offerings to medium-sized organizations. The

Mutual Funds operation provides a variety of mutual funds, privately managed accounts and institutional services. At December 31, 2004, Annuities, Group Pensions, and Mutual Funds accounted for 45%, 28% and 27% respectively, of U.S. Wealth Management's total funds under management. These businesses accounted for about U.S.$7 billion, U.S.$8 billion, and U.S.$3 billion, respectively, of the division's total premiums and deposits.

Annuities

Annuities offers a variety of products that help customers achieve their personal and family financial goals. A range of variable and fixed annuity products are designed to assist individuals with their retirement needs, while the growing 529 Plan product line helps clients save for post-secondary education. The Private Accounts product line, which suspended sales in late 2004, offered individuals their own personal investment portfolio, along with investment advice from brand name third-party money managers.

U.S. Annuity products are principally sold through JHFN, Essex and Wood Logan. Distribution will be a major strategic focus in 2005 as Annuities extends the initial John Hancock integration success of 2004 into a model where both variable and fixed annuities are wholesaled to independent broker-dealer firms and banks through Wood Logan and Essex. JHFN is already the leading variable annuities sales firm for Annuities, and Essex extends the Company's marketing reach into the bank channel. Strong wholesaling is a key to success with this distribution strategy and Annuities will accordingly expand both the Wood Logan and Essex wholesaling teams in 2005.

The Variable Annuity Product Line

Variable annuity products, sold mainly to middle and upper-income individuals, provide a tax-efficient way to save for retirement or preserve wealth. Earnings on these products are subject to taxation only when withdrawn.

As a leading provider in the variable annuity industry, the Company's product offerings include the Venture, Venture III and Venture Vantage products. The Venture product offers traditional variable annuity features, such as a minimum death benefit guarantee, no front-end sales costs and a gradually declining surrender charge rate. In addition to these traditional features, the Venture III product offers a shortened surrender charge period for improved investor liquidity, while the Venture Vantage product offers a deposit-driven payment enhancement. These products offer several optional benefits, such as Guaranteed Minimum Withdrawal Benefit ("GMWB") and Guaranteed Earnings Multiplier ("GEM"). The GMWB option provides for guaranteed returns through periodic withdrawals of amounts invested, while the optional GEM provision provides funds to pay taxes triggered at death following favorable investment performance.

Management recognizes the need to provide strong, customer-oriented service. An internal quality program, as well as external surveys, provide important benchmarking information relative to the industry and support this service culture. Moving forward, the strategy is to continue to develop the technical expertise and professionalism of staff, to continually review and update key processes and to improve systems capabilities. Annuities will continue to leverage web-based technology to enhance customers' access to information, promote the use of self-service and streamline complex administrative procedures. The variable annuity product line has a proven history of providing exceptional service to its contract holders and distribution partners.

Management's strategy for continued growth in the variable annuities business line focuses on product innovation, strong customer service and excellence in wholesaling. Throughout 2004, Annuities continued to develop its variable annuity portfolio with a clear focus on both meeting the needs of customers and managing the risk profile of the business.

The Fixed Annuity Product Line

Similar to its variable annuities portfolio, Annuities' fixed annuity product line provides tax-deferred growth from which regular income payments may be received. However, unlike the variable annuity product line, the fixed annuity investor does not take on any investment risk as returns are guaranteed by the Company. The fixed annuity line includes individual immediate annuities and deferred annuities. Immediate annuities do not have an accumulation phase and begin the predetermined payment phase right after the product is purchased. Conversely, deferred annuities are an accumulation product that offers a fixed rate of return.

With a well-maintained presence in the fixed annuity industry, the Company's product offering of Guaranteed Principal Annuity Plus ("GPA Plus") provides various options to customers. The GPA Plus product currently offers a choice of one-year, three-year, and six-year interest rate guarantee periods. Further, GPA Plus offers the CARESolutions Plus rider, which is designed to protect the client from the high costs of care. Management believes that a combination of competitive rate offerings, attractive product features and expanded distribution are key to its future in the fixed annuity line.

The 529 Plan Product Line

Annuities' 529 Plan product line offers a selection of education savings products aimed at middle-income and high net-worth individuals. Offered by the Educational Trust of Alaska and administered by T. Rowe Price, the 529 Plan product line is sold through Wood Logan and JHFN. John Hancock Freedom 529, formerly Manulife College

Savings, is one of the first products to offer a nationally distributed multi-managed college savings product to financial intermediaries and has, at U.S.$250,000, one of the highest maximum contribution limits.

Management believes that investment variety and flexibility, as well as fund performance, are critical to developing and maintaining market share in the 529 Plan market. John Hancock Freedom 529 offers clients a multi-managed product platform with various flexible investment options. Prominent fund companies are employed to manage the 529 Plan investment fund portfolios. The Company works with its partner, T. Rowe Price, to oversee and evaluate the performance of these investment managers.

Management is committed to providing innovative and unique 529 Plan products, as well as strong customer service. Product enhancements in 2004 included additional 529 Plan investment portfolios and fund managers, and amendments to pricing to allow no load for accounts with balances in excess of U.S.$1 million. The Company also developed tools to enable clients to better evaluate the tax and estate planning advantages of investing in 529 Plans.

The Private Accounts Product Line

Annuities' Private Accounts product line was introduced in late 2002. This product line offered high net-worth individuals a personalized investment portfolio and brand name third-party money managers, as well as increased tax efficiency through the ability to customize and diversify investments. The Company has decided to permanently suspend new sales and is committed to maintaining the same service level standards for the existing account base in the foreseeable future. All Private Account clients continue to have access to the quality investment management selected, the expertise of the Overlay Portfolio Manager (a product feature that periodically rebalances client portfolios to match their preferences), tax harvesting and other benefits as well as the same service and support.

Group Pensions

The Group Pensions business unit offers small and medium-sized businesses, consisting of companies with five to 500 employees, 401(k) group annuity contracts designed for tax-qualified pension plans. Direct mutual fund contracts are offered to medium-sized organizations. Based on LIMRA/Cerulli's pension survey results, Group Pensions was ranked as the top seller of 401(k) plan products for the small plan market in 2004 (up to the end of September), as measured by premiums and deposits, new cases and new participants.

Group Pensions primarily offers its clients a 401(k) group annuity product that includes investment, communication, and record-keeping services with plan administration provided through third party administrators ("TPAs"). Group Pensions also sells group annuity products offering "investment services only", intended for distribution through TPAs who provide their own record-keeping services for the qualified pension plan market, as well as contracts that offer clients direct access to familiar and highly distinguished third party mutual funds.

Management is committed to delivering quality investment alternatives, participant education and communications, and superior service. In recognition of its commitment in these areas, Group Pensions has been honoured with various awards in prior years from such prominent organizations as Plan Sponsor Magazine, The League of American Communication Professionals and the Profit Sharing/401(k) Council of America.

The Company's pension products are marketed by sales account executives mainly to TPAs and broker-dealers. TPAs are important both as a distribution channel and as a provider of plan administration services to plan sponsors. The Company provides support to TPAs in the form of direct data links, training, marketing, educational programs, and access to enhanced e-commerce functionality. John Hancock also has an established advisory council of TPAs that provides feedback to the Company on product development and marketing strategies. As part of the Company's commitment to the growing broker-dealer channel, Group Pensions' National Support Centre provides sales support. Group Pensions also provides broker-dealer support through its broker web site, which offers a variety of on-line marketing, educational and client/broker-dealer administrative functions.

Mutual Funds

The Mutual Funds business unit is an asset manager and distributor that provides a broad range of investment capabilities to the retail and institutional markets. Its focus on the non-proprietary market reflects a diverse footprint that covers the design, distribution and servicing of both open-end and closed-end mutual funds and separately managed accounts. Management's strategy for growth in the mutual fund business line is driven by the development of new products, maintenance and improvement of investment performance in existing products and the expansion of the distribution network.

Within the non-proprietary industry, John Hancock Funds competes as a mid-sized asset management company, defined as a company ranking 11th through 30th in long-term mutual fund assets under management. Investment management is provided by internal resources, external sub-advisors and affiliated sub-advisors. Nearly 90% of assets are managed internally, with the remainder managed by six sub-advisors. Its product portfolio consists of an extensive selection of open-end equity and fixed-income funds, a number of closed-end funds and a wide range of separate account strategies.

The business unit is structured around four business lines covering key components of the asset management industry: Retail, Private Client Group, Institutional and Asset Management. The Retail product line markets and distributes open-end and closed-end mutual funds through wirehouses, regional brokerage firms, planners, financial institutions and insurance broker-dealers. The Private Client Group offers separately managed accounts to high net worth individuals through broker-dealers, while the Institutional line markets and distributes separately managed accounts and institutional (open-end) mutual funds to pension consultants, corporate and public pension plans, Union/Taft-Hartley plans, endowments and foundations and alternative distribution organizations. The Asset Management product line, serviced by John Hancock Advisers, is the internal investment arm of the business unit. The retail offerings are distributed by a network of wholesalers. These wholesalers meet directly with broker-dealers and financial planners and are supported by an extensive home office sales and marketing staff. Institutional services are distributed directly to plan sponsors and are marketed to pension consultants nationwide who provide advisory services to plan sponsors. Marketing efforts are supported by dedicated client relationship officers who keep clients updated on portfolio performance information.

Competition

Each of the markets in which U.S. Wealth Management Division operates is highly competitive. Strong competition from both insurance and mutual fund companies characterize the Annuities business environment. Competition within this market is based on fund performance, investment/interest rate and product offerings, customer service and financial strength. Group Pensions' key competitors are insurance companies, payroll companies and mutual fund firms that compete primarily on the basis of price and the ability to add value for customers. Mutual Funds' competitors include numerous mutual fund and insurance companies that compete based on fund performance and distribution capability.

U.S. Wealth Management Division's competitive strengths include innovation, multiple distribution channels, high quality customer service and wholesaling excellence. The Company's strategy of offering the common investment platform across all of the U.S. business lines, as well as the Company's financial strength and credit ratings, enhance its competitive position.

GUARANTEED & STRUCTURED FINANCIAL PRODUCTS

The G&SFP Division offers spread-based products and fee-based products in a variety of markets. Spread-based products serve the larger and faster growing segment of the market. Fee-based products are typically niche products that have less overall growth potential. Recent emphasis has been placed on retail targeted products such as retail notes and immediate fixed annuities due to relatively more attractive pricing compared to institutional offerings. In the institutional market, G&SFP continues to offer several products with which the division has historically been very successful. The general account GIC has been the division's predominant product issued in the tax-qualified defined contribution plan market. Single premium and separate account annuities are primarily limited to qualified and non-qualified defined benefit plans. Funding agreements are issued to non-qualified domestic and international institutional investors.

The division distributes guaranteed and structured financial products through a variety of channels. General account GICs and structured separate accounts are sold through regional representatives to plan sponsors or to GIC managers who represent plan sponsors. Funding agreements are sold either directly through brokers or through investment banks in the form of medium-term notes. *Signature*Notes are distributed through a retail brokerage network. Annuities are sold through pension consultants who represent defined benefit plan sponsors or through brokers who receive a commission for sales of its products. Structured settlement annuities are offered through a group of broker companies specializing in dispute resolution.

Fund-Type Products

General Account GICs

GICs are annuity contracts that pay a guaranteed rate of return. GICs are primarily marketed to sponsors of tax-qualified retirement plans such as 401(k) plans. The guaranteed rate of return on GICs can be a fixed rate or a floating rate based on an external market index.

Funding Agreements

Funding agreements are investment contracts that pay a guaranteed rate of return. Funding agreements generally are issued to corporations, mutual funds and other institutional investors and, unlike GICs, are not typically used to fund retirement plans. The guaranteed rate of return on funding agreements can be a fixed rate or a floating rate based on an external market index.

Single Premium Annuities and Structured Settlements

Single premium annuities are immediate or deferred annuity contracts, which provide for payments of a guaranteed amount commencing at a specified time, typically at retirement. These annuities are sold primarily to defined benefit

plan closeouts. The two most common types of annuities are the straight life annuity, which makes payments for the life of a retired annuitant, and the joint and survivor annuity, which continues to make payments to a spouse after the death of the annuitant. The division also provides structured settlements, which provide a tax-free stream of periodic payments to individuals who receive awards or settlements in personal physical injury disputes.

SignatureNotes

SignatureNotes are debt securities issued directly by John Hancock Life to retail investors via a broker-dealer network. These debt securities, available to investors in U.S.$1,000 increments, are offered weekly under a U.S.$3 billion shelf registration prospectus with varying terms and maturity dates, as permitted in the prospectus.

Banking Products

Banking Products consist primarily of brokered certificates of deposit ("CDs") issued by First Signature Bank & Trust via a broker-dealer network to retail investors. These CDs are offered weekly with varying terms and maturity dates. Brokered CDs are Federal Deposit Insurance Corporation insured up to U.S.$100,000.

Fee-Based Products

The division's fee-based products generally pass the investment results of invested assets through to the contract holder with no, or minimal, guarantees.

Participating General Account Fund-Type Products and Annuity Contracts

These products are funding vehicles for pension plans that pass investment results through to the contract holder, after risk and profit charges. Annuity guarantees for these products are supported by asset adequacy requirements under which assets must be maintained at levels at least 5% above the annuity reserve. If the level of assets held under the contract falls below this threshold, the division may liquidate assets equal to the annuity reserve and apply the assets to purchase a fully guaranteed annuity.

Structured Separate Accounts

These products pass the investment results of a separate account through to the contract holder and contain only minimal guarantees. Contract holders may select from among several investment styles offered by various investment managers. The structured separate account business leverages the strong marketing relationships developed with general account GIC customers. These contracts, like the general account GICs, are primarily marketed to sponsors of tax-qualified retirement plans such as 401(k) plans.

Participating Separate Account Annuities

These products are funding vehicles for pension plans which offer an insured pension-funding program in conjunction with a broad range of investment options including both equity and fixed-income. The risk associated with providing these annuities is mitigated by excess collateral maintenance requirements, which vary depending on the investment option selected. If the collateral falls below the maintenance requirements, the division may liquidate assets equal to the annuity reserve and apply the assets to purchase a fully guaranteed annuity.

Separate Investment Accounts

These are non-guaranteed group annuity contracts under which assets are held in a separate account. The division typically uses affiliated investment advisors to manage these assets. G&SFP may also use non-affiliated investment managers if the customer so requires. Because these products do not provide guarantees, most new sales of separate investment accounts are reported in the Investment Management Segment. Existing agreements, however, continue to be reported in and serviced by the G&SFP Division because of customer relationships.

Competition

G&SFP Division operates in a variety of highly competitive institutional and retail markets. Although a large number of companies offer these products, the market is concentrated, in large part because the market demands issuers of high financial quality. This is especially true in the institutional market. Through the first three quarters of 2004 the top four issuers of GICs issued approximately 65% of total GICs and the top five issuers of annuities issued almost 70% of the total, according to LIMRA. The global funding agreement market is equally concentrated with the top four issuers issuing 76% of the funding agreements, according to Standard & Poors. While in the past G&SFP Division would have been included with these top issuers, in 2004 the division found that historically narrow spreads made it more difficult to compete. The division chose instead to adhere to its very strict pricing discipline, sacrificing market share in order to maintain profitability.

With the introduction of SignatureNotes in 2002, G&SFP Division became the first insurer to enter the retail market to compete with other issuers of direct access notes, including both financial and non-financial firms. The retail note market has continued to grow since then, reaching more than U.S.$31 billion in issuances in 2004. In 2004, four additional insurers entered the market.

The Company believes that it will be able to compete successfully in its chosen markets as a result of strong financial ratings, brand name, investment management expertise, national distribution, flexible product design and competitive

pricing. Competition in these markets is restricted almost exclusively to insurance companies with superior or excellent financial ratings. While current spread levels and adherence to pricing disciplines make sales in the institutional markets difficult, the Company will continue to concentrate on the less price-sensitive retail markets.

CANADA

Canadian Division is one of the leading financial services organizations in Canada. Its individual wealth management product offerings include variable and fixed annuities, individual investments, banking products and mutual funds. Individual life insurance products are aimed at middle and upper-income individuals and business owners. Insurance products are also directly marketed to members of associations and to the customers of financial institutions. Group life, health and pension products and services are marketed to Canadian employers.

Canadian Division is comprised of four business units: Individual Wealth Management, Group Benefits, Individual Insurance, and Group Pensions, which in 2004 accounted for 34%, 38%, 17% and 11% respectively, of Canadian Division's premiums and deposits.

Individual Wealth Management

Individual Wealth Management includes all individual savings and retirement products business, including segregated funds and annuities, Manulife Bank of Canada ("Manulife Bank") services, Manulife Securities International Ltd. ("MSIL") and the retail mutual fund business of Elliott & Page Limited ("Elliott & Page").

Under the Manulife Investment brand, Individual Wealth Management offers fixed and variable annuities and mutual funds. Individual annuities include fixed-rate annuity products, which are supported by the Company's general fund assets, and variable annuity products, which provide investments in segregated funds. The Company's Guaranteed Investment Fund ("GIF") funds allow investors to customize their portfolios to fit their own personal needs and financial goals through a series of flexible options such as maturity and death benefit guarantees, reset and death benefit options, and an investment line-up that includes 72 funds. The acquisition of the Maritime Life business as part of the merger with John Hancock added several products with complementary features to the segregated fund line-up, including a combined fixed and segregated fund product. Individual Wealth Management also offers immediate annuities and RRIFs providing retirement income for individuals, including fixed rate annuities. These products are designed to provide individuals with a regular income stream from the funds that they have deposited or that have been deposited on their behalf.

The target market for Individual Wealth Management products is middle and upper-income individuals. In 2004, the Company was the number one provider of individual annuities in Canada, from a sales survey of major companies and as measured by total premiums, according to information published by LIMRA. Individual annuity products are distributed through independent advisors, advisors in general agencies and licensed representatives in stock brokerage firms. The Company had relationships with 6,500 independent advisors, 17,000 general agency brokers and more than 10,800 stockbrokers with investment dealer firms as at December 31, 2004.

Manulife Bank provides integrated lending and investment products to complement and enhance the products offered by the Company. Manulife Bank's overall product offerings include bank accounts, GICs, RRSPs, RRSP loans, leverage loans, mortgages and other specialized loan programs. Manulife Bank is the fifteenth largest bank in Canada as at December 31, 2004 based on total assets as published on the OSFI web site. The Manulife One account, the first of its kind in Canada, enables customers to consolidate their personal finances into one home equity line of credit that includes chequing and borrowing accounts, allowing them to pay down their debts sooner. Manulife One is available through a number of channels, but is primarily distributed through independent advisors supported by Manulife Bank's proprietary sales force of banking consultants.

Manulife Mutual Funds is a family of 54 mutual funds managed by Elliott & Page, with assets under management of $4.8 billion as at December 31, 2004. Elliott & Page is the eighteenth largest mutual fund company in Canada as ranked by the Investment Funds Institute of Canada. In 2004, approximately 5,900 registered financial advisors sold Elliott & Page mutual funds.

Through licensed independent mutual fund representatives, MSIL sells mutual funds for both the Company and third party mutual fund companies. The products sold by MSIL complement the other investment products within the Individual Wealth Management portfolio. The Company and third party mutual funds are distributed by approximately 900 mutual fund representatives licensed through MSIL.

Group Benefits

Group Benefits offers a range of group life and health insurance products and services to more than 16,000 Canadian businesses of all sizes. Group Benefits helps protect the health and well-being of more than 6.8 million Canadians, offering absence management services, short and long-term disability protection, dental coverage, supplementary health and hospital coverage, drug plan coverage and accidental death and dismemberment protection. Group

Benefits is the second largest provider of group benefits in Canada, based on data published in the 2003 Fraser Group Universe Report. In 2004, premiums and deposits generated by Group Benefits exceeded $4.2 billion.

Canadian Division distributes its group benefits products using a number of distribution channels, including a national network of regional offices that serve major centres across Canada and provides local service to clients. Marketing, product and distribution focus on three market segments: large (Corporate), medium-sized (Signature), and small (Alpha) businesses, as determined by the number of employees. In 2004, Group Benefits expanded distribution channels with the addition of Trusteed business, added through the acquisition of the Maritime Life business in the Company's merger with John Hancock. Groups Benefits will also add a strategy directed at growing small group business through managing general agents.

Effective client relationship management is key to building customer satisfaction and loyalty. The distribution model for Group Benefits is aligned with this objective with roles dedicated to new business and account management. Account executives work with a network of consultants, brokers and advisors contracted by clients to analyze and recommend an appropriate carrier. Client managers, supported by service representatives in each regional office, facilitate the implementation of new business and are responsible for ongoing relationship management.

Group Benefits focuses on delivering health benefit solutions to meet the needs of its customers. This is achieved by providing choice, innovation and superior services that balance the need to manage rising health costs with improving health and productivity of employees and their families. In 2004, a range of health promotion products and services under the banner of Health for Life was launched with a broader range of solutions for disability management.

Individual Insurance

Individual Insurance offers a range of products including universal life insurance, term life insurance, participating whole life insurance and living benefits insurance. It focuses on offering a combination of innovative products, value-added advice and excellent customer service to increase market share in the middle and upper-income individual, family and business-owner markets. Individual Insurance encompasses the Individual Life Centre and Affinity Markets, which market products directly to consumers through associations or affinity sponsorship.

Individual Life Centre

The Company's strategy to offer a wide range of products tailored to specific markets has helped it consistently rank among the top three insurance companies in Canada in each of the past five years based on new premiums on life insurance policies sold in Canada, according to data published by LIMRA. The primary method of distribution for individual life insurance products is through 6,500 independent advisors, 17,000 general agency brokers and more than 10,800 stockbrokers. The Company's producers are independent contractors, paid om commission, who sell both the Company's products and the products of other life insurance companies. A network of regional offices, which provides product, marketing and sales support, tax and estate planning expertise and financial planning tools, supports producers across Canada.

In addition to strong market share positions across all major individual life insurance product lines, the Company has one of the most comprehensive living benefit product portfolios in the market. The Company's living benefit products include Critical Illness, Long-Term Care and Disability products providing a complete suite of industry leading products for a growing market. The acquisition of the Maritime Life business through the merger with John Hancock has significantly improved operating efficiencies, expanded distribution and enabled the Company to begin marketing a disability product portfolio. Management's strategy for Individual Insurance is to continue to differentiate itself from its competition by focusing on superior products, after-sales service tools and programs and the best value-added advice to distributors.

Affinity Markets

The Company is the leading provider of life, living benefits and health insurance to affinity organizations in Canada. A range of products, including life, health, travel and disability insurance are directly marketed to members of professional, alumni and retiree associations, financial and retail institutions and direct to consumers. Following the acquisition of the Maritime Life business as part of the Company's merger with John Hancock, Affinity Markets now markets health and dental insurance directly to the consumer. For Affinity Groups, customers are accessed through the endorsement of the sponsoring organization and are marketed through direct mail, response advertising and the Internet. For the direct to consumer business, customers are accessed through direct mail, television advertising, Internet and through brokers.

The Company currently insures more than 500,000 members of more than 100 sponsors and more than 85,000 members through the direct to consumer channel. Management's strategy for Affinity Markets is to protect its dominant market position and provide growth and profitability by expertly servicing its block of long standing in force clients, expanding its growing specialized products and distribution channels, leveraging market synergies within its newly integrated organization, testing new ideas, building on winning results and being opportunistic.

Group Pensions

Products provided by Group Pensions include defined contribution pension plans, group RRSPs, deferred profit-sharing plans, employee share ownership plans and group non-RRSPs. Group Pensions offers two types of products in the defined contribution and investment only markets, Group Retirement Options ("GRO") and Corporate Investment Options ("CIO"). GRO is a group pension service that provides customers with a series of product options, a range of investment choices and plan member administration services. CIO is an investment management only service for group clients that offers a multi-manager approach to meeting the clients' investment objectives.

Group Pensions provides group retirement plans to more than 3,500 GRO employers and about 400 CIO employers in Canada. The primary target market for defined contribution group products is large and medium-sized employers. The business unit's products are distributed across Canada by a team of salaried pension account executives using external employee benefit consulting firms, brokers, independent producers and certain strategic alliance partners.

Group Pensions' strategy is to build profitable relationships with producers, employers and plan members via innovative products and exceptional service. In particular, Group Pensions is positioning itself as a business partner to producers, as a fiduciary steward to employers and as an educator to plan members. This strategy is being delivered through Internet capability, a managed investment platform, a national education team and flexibility in delivering large case customer solutions. Together with streamlined processing, management believes this strategy will both increase value to clients and lower unit costs.

Competition

The Company's Canadian markets are mature and extremely competitive with a large number of providers. Some of the products offered by Canadian Division, such as variable annuities, contain an investment component that places them in competition with the products offered not only by other life insurance companies but also by banks, mutual fund companies and investment dealers.

Key competitors for wealth management products and services include other Canadian insurance companies, as well as mutual fund companies and banks. In the group benefits market, Group Benefits major competitors are large insurance companies. Individual Insurance's primary competitors include Canadian insurance companies and branches of non-Canadian insurance companies, with growing competition from banks.

In this environment of ongoing competition, management believes Canadian Division will sustain its competitive position and leadership in the marketplace over the long term through the Company's recognized financial strength, strong brand, its multi-channel distribution strategy, its advances and investments in technology, as well as its commitment to value, service excellence and product innovation for customers and business partners.

ASIA

The Company has operated in Asia since 1897, beginning in Hong Kong and the Philippines, expanding into Singapore, Indonesia, Taiwan, China and Vietnam and in 2004 expanding into Malaysia and Thailand through the John Hancock merger. Asian Division provides a wide range of insurance and wealth management products including individual and group life and health insurance and pension and mutual funds.

Each Asian territory is managed as a discrete business operation, with local general managers having accountability for all aspects of operations. The Company operates through wholly owned subsidiaries, majority-owned subsidiaries and branches of subsidiaries in Hong Kong, the Philippines, Singapore, Taiwan, Indonesia, Thailand, Vietnam and Macau. In China, the Company operates through a joint venture. In Malaysia, the Company operates through a publicly traded corporation in which the Company is the largest shareholder.

A regional office in Hong Kong provides specialist functional support to each territory in the areas of financial management, human resources, information technology, regional business development and agency development. An exclusive agency force, consisting of approximately 22,000 agents, is a key part of the region's strategy and a regional leadership structure is used to develop a consistent approach to expand the distribution force. Hong Kong is the Asian Division's largest operation, accounting for almost 60% of the division's premiums and deposits.

Hong Kong

In Hong Kong, Asian Division markets individual life and health insurance, group life and health insurance, and group pension products, as well as Company-sponsored mutual funds. The sale of individual life insurance products is the primary contributor to net income.

Individual Operations

Hong Kong's Individual Insurance line provides a full range of life insurance products denominated in both Hong Kong and U.S. dollars, including whole life insurance, universal variable life insurance, term life insurance and endowment insurance. In addition, the Individual Insurance business sells individual health insurance. Products have been sold primarily in the middle and upper-income markets with the goal of broadening this target segment. Based

on new annualized premiums during 2004, the Company was the fifth largest provider of individual life and health insurance products in Hong Kong as at December 31, 2004, according to the Hong Kong Insurance Authority.

Insurance products are primarily marketed through agents who sell the Company's products exclusively. These agents develop and manage a client base with the objective of creating long-term relationships with customers. As at December 31, 2004, the Company had almost 3,100 agents in Hong Kong. In this market, management believes that an exclusive agency force best allows the Company to serve its target markets because customers wanting individual life insurance prefer to purchase from agents who are known to and trusted by them. Other distribution channels, such as brokers, direct marketing and bank retail outlets, currently account for a very small share of Asian Division new product sales in Hong Kong, although one of the division's objectives is to develop relationships with banks to supplement the agency channel.

Management's strategy for Individual Operations focuses on growth of the exclusive agency force and its productivity, enhanced product offerings and enhanced customer service. Management believes that this strategy will allow the Company to increase its share of the individual life insurance market in Hong Kong. During 2004, the Company continued development of a customer service management system that supports centralized services to customers, enhanced call centre capabilities as well as replaced the existing administrative system to enhance the delivery of products and services to clients. Conversion of the unit-linked business to the new system was completed in 2004 and conversion of the traditional insurance business is in progress.

Group Operations

Hong Kong's Group Operation provides life and health insurance and pension products to small and medium-sized businesses. Group insurance products include group term life insurance, major medical and outpatient plans, disability income plans and defined contribution pension plans. Group products are distributed through the Company's exclusive agents as well as through brokers.

Hong Kong's Group Pension business launched the Mandatory Provident Fund ("MPF") business line in 2001 and the Company continued to expand its MPF customer base during 2004 by leveraging its large exclusive agency force and reputable service standards. Enhancements to systems and procedures continued in 2004 to provide better services to customers, including new capabilities on web sites to enable customers to effectively manage their MPF activities through the Internet.

Mutual Funds

The Company, operating through Manulife Asset Management (Hong Kong) Limited ("MAM"), markets a range of Company-sponsored mutual funds to individuals through direct solicitation and the exclusive agency force, and to institutional clients through direct solicitation. As at December 31, 2004, MAM had $847 million of mutual funds under management. Management believes the Company is well positioned to capitalize on the anticipated growth in the developing retail mutual fund market in Hong Kong, as the market becomes more sophisticated in its need for wealth management products.

Other Markets

In Indonesia, the Philippines, Singapore, Taiwan, Macau, China, Vietnam, Malaysia and Thailand, the Company distributes a range of individual life and health insurance products to the middle and upper-income markets. Group life and health insurance and pension products are also sold in some territories. Variable insurance is sold in most markets while mutual funds are sold in Indonesia. Products are primarily marketed through exclusive agents, based on the same strategy employed in Hong Kong. Other distribution channels, such as brokers, direct marketing and sales through bank retail outlets, currently account for a small share of new product sales, except in Indonesia, where bank distribution is employed for a significant part of the mutual fund business.

Indonesia, Singapore and Taiwan currently represent the Company's largest Asian Division businesses outside of Hong Kong, in terms of funds under management, and together contributed one-third of Asian Division's premiums and deposits in 2004. In Indonesia, the Company had an individual life insurance market share, based on total premium income, of 7.9% in 2004, ranking the Company fourth based on data published by Dewan Asuransi Indonesia, the insurance council of Indonesia. During 2004, the Company integrated the Indonesian life insurance businesses of Zurich and ING, subsequent to acquisitions made in 2003, adding significant scale to the operation. The earthquake and tsunami that hit South Asia towards the end of 2004 impacted the Company in Asia, especially in Indonesia. An appropriate provision was established for claims related to this event. The Company integrated the business of John Hancock in Singapore during 2004, tripling the size of the operation in terms of funds under management. The Company recorded substantial new business growth by focusing on expansion of the exclusive agency force and the brokerage channel. In Taiwan, business growth was strong in 2004, driven by expansion of the exclusive agency force and the strength of the universal variable product.

Manulife-Sinochem Life Insurance Co. Ltd. markets personal accident insurance, whole life insurance, term and endowment insurance, annuities and unit-linked riders in Shanghai, Guangzhou and Beijing, the latter through a new

branch opened in May 2004. With a growing economy and a low penetration rate for insurance products, management believes that Shanghai, Guangzhou and Beijing offer significant long-term potential. In addition, the Company received approval to open a fourth branch in Ningbo, with business operations expected to commence in 2005. In the Philippines, the Company integrated the operations of John Hancock during 2004 and has focused on enhancing the quality of its exclusive agency force. The Vietnam operation has grown rapidly, doubling in size in terms of funds under management driven by product initiatives, a commitment to service and a focus on continuous improvement of the agency force. In Malaysia and Thailand, the Company operates through publicly listed companies as a result of the integration with John Hancock during 2004.

Management believes that its businesses in these Asian markets will contribute to the Company through future growth prospects, given the growing middle class, rapid economic growth over recent years and the relatively under-penetrated state of the insurance markets. Management believes that its strategy of being an early entrant in Asian markets, together with distribution through an exclusive agency force, will support the Company's anticipated growth in each territory.

Competition

The life insurance market in Hong Kong is highly competitive. In 2004, five companies, including Manulife Financial, together accounted for 60% of new business as measured by first year premiums, according to the Hong Kong Insurance Authority. Major competitors include both insurance companies and large banks. This is also the case in the Hong Kong group pension market. In China and Taiwan, competition is mainly from large domestic insurers. In other Asian markets, Manulife Financial primarily competes with other foreign insurance companies. In recent years, some small foreign operations in Asia exited the market, resulting in opportunities for the Company to expand its business in various territories through acquisitions. This trend may continue and the Company will continue to look for these opportunities. In Asia, competition is based on distribution capacity and customer service. Management believes that its large exclusive agency force, its customer focus and its long-term presence in Asia are competitive advantages.

JAPAN

Effective January 1, 2002, the Japan Operations of Manulife Financial were established as a separate division and no longer included in the results of Asian Division. The Company started operations in Japan in 1999 by establishing a new life insurance company, Manulife Japan, with a local company, Daihyaku. In 2001, Manulife Financial acquired Daihyaku's minority interest in Manulife Japan, making Manulife Japan a wholly owned subsidiary of the Company. Manulife Japan also assumed Daihyaku's existing insurance policies at that time. Manulife Japan provides Manulife Financial with a significant presence in the largest insurance market in Asia.

Operations

The market for traditional death protection products is expected to continue to shrink in Japan due to the aging of the Japanese population. However, strong growth is expected in variable annuities and third-sector products such as medical insurance. In 2003, Manulife Japan closed its traditional product line to new business in keeping with its strategic focus on universal life insurance and variable annuity products.

Surrender of former Daihyaku policies stabilized in 2004. The rate of decline of in force policies improved, with in force policies declining 4.7% in 2004 compared to 10.7% in 2003. Funds under management increased by $907 million to $11.6 billion as at December 31, 2004, from $10.7 billion as at December 31, 2003. Positive net policyholder cash flows from sales of variable annuity and universal insurance products were somewhat offset by maturities and lapses on the block of policies acquired from Daihyaku and the depreciation of the Japanese yen.

Manulife Japan is one of a few companies to introduce universal life insurance products in Japan. Over the last 25 years, these products have become an important feature of all other advanced life insurance markets around the world. ManuMed, a medical product offered on the Universal Life product platform launched in 2003, contributed one-third of Manulife Japan's regular insurance sales in 2004. ManuFlex, another universal insurance product launched in 2001, achieved modest growth during 2004. Manulife Japan's universal insurance product will be enhanced later in 2005 to better address the retirement savings needs of Japanese consumers with the launch of variable funds to augment the savings options available under the product.

Effective April 1, 2004, Manulife Japan significantly enhanced its position in the variable annuity market with the establishment of a strategic alliance with Mitsubishi Tokyo Financial Group ("MTFG"), one of Japan's top four banks. The Premiere product, which is distributed by MTFG's affiliates under the terms of the alliance, offers an innovative 110% guaranteed annuitization benefit that is unique in the Japanese market. In July 2004, MTFG announced its intention to merge with United Financial of Japan Bank ("UFJ") in October 2005 and at the end of December 2004 UFJ began distributing the Premiere product. Manulife Japan also plans to launch two new variable annuity products that will be distributed by MTFG affiliates.

In 2003, a major reorganization and streamlining of the regional, branch and sales office structure and rationalization of the agency distribution channel were implemented resulting in the centralization of administrative tasks, termination of distribution arrangements with non-active agencies, improvements in efficiency and cost reduction in field operation. The restructuring of field operations and rationalization of the agency channel also involved the introduction of voluntary retirement programs for field staff and combined with voluntary retirements in the head office and the transfer of some staff to a third party service provider, resulted in a total staff reduction of 27% in 2003. The savings from these programs reduced the expense base in 2004 relative to 2003 as the one time cost of the programs largely offset savings in 2003.

At the same time, a focus on training and recruitment resulted in a 13% increase in the number of sales representatives in the year. The growth in the number of sales representatives during 2004, coupled with a reduced expense base due to streamlining of the regional, branch and sales office structure and staff reductions has created a strong foundation for future sales growth and ongoing efficiency gains in this channel.

Growing and enhancing the professionalism and efficiency of Manulife Japan's distribution channels will continue to be a priority. Building on recruiting success in 2004, Manulife Japan will expand its sales distribution force through ongoing recruitment and training. Manulife Japan will also continue to explore opportunities to expand its reach in the bank and broker-dealer channels, capitalizing on its success to date with MTFG.

Competition

The Japanese life insurance market is extremely competitive. The household penetration rate of life insurance is approximately 90% and, as a result, a large percentage of new life insurance sales are replacements of existing policies. The market for traditional insurance products is shrinking and is dominated by four large, domestic companies. These companies captured approximately 50% of the total market as measured by premium revenue in the first half of Manulife Japan's local fiscal year.

Some foreign insurers are capturing market share by focusing on market segments exhibiting good growth while smaller domestic companies continue to suffer from negative interest rate spreads and decline of in force policies. The Japanese market for sickness and medical insurance and variable annuity products continues to grow and competition among foreign and domestic insurers in these product segments is intensifying, pointing to the importance of offering these products in capturing market share.

Manulife Japan's universal life insurance product line, its strong variable annuity products and its bank and broker-dealers distribution arrangements provide a strong platform from which to grow market share. Fixed annuity products in foreign denominated currencies are becoming increasingly popular in Japan for savings purposes. Between December 2004 and January 2005, AXA Life Insurance Company and AIG Star Life Insurance, a subsidiary of American International Group, Inc., entered this market through Bank of Tokyo Mitsubishi.

Another competitor that continues to operate with important advantages is the Post Office Savings and Life Insurance organization. This organization does not pay income tax, offers an implicit government guarantee, has an extensive distribution network throughout Japan and does not have to satisfy Financial Services Agency requirements. The government has been planning to transform this operation from a wholly owned government entity to a privatized public company, which would require it to operate on a more commercially realistic basis. However, the privatization process has been slow and the timetable for implementation is uncertain.

REINSURANCE

Reinsurance Division is one of North America's leading providers of risk management solutions, specializing in retrocession. Reinsurance Division's innovative products generate customer interest worldwide, with business written in North America, Europe and Asia. Through offices in Canada, the United States, Germany, Belgium, Singapore and Barbados, Reinsurance Division provides customer-focused solutions through the following lines of business: Life (offering retrocession of traditional life mortality risk as well as non-traditional solutions); Property and Casualty (offering retrocession of traditional property and aviation catastrophe as well as specialized non-traditional property and casualty business solutions); and the International Group Program ("IGP") (offering reinsured group life, health and pension products and services through direct insurers to multinational clients for their local, national and globally mobile employees).

Reinsurance Division will continue to pursue opportunities to expand existing relationships with key business partners as well as develop new associations. Risk management remains a key priority for Reinsurance Division, focusing both on the appropriate pricing of new business and monitoring and managing the performance of in force business. Reinsurance Division will continue to leverage its technical expertise and provide innovative solutions to meet customer needs.

Life

The majority of Reinsurance Division's Life reinsurance business is the retrocession of traditional life insurance mortality risk. This line of business markets directly to leading reinsurance companies, particularly in North America and Europe, leveraging Reinsurance Division's long standing relationship with many of these companies. This line of business also provides specialized structured reinsurance solutions to assist client life insurance and reinsurance companies with statutory capital and surplus management.

In Life Reinsurance's traditional mortality risk market, Reinsurance Division's competitive advantages in size and retention, together with potential opportunities from new players, offset the effects of market consolidation and increased client capacity. Management's strategy remains focused on profitability and maintaining Reinsurance Division's leadership position in the life retrocession market by strengthening partnerships with select clients and selectively pursuing opportunities possessing appropriate return and risk profiles.

Property and Casualty

The Property and Casualty reinsurance business line provides customized non-traditional retrocession solutions to customers wanting to reduce the impact of a financial loss, to improve regulatory capital ratios, increase return on capital or improve price competitiveness. Reinsurance Division also underwrites increasing amounts of traditional property and casualty retrocession business, focusing on property and aviation catastrophe coverage. This allows Reinsurance Division to accommodate a wider range of existing customer needs and selectively participate in profitable traditional reinsurance opportunities. The Property and Casualty line of business sells directly to reinsurance companies and through selected reinsurance brokers.

Reinsurance Division is a niche competitor in the property and casualty reinsurance market, which is dominated by a small number of large reinsurers. The Property and Casualty reinsurance business is expected to have modest growth as Management anticipates that market terms and rates will continue to soften through the foreseeable future. Management's strategy is to maintain and enhance Reinsurance Division's niche position and hold its market share. This includes expanding new and existing relationships as well as selectively pursuing profitable opportunities.

International Group Program

IGP became part of Reinsurance Division through the merger with John Hancock. IGP is a global network of life insurance companies providing employee group insurance and pension coverage to multinational corporations. The program was developed by, and the related insurance and pension coverage is reinsured with, John Hancock Life. IGP assists multinational employers in managing employee coverage by spreading risks over a corporation's worldwide employee group and reducing benefit costs through economies of scale.

Since 1967 IGP has been the leader in this market and is the world's largest multinational pooling organization. Management's strategy is to maintain IGP's dominant position in the North American market and continue to grow market share in Europe and Asia while maintaining the profitability of the business. IGP is marketed to multinational companies and their affiliates through representatives from the participating direct insurers, with support from IGP staff.

Accident

In the first and second quarter of 2004 respectively, Reinsurance Division exited its Accident reinsurance business and assumed run-off management of the Accident reinsurance business of John Hancock. Reinsurance Division actively manages these run-offs, focusing on accurate monitoring and quantification of exposures and management of liabilities.

Competition

Only a few well-capitalized insurance companies specialize in life retrocession or the non-traditional life, property and casualty retrocession solutions written by Reinsurance Division. Reinsurance Division is a niche competitor in these markets. IGP's main competitors are two other large multinational benefit networks, though there are approximately six other smaller networks operating on an international or regional basis.

INVESTMENT DIVISION

The Company's Investment Division, operating as MFC Global Investment Management ("MFC Global"), manages assets for the Company's general fund and for external third party retail and institutional clients through a variety of products and distribution channels. MFC Global manages a range of investments including equities, government and corporate bonds, private placements, real estate, mortgages, oil and gas, timber and farmland, and structured products. MFC Global has a physical presence in key financial centres around the world, including the United States, Canada, the United Kingdom, Japan, Australia, Hong Kong, and throughout Southeast Asia.

GENERAL FUND ASSETS

MFC Global manages the Company's general fund assets with an emphasis on high credit quality and diversification

across asset classes and individual investment risks. The general fund assets of the Company are invested primarily in investment grade bonds and commercial mortgages. The following table summarizes the Company's consolidated general fund invested assets by asset category.

Consolidated General Fund Invested Assets

($ millions)	December 31, 2004 Carrying Value	December 31, 2004 % of Total	December 31, 2003 Carrying Value	December 31, 2003 % of Total
Bonds	106,612	63.0	42,216	56.7
Mortgages				
Commercial	23,378	13.8	9,251	12.4
Residential	1,795	1.1	1,150	1.5
Agricultural	3,511	2.1	0	0.0
Stocks	7,805	4.6	5,866	7.9
Real estate	4,669	2.8	3,962	5.3
Policy loans	6,743	4.0	4,348	5.8
Cash and short-term investments	8,517	5.0	5,877	7.9
Manulife Bank loans	1,391	0.8	934	1.3
Other investments	4,721	2.8	861	1.2
Total invested assets (1)	169,142	100.0	74,465	100.0

(1) For additional information on invested assets, see note 6(a) to the Consolidated Financial Statements in the 2004 Annual Report.

The consolidated general fund invested assets were denominated 67% in U.S. dollars, 26% in Canadian dollars, 5% in Japanese yen and 2% in other currencies as at December 31, 2004. The Company has various policies and procedures, each subject to periodic review and approval by the Board of Directors, designed to measure and control risk in the management of the Company's general fund assets. These include policies and procedures relating to asset liability mismatch, liquidity, currency, credit and derivatives. These policies and procedures are also designed to ensure compliance with the various Canadian and U.S. regulatory requirements to which the Company is subject.

Bonds

As at December 31, 2004, the bond portfolio was $106.6 billion, representing 63% of the carrying value of consolidated general fund invested assets, with 63% of the bond portfolio rated "A" or higher and 94% rated "BBB" (investment grade) or higher. Investment grade bonds include the securities of more than 2,857 different issuers, with no corporate issuer representing more than 0.4% of such bonds. Below investment grade bonds include the securities of more than 432 different issuers, with no issuer representing more than 2.2% of such bonds. Net impaired bonds had a carrying value of $209 million. The following table summarizes the Company's bond portfolio credit quality.

Bond Portfolio Credit Quality

($ millions)

NAIC Designation (1)	Rating Agency Designation (2)	December 31, 2004 Carrying Value	December 31, 2004 % of Total	December 31, 2003 Carrying Value	December 31, 2003 % of Total
1	AAA	23,632	22.2	11,055	26.2
1	AA	16,867	15.8	7,741	18.3
1	A	26,436	24.8	14,697	34.8
2	BBB	33,063	31.0	7,033	16.7
3 & below	BB & lower and unrated	6,614	6.2	1,690	4.0
Total		106,612	100.0	42,216	100.0

(1) NAIC designations are assigned no less frequently than annually.

(2) Sources: Dominion Bond Rating Service Ltd.; Standard & Poor's Ratings Services; Moody's Investors Service, Inc.; Fitch IBCA; Thomson Financial Bankwatch, Inc.; Rating & Investment Information, Inc.; Japan Credit Rating Agency, Ltd. and internal ratings. Rating designation includes all gradations within the relevant category.

Of the bond portfolio, 24% was invested in government-related securities as at December 31, 2004. The remainder was primarily composed of corporate bonds. As at December 31, 2004, the bond portfolio was 73% denominated in U.S. dollars, 20% in Canadian dollars, 4% in Japanese yen and 3% in other currencies.

Based on a conventional definition of private placements, consisting of issues that are illiquid and for which a market price is not readily available, the Company held $34.8 billion of bonds acquired through private placements and commercial loans as at December 31, 2004, constituting 32.6% of the Company's total bond portfolio. Of these, 41% were rated "A" or higher and 90% were rated "BBB" or higher. Applying a broader definition used by Canadian regulators, which includes U.S. 144A securities with registration rights, private placements and commercial loan bonds would be $39.4 billion, or 37.0% of the Company's total bond portfolio. The Company invests in private

placement bonds because of the generally higher yield, more restrictive financial and business covenants and stronger prepayment protection available on such investments compared to similarly rated public bonds. To the extent that its private placement bonds are not rated by nationally-recognized rating agencies, the Company assigns a rating for internal monitoring purposes using methodologies that management believes generally track methodologies employed by these rating agencies. The following table summarizes the scheduled maturities of the bond portfolio.

Bond Portfolio Scheduled Maturities

($ millions)	December 31, 2004 Carrying Value	December 31, 2004 Fair Value	December 31, 2003 Carrying Value	December 31, 2003 Fair Value
Due in one year or less	5,776	5,810	4,123	4,192
Due after one year through five years	25,081	25,516	11,433	11,893
Due after five years through ten years	28,179	29,066	9,782	10,367
Due after ten years	35,631	38,435	16,390	18,150
Mortgage-backed securities	11,945	12,044	488	517
Total	106,612	110,871	42,216	45,119

Mortgages

As at December 31, 2004, mortgage investments represented 17% of general fund invested assets. The mortgage portfolio is diversified by location, property type and mortgagor. First mortgages represented 98% of total mortgages. All mortgages are secured by real properties with 39% located in Canada and 61% located in the United States. Commercial mortgages constituted 82% of total mortgages. The Company has an insignificant amount of development lending within the commercial mortgage portfolio. The following table summarizes the Company's mortgage portfolio by property type.

Mortgage Portfolio — Property Type

($ millions)	December 31, 2004 Carrying Value	December 31, 2004 % of Total	December 31, 2003 Carrying Value	December 31, 2003 % of Total
Consolidated Company				
Multi-unit residential (1)	4,580	16	1,233	12
Retail	6,611	23	2,735	26
Office	5,963	21	2,708	26
Industrial	3,887	14	2,308	22
Other Commercial	2,337	8	267	3
Other Residential	1,795	6	1,150	11
Agricultural	3,511	12	0	0
Total	28,684	100	10,401	100
Canada				
Multi-unit residential (1)	2,246	8	846	8
Retail	2,637	9	2,128	20
Office	1,748	6	1,301	12
Industrial	1,863	7	1,443	14
Other Commercial	826	3	161	2
Other Residential	1,775	6	1,128	11
Agricultural	0	0	0	0
Total	11,095	39	7,007	67
United States				
Multi-unit residential (1)	2,334	8	387	4
Retail	3,974	14	607	6
Office	4,215	15	1,407	14
Industrial	2,024	7	865	8
Other Commercial	1,510	5	106	1
Other Residential	0	0	0	0
Agricultural	3,511	12	0	0
Total	17,568	61	3,372	33
Other Countries				
Other Commercial	1	0	0	0
Other Residential	20	0	22	0
Total	21	0	22	0

(1) Includes multi-unit residential properties, such as condominiums.

The following table summarizes the Company's mortgage portfolio by regional distribution.

Mortgage Portfolio — Regional Distribution

($ millions)	December 31, 2004 Carrying Value	December 31, 2004 % of Total	December 31, 2003 Carrying Value	December 31, 2003 % of Total
Canada				
Ontario	5,876	20	3,749	36
Western Canada	3,875	14	2,674	26
Quebec	723	3	357	3
Other Canada	621	2	227	2
	11,095	39	7,007	67
United States				
Pacific	4,029	14	1,012	10
Mid-Atlantic	2,378	8	283	3
New England	1,245	4	90	1
Central Northeast	1,925	7	459	4
South Atlantic	3,817	13	854	8
Other	4,174	15	674	7
	17,568	61	3,372	33
Other Countries	21	0	22	0
Total	28,684	100	10,401	100

Mortgages are originated through a network of 15 branches across Canada and the United States. In 2004, the Company originated more than one-half of its business directly, with mortgage broker referrals representing the balance. The Company does not have any exclusive arrangements with brokers and does not experience any material difference in mortgage performance between direct and referred borrowers. The Company requires external appraisals on all new and renewal mortgages over $5 million. Approval of new mortgages and renewals or any amendments to mortgages must be made in accordance with the Company's mortgage lending policy guidelines, which are reviewed by the Board of Directors at least annually.

The value of government-insured loans was 9% of the total mortgage portfolio as at December 31, 2004. The Company also had privately insured mortgages representing 1.1% of the total mortgage portfolio as at December 31, 2004. For conventional loans in both Canada and the United States, the Company's maximum loan-to-value ratio is 75% at the time the mortgage is underwritten or purchased. As at December 31, 2004, 0.18% of the Company's Canadian mortgage portfolio and 0.09% of the U.S. mortgage portfolio were considered delinquent.

Stocks

As at December 31, 2004, stocks represented almost 5% of the consolidated general fund invested assets. The Company's stock portfolio is diversified by industry sector and issuer, and is 96% comprised of publicly listed common shares. The stock portfolio was invested 37% in Canadian issuers, 34% in U.S. issuers, 22% in Asian issuers and 7% in other issuers. The largest single issuer in the stock portfolio represented 2% of the portfolio.

Real Estate

Real estate represented 3% of the consolidated general fund invested assets as at December 31, 2004. As at December 31, 2004, the real estate carrying value was $4.7 billion, with 55% located in the United States, 36% in Canada and 9% in Japan and other Asian countries.

The Company's real estate investment activities focus on major urban centres. Commercial office properties are the largest component, representing 73% of the portfolio as at December 31, 2004, with the remainder split among residential, retail, industrial and other property types. The overall occupancy rate for all real estate investments as at December 31, 2004 was 93%.

The real estate portfolio, as at December 31, 2004, had a market value surplus of $506 million over carrying value including deferred realized net gains. Real estate market values are determined by a combination of independent appraisals and values established by professional accredited appraisers who are employees of the Company. All of the Company's real estate properties with a carrying value of $30 million or greater are appraised annually with the remainder appraised at least once every three years. In 2004, approximately 60% of the real estate portfolio was appraised, almost completely by independent appraisers. An environmental site assessment, prepared by an independent third party, must be conducted for all new real estate properties. If any environmental concerns are identified, a more detailed environmental assessment must be obtained. Additionally, the Company's environmental compliance officer must approve the purchase.

Policy Loans

Policy loans represented 4% of invested assets as at December 31, 2004. Most individual life insurance policies, excluding term insurance, provide the policyholder with the right to obtain a policy loan from the Company. Such loans are made in accordance with the terms of the respective policies and are carried at the outstanding balance.

Policy loans are fully secured by the cash value of the policies on which the respective loans are made. If a policyholder surrenders the policy, the cash value paid by the Company will be the cash value less the amount of the outstanding policy loan. Similarly, upon the death of the policyholder, the death benefit paid by the Company will be the death benefit less the amount of the outstanding policy loan. Consequently, the Company has no exposure to default risk on policy loans.

Other Investments

Other investments consist of $3.9 billion of unconsolidated joint ventures, partnerships, funds, limited liability corporations, leases, subordinated debt of life insurance companies and $379 million of oil and gas producing properties. Also included are various types of derivative instruments. Oil and gas assets are located in Alberta, Saskatchewan and Ontario, Canada.

Impaired Assets

As at December 31, 2004, impaired assets net of allowances were $476 million, representing 0.28% of consolidated general fund invested assets. Allowances for losses on bonds and mortgages are established when an asset or portfolio of assets becomes impaired as a result of deterioration in credit quality, to the extent there is no longer assurance of timely realization of the carrying value of the asset and related investment income. Stocks are written down to market value if an impairment in the value of the entire stock portfolio, determined net of deferred realized gains and losses, is considered to be other than temporary. Real estate properties are written down to market value if an impairment in the value of the entire real estate portfolio, determined net of deferred realized gains and losses, is considered to be other than temporary. Assets are reviewed quarterly to identify whether any provisions should be taken. The carrying value of an impaired asset is reduced to the net realizable value of the asset in the period of impairment and a corresponding provision is charged to income. Once established, an allowance is only reversed if the conditions that caused the impairment no longer exist. The Company had established allowances for impairment of $214 million as at December 31, 2004.

SEGREGATED FUNDS

As at December 31, 2004, the Company's segregated funds had net assets of $117.9 billion. Assets in segregated funds are primarily generated from the Company's variable annuity, pension and insurance businesses. Policyholder benefits on these variable products are based on the performance of the relevant segregated funds, subject to certain minimum guarantees provided by the Company for which reserves are held in the general fund. Of the segregated funds, approximately 21% were managed internally by MFC Global as at December 31, 2004.

MUTUAL FUNDS

As at December 31, 2004, the Company's mutual funds had net assets of $34.5 billion. Over 85% of these funds were managed either by U.S. Wealth Management or MFC Global. The Company does not provide any guarantees on the Company's mutual funds.

THIRD PARTY INVESTMENT MANAGEMENT SERVICES

Through its subsidiaries, the Company offers a full range of investment management services to pension funds, pooled funds, mutual funds, endowment funds and other institutions. As at December 31, 2004, $24.0 billion of third party assets were managed by MFC Global. Although these services currently represent a small portion of the Company's operations, the Company intends to expand the investment management businesses of MFC Global in the United States, Canada and the United Kingdom, as well as those of its investment offices in Asia and Australia.

RISK FACTORS

Manulife Financial is in the business of managing risks to generate profitable growth. How efficiently these risks are managed is critically important to meeting expectations of shareholders, customers and regulators, and to safeguarding its reputation and capital. The fundamental objective of Manulife Financial's risk management program, therefore, is to support shareholder value growth while ensuring commitments to customers are met and reputation and capital are protected. This is achieved by employing an enterprise level framework that guides all risk-taking activities globally, ensuring they are aligned with corporate philosophy and taking risks that are prudent in relation to capital strength, that meet corporate ethical standards, that are diversified across risk types, businesses and geographies, and for which appropriate compensation is earned.

Further explanation of Manulife Financial's risk management approach and the risks relating to Manulife Financial and its business can be found at pages 66 to 74 of the 2004 Annual Report, which pages are incorporated herein by reference.

GOVERNMENT REGULATION

As an insurance company, Manulife Financial is subject to regulation and supervision by governmental authorities in the jurisdictions in which it does business. In Canada, the Company is subject to both federal and provincial regulation. In the United States, the Company is primarily regulated by each of the states in which it conducts business and by federal securities laws. The Company's Asian operations are similarly subject to a variety of regulatory and supervisory regimes in each of the Asian jurisdictions in which the Company operates, which vary in degree of regulation and supervision.

CANADA

Manulife Financial is governed by the ICA. The ICA is administered, and activities of the Company are supervised, by OSFI. The ICA permits insurance companies to offer, through subsidiaries and networking arrangements, a broad range of financial services, including banking, investment counselling and portfolio management, mutual funds, trust services, real property brokerage and appraisal, information processing and merchant banking services. The ICA and the regulations thereunder contain restrictions on the purchase or other acquisition, issue, transfer and voting rights of the shares of an insurance company.

The ICA requires the filing of annual and other reports on the financial condition of the Company, provides for periodic examinations of the Company's affairs, imposes restrictions on transactions with related parties, and sets forth requirements governing reserves for actuarial liabilities and the safekeeping of assets and other matters. OSFI supervises Manulife Financial on a consolidated basis (including capital adequacy) to ensure that OSFI has an overview of the group's activities. This includes the ability to review both insurance and non-insurance activities conducted by subsidiaries of Manulife Financial with supervisory power to bring about corrective action. The most recently completed periodic examination of Manulife Financial, conducted in 2004, did not raise any issues which were found to be material.

Investment Powers

Under the ICA, Manulife Financial must maintain a prudent portfolio of investments and loans, subject to certain overall limitations on the amount it may invest in certain classes of investments, such as commercial loans. Additional restrictions (and in some cases, the need for regulatory approvals) limit the type of investment that the Company can make in excess of 10% of the voting rights or 25% of the equity of any entity.

Capital Requirements

The ICA requires Canadian insurance companies to maintain, at all times, minimum levels of capital (which principally includes common shareholders' equity (including retained earnings), non-cumulative perpetual preferred shares, subordinated debt, other financial instruments that qualify as regulatory capital and the participating account) calculated in accordance with MCCSR and calculated on a consolidated basis including all life insurance subsidiaries. In addition to the requirements under Canadian law, the Company must also maintain minimum levels of capital for its foreign subsidiaries. Such amounts of capital are based on the local statutory accounting basis in each jurisdiction. The most significant of these are the Risk Based Capital requirements for the Company's U.S. insurance subsidiaries. The Company maintains capital well in excess of the minimum required in all foreign jurisdictions in which the Company does business. In February 2005, OSFI published a draft framework for assessing the capital adequacy of non-operating life insurance companies such as MFC. The draft Guideline proposes comparing, without minimum targets, capital available against a capital metric in a system that utilizes MCCSR with a limited carve-out for significant and well-supervised foreign life subsidiaries.

Restrictions on Shareholder Dividends and Capital Transactions

The ICA prohibits the declaration or payment of any dividend on shares of an insurance company if there are reasonable grounds for believing a company is, or the payment of the dividend would cause the company to be, in contravention of any regulation made under the ICA respecting the maintenance of adequate capital and adequate and appropriate forms of liquidity, or any direction made to the company by the Superintendent. Dividends exceeding retained net income for the two preceding financial years plus net income for the year to the day of declaration of the dividend require approval of the Superintendent. The ICA also requires an insurance company to notify the Superintendent of the declaration of a dividend at least 10 days prior to the date fixed for its payment. Similarly, the ICA prohibits the purchase for cancellation of any shares issued by an insurance company or the redemption of any redeemable shares or other similar capital transactions, if there are reasonable grounds for believing that the company is, or the payment would cause the company to be, in contravention of any regulation made under the ICA respecting the maintenance of adequate capital and adequate and appropriate forms of liquidity, or any direction made to the company by the Superintendent. These latter transactions would also require the prior approval of the Superintendent.

There is currently no direction against MFC or Manufacturers Life paying a dividend or redeeming or purchasing their shares for cancellation.

Appointed Actuary

In accordance with the ICA, the Board of Directors of the Company has appointed a Fellow of the Canadian Institute of Actuaries as the Appointed Actuary. The Appointed Actuary is required to value the policy liabilities of Manulife Financial as at the end of each financial year in accordance with accepted actuarial practices, including selection of appropriate assumptions and methods, and provide an opinion as to whether the amount of policy liabilities makes appropriate provision for all policyholder obligations and whether the valuation of policy liabilities is fairly presented in the consolidated financial statements. At least once in each financial year, the Appointed Actuary must meet with the Board of Directors, or the Audit and Risk Management Committee, to report, in accordance with accepted actuarial practice, on the current and expected future financial condition of the Company. The Appointed Actuary is also required to report to the President and Chief Executive Officer and the Chief Financial Officer of the Company if the Appointed Actuary identifies any matters that, in the Appointed Actuary's opinion, have material adverse effects on the financial condition of the Company.

Provincial Insurance Regulation

The Company is also subject to provincial regulation and supervision in each of the provinces of Canada in which it carries on business. Provincial insurance regulation is concerned primarily with the form of insurance contracts and the sale and marketing of insurance and annuity products, including the licensing and supervision of insurance producers. Individual variable insurance and annuity products and the underlying segregated funds to which they relate are subject to guidelines adopted by the Canadian Council of Insurance Regulators and are generally incorporated by reference into provincial insurance regulations. These guidelines govern a number of matters relating to the sale of these products and the administration of the underlying segregated funds.

Provincial Securities Laws

The Company's Canadian mutual fund and investment management businesses are subject to Canadian provincial securities laws. Elliott & Page is registered as an investment counsel and portfolio manager across Canada and is subject to regulation by the provincial securities regulators. MSIL is registered under provincial securities laws to sell mutual funds across Canada and is subject to regulation by the provincial securities regulators as well as the Mutual Fund Dealers Association of Canada, a self-regulatory organization.

CompCorp

CompCorp was created in 1988 by the life and health insurance industry in Canada to provide Canadian policyholders with protection, within limits, against loss of policy benefits in the event of the insolvency of their insurance company. CompCorp is funded by its member insurance companies, including Manufacturers Life. Member companies of CompCorp are assessed to build and maintain a liquidity fund at a target level of $100 million. Members are then primarily subject to assessment on an "as needed" basis. Assessments are calculated based on each member's MCCSR, subject to adjustments where the member operates in foreign jurisdictions.

UNITED STATES

General Regulation at the State Level

The various states in the United States have laws regulating transactions between insurers and other members of insurance holding company systems. Transactions between the Company's U.S. insurers and their affiliates are subject to regulation by the states in which such insurance subsidiaries are domiciled and for certain limited matters, states in which they transact business. Most states have enacted legislation that requires each insurance holding company and each insurance subsidiary in an insurance holding company system to register with, and be subject to regulation by, the insurance regulatory authority of the insurance subsidiary's state of domicile. The Company's principal U.S. life insurance subsidiaries are John Hancock Life and John Hancock USA. They are registered in Massachusetts and Michigan, respectively. Under such laws, the insurance subsidiaries are required to furnish annually their financial and other information concerning the operations of companies within the holding company system that may materially affect the operations, management or financial condition of insurers within the system. These reports are also filed with other insurance departments on request. In addition, such laws provide that all transactions within an insurance holding company system must be fair and equitable, and following any such transactions, each insurer's policyholder surplus must be both reasonable in relation to its outstanding liabilities and adequate for its needs.

The laws of the various states also establish regulatory agencies with broad administrative powers, such as the power to approve policy forms, grant and revoke licenses to transact business, regulate trade practices, license agents, require financial statements and prescribe the type and amount of investment permitted. State insurance regulatory authorities regularly make inquiries, hold investigations and administer market conduct examinations with respect to an insurer's compliance with applicable insurance laws and regulations.

Insurance companies are required to file detailed annual statements with state insurance regulators in each of the states in which they do business and their business and accounts are subject to examination by such agencies at any time. Quarterly statements must also be filed with the state insurance regulator in the insurer's state of domicile and with the insurance departments of many of the states in which the insurer does business. Insurance regulators may periodically examine an insurer's financial condition, adherence to statutory accounting practices and compliance with insurance department rules and regulations.

State insurance departments, as part of their routine oversight process, conduct detailed examinations of the books, records and accounts of insurance companies domiciled in their states. These examinations are generally conducted in cooperation with the departments of two or three other states under guidelines promulgated by the NAIC. Each of the Company's principal U.S. domiciled insurance subsidiaries is subject to periodic examinations by its respective domiciliary state insurance regulators. The latest published examination reports issued by each such insurance department did not raise any material issues or adjustments.

In addition, state regulatory authorities, industry groups and rating agencies have developed several initiatives regarding market conduct. For example, the NAIC has adopted the NAIC Life Insurance Illustrations Model Regulation, which applies to group and individual life insurance policies and certificates (other than variable policies and certificates), and the Market Conduct Handbook. More than 35 states have adopted all or major segments of the model. However, the Market Conduct Handbook can be used by all state regulators in conducting market conduct examinations. The ACLI has established the Insurance Marketplace Standards Association ("IMSA"), a self-regulatory organization, to implement its Principles and Code of Ethical Life Insurance Market Conduct, which includes a third party assessment procedure. John Hancock USA was originally admitted to membership in IMSA in April 1998. It was most recently re-certified in 2004. John Hancock Life was last certified by IMSA in 2001. It is currently in the process of re-certification.

Investment Powers

The Company's U.S. insurance subsidiaries are subject to laws and regulations that require diversification of their investment portfolios and limit the amount of investment in certain investment categories such as below investment grade bonds and real estate. Failure to comply with these laws and regulations may cause investments exceeding regulatory limitations to be treated as non-admitted assets for the purposes of measuring statutory surplus and in some circumstances would require divestiture of the non-qualifying assets. As at December 31, 2004, the Company's U.S. insurance subsidiaries complied in all material respects with all such laws and regulations.

Minimum Statutory Surplus and Capital

U.S. domiciled life insurance subsidiaries of the Company are required to have minimum statutory surplus and capital of various amounts, depending on the state in which they are licensed and the types of business they transact.

NAIC IRIS Ratios

In the 1970s, the NAIC developed a set of financial relationships or "tests," known as the Insurance Regulatory Information System ("IRIS"), which were designed for the early identification of insurance companies which might warrant special attention by insurance regulatory authorities. Insurance companies submit data annually to the NAIC, which in turn analyzes the data utilizing 13 ratios, each with defined "usual ranges." Having ratios that fall outside the usual range does not necessarily indicate that a company experienced unfavourable results. An insurance company may fall out of the usual range for one or more ratios because of transactions that are favourable (such as large increases in surplus) or are immaterial or eliminated at the consolidated level. Each company's ratios are reviewed annually and are assigned a ranking by a team of examiners and financial analysts at the NAIC for the purpose of identifying companies that require immediate regulatory attention. The rankings are not reported to the companies and are only available to regulators.

Risk-Based Capital Requirements

In order to enhance the regulation of insurer solvency, state regulators have adopted the NAIC model law implementing risk-based capital ("RBC") requirements for life insurance companies. The requirements are designed to monitor capital adequacy and to raise the level of protection that statutory surplus provides for policyholders. The model law measures four major areas of risk facing life insurers: (i) the risk of loss from asset defaults and asset fluctuation; (ii) the risk of loss from adverse mortality and morbidity experience; (iii) the risk of loss from mismatching of asset and liability cash flows due to changing interest rates; and (iv) general business risk. Insurers having less statutory surplus than required by the RBC model formula are subject to varying degrees of regulatory action depending on the level of capital inadequacy. Based on the formula adopted by the NAIC, each of the Company's U.S. insurance company subsidiaries exceeded the RBC capital requirements as at December 31, 2004.

Regulation of Shareholder Dividends and Other Payments from Insurance Subsidiaries

Manulife Financial's ability to meet any debt service obligations and pay operating expenses and shareholder dividends depends on the receipt of sufficient funds from its operating subsidiaries. The payment of dividends by John Hancock USA is subject to restrictions set forth in the insurance laws of Michigan, its domiciliary state.

Similarly, the payment of dividends by John Hancock Life is regulated by Massachusetts insurance laws. In both Michigan and Massachusetts regulatory approval is required if a shareholder dividend distribution would exceed a specified amount. In Michigan approval is required for a dividend that would exceed John Hancock USA's earned surplus and in Massachusetts approval is required for a dividend that would exceed John Hancock Life's statutory unassigned funds. Regulatory approval is also required in Michigan if the distribution (together with other distributions during the previous 12 months) exceeds the greater of John Hancock USA's statutory net operating income for the previous year or 10% of its surplus determined at the end of the previous year. The determination must be made in accordance with statutory accounting principles. In Massachusetts, approval is required if the distribution (together with other distributions during the previous 12 months) exceeds the greater of John Hancock Life's statutory net gain from operations for the previous year or 10% of its surplus determined at the end of the previous year. In both states, approval is deemed to have occurred if notice is filed and it has not been disapproved during the 30-day notice period.

Securities Law

Certain of the Company's subsidiaries and certain investment funds, policies and contracts offered by them are subject to regulation under federal securities laws administered by the Securities Exchange Commission ("SEC") and under certain state securities laws. Certain segregated funds of the Company's insurance subsidiaries are registered as investment companies under the U.S. *Investment Company Act of 1940* ("Investment Company Act"), as are certain other funds managed by subsidiaries of the Company. Interests in segregated funds under certain variable annuity contracts and variable insurance policies issued by the Company's insurance subsidiaries are also registered under the U.S. *Securities Act of 1933*. Each of John Hancock Distributors, Signator Investors, John Hancock Funds and Essex National Securities, Inc. is registered as a broker-dealer under the U.S. *Securities Exchange Act of 1934* and each is a member of, and subject to regulation by, the National Association of Securities Dealers, Inc.

Each of John Hancock Life, John Hancock Advisors, Sovereign Asset Management Corporation, Hancock Natural Resource Group, Inc., Hancock Venture Partners, Inc., Signator Investors, Independence Investment LLC, Declaration Management & Research LLC, John Hancock Distributors, John Hancock Investment Management Services, LLC, MFC Global Investment Management (U.S.A.) Limited, and Seamark Asset Management Ltd. is an investment adviser registered under the U.S. *Investment Advisers Act of 1940*. Certain investment companies advised or managed by these subsidiaries are registered with the SEC under the Investment Company Act and the shares of certain of these entities are qualified for sale in certain states in the United States and the District of Columbia. All aspects of the investment advisory activities of the Company's subsidiaries are subject to various federal and state laws and regulations in jurisdictions in which they conduct business. These laws and regulations are primarily intended to benefit investment advisory clients and investment company shareholders and generally grant supervisory agencies broad administrative powers, including the power to limit or restrict the carrying on of business for failure to comply with such laws and regulations. In such event, the possible sanctions that may be imposed include the suspension of individual employees, limitations on the activities in which the investment advisor may engage, suspension or revocation of the investment advisor's registration as an advisor, censure and fines.

State Guaranty Funds

All states of the United States have insurance guaranty fund laws requiring life insurance companies doing business in the state to participate in a guaranty association which, like CompCorp in Canada, is organized to protect policyholders against loss of benefits in the event of an insolvency or wind-up of a member insurer. These associations levy assessments (up to prescribed limits) on the basis of the proportionate share of premiums written by member insurers in the lines of business in which the impaired or insolvent insurer is engaged. Assessments levied against the Company in each of the past five years have not been material. While the amount of any future assessments by guaranty funds cannot be predicted with certainty, the Company believes, based upon a review of the current significant insolvency proceedings of insurers located in states where the Company conducts business, that future guaranty association assessments for insurer insolvencies will not have a material adverse effect on the Company's liquidity and capital resources.

Employee Retirement Income Security Act of 1974, as Amended ("ERISA") Considerations

Fiduciaries of employee benefit plans that are governed by ERISA are subject to regulation by the U.S. Department of Labor. ERISA regulates the activities of a fiduciary of an employee benefit plan covered by that law, including an investment manager or advisor with respect to the plan's assets. Severe penalties are imposed by ERISA on fiduciaries that breach their duties to ERISA covered plans. The Company's subsidiaries issue insurance and annuity contracts for investment of employee benefit plans and provide a variety of other services to such plans. The provision of such services may cause the Company and its subsidiaries to be a "party in interest," as such term is defined in ERISA and the Internal Revenue Code of 1986, as amended (the "Code"), with respect to such plans. Unless a statutory or administrative exemption is available, certain transactions between parties in interest and those plans are prohibited by ERISA and the Code.

ASIA

In Asia, local insurance authorities supervise and monitor the Company's business and financial condition in each of the countries in which the Company operates. The Company is also required to meet specific minimum working and regulatory capital requirements and is subject to regulations governing the investment of such capital in each of these jurisdictions. Hong Kong and Japan are the regulatory jurisdictions governing Manulife Financial's most significant operations in Asia.

Hong Kong

In Hong Kong, the authority and responsibility for supervision of the insurance industry is vested in the Insurance Authority under the *Insurance Companies Ordinance, Cap. 41* (the "Insurance Companies Ordinance"). The Chief Executive of the Government of the Hong Kong Special Administrative Region has appointed the Commissioner of Insurance to be the Insurance Authority for the purposes of the Insurance Companies Ordinance. The Insurance Companies Ordinance provides that no person shall carry on any insurance business in or from Hong Kong except a company authorized to do so by the Insurance Authority, Lloyd's of the United Kingdom or an association of underwriters approved by the Insurance Authority. The Insurance Companies Ordinance stipulates certain requirements for authorized insurers, including with regard to the "fit and proper person" requirement for directors and controllers, minimum capital and solvency margin requirements, adequate reinsurance arrangement requirements and statutory reporting requirements. The Insurance Companies Ordinance also confers powers of investigation and intervention on the Insurance Authority for the protection of policyholders.

The Insurance Authority has residual power to appoint an advisor or a manager to any authorized insurer if the Insurance Authority considers such appointment to be desirable for the protection of policyholders or potential policyholders against the risk that the insurer may be unable to meet its liabilities or to fulfill the reasonable expectations of policyholders or potential policyholders and that, in the Insurance Authority's opinion, the exercise of other interventionary powers conferred by the Insurance Companies Ordinance would not be appropriate to safeguard the interests of policyholders or potential policyholders. In such circumstances, the advisor or manager appointed by the Insurance Authority will have management control of the insurer.

In Hong Kong, the Company's life insurance business is conducted through a wholly owned subsidiary, Manulife (International) Limited, which is licensed to carry on the business of "long-term" insurance. Long-term insurance companies are required under the Insurance Companies Ordinance to maintain certain solvency margins. The required solvency margin is the aggregate of two components — a percentage of the mathematical reserves and a percentage of the capital at risk as prescribed under the Insurance Companies (Margin of Solvency) Regulation (Cap.41F), enacted pursuant to the Insurance Companies Ordinance. For a long-term insurance company, the value of its assets must not be less than the amount of its liabilities by the required solvency margin, subject to a minimum of Hong Kong $2 million. Compliance with the solvency margin requirements is reported annually to the Insurance Authority. Currently, all solvency margin requirements are being met.

The sale of mutual funds and investment-linked assurance products are subject to Hong Kong securities laws administered by the Securities and Futures Commission. The sale of provident (pension) fund products is subject to provident fund laws administered by the Mandatory Provident Fund Schemes Authority.

Japan

Life insurance companies in Japan, including Manulife Japan, are governed by the *Insurance Business Law* (Japan) and the regulations issued thereunder (the "IB Law"). The IB Law sets out a comprehensive regulatory regime for Japanese life insurers, including such matters as capital and solvency requirements, powers of regulatory intervention, new insurance products, premium levels and restrictions on shareholder dividends and distributions. The administration and application of the IB Law is supervised by the Financial Services Agency. The IB Law provides for certain rules with respect to the approval of new insurance products and the setting of premium levels.

Restrictions on Shareholder Dividends

In Asia, insurance laws in the jurisdictions in which the Company operates provide for specific restrictions on the payment of shareholder dividends and other distributions by the Company's subsidiaries, or impose solvency or other financial tests, which could affect the ability of these subsidiaries to pay dividends in certain circumstances.

GENERAL DESCRIPTION OF CAPITAL STRUCTURE

MFC has authorized share capital consisting of an unlimited number of common shares ("Common Shares"), an unlimited number of Class A Shares ("Class A Shares") and an unlimited number of Class B Shares ("Class B Shares"). As of December 31, 2004, MFC had approximately 807 million Common Shares and 14 million Class A Shares Series 1 issued and outstanding. On February 18, 2005, MFC issued 14 million Class A Shares Series 2 pursuant to a prospectus supplement dated February 10, 2005 ("Prospectus Supplement").

CERTAIN PROVISIONS OF THE CLASS A SHARES AS A CLASS

The following is a summary of certain provisions attaching to the Class A Shares as a class.

Priority

Each series of Class A Shares ranks on a parity with every other series of Class A Shares with respect to dividends and return of capital. The Class A Shares shall be entitled to a preference over the Class B Shares, the Common Shares and any other shares ranking junior to the Class A Shares with respect to priority in payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of MFC, whether voluntary or involuntary, or any other distribution of the assets of MFC among its shareholders for the specific purpose of winding up its affairs.

CERTAIN PROVISIONS OF THE CLASS B SHARES AS A CLASS

The following is a summary of certain provisions attaching to the Class B Shares as a class.

Priority

Each series of Class B Shares ranks on a parity with every other series of Class B Shares with respect to dividends and return of capital. The Class B Shares shall rank junior to the Class A Shares with respect to priority in payment of dividends and in distribution of assets in the event of the liquidation, dissolution or winding up of MFC, whether voluntary or involuntary, or any other distribution of assets of MFC among its shareholders for the specific purpose of winding up its affairs, but the Class B Shares shall be entitled to a preference over the Common Shares and any other shares ranking junior to the Class B Shares with respect to priority in payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding up of MFC, whether voluntary or involuntary, or any other distribution of the assets of MFC among its shareholders for the specific purpose of winding up its affairs.

CERTAIN PROVISIONS COMMON TO BOTH CLASS A SHARES AND CLASS B SHARES

The following is a summary of certain provisions attaching to both the Class A Shares as a class and to the Class B Shares as a class.

Directors' Right to Issue in One or More Series

Both the Class A Shares and the Class B Shares may be issued at any time and from time to time in one or more series. Before any shares of a series are issued, the Board of Directors of MFC shall fix the number of shares that will form such series, if any, and shall, subject to any limitations set out in the by-laws of MFC or in the ICA, determine the designation, rights, privileges, restrictions and conditions to be attached to the Class A Shares or the Class B Shares, as the case may be, of such series, the whole subject to the filing with the Superintendent of the particulars of such series, including the rights, privileges, restrictions and conditions determined by the Board of Directors of MFC. A summary of the terms of the Class A Shares Series 1 can be found at page 100 of the 2004 Annual Report. The terms of the Class A Shares Series 2 are described in the Prospectus Supplement.

Voting Rights of Class A Shares and Class B Shares

Except as hereinafter referred to or as required by law or as specified in the rights, privileges, restrictions and conditions attached from time to time to any series of Class A Shares or Class B Shares, the holders of such Class A Shares or Class B Shares as a class shall not be entitled as such to receive notice of, to attend or to vote at any meeting of the shareholders of MFC.

Amendment with Approval of Holders of Class A Shares and Class B Shares

The rights, privileges, restrictions and conditions attached to each of the Class A Shares and the Class B Shares as a class may be added to, changed or removed but only with the approval of the holders of such class of Class A Shares or Class B Shares given as hereinafter specified.

Approval of Holders of Class A Shares and Class B Shares

The approval of the holders of Class A Shares or Class B Shares to add to, change or remove any right, privilege, restriction or condition attaching to such Class A Shares or Class B Shares as a class or in respect of any other matter requiring the consent of the holders of such Class A Shares or Class B Shares may be given in such manner as may then be required by law, subject to a minimum requirement that such approval be given by resolution signed by all the holders of Class A Shares or Class B Shares or passed by the affirmative vote of at least two-thirds (2/3) of the votes cast at a meeting of the holders of Class A Shares or Class B Shares duly called for that purpose.

Notwithstanding any other condition or provision of either Class A Shares or Class B Shares, the approval of the holders of either class, voting separately as a class or series, is not required on a proposal to amend the by-laws of MFC to:

I. increase or decrease the maximum number of authorized Class A Shares or Class B Shares, as the case may be, or increase the maximum number of authorized shares of a class of shares having rights or privileges equal or superior to such Class A Shares or Class B Shares;

II. effect the exchange, reclassification or cancellation of all or any part of the Class A Shares or the Class B Shares, as the case may be; or

III. create a new class of shares equal to or superior to the Class A Shares or the Class B Shares, as the case may be.

On every poll taken at every meeting of the holders of Class A Shares or Class B Shares as a class, or at any joint meeting of the holders of two or more series of Class A Shares or Class B Shares, each holder of such Class A Shares or Class B Shares entitled to vote thereat shall have one vote in respect of each relevant Class A Share or Class B Share held.

CERTAIN PROVISIONS OF THE COMMON SHARES AS A CLASS

The authorized common share capital of MFC consists of an unlimited number of Common Shares without nominal or par value. Each holder of Common Shares is entitled to receive notice of and to attend all meetings of the shareholders of MFC and is entitled to one vote for each share held except meetings at which only holders of a specified class or series of shares of MFC are entitled to vote separately as a class or series. The holders of Common Shares are entitled to receive dividends as and when declared by the Board of Directors of MFC, subject to the preference of the holders of Class A Shares, Class B Shares and any other shares ranking senior to the Common Shares with respect to priority in payment of dividends. After payment to the holders of Class A Shares, Class B Shares and any other shares ranking senior to Common Shares with respect to priority in the distribution of assets in the event of the liquidation, dissolution or winding up of MFC, the holders of Common Shares shall be entitled to receive prorated the net assets of MFC remaining, after the payment of all creditors and liquidation preferences, if any, that pertains to shareholders.

DIVIDENDS

The declaration and payment of dividends and the amount thereof is subject to the discretion of the Board of Directors and is dependent upon the results of operations, financial condition, cash requirements and future prospects of, and regulatory restrictions on the payment of dividends by, the Company and other factors deemed relevant by the Board of Directors.

Since MFC is a holding company that conducts all of its operations through regulated insurance subsidiaries (or companies owned directly or indirectly by these subsidiaries), its ability to pay future dividends will depend on the receipt of sufficient funds from its regulated insurance subsidiaries. These subsidiaries are also subject to certain regulatory restrictions under laws in Canada, the United States and certain other countries that may limit their ability to pay dividends or make other upstream distributions.

Pursuant to agreements made between MFC, Manufacturers Life, The Canada Trust Company and Manulife Financial Capital Trust (a subsidiary of Manufacturers Life) (the “Trust”), MFC and Manufacturers Life have covenanted with the holders of the outstanding Trust Capital Securities of the Trust (the “MaCS”) that, if the Trust fails to pay in full a required distribution on any series of MaCS, Manufacturers Life will not pay dividends of any kind on its MLI Public Preferred Shares (as defined below), if any are outstanding, and if no MLI Public Preferred Shares are outstanding, MFC will not pay dividends on the Class A Shares, Class B Shares and Common Shares, in each case, until the 12th month following the Trust’s failure to pay the required distribution in full, unless the Trust first pays the required distribution (or the unpaid portion thereof) to the respective holders of MaCS. “MLI Public Preferred Shares” means, at any time, preferred shares of Manufacturers Life which at that time: (a) have been issued to the public (excluding any preferred shares of Manufacturers Life held beneficially by affiliates of Manufacturers Life); (b) are listed on a recognized stock exchange; and (c) have an aggregate liquidation entitlement of at least $200 million, provided however, if at any time, there is more than one class of MLI Public Preferred Shares outstanding, then the most senior class or classes of outstanding MLI Public Preferred Shares shall, for all purposes, be the MLI Public Preferred Shares.

The Company has paid the following cash dividends between January 1, 2002 and December 31, 2004:

I. On the Common Shares, (i) a dividend of $0.14 per share was paid on March 19, 2002, June 19, 2002 and September 19, 2002, (ii) a dividend of $0.18 per share was paid on December 19, 2002, March 19, 2003 and June 19, 2003, (iii) a dividend of $0.21 per share was paid on September 19, 2003, December 19, 2003, March 19, 2004 and June 21, 2004, and (iv) a dividend of $0.26 per share was paid on September 20, 2004 and December 17, 2004; and

II. On the Class A Shares, Series 1, a dividend of $0.25625 per share was paid on the 19 th day of March, June, September and December in each year, or the first business day thereafter, starting on September 19, 2003.

CONSTRAINTS ON OWNERSHIP OF SHARES

The ICA and the regulations thereunder contain restrictions on the purchase or other acquisition, issue, transfer and voting of the shares of MFC. Pursuant to these restrictions as currently enacted, no person is permitted to acquire any shares of MFC without the approval of the Minister of Finance if the acquisition would cause the person to have a "significant interest" in any class of shares of MFC. The restrictions also prohibit any person from becoming a major shareholder of MFC. In addition, MFC is not permitted to record any transfer or issue of shares of MFC if the transfer or issue would cause the person to breach the ownership restrictions. For these purposes, a person has a significant interest in a class of shares of MFC where the aggregate of any shares of that class beneficially owned by that person, any entity controlled by that person and by any person associated or acting jointly or in concert with that person exceeds 10% of all the outstanding shares of that class of shares of MFC. A person is a major shareholder if the aggregate of any shares in a class of voting shares held by that person and by any entity controlled by that person exceeds 20% of the outstanding shares of that class, or, for a class of non-voting shares, a holding exceeding 30% of that class. If a person contravenes any of these restrictions, the Minister of Finance may, by order, direct such person to dispose of all or any portion of those shares.

In addition, under applicable insurance laws and regulations in Michigan, New York, Massachusetts, Delaware and Vermont, no person may acquire control of any of the Company's insurance company subsidiaries domiciled in any such state without obtaining prior approval of such state's insurance regulatory authority. Under applicable laws and regulations, any person acquiring, directly or indirectly, 10% or more of the voting securities of any other person is presumed to have acquired "control" of such person. Thus, any person seeking to acquire 10% or more of the voting securities of MFC must obtain the prior approval of the insurance regulatory authorities in certain states including Michigan, Massachusetts, Delaware, Vermont and New York, or must demonstrate to the relevant insurance commissioner's satisfaction that the acquisition of such securities will not give them control of MFC. Under U.S. law, the failure to obtain such prior approval would entitle MFC or the insurance regulatory authorities to seek injunctive relief, including enjoining any proposed acquisition, the voting of such securities at any meeting of the holders of Common Shares, or seizing shares owned by such person, and such shares may not be entitled to be voted at any meeting of the holders of Common Shares.

PREFERRED SHARE RATINGS

The following table summarizes the security ratings that MFC has received from approved rating agencies on its outstanding securities as at the date of this Annual Information Form. Approved rating agencies are defined by Canadian securities laws to mean Dominion Bond Rating Service Limited ("DBRS"), Fitch Ratings Ltd. ("Fitch"), Standard & Poor's ("S&P") and Moody's Investors Service.

	DBRS	Fitch	S&P
Class A Series 1	Pfd1(low)n Stable	A+ / Stable	P1(low) / A
Class A Series 2	Pfd1(low)n Stable		P1(low) / A

The security ratings accorded to securities by the rating agencies are not a recommendation to purchase, hold or sell these securities, in as much as such ratings do not comment as to market price or suitability for a particular investor. Security ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities. The Company provides certain rating agencies with confidential, in-depth information in support of the rating process.

DBRS RATINGS

DBRS's ratings for preferred shares range from Pfd-1 to D. These ratings are meant to give an indication of the risk that an issuer will not fulfill its full obligations in a timely manner. Every DBRS rating is based on quantitative and qualitative considerations relevant to the issuing entity. Each rating category is denoted by the subcategories "high" and "low". The absence of either a "high" or "low" designation indicates the rating is in the middle of the category. These ratings are appended with one of three rating trends – "Positive", "Stable", or "Negative". The ratings trend helps to give investors an understanding of DBRS's opinion regarding the outlook for the rating in question. The "n" designation is attached to all ratings for securities that are non-cumulative. DBRS believes that risk added under a non-cumulative covenant is a market risk and not a credit risk.

MFC's Class A Shares, Series 1 and Series 2 have been assigned a Pfd-1(low)n rating, first out of six on the rating scale, as they are considered to be of superior credit quality and are supported by entities with strong earnings and balance sheet characteristics. The Stable outlook assigned by DBRS indicates that the rating is not likely to change.

FITCH RATINGS

Fitch ratings for preferred shares range from “AAA” to “D” and provide an opinion on the ability of a securities issuer to meet financial commitments such as interest, preferred dividends, or repayment of principal, on a timely basis. These ratings are used as indications of the likelihood of repayment in accordance with the terms of the security and imply no specific prediction of default probability. These ratings do not directly address any risk other than credit risk. A “+” or “-” may be appended to a rating to denote its relative status within major rating categories. A rating outlook indicates the direction a rating is likely to move over a one to two-year period. Rating outlooks may be positive, stable, or negative.

MFC’s Class A Shares, Series 1 have been assigned an A+ rating, third out of 12 on the rating scale, denoting a low expectation of credit risk. The capacity for timely payment of financial commitments is considered to be strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings. The Stable outlook assigned by Fitch indicates that the rating is not likely to change.

S&P’s RATINGS

S&P’s ratings for Canadian preferred shares range from “P1” to “D” and is a current assessment of the creditworthiness of an obligor with respect to a specific preferred share obligation issued in the Canadian market, relative to preferred shares issued by other issuers in the Canadian market. There is a direct correspondence between the specific ratings assigned on the Canadian preferred share scale and the various rating levels on the global debt rating scale of S&P. It is the practice of S&P to present an issuer’s preferred share ratings on both the global rating scale and on the Canadian national scale when listing the ratings for a particular issuer.

MFC’s Class A Shares, Series 1 and Series 2 have been assigned a P-1(low) rating on the Canadian scale, which corresponds to A on the global scale. The ratings are fourth out of 20 on the respective ratings scales. The A rating denotes that the specific obligation is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than other obligations in higher rated categories. However, MFC’s capacity to meet its financial commitment on the A rated obligation is still strong.

MARKET FOR SECURITIES

MFC’s Common Shares are listed for trading under the symbol “MFC” on the Toronto Stock Exchange (“TSX”), the New York Stock Exchange (“NYSE”), and the Philippine Stock Exchange and under “0945” on The Stock Exchange of Hong Kong. The Class A Preferred Shares, Series 1 are listed for trading on the TSX under the symbol “MFC.PR.A”. The Class A Preferred Shares, Series 2 were listed for trading on the TSX under the symbol “MFC.PR.B” as of February 18, 2005.

TRADING PRICE AND VOLUME

The following table sets out the closing price range and trading volume of the Common Shares on the TSX and the NYSE for the period indicated.

	TSX			NYSE		
2004	High (C$)	Low (C$)	Volume (in 000s)	High (C$)	Low (C$)	Volume (000s)
January	47.22	41.71	32,487	35.76	32.39	14,225
February	48.64	46.73	32,601	37.00	34.34	13,650
March	49.10	45.40	34,797	37.45	34.45	15,420
April	55.00	48.60	76,717	40.41	36.55	49,505
May	53.24	49.35	53,334	39.00	35.43	25,541
June	54.52	52.20	28,238	40.74	38.10	12,428
July	54.45	50.50	24,675	40.90	38.43	8,046
August	54.51	52.21	26,644	41.50	39.56	9,432
September	57.48	53.41	28,855	44.29	41.08	7,360
October	57.30	52.23	30,208	46.93	42.61	8,172
November	59.20	53.25	40,477	48.69	44.83	9,002
December	56.49	53.43	27,249	46.44	44.16	7,484

The following table sets out the closing price range and trading volume of the Class A Shares, Series 1 on the TSX for the period indicated.

	TSX		
2004	High (C$)	Low (C$)	Volume (in 000s)
January	25.89	25.15	1,524
February	25.88	25.26	5,255
March	26.45	25.51	480
April	26.25	24.70	828
May	25.05	23.30	340
June	25.14	24.55	2,807
July	25.75	25.01	362
August	25.70	25.10	4,227
September	25.65	25.11	500
October	25.98	25.28	289
November	26.50	25.70	3,917
December	26.80	26.20	504

LEGAL PROCEEDINGS

The Company is regularly involved in litigation, both as a defendant and as a plaintiff. The litigation naming the Company as a defendant ordinarily involves its activities as a provider of insurance protection and wealth management products, and as an investment adviser, employer and taxpayer. In addition, government and regulatory bodies in Canada and the United States, including provincial and state regulatory bodies, state attorneys general, the SEC, the National Association of Securities Dealers, Inc. and Canadian securities commissions, regularly make inquiries and, from time to time, require the production of information or conduct examinations concerning the Company's compliance with, among other things, insurance laws, securities laws, and laws governing the activities of broker-dealers. As with many other companies in the financial services industry, the Company has been requested or required by such government and regulatory authorities to provide information with respect to market timing and late trading of mutual funds, and sales compensation practices and broker-dealer practices, including with respect to mutual funds underlying variable life and annuity products. It is believed that these inquiries are similar to those made to many financial service companies by various agencies regarding practices, policies and procedures relating to trading in mutual fund shares, sales compensation and broker-dealer practices. The Company intends to continue to cooperate fully with government and regulatory authorities in connection with their respective inquiries.

Commencing on February 2, 2005, the Ontario Securities Commission (the "OSC") and other Canadian Securities regulatory authorities issued temporary orders (which were subsequently extended on consent) that prohibit Portus Alternative Asset Management ("Portus"), an investment counsel and portfolio manager, from taking on new client assets and funds, opening new client accounts and (except in limited circumstances) paying out, redeeming or otherwise returning investment funds to clients or trading securities. On March 4, 2005, the OSC obtained a court order appointing KPMG Inc. as the Receiver of all property, undertaking and assets of Portus and certain other companies. In September 2003, MSIL entered into a referral agreement with Portus under which representatives of MSIL have referred prospective customers to Portus. The Company has no other relationship with Portus. On March 3, 2005, MFC released a letter to clients of MSIL who were referred to the financial products of Portus by advisors of MSIL, in which the Company guaranteed 100% of their principal amount invested in Portus. The Company is monitoring developments and is working with regulatory authorities to find a satisfactory resolution to the Portus situation.

The Company does not believe that the conclusion of any current legal or regulatory matters, either individually or in the aggregate, will have a material adverse effect on its financial condition or results of operations.

DIRECTORS AND EXECUTIVE OFFICERS

DIRECTORS

The by-laws of MFC provide that the Board of Directors shall consist of a minimum of seven and a maximum of 30 Directors, with the exact number of Directors to be elected at any annual meeting of MFC to be fixed by the Directors prior to such annual meeting. Prior to the annual meeting held on April 24, 2003, Directors were generally elected for a term of three years, with terms staggered so that one-third, as nearly as may be, of the Board of Directors was elected at the annual meeting each year. At the 2003 annual meeting, shareholders of MFC confirmed amendments to MFC's by-laws, which eliminated the staggered board. Consequently, the entire Board will stand for election at every annual meeting.

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The following table sets forth for each of the Directors of MFC, their province or state and country of residence, position with Manulife Financial and their principal occupation as at March 21, 2005. The year each Director was first elected to the Company's Board of Directors appears on pages 11 to 14 of the Annual Report, which pages are incorporated herein by reference. David F. D'Alessandro, the Chairman and Chief Executive Officer of John Hancock prior to the merger of the Company and John Hancock, became a director of the Company on April 28, 2004 and resigned as a director effective as of March 1, 2005.

Each director is elected for a term of one year, expiring at the next annual meeting of the Company. The next annual meeting of the Company will occur on May 5, 2005.

Name and Residence	Position with Manulife Financial	Principal Occupation
Arthur R. Sawchuk Ontario, Canada (1)(2)(3)(4)	Chairman of the Board	Chairman of the Board, Manulife Financial
Dominic D'Alessandro Ontario, Canada	President and Chief Executive Officer, Director	President and Chief Executive Officer, Manulife Financial
Kevin E. Benson Illinois, United States (2)(3)	Director	President and Chief Executive Officer, Laidlaw International, Inc. (transportation service company) (5)
John M. Cassaday Ontario, Canada (1)	Director	President and Chief Executive Officer, Corus Entertainment Inc. (broadcasting company)
Lino J. Celeste New Brunswick, Canada (2)(3)	Director	Corporate Director (6)
Dr. Gail C.A. Cook-Bennett Ontario, Canada (4)	Director	Chairperson, Canada Pension Plan Investment Board (Canada Pension Plan funds management)
Richard B. DeWolfe Massachusetts, United States	Director	Managing Partner, DeWolfe & Company LLC (consulting firm) (7)
Robert E. Dineen, Jr. New York, United States (2)(3)	Director	Partner, Shearman & Sterling (law firm)
Pierre Y. Ducros Quebec, Canada (1)	Director	President, P. Ducros & Associates, Inc. (investment firm)
Allister P. Graham Ontario, Canada (2)(3)	Director	Chairman, Nash Finch Company(food retail and distribution company) (8)
Thomas E. Kierans Ontario, Canada (1)(2)(3)	Director	Chairman, CSI Global Education Inc. (financial education company) (9)
Dr. Lorna R. Marsden Ontario, Canada (4)	Director	President and Vice Chancellor, York University
Hugh W. Sloan, Jr. Michigan, United States (1)(4)	Director	Deputy Chairman, Woodbridge Foam Corporation (manufacturer of foam products)
Gordon G. Thiessen Ontario, Canada (4)	Director	Chair, Canadian Public Accountability Board (10)
Michael H. Wilson Ontario, Canada (4)	Director	Chairman, UBS Canada (previously UBS Global Asset Management (Canada) Co.)(investment management) (11)

(1) Member of the Corporate Governance and Nominating Committee.

(2) Member of the Conduct Review and Ethics Committee.

(3) Member of the Audit and Risk Management Committee.

(4) Member of the Management Resources and Compensation Committee.

(5) Prior to September 16, 2002, Kevin Benson was President and Chief Executive Officer of The Insurance Corporation of British Columbia, prior to January 2002, Mr. Benson was a Corporate Director, prior to February 28, 2001 Mr. Benson was President of the Jim Pattison Group and prior to March 2000, Mr. Benson was President and Chief Executive Officer of Canadian Airlines International ("CAI"). CAI initiated proceedings under the *Companies Creditors Arrangement Act* (Canada) ("CCAA") and applicable bankruptcy protection statutes in the United States on March 24, 2000.

(6) Prior to April 2001, Lino Celeste was Chairman of Aliant Inc.

(7) Prior to September, 2002, Mr. DeWolfe was Chairman and Chief Executive Officer of The DeWolfe Companies, Inc. Mr. DeWolfe was a director of Response USA, Inc. ("Response") until October 2000. In May of 2001, Response commenced proceedings under applicable bankruptcy statutes in the United States.

(8) Allister Graham was a director of Dylex Limited ("Dylex") until May 2001. In August 2001 Dylex initiated proceedings under CCAA and certain creditors filed petitions in bankruptcy. In September 2001 a receiving order was made against Dylex and a trustee in bankruptcy was appointed.

(9) Prior to November 2004, Thomas Kierans was Chairman, The Canadian Institute for Advanced Research and prior to January 1, 2000, Mr. Kierans was Director, Clarkson Centre for Business Ethics & Holder of Geoffrey R. Conway Chair at the Joseph L. Rotman School of Management, University of Toronto. Mr. Kierans was a director of Teleglobe Inc. ("Teleglobe") until April 23, 2002. On May 15, 2002,

Teleglobe announced that it had obtained creditor protection under the CCAA and that it had initiated ancillary filings in the United States and the United Kingdom.

(10) Prior to October 31, 2002, Gordon Thiessen was a Corporate Director, and prior to February 1, 2001, Mr. Thiessen was the Governor of the Bank of Canada.

(11) Prior to November 1, 2003 Mr. Wilson was Chairman and Chief Executive Officer of UBS Global Asset Management (Canada) Co., prior to February 24, 2003 Mr. Wilson was President and Chief Executive Officer of UBS Global Asset Management (Canada) Co., and prior to August 2001, Mr. Wilson was Chairman and Chief Executive Officer of RT Capital Management Inc. Prior to July 2000, Mr. Wilson was Vice-Chairman, RBC Dominion Securities Inc.

EXECUTIVE OFFICERS

The name, province or state and country of residence, and position of each of the executive officers of Manulife Financial are set forth in the following table as of March 21, 2005.

Name and Residence	Position with Manulife Financial
Dominic D'Alessandro Ontario, Canada	President and Chief Executive Officer
Victor S. Apps Hong Kong, Special Administrative Region of China	Senior Executive Vice President and General Manager, Asia
James M. Benson Massachusetts, United States	Senior Executive Vice President, John Hancock Protection (1)
Jean-Paul Bisnaire Ontario, Canada	Senior Executive Vice President, Business Development and General Counsel (2)
Geoffrey G. Crickmay Tokyo, Japan	Executive Vice President and General Manager, Japan (3)
John D. DesPrez III Massachusetts, United States	Senior Executive Vice President, John Hancock Wealth Management
Bruce Gordon Ontario, Canada	Senior Executive Vice President and General Manager, Canadian Operations (4)
Donald A. Guloien Ontario, Canada	Senior Executive Vice President and Chief Investment Officer (5)
John C. Mather Ontario, Canada	Senior Executive Vice President and Chief Administrative Officer (6)
Peter H. Rubenovitch Ontario, Canada	Senior Executive Vice President and Chief Financial Officer

(1) Prior to April 28, 2004, James Benson was Senior Executive Vice President of John Hancock Financial Services, Inc. From September 2002 to January 2003, Mr. Benson served as Interim Chief Executive Officer of NAIFA. Prior to July 31, 2001, Mr. Benson was President and Chief Executive Officer of Boston-based New England Financial as well as Chairman, President and Chief Executive Officer of GenAmerica Financial Corporation (both MetLife affiliates).

(2) Prior to July 5, 2004, Jean-Paul Bisnaire was a partner at Davies, Ward. Phillips & Vineberg LLP, a Canadian based law firm.

(3) Prior to July 1, 2004, Geoffrey Crickmay was Executive Vice President and Deputy General Manager, Japan. From January 2004 to July 2004 Mr. Crickmay was Senior Vice President, Sales and Marketing, Japan and from April 2001 to January 2004 Mr. Crickmay was Senior Vice President, Group Business, Canadian Operations. Prior to April 2001, Mr. Crickmay was Senior Vice President, Individual Life Insurance, Canadian Operations.

(4) Prior to April 1, 2001, Bruce Gordon was Senior Vice President, Group Business.

(5) Prior to March 8, 2001, Donald Guloien was Executive Vice President, Business Development.

(6) Prior to January 2003, John Mather was Executive Vice President and Chief Information Officer and prior to May 1, 2001, Mr. Mather was Executive Vice President and Chief Information Officer with Ontario Power Generation.

SHARE OWNERSHIP

The number of Common Shares held by Directors and senior officers of the Company as at March 16, 2005 was 944,692, which represented less than one per cent of the outstanding Common Shares. The holdings of each director is set out on pages 11 to 14 of the Annual Report, which pages are incorporated herein by reference.

TRANSFER AGENT AND REGISTRAR

The transfer agents for MFC's Common Shares are as follows:

In Canada:	CIBC Mellon Trust Company 200 Queen's Quay East, Unit 6, Toronto, Ontario, Canada, M5A 4K9 Toll Free: 1-800-783-9495	In the United States:	Mellon Investor Services LLC P.O. Box 3420, South Hackensack New Jersey, U.S.A. 07606-3420 Toll Free: 1-800-249-7702

INTERESTS OF EXPERTS

The auditors of MFC are Ernst & Young LLP, Ernst & Young Tower, 222 Bay Street, P.O. Box 251, Toronto, Ontario, M5K 1J7. The auditors of John Hancock are Ernst & Young LLP, 200 Clarendon Street, Boston, Massachusetts, 02116. Robert C. Dowsett prepared the independent actuary's report in respect of the reorganization of the Company's Canadian based insurance company subsidiaries. Simon Curtis, Executive Vice President and Appointed Actuary of the Company, provided a valuation of policy liabilities of the Company for its consolidated balance sheets as at December 31, 2004 and 2003. At the time such experts prepared the applicable report and at the date hereof, the listed experts own beneficially, directly or indirectly, less than one percent of the outstanding securities or other property of the Company.

AUDIT & RISK MANAGEMENT COMMITTEE

COMPOSITION OF THE AUDIT COMMITTEE

Messrs. Thomas E. Kierans, Kevin E. Benson, Lino J. Celeste, Richard B. DeWolfe, Robert E. Dineen Jr., Allister P. Graham and Arthur R. Sawchuk are the members of the Company's Audit and Risk Management Committee ("Audit Committee"). Mr. Kierans is the chair of the Audit Committee and has held that post for 6 years. The Board of Directors of the Company has determined that each member of the Audit Committee is independent, financially literate and a financial expert as those terms are defined by the applicable regulators.

RELEVANT EDUCATION AND EXPERIENCE

In addition to the general business experience of each member of the Audit Committee, the education and experience of each member is as follows: Mr. Kierans holds a Master of Business Administration from University of Chicago, was formerly the President and Chief Executive Officer of the C.D. Howe Institute, and is a member of the board of directors of BCE Inc. Mr. Benson is a chartered accountant, is currently President and Chief Executive Officer of Laidlaw International Inc. and was previously President and Chief Executive Officer of The Insurance Corporation of British Columbia and Canadian Airlines. Mr. Celeste is an electrical engineer, is the past Chairman of Aliant Inc. and was the President and Chief Executive Officer of NBTel. Mr. DeWolfe holds a bachelors degree from Boston University in marketing and finance and is the former Chairman and Chief Executive Officer of The DeWolfe Companies, Inc., a publicly listed home ownership organization prior to being acquired by Cendant Corp. Mr. Dineen holds a law degree from Syracuse University of Law, and is a member of the board of directors of Nova Chemicals Corporation. Mr. Graham is currently the Chairman of Nash Finch Company and was formerly the Chairman and Chief Executive Officer of The Oshawa Group Limited. Mr. Sawchuk holds a degree in mechanical engineering from the University of Manitoba, is the former Chairman, President and Chief Executive Officer of DuPont Canada, Inc., and is also a director of Manitoba Telecom Services Inc., Bowater Inc. and the Canadian Institute for Advanced Research.

PRE-APPROVAL POLICIES AND PROCEDURES

A description of the pre-approval policies and procedures of the Audit Committee can be found in the Company's Statement of Corporate Governance Practices, located at pages 16 to 19 of the Annual Report, which pages are incorporated herein by reference, and on the Company's web site at www.manulife.com.

EXTERNAL AUDITOR SERVICE FEES

A description of the fees billed by the external auditor to the Company can be found at page 8 of the Annual Report, which page is incorporated herein by reference.

ADDITIONAL INFORMATION

Additional information with respect to MFC, including Directors' and Officers' remuneration and indebtedness, principal holders of securities, and securities authorized for issuance under the Company's equity compensation plans, where applicable, is contained in the Proxy Circular. Additional financial information is provided in the Company's comparative financial statements and the Company's management discussion and analysis for the most recently completed financial year. Additional information relating to the Company may be found in SEDAR at www.sedar.com and is accessible at the Company's web site, www.manulife.com. Requests for materials may be sent to the Investor Relations Department of Manulife Financial at 200 Bloor Street East, NT-7, Toronto, Canada M4W 1E5.

SCHEDULE 1 – AUDIT & RISK MANAGEMENT COMMITTEE CHARTER

Manulife Financial Corporation
Audit & Risk Management Committee Charter

Overall Role and Responsibility:

The Audit & Risk Management Committee ("Audit Committee") shall: (a) assist the Board of Directors in its oversight role with respect to (i) the quality and integrity of financial information; (ii) the effectiveness of the Company's risk management and compliance practices; (iii) the independent auditor's performance, qualifications and independence; (iv) the performance of the Company's internal audit function; and (v) the Company's compliance with legal and regulatory requirements; and (b) prepare such reports of the Audit Committee required to be included in the Proxy Circular in accordance with applicable laws or the rules of applicable securities regulatory authorities.

Membership and Meetings:

The Audit Committee shall consist of three or more Directors appointed by the Board of Directors on the recommendation of the Corporate Governance and Nominating Committee, none of whom shall be officers or employees of the Company or any of the Company's affiliates.

Each of the members of the Audit Committee shall satisfy the applicable independence and experience requirements of the laws governing the Company, the applicable stock exchanges on which the Company's securities are listed and applicable securities regulatory authorities.

The Board of Directors shall designate one member of the Audit Committee as the Committee Chair. Members of the Audit Committee shall serve at the pleasure of the Board of Directors for such term or terms as the Board of Directors may determine.

Each member of the Audit Committee shall be financially literate as such qualification is interpreted by the Board of Directors in its business judgment. The Board of Directors shall determine whether and how many members of the Audit Committee qualify as a financial expert as defined by applicable law.

The Audit Committee shall annually determine whether any of its members serve on the audit committee of three or more other public companies. If any of the Audit Committee members fall into this category, the Audit Committee shall consider the ability of such members to effectively serve on the Audit Committee and, if it is determined that such members are able to continue serving, the Audit Committee shall record the reasons for such a decision.

Structure and Operations:

The affirmative vote of a majority of the members of the Audit Committee participating in any meeting of the Audit Committee is necessary for the adoption of any resolution. The Audit Committee may create one or more subcommittees and may delegate, in its discretion, all or a portion of its duties and responsibilities to such subcommittees.

The Audit Committee shall meet as often as it determines, but not less frequently than quarterly. The Committee shall report to the Board of Directors on its activities after each of its meetings.

The Audit Committee shall review and assess the adequacy of this Charter annually and, where necessary, will recommend changes to the Board of Directors for its approval. The Audit Committee shall undertake and review with the Board of Directors an annual performance evaluation of the Audit Committee, which shall compare the performance of the Audit Committee with the requirements of this Charter and set forth the goals and objectives of the Audit Committee for the upcoming year. The performance evaluation by the Audit Committee shall be conducted in such manner as the Audit Committee deems appropriate. The report to the Board of Directors may take the form of an oral report by the chairperson of the Audit Committee or any other member of the Audit Committee designated by the Audit Committee to make this report.

The Audit Committee is expected to establish and maintain free and open communication with management, the independent auditor, the internal auditor and the Appointed Actuary and shall periodically meet separately with each of them.

Specific Duties:

Oversight of the Independent Auditor

- Sole authority to appoint or replace the independent auditor (subject to shareholder ratification) and responsibility for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditor shall report directly to the Audit Committee.

- Sole authority to preapprove all audit services and permitted non-audit services (including the fees, terms and conditions for the performance of such services) to be performed by the independent auditor. When appropriate, the Audit Committee may delegate to one or more members the authority to grant preapprovals of audit and permitted non-audit services. The Audit Committee shall annually review any delegation of authority to grant preapprovals of audit and permitted non-audit services. Decisions of such delegate to grant preapprovals shall be presented to the full Audit Committee at its next scheduled meeting.

- Evaluate the qualifications, performance and independence of the independent auditor, including (i) reviewing and evaluating the lead partner on the independent auditor's engagement with the Company, and (ii) considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence. The Audit Committee shall present its conclusions with respect to the independent auditor to the Board of Directors and, if so determined by the Audit Committee, recommend that the Board of Directors take additional action to satisfy itself of the qualifications, performance and independence of the independent auditor.

- Obtain and review a report from the independent auditor at least annually regarding: the independent auditor's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm; any steps taken to deal with any such issues; and all relationships between the independent auditor and the Company.

- Review and discuss with management and the independent auditor prior to the annual audit the scope, planning and staffing of the annual audit.

- Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law.

- Review as necessary policies for the Company's hiring of employees or former employees of the independent auditor.

Financial Reporting

- Review and discuss with management and the independent auditor the annual audited financial statements prior to the publication of earnings.

- Review and discuss with management and the independent auditor the Company's annual and quarterly disclosures made in management's discussion and analysis. The Audit Committee shall approve any reports for inclusion in the Company's Annual Report, as required by applicable legislation and make a recommendation thereon to the Board.

- Review and discuss with management and the independent auditor management's report on its assessment of internal controls over financial reporting and the independent auditor's attestation report on management's assessment.

- Review and discuss with management and the independent auditor the Company's quarterly financial statements prior to the publication of earnings, including the results of the independent auditor's review of the quarterly financial statements and any matters required to be communicated by the independent auditor under applicable review standards.

- Review and discuss with management and the independent auditor at least annually significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles, any major

issues as to the adequacy of the Company's internal controls and any special steps adopted in light of material control deficiencies.

- Review and discuss with management and the independent auditor at least annually reports from the independent auditors on: critical accounting policies and practices to be used; significant financial reporting issues, estimates and judgments made in connection with the preparation of the financial statements; alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor; and other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.

- Discuss with the independent auditor at least annually any "management" or "internal control" letters issued or proposed to be issued by the independent auditor to the Company.

- Review and discuss with management and the independent auditor at least annually any significant changes to the Company's accounting principles and practices suggested by the independent auditor, internal audit personnel or management.

- Discuss with management the Company's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance (if any) provided to analysts and rating agencies.

- Review and discuss with management and the independent auditor at least annually the effect of regulatory and accounting initiatives as well as off-balance-sheet structures on the Company's financial statements.

- Discuss with the independent auditor matters required to be discussed by American Institute of Certified Public Accountants Statement on Auditing Standards No. 61 relating to the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information and any significant disagreements with management.

- Review and discuss with the Chief Executive Officer and the Chief Financial Officer the procedures undertaken in connection with the Chief Executive Officer and Chief Financial Officer certifications for the annual and interim filings with applicable securities regulatory authorities.

- Review disclosures made by the Company's Chief Executive Officer and Chief Financial Officer during their certification process for the annual and interim filing with applicable securities regulatory authorities about any significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data or any material weaknesses in the internal controls, and any fraud involving management or other employees who have a significant role in the Company's internal controls.

- Meet with the Appointed Actuary of the Company at least annually to receive and review reports, opinions and recommendations prepared by the Appointed Actuary in accordance with the *Insurance Companies Act* (Canada), and such other matters as the Audit Committee may direct.

- Discuss with the Company's General Counsel at least annually any legal matters that may have a material impact on the financial statements, operations, assets or compliance policies and any material reports or inquiries received by the Company or any of its subsidiaries from regulators or governmental agencies.

Oversight of the Company's Internal Audit Function

- Review with the internal auditor, the independent auditor and management at least annually the mandate, independence, qualifications, staffing and budget of the internal audit department and its annual work plan.

- Review the periodic reports of the internal audit department on internal audit activities and the results of its audits.

Oversight of Risk Management

- Review and approve periodically management's risk philosophy and risk management policies.

- Review with management at least annually reports demonstrating compliance with risk management policies.

- Review with management the quality and competence of management appointed to administer risk management

policies.

- Review reports from the independent auditor and the internal auditor at least annually relating to the adequacy of the Company's risk management practices together with management's responses.

- Discuss with management at least annually the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.

Oversight of Regulatory Compliance

- Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

- Discuss with management and the independent auditor at least annually any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company's financial statements or accounting.

- Review at least annually with the Global Chief of Compliance the Company's compliance with applicable laws and regulations, and correspondence from regulators.

- Meet with the Company's regulators, according to applicable law.

- Exercise such other powers and perform such other duties and responsibilities as are incidental to the purposes, duties and responsibilities specified herein and as may from time to time be delegated to the Audit Committee by the Board of Directors.

Audit Committee's Role:

The Audit Committee has the oversight role set out in this Charter. Management, the Board of Directors, the independent auditor and the internal auditor all play important roles in respect of risk management, compliance and the preparation and presentation of financial information. Management is responsible for risk management, compliance and the preparation of financial statements and periodic reports. Management is responsible for ensuring the Company's financial statements and disclosures are complete, accurate, in accordance with generally accepted accounting principles and applicable laws. The Board of Directors in its oversight role is responsible for ensuring that management fulfills its responsibilities. The independent auditor, following the completion of its annual audit, opines on the presentation, in all material respects, of the financial position and results of operations of the Company in accordance with Canadian generally accepted accounting principles. The internal auditor assesses the Company's systems of internal controls on an ongoing basis.

Funding for the Independent Auditor and Retention of Other Independent Advisors:

The Company shall provide for appropriate funding, as determined by the Audit Committee, for payment of compensation to the independent auditor for the purpose of issuing an audit report and to any advisors retained by the Audit Committee. The Audit Committee shall also have the authority to retain such other independent advisors as it may from time to time deem necessary or advisable for its purposes and the payment of compensation therefor shall also be funded by the Company.

Management's Discussion and Analysis

Manulife Financial Corporation ("MFC") is a leading global provider of financial protection and wealth management products and services, including individual life insurance, group life and health insurance, long-term care insurance, pension products, annuities and mutual funds. These services are provided to both individual and group customers in Canada, the United States and Asia. MFC also provides investment management services with respect to the Company's general fund assets, segregated fund assets, and mutual funds, as well as to institutional customers. As well, MFC offers reinsurance services, specializing in life retrocession and property and casualty reinsurance.

On April 28, 2004, MFC and John Hancock Financial Services, Inc. ("John Hancock"), including its Canadian subsidiary, The Maritime Life Assurance Company, completed the largest cross border merger in Canadian history, making MFC Canada's largest life insurance company, and one of the largest life insurers worldwide.

Consolidated Net Income

MFC reported shareholders' net income of $2,564 million for the year ended December 31, 2004, an increase of 66 per cent from the $1,546 million reported in 2003. The earnings increase of $1,018 million reflects the acquisition of John Hancock, as well as a 22 per cent increase from the pre-merger Manulife businesses. Since the date of acquisition, John Hancock earnings contributed approximately two-thirds of the earnings growth in 2004. The remaining one-third increase in earnings was due to business growth, favourable claims and credit experience and the impact of good equity market growth on fee income, partially offset by the $116 million negative impact of a strengthening Canadian dollar and $90 million of integration costs.

As operational changes are implemented, the distinction between the contribution from John Hancock versus that of the Manulife businesses becomes less relevant. The Company is positioning itself as "One Company" as it continues to integrate operations into 2005, making the consolidated results of MFC the best measure of the Company's performance.

Summary Statements of Operations

For the years ended December 31
(Canadian $ in millions, except per share amounts)

	2004	2003	2002
Premium income	**$ 16,287**	$ 10,540	$ 10,779
Net investment income	**7,823**	4,419	4,088
Other revenue	**3,040**	1,547	1,518
Total revenue	**$ 27,150**	$ 16,506	$ 16,385
Policyholder benefits	**$ 17,026**	$ 10,478	$ 10,670
General expenses	**3,233**	2,011	2,069
Commissions	**2,609**	1,678	1,481
Interest expense	**494**	253	243
Premium taxes	**208**	119	111
Non-controlling interest in subsidiaries	**87**	57	72
Trust preferred securities issued by subsidiaries	**54**	58	65
Total policyholder benefits and expenses	**$ 23,711**	$ 14,654	$ 14,711
Income before income taxes	**$ 3,439**	$ 1,852	$ 1,674
Income taxes	**(874)**	(316)	(304)
Net income	**$ 2,565**	$ 1,536	$ 1,370
Less: net income (loss) attributed to participating policyholders	**1**	(10)	(8)
Net income attributed to shareholders	**$ 2,564**	$ 1,546	$ 1,378
Preferred share dividends	**(14)**	(7)	–
Net income available to common shareholders	**$ 2,550**	$ 1,539	$ 1,378
Diluted earnings per share	**$ 3.62**	$ 3.31	$ 2.88

Earnings per Common Share and Return on Common Shareholders' Equity

Diluted earnings per common share grew by nine per cent to $3.62 from $3.31 in 2003 and the return on common shareholders' equity for the year ended December 31, 2004 was 13.7 per cent compared to 17.7 per cent for 2003, reflecting the impact of the larger capital base as a result of the merger.

Premiums and Deposits

Premiums and deposits for 2004 were $49.9 billion compared to $31.0 billion in 2003. Of the $18.9 billion increase in premiums and deposits, John Hancock businesses contributed $12.0 billion during the eight months since acquisition, with the pre-merger operations increasing by $6.9 billion or 22 per cent.

General fund premiums increased to $16.3 billion in 2004 from $10.5 billion in 2003, primarily as a result of the addition of John Hancock. Increases in general fund premiums in the U.S., Canadian and Asian insurance businesses were offset by lower renewal premiums in Japan from the block of policies acquired from Daihyaku, reduced general fund deposits in U.S. Variable Annuities and the impact of a stronger Canadian dollar.

Segregated fund deposits increased by $7.4 billion to $25.1 billion in 2004 from $17.7 billion in 2003. This growth was driven by record sales of variable annuities in the U.S. and Japan, reflecting the success of the new guaranteed minimum withdrawal benefit rider and expanded distribution in the U.S. and the impact of the distribution alliance with Mitsubishi Tokyo Financial Group in Japan. Record deposits in U.S. Group Pensions, as well as very strong growth in Canadian Individual Wealth Management also contributed to the increase. The growth in segregated fund deposits was, however, dampened by the impact of the strengthening Canadian dollar. The merger with John Hancock contributed $1.3 billion of the year over year increase in segregated fund deposits.

Mutual fund deposits, ASO premium equivalents and other fund deposits increased primarily as a result of the John Hancock acquisition.

Premiums and Deposits

For the years ended December 31 (Canadian $ in millions)		**2004**		2003		2002
General fund premiums	**$**	**16,287**	$	10,540	$	10,779
Segregated fund deposits		**25,104**		17,687		16,706
Mutual fund deposits		**5,809**		1,576		1,189
ASO premium equivalents		**1,710**		883		860
Other fund deposits		**980**		350		495
Total	**$**	**49,890**	$	31,036	$	30,029

Investment Income

Net investment income of $7.8 billion in 2004 increased by $3.4 billion from 2003 with John Hancock contributing $3.2 billion of the increase. The remaining $0.2 billion reflects modest growth in general fund assets offset by the impact of declining interest rates and a strengthening Canadian dollar. Provisions against impaired assets of $115 million in 2004 were higher by $110 million than 2003 but continued to be favourable compared to long-term actuarial assumptions. The total investment yield for the Company was 5.68 per cent, down from 6.34 per cent in 2003, reflecting the addition of the John Hancock assets at market rates.

Net Investment Income

For the years ended December 31 (Canadian $ in millions)		**2004**		2003		2002
Investment income	**$**	**7,439**	$	3,990	$	4,019
Net provision for impaired assets		**(115)**		(5)		(197)
Amortization of net realized and unrealized gains		**779**		575		413
Investment expenses		**(280)**		(141)		(147)
Net investment income	**$**	**7,823**	$	4,419	$	4,088
Yield		**5.68%**		6.34%		5.72%

Other Revenue

Other revenue increased to $3.0 billion in 2004 from $1.5 billion in 2003. The increase was due to the $1.2 billion contribution from the acquired John Hancock businesses and growth in fee income from equity market appreciation and wealth management sales.

Policy Benefits and Expenses

Policy benefits increased to $17.0 billion in 2004 from $10.5 billion in 2003, primarily due to the impact of the John Hancock acquisition. Increases in policy benefits related to growth in Canadian and U.S. insurance businesses, were largely offset by the impact of the reduction in the business previously acquired from Daihyaku in Japan and the ongoing shift to variable investment options and products in U.S. Wealth Management and Japan.

General expenses increased by $1.2 billion in 2004, of which $1.1 billion was attributable to the John Hancock acquisition. Growth in expenses due to integration costs, together with higher variable expenses from strong sales growth in 2004, were offset by synergies realized as a result of increased scale from the merger. Included in the general expenses were $139 million of restructuring and integration costs incurred in the year relating to the consolidation of systems, functions and infrastructure resulting from the merger. The Company expects the integration initiatives to be substantially completed by the end of 2005.

Commissions of $2.6 billion in 2004 were $0.9 billion higher than 2003. John Hancock represented $0.6 billion of the increase with the remaining $0.3 billion primarily attributable to increased new business volumes in the wealth management operations.

Interest expense increased to $494 million in 2004 from $253 million in 2003. The increase was attributable to interest credited on the non-insurance products in the Guaranteed and Structured Financial Products segment ("G&SFP"), as well as interest related to external debt issued by John Hancock.

Income taxes increased to $874 million in 2004 from $316 million in 2003. The Company's 2004 provision for income taxes is comprised of $241 million of current taxes and $633 million of future taxes. The increase in the income tax expense was consistent with the increase in earnings and reflects the mix of earnings derived in tax jurisdictions with differing income tax rates and regulations.

Funds Under Management

Funds under management increased by $193.2 billion to $347.7 billion in 2004 from $154.5 billion in 2003. The funds under management acquired from John Hancock at date of acquisition were $193.0 billion ($106.6 general funds, $31.0 billion segregated funds and $55.4 billion mutual and other funds).

General fund assets increased by $94.7 billion to $169.1 billion as at the end of 2004. Excluding the increase related to general fund asset values at the date of the merger, general fund assets declined by $12.0 billion, primarily due to the impact of a strengthening Canadian dollar and the scheduled maturities of institutional funds in G&SFP.

Segregated fund assets increased to $117.9 billion from $71.5 billion in 2003. After adjusting for the increase in funds acquired, segregated fund assets increased by 21 per cent, reflecting the impact of solid equity market appreciation, growth in net policyholder cash flows in U.S. 401(k) products and variable annuities in the U.S. and Japan, partially offset by the impact of a strengthening Canadian dollar.

Funds Under Management

As at December 31 (Canadian $ in millions)	**2004**	2003	2002
General fund	**$ 169,142**	$ 74,465	$ 77,562
Segregated funds(1)	**117,890**	71,464	58,831
Mutual and other funds(1)	**60,645**	8,598	6,731
Total	**$ 347,677**	$ 154,527	$ 143,124

(1) Segregated fund assets, mutual fund assets and other funds are not available to satisfy the liabilities of the Company's general fund. Other funds represent pension funds, pooled funds, endowment funds and other institutional funds managed by the Company on behalf of others.

Moving Forward

The focus for MFC in 2005 is to deliver profitable growth while successfully completing the integration of the John Hancock businesses. The merger with John Hancock has expanded the distribution and product base of the Company, and combined with expected synergies from operational efficiencies, has resulted in a stronger, more diversified organization, well positioned for growth in key markets.

Revenue growth will continue to be supported by ongoing product enhancements and the expansion of distribution networks across the Company. Products are continuously reviewed to ensure they meet customer needs as well as the Company's risk-return requirements. The Company has been reviewing all product offerings to ensure that the most effective suite of products is maintained in the new organization. Distribution synergies from the addition of John Hancock's complementary distribution channels to the already strong Manulife distribution networks in the U.S. started to emerge in 2004, particularly in U. S. Variable Annuities. The Company plans to leverage this diversity and strength of distribution across all of its U.S. businesses. Canada, Asia and Japan will also actively pursue distribution expansion strategies.

The ongoing consolidation of operations, systems and facilities is expected to continue throughout 2005 with the integration being substantially completed by year-end. These projects are critical to delivering shareholder value and in achieving the efficiencies and expense savings that had been anticipated coming out of the merger. Resources and deliverables are being managed within the Company in order to ensure that its priorities of profitable growth and superior customer service are maintained.

U.S. Protection Division

U.S. Protection Division provides life and long-term care insurance products and services to select markets. The Individual Insurance operation focuses on high net-worth and emerging affluent markets by providing estate and business planning solutions with an array of life insurance products. The Long-Term Care operation provides insurance to individuals and groups to cover the costs of long-term care services including nursing homes, assisted living care facilities, adult day care, and at home care. The Division uses a multi-channel distribution network, including The John Hancock Financial Network, a career agency system that offers innovative protection and wealth management solutions to individuals, families and businesses.

In 2004, U.S. Protection Division contributed 18 per cent of the Company's shareholders' net income, 12 per cent of premiums and deposits and as at December 31, 2004, accounted for 16 per cent of the Company's funds under management.

Financial Performance

U.S. Protection Division's net income was $467 million in 2004 compared to $275 million in 2003. Earnings in 2004 reflected the addition of John Hancock's Individual Insurance and Long-Term Care businesses which contributed $158 million to total earnings. Also contributing to the increase in earnings were excellent mortality experience, strong business growth, and expense efficiencies from both continued tight expense management and combining the operations of the Manulife and John Hancock businesses. Earnings growth was partially offset by the impact of a strengthened Canadian dollar.

The following Summary Statements of Operations present U.S. Protection Division's results on both a Canadian dollar and U.S. dollar basis.

Summary Statements of Operations

For the years ended December 31 (In $ millions)	Canadian $			U.S. $		
	2004	2003	2002	2004	2003	2002
Premium income	**$ 4,710**	$ 2,100	$ 1,940	**$ 3,644**	$ 1,506	$ 1,235
Net investment income	**2,321**	1,260	1,284	**1,793**	901	817
Other revenue	**442**	129	136	**342**	93	87
Total revenue	**$ 7,473**	$ 3,489	$ 3,360	**$ 5,779**	$ 2,500	$ 2,139
Policyholder benefits	**$ 5,387**	$ 2,464	$ 2,401	**$ 4,166**	$ 1,764	$ 1,529
General expenses and commissions	**1,267**	563	439	**980**	406	279
Other	**119**	58	57	**92**	41	36
Total policyholder benefits and expenses	**$ 6,773**	$ 3,085	$ 2,897	**$ 5,238**	$ 2,211	$ 1,844
Income before income taxes	**$ 700**	$ 404	$ 463	**$ 541**	$ 289	$ 295
Income taxes	**(233)**	(129)	(144)	**(180)**	(93)	(92)
Net income attributed to shareholders	**$ 467**	$ 275	$ 319	**$ 361**	$ 196	$ 203

Premiums and Deposits

Premiums and deposits of $5.8 billion in 2004 increased significantly from $2.5 billion in 2003 primarily as a result of the acquisition of John Hancock's Individual Insurance and Long-Term Care operations. Innovative and competitive product design drove strong sales of Individual Insurance Universal Life products while increasing renewal premiums in the Long-Term Care business due to an expanding in force base also contributed to the premium growth. The following premiums and deposits chart presents U.S. Protection Division's results on both a Canadian dollar and a U.S. dollar basis.

Premiums and Deposits

For the years ended December 31 (In $ millions)	Canadian $			U.S. $		
	2004	2003	2002	2004	2003	2002
Premiums	**$ 4,710**	$ 2,100	$ 1,940	**$ 3,644**	$ 1,506	$ 1,235
Segregated fund deposits	**1,106**	360	519	**857**	256	330
Total premiums and deposits	**$ 5,816**	$ 2,460	$ 2,459	**$ 4,501**	$ 1,762	$ 1,565

Funds Under Management

On a Canadian dollar basis, funds under management of $57.1 billion were significantly higher than the $17.7 billion reported in 2003. The increase was driven by the April addition of $42.2 billion (U.S. $30.8 billion) of assets from John Hancock businesses, growth in Individual Insurance's Universal Life product line and in Long-Term Care operations, as well as the impact of improved equity markets.

The following funds under management chart presents U.S. Protection Division's results on both a Canadian dollar and U.S. dollar basis.

Funds Under Management

As at December 31 (In $ millions)	Canadian $			U.S. $		
	2004	2003	2002	**2004**	2003	2002
General fund	**$ 46,148**	$ 15,747	$ 18,176	**$ 38,342**	$ 12,184	$ 11,507
Segregated funds	**10,953**	1,997	1,952	**9,100**	1,545	1,236
Total funds under management	**$ 57,101**	$ 17,744	$ 20,128	**$ 47,442**	$ 13,729	$ 12,743

Moving Forward

In 2005, U.S. Protection Division will move forward under the John Hancock brand, capitalizing on its leading sales positions in both the life insurance and long-term care markets. The Division will remain focused on building distribution strength, maintaining superior service levels and developing innovative products while completing the integration of Manulife and John Hancock businesses.

Expanding the newly re-branded John Hancock Financial Network agency system is a key initiative in 2005. The agency system will create a powerful recruiting message using the John Hancock brand and a commitment to growth in order to increase the number of agents. Initiatives to facilitate this growth include the implementation of enhanced agent training and support programs and the development of innovative compensation structures to continually promote sales activity. In the Individual Insurance business, distribution efforts will focus on positioning the combined Manulife and John Hancock businesses as "One Company," promoting the John Hancock brand and solidifying the Company's strong shelf-space position with key distribution partners. The continued integration of sales, marketing and administrative processes will support the "One Company" message and will enhance the sales and service experience for distributors. Long-Term Care distribution initiatives include expanding and deepening relations with wire houses and broker-dealers through its new wholesaling force and through accessing underserviced market niches. Service enhancements include augmented distributor service capabilities, a simplified sales process, and upgrades to the Division's claims and care coordination services which will improve overall policyholder care.

Product developments for 2005 will include the streamlining of the Individual Insurance product portfolio to a competitively positioned, merged company platform. All products will be promoted under the John Hancock name to leverage the brand and a common set of underwriting guidelines will be implemented to improve the selling experience. A refreshed version of the highly successful Single-Life Universal Life product with new features and design flexibility will enhance the Company's leadership position and reputation for innovation in this product line. Long-Term Care will focus on enhancing existing product features and flexibility in its next generation of individual and group products. In the small business market, a new Long-Term Care product will combine the advantages of a diverse individual distribution network and a large group administration platform.

U.S. Wealth Management Division

U.S. Wealth Management Division provides a variety of personal and family oriented wealth management products and services to select individual and business markets. Group Pensions operations mainly provide 401(k) plans to small and medium-sized businesses and pension mutual fund offerings to medium-sized organizations. Variable annuity, fixed annuity and College Savings 529 plan products are offered primarily to middle- and upper-income individuals. Mutual Funds operations provide a variety of mutual funds, privately managed accounts and institutional services.

In 2004, U.S. Wealth Management Division contributed 16 per cent of the Company's shareholders' net income, 46 per cent of total premiums and deposits, and as at December 31, 2004, accounted for 37 per cent of the Company's funds under management.

Financial Performance

U.S. Wealth Management Division's net income was $397 million in 2004 compared to $180 million in 2003. John Hancock's annuity and mutual fund operations have consistently contributed to earnings since their acquisition in April 2004 and served to further diversify the earnings of the Division. The year's very strong net income growth was also due to continued business growth in the variable annuity and pension operations, driven by excellent sales results and favourable retention. Earnings were also favourably impacted by strong equity market performance on segregated fund guarantees and fee income, as well as continued tight management of discretionary expenses. Partially offsetting this was the impact of a strengthened Canadian dollar.

The following Summary Statements of Operations present U.S. Wealth Management Division results on both a Canadian dollar and U.S. dollar basis.

Summary Statements of Operations

For the years ended December 31 (In $ millions)	Canadian $			U.S. $		
	2004	2003	2002	**2004**	2003	2002
Premium income	**$ 1,344**	$ 1,373	$ 1,615	**$ 1,035**	$ 966	$ 1,029
Net investment income	**930**	442	441	**719**	314	281
Other revenue	**1,479**	891	862	**1,141**	640	549
Total revenue	**$ 3,753**	$ 2,706	$ 2,918	**$ 2,895**	$ 1,920	$ 1,859
Policyholder benefits	**$ 1,797**	$ 1,529	$ 1,755	**$ 1,386**	$ 1,077	$ 1,118
General expenses and commissions	**1,398**	946	987	**1,078**	676	629
Other	**4**	4	6	**3**	3	4
Total policyholder benefits and expenses	**$ 3,199**	$ 2,479	$ 2,748	**$ 2,467**	$ 1,756	$ 1,751
Income before income taxes	**$ 554**	$ 227	$ 170	**$ 428**	$ 164	$ 108
Income taxes	**(157)**	(47)	(17)	**(122)**	(34)	(11)
Net income attributed to shareholders	**$ 397**	$ 180	$ 153	**$ 306**	$ 130	$ 97

Premiums and Deposits

Premiums and deposits of $23.1 billion in 2004 were 50 per cent higher than the $15.4 billion reported in 2003, reflecting the addition of the John Hancock operations, and strong growth in the variable annuity and pension businesses attributable to their broad distribution capabilities, innovative product designs and superior customer service. Premiums on a U.S. dollar basis were up seven per cent over 2003 due to the addition of the John Hancock fixed annuity operations. The premium growth was dampened by consumer preference for segregated funds given the favourable equity market environment. Segregated fund deposits were 35 per cent higher on a U.S. dollar basis than 2003 driven by deposits in the 401(k) and variable annuity businesses, both of which achieved record deposit levels in 2004. Pension deposits grew by 22 per cent as a result of in force participant growth and higher sales. Variable annuity deposits increased by 60 per cent mainly due to strong market acceptance of the guaranteed minimum withdrawal benefit rider and the addition of the John Hancock Financial Network and Essex distribution relationships. Growth in mutual fund deposits and other fund deposits was primarily attributable to the addition of John Hancock's Mutual Fund operations. Increased sales of 529 plans also contributed to other fund deposits growth.

The following premiums and deposits chart presents U.S. Wealth Management Division results on both a Canadian dollar and a U.S. dollar basis.

Premiums and Deposits

For the years ended December 31 (In $ millions)	Canadian $			U.S. $		
	2004	2003	2002	2004	2003	2002
Premiums	**$ 1,344**	$ 1,373	$ 1,615	**$ 1,035**	$ 966	$ 1,029
Segregated fund deposits	**17,145**	13,654	13,710	**13,182**	9,769	8,728
Mutual fund deposits	**3,622**	–	–	**2,813**	–	–
Other fund deposits	**980**	350	495	**759**	252	315
Total premiums and deposits	**$ 23,091**	$ 15,377	$ 15,820	**$ 17,789**	$ 10,987	$ 10,072

Funds Under Management

Funds under management of $129.0 billion were twice the $61.6 billion reported in 2003. General fund invested assets of $20.8 billion have increased from the $6.4 billion reported in 2003 principally as a result of the addition of John Hancock fixed annuity assets. On a U.S. dollar basis, segregated funds under management grew by 43 per cent due to strong variable annuity and 401(k) net policyholder cash flows, the addition of John Hancock annuity assets of U.S. $5.0 billion, and the favourable influence of improved equity markets. Mutual and other fund assets have increased dramatically mainly due to the inclusion of John Hancock's Mutual Fund operations.

The following funds under management chart presents U.S. Wealth Management Division results on both a Canadian dollar and U.S. dollar basis.

Funds Under Management

As at December 31 (In $ millions)	Canadian $			U.S. $		
	2004	2003	2002	2004	2003	2002
General fund	**$ 20,836**	$ 6,418	$ 7,632	**$ 17,312**	$ 4,966	$ 4,822
Segregated funds	**72,186**	54,245	45,237	**59,975**	41,973	28,638
Mutual funds	**30,140**	–	–	**25,042**	–	–
Other funds	**5,874**	903	582	**4,880**	699	369
Total funds under management	**$ 129,036**	$ 61,566	$ 53,451	**$ 107,209**	$ 47,638	$ 33,829

Moving Forward

U.S. Wealth Management Division prides itself on providing excellent customer service, innovative product offerings, and developing and maintaining strong distribution relationships. The Division will continue to focus on these strengths in 2005.

Product development efforts in 2005 will include the rebranding of the 401(k) and variable annuity offerings to John Hancock, a powerful brand with strong retail affiliations in the United States. The 529 plan product line was re-branded in mid-2004. Group Pensions will focus its initiatives in 2005 on enhancing product features and options to further expand its share of the $3 million to $20 million asset market segment. In 2005, Annuities will continue to expand its product offerings and build on the success of its variable annuity guaranteed minimum withdrawal benefit rider, while continuing to manage the risk profile of this business. The Annuities business will also capitalize on the fixed annuity features that were launched in the fourth quarter of 2004. In addition, the college savings product will be supplemented by additional options and portfolio offerings. In 2005, Mutual Funds will continue to pursue both strategic and tactical opportunities aimed at strengthening the investment performance and breadth of its offerings. Further, U.S. Wealth Management will capitalize on the popularity of its strong performing "Lifestyle" funds by distributing retail versions of the offerings through the Mutual Funds operations.

Distribution and service developments in 2005 include Group Pensions' continued focus on expanding its broker-dealer network, ongoing enhancements to Third Party Administrator relationships, enhanced client management infrastructure, and improved Plan Sponsor web-based functionality and Field Office effectiveness. Distribution initiatives in Annuities include further expansion of the Company's bank and broker-dealer wholesaling networks and continued sales support to the John Hancock Financial Network. Annuities will also pursue additional broker-dealer agreements and further penetration of existing networks. Annuities' service initiatives in 2005 will be focused on augmenting self-service and information access functionality through additional web-based technology, and converting various annuity administration systems to a single unifying platform. Similar to Annuities, Mutual Funds distribution initiatives include expanding their wholesaling group, pursuing additional distribution relationships and gaining a greater penetration within its broker-dealer partner firms. In 2005, Mutual Funds service initiatives will encompass a redesign of quarterly and year-end customer statements, and enhanced web and phone-based features to facilitate self-service and information access.

The Manulife and John Hancock insurance trusts, which serve as the investment platforms for the variable offerings, will be merged in the spring of 2005. The combination will create a trust with over U.S. $40 billion of assets under management, 30 sub-advisors and 80 investment options. It will be one of the largest insurance trusts in the industry.

Canadian Division

Canadian Division is one of the leading life insurance-based financial services organizations in Canada. Its individual wealth management product offerings include variable and fixed annuities, individual investment and banking products and mutual funds. Individual life insurance products are aimed at middle- and upper-income individuals and business owners. Insurance products are also directly marketed to members of associations and to the customers of financial institutions. Group life, health and pension products and services are marketed to Canadian employers.

In 2004, the Canadian Division contributed 24 per cent of the Company's shareholders' net income, 22 per cent of total premiums and deposits and as at December 31, 2004, accounted for 17 per cent of the Company's funds under management.

Financial Performance

Canadian Division's shareholders' net income increased by 24 per cent to $614 million in 2004 from $497 million in 2003. This increase was driven by the addition of John Hancock's Maritime Life business and organic growth across the Division. The impact of year over year equity market improvements on segregated fund performance guarantees also contributed to the increased earnings. Claims experience was good, although not as strong as the excellent results in 2003.

Summary Statements of Operations

For the years ended December 31
(Canadian $ in millions)

	2004	2003	2002
Premium income	**$ 5,259**	$ 3,516	$ 3,191
Net investment income	**2,271**	1,842	1,574
Other revenue	**480**	284	287
Total revenue	**$ 8,010**	$ 5,642	$ 5,052
Policyholder benefits	**$ 5,590**	$ 3,863	$ 3,581
General expenses and commissions	**1,402**	979	884
Other	**207**	147	115
Total policyholder benefits and expenses	**$ 7,199**	$ 4,989	$ 4,580
Income before income taxes	**$ 811**	$ 653	$ 472
Income taxes	**(194)**	(158)	(104)
Net income	**$ 617**	$ 495	$ 368
Less: net income (loss) attributed to participating policyholders	**3**	(2)	(10)
Net income attributed to shareholders	**$ 614**	$ 497	$ 378

Premiums and Deposits

Premiums and deposits were $11.1 billion, up $3.9 billion or 55 per cent from $7.1 billion in 2003. The Division's increase in premiums and deposits reflects the contribution from Maritime Life businesses and higher sales, particularly in Individual Wealth Management segregated funds and proprietary mutual fund products, driven by consumer confidence and favourable equity markets. Growth of the Group Life and Health business from strong sales and good client retention also contributed to the higher volume of premiums and deposits.

Premiums and Deposits

For the years ended December 31
(Canadian $ in millions)

	2004	2003	2002
Premiums	**$ 5,259**	$ 3,516	$ 3,191
Segregated fund deposits	**3,116**	1,993	1,283
Mutual fund deposits	**973**	748	657
ASO premium equivalents	**1,710**	883	860
Total premiums and deposits	**$ 11,058**	$ 7,140	$ 5,991

Funds Under Management
Funds under management as at December 31, 2004 were $60.6 billion, an increase of $21.2 billion, or 54 per cent over 2003. This increase reflects the $15.9 billion acquired with the Maritime Life businesses in April. In addition, investment gains, positive net policyholder cash flows of both segregated and mutual funds in Individual Wealth Management and growth in Manulife Bank loan volumes contributed to the increase.

Funds Under Management

As at December 31 (Canadian $ in millions)	**2004**	2003	2002
General fund	**$ 38,787**	$ 26,904	$ 23,745
Segregated funds	**19,422**	10,701	8,577
Mutual funds	**2,348**	1,739	1,324
Total funds under management	**$ 60,557**	$ 39,344	$ 33,646

Moving Forward
Canadian Division's vision is to be the premier life insurance-based financial services organization in Canada with a reputation in the market for innovative products, excellent service, and professional value-added advice that meets the unique needs of customers.

In 2005, the Division will complete its integration of the Maritime Life subsidiary of John Hancock. Integration activities are ahead of schedule and, on completion, will result in increased operational efficiency that, when coupled with a broad and diversified group of sales channels, will ensure the Division's leadership position in the Canadian marketplace.

Manulife distributes products through independent agents, Managing General Agents ("MGAs"), investment advisors and financial services companies, in addition to maintaining a specialized sales force for products directed at companies and associations. Manulife strives to ensure that best-in-class service is provided to each of the distribution channels as well as the end customer.

The excellent client retention experienced by the Division is due, in part, to superior customer service. Further enhancements to customer administration systems, web-based tools and call center technology are all planned for 2005.

Innovative products that offer excellent value to customers are an important component of the success of the Division. Product enhancements are planned in each of its businesses during 2005.

Individual Insurance plans to introduce enhancements to Lifecheque, a critical illness product, in order to maintain its leadership position, and to InnoVision, the flagship universal life product. In early 2005, Group Life and Health will launch a new product that will enable employers to manage rising health benefit costs. Group Pensions will be expanding its product offerings and adding new services, features and functionality for its existing client base, including the launch of a Group RRIF/LIF product that will permit market based funds and shares inside one plan. The recently launched STEPS – a retirement goal setting and tracking tool for plan members – will also be made available to all clients during the year. Individual Wealth Management will be developing and launching a number of new innovative product solutions in each of its key business lines (GICs, segregated funds and mutual funds) in 2005.

Asian Division

Manulife Financial has operated in Asia since 1897, beginning in Hong Kong and the Philippines, expanding into Singapore, Indonesia, Taiwan, China and Vietnam, and in 2004, into Malaysia and Thailand as a result of the John Hancock merger. Asian Division provides a wide range of insurance and wealth management products, including individual and group life and health insurance, and pension and mutual funds.

In 2004, Asian Division contributed 13 per cent of the Company's shareholders' net income, nine per cent of total premiums and deposits and as at December 31, 2004, accounted for five per cent of the Company's funds under management.

Financial Performance

Asian Division's shareholders' net income increased slightly to $324 million in 2004 from $319 million in 2003. On a U.S. dollar basis, shareholders' net income increased by nine per cent. This result was impacted by a provision, primarily in Indonesia, established to cover the Company's exposure to the tsunamis that devastated the region. Excluding this provision, shareholders' net income on a U.S. dollar basis increased by 13 per cent, reflecting business growth across most of the Division. Higher fee income from the administration of the growing Mandatory Provident Fund and mutual fund businesses in Hong Kong, strong business retention in Hong Kong and improvements in the equity markets along with wealth management product initiatives contributed to the overall growth.

The following Summary Statements of Operations present Asian Division results on both a Canadian dollar and U.S. dollar basis.

Summary Statements of Operations

For the years ended December 31 (In $ millions)	Canadian $			U.S. $		
	2004	**2003**	**2002**	**2004**	**2003**	**2002**
Premium income	**$ 1,831**	$ 1,583	$ 1,519	**$ 1,411**	$ 1,134	$ 968
Net investment income	**401**	328	316	**308**	236	202
Other revenue	**179**	134	114	**138**	96	72
Total revenue	**$ 2,411**	$ 2,045	$ 1,949	**$ 1,857**	$ 1,466	$ 1,242
Policyholder benefits	**$ 1,426**	$ 1,103	$ 1,033	**$ 1,099**	$ 790	$ 658
General expenses and commissions	**575**	558	597	**442**	400	381
Other	**57**	56	54	**44**	40	34
Total policyholder benefits and expenses	**$ 2,058**	$ 1,717	$ 1,684	**$ 1,585**	$ 1,230	$ 1,073
Income before income taxes	**$ 353**	$ 328	$ 265	**$ 272**	$ 236	$ 169
Income taxes	**(31)**	(17)	(6)	**(24)**	(12)	(4)
Net income	**$ 322**	$ 311	$ 259	**$ 248**	$ 224	$ 165
Less: net income (loss) attributed to participating policyholders	**(2)**	(8)	2	**(2)**	(6)	1
Net income attributed to shareholders	**$ 324**	$ 319	$ 257	**$ 250**	$ 230	$ 164

Premiums and Deposits

Premiums and deposits were $4.2 billion in 2004, up 24 per cent from $3.4 billion in 2003. On a U.S. dollar basis, premiums and deposits grew by 33 per cent. This increase was driven by strong growth in mutual fund deposits in Indonesia and Individual Wealth Management deposits in Hong Kong. Strong performance in Hong Kong's China Value and Emerging Eastern European funds and expansion of the bank distribution network in Indonesia contributed to growth in mutual fund deposits. Growth in the insurance businesses and various acquisitions and mergers across the Division also contributed to the higher level of premiums and deposits.

The following premiums and deposits chart presents Asian Division results on both a Canadian dollar and U.S. dollar basis.

Premiums and Deposits

For the years ended December 31 (In $ millions)	Canadian $			U.S. $		
	2004	**2003**	**2002**	**2004**	**2003**	**2002**
Premiums	**$ 1,831**	$ 1,583	$ 1,519	**$ 1,411**	$ 1,134	$ 968
Segregated fund deposits	**1,197**	1,013	1,024	**922**	726	652
Mutual fund deposits	**1,214**	828	532	**945**	598	340
Total premiums and deposits	**$ 4,242**	$ 3,424	$ 3,075	**$ 3,278**	$ 2,458	$ 1,960

Funds Under Management
Funds under management increased by 25 per cent to $16.4 billion in 2004 from $13.1 billion in 2003. On a U.S. dollar basis, funds under management increased by 34 per cent, primarily due to increases in Hong Kong, Singapore and Indonesia. Growth in Hong Kong reflected increased business volumes in the Insurance, Mandatory Provident Fund and mutual fund businesses and also reflected the impact of equity market value appreciation. Growth in Singapore was driven by the integration of the John Hancock business as well as by organic growth, while Indonesia was buoyed by substantial mutual fund deposits.

The following funds under management chart presents Asian Division results on both a Canadian dollar and U.S. dollar basis.

Funds Under Management

As at December 31 (In $ millions)	Canadian $			U.S. $		
	2004	**2003**	**2002**	**2004**	**2003**	**2002**
General fund	**$ 7,799**	$ 6,145	$ 6,277	**$ 6,480**	$ 4,753	$ 3,974
Segregated funds	**4,498**	3,421	2,497	**3,737**	2,646	1,580
Mutual and other funds	**4,064**	3,568	2,561	**3,377**	2,760	1,620
Total funds under management	**$ 16,361**	$ 13,134	$ 11,335	**$ 13,594**	$ 10,159	$ 7,174

Moving Forward
While Hong Kong continued to be the largest contributor to earnings for Asian Division, the other Asian operations are becoming more significant following rapid growth and business expansion over recent years. The Division will continue to develop its other Asian businesses over future years in order to diversify the Division's earnings.

The Division will continue to expand the career agency force which will remain the primary distribution channel in the region. Focus will be maintained on the professional delivery of services through division-wide initiatives such as training and the development and implementation of Agency Best Practices. In addition, the Division will develop products suitable for sale through the bank distribution network.

In 2004, strong mutual fund deposits in Hong Kong and Indonesia continued to be a key contributor to business growth. In 2005, the Division will leverage on this success and continue to develop new and enhanced products for the Wealth Management line.

In 2004, the Division completed an acquisition in the Philippines, two mergers in Indonesia of businesses acquired in 2003, as well as the integration of five operations acquired from the Asian unit of John Hancock. This has further enhanced the Company's market positions in Singapore, Indonesia and the Philippines, and provided entry into two exciting new markets, Malaysia and Thailand.

In 1996, Manulife, together with its partner Sinochem, created Manulife-Sinochem ("MSL"), the first joint venture life insurance company in the People's Republic of China. MSL made strong headway in its expansion strategy in China during 2004. The Beijing branch began operations early in the year and another new branch will be opened in Ningbo early in 2005. Furthermore, approvals were received in early 2005 to convert the Guangzhou Branch license into a province-wide license for Guangdong, as well as to expand the MSL license to allow the sale of employee benefits in 2005.

During 2005, in addition to continuing the branch expansion in China, the Division will seek to expand its business across the region by further building its distribution system and by considering additional acquisition opportunities.

Acknowledgement
Manulife is the only international insurance company with a branch in Aceh, the province in Indonesia hit the hardest by a tsunami in December 2004. Manulife is providing much needed relief to its local personnel and is proactively paying claims for policyholders who perished. Furthermore, Manulife will pay the premiums during all of 2005 on behalf of policyholders resident in Aceh.

Japan Division

Japan Division provides insurance and wealth management products to one of the largest insurance markets in the world, a market that continues to suffer from limited product choice. For insurance products, the Division focuses on developing universal life product concepts tailored to meet the needs of two key market segments – middle- to upper-income individuals and their families, and small and medium-sized businesses. Wealth management products contribute to the overall product strategy for these two segments, and provide the opportunity to expand bank and stockbroker distribution channels. The Division's universal life product, ManuFlex, one of the first of its type in Japan, and its variable annuity products, leverage the Company's expertise with these types of products in North America.

In 2004, Japan Division contributed six per cent of the Company's shareholders' net income, seven per cent of total premiums and deposits, and as at December 31, 2004, accounted for three per cent of the Company's funds under management.

Financial Performance

Japan Division's net income increased to $165 million in 2004, up $59 million from $106 million in 2003. Growth in earnings was attributable to the in force business, favourable investment returns, improved claims experience and expense reductions generated by field office restructuring and other cost saving initiatives.

Earnings growth also reflects the more profitable product portfolio and the growth in sales due to the establishment of new distribution relationships. The Division aims to be a product leader in market segments where growth is strong. In line with this objective, and in recognition of the declining market for traditional life insurance, the Division's traditional product line was closed to new business in 2003, and ManuMed, a medical product offered on the Universal Life product platform was launched. ManuMed contributed one third of the Division's insurance sales during 2004. As well, effective April 1, 2004, the Company significantly enhanced its position in the Variable Annuity market with the establishment of a strategic alliance with Mitsubishi Tokyo Financial Group ("MTFG"), one of Japan's top four banks. Under the terms of the alliance, MTFG currently distributes our Premiere product which offers an innovative 110 per cent guaranteed annuitization benefit that is unique to the Japanese market.

Summary Statements of Operations

For the years ended December 31

(Canadian $ in millions)		**2004**		2003		2002
Premium income	**$**	**1,105**	$	1,232	$	1,451
Net investment income		**185**		150		63
Other revenue		**45**		34		34
Total revenue	**$**	**1,335**	$	1,416	$	1,548
Policyholder benefits	**$**	**573**	$	795	$	875
General expenses and commissions		**542**		484		502
Other		**12**		8		8
Total policyholder benefits and expenses	**$**	**1,127**	$	1,287	$	1,385
Income before income taxes	**$**	**208**	$	129	$	163
Income taxes		**(43)**		(23)		(52)
Net income attributed to shareholders	**$**	**165**	$	106	$	111

Premiums and Deposits

Premiums and deposits increased by 84 per cent to $3.5 billion for the year ended December 31, 2004. This increase reflected higher variable annuity deposits generated primarily through the bank distribution channel including MTFG. Universal life premiums also increased due, in part, to a 13 per cent increase in the number of sales agents to 4,016 as at December 31, 2004 and the successful launch of ManuMed, a new universal life product offering medical insurance coverage. These increases were offset by lower renewal premiums due to maturities and lapses on the block of policies acquired from Daihyaku and the depreciation of the Japanese yen.

Premiums and Deposits

For the years ended December 31

(Canadian $ in millions)		**2004**		2003		2002
Premiums	**$**	**1,105**	$	1,232	$	1,451
Segregated fund deposits(1)		**2,394**		667		170
Total premiums and deposits	**$**	**3,499**	$	1,899	$	1,621

(1) Segregated fund deposits for the year ended December 31, 2004 excluded nil (2003 – $26 million, 2002 – $319 million) of net seed capital.

Funds Under Management
Funds under management increased by $867 million to $11.7 billion as at December 31, 2004 from $10.9 billion as at December 31, 2003. Positive net policyholder cash flows from sales of variable annuity and universal life products were partially offset by maturities and lapses on the block of policies acquired from Daihyaku and the depreciation of the Japanese yen.

Funds Under Management

As at December 31 (Canadian $ in millions)		**2004**		2003		2002
General fund	**$**	**8,336**	$	9,781	$	12,385
Segregated funds(1)		**3,412**		1,100		568
Total funds under management	**$**	**11,748**	$	10,881	$	12,953

(1) Segregated funds under management as at December 31, 2004 included $175 million (2003 – $215 million, 2002 – $317 million) of seed capital.

Moving Forward
The Japanese economy continued along its recovery path in 2004. Efforts by the Government and the Bank of Japan to stimulate an export-led recovery have contributed to economic growth. Additionally, there have been continued improvements in equity markets and interest rates during the year. While the improvement in 2004 has been encouraging, deflationary factors remain and the economy is still dependent upon export growth and the expansion of the global economy, particularly the U.S. and China, contributing to a cautious outlook for further economic growth in the short- to medium-term.

The market for traditional death protection is expected to continue to decline due to the aging of the Japanese population. However, the growth of “third-sector” products such as medical insurance remains robust within the industry. Annuity sales are also growing rapidly driven by the popularity of over-the-counter sales through various bank channels.

In July, MTFG announced its intention to merge with the United Financial of Japan Bank (“UFJ”) in October 2005 and early in 2005, UFJ began distributing the Premiere product. The Division also plans to launch two new variable annuity products that will be distributed by MTFG affiliates and will continue to focus on developing new variable annuity distribution relationships.

Japan Division’s universal life product will be enhanced later in 2005 to better address the retirement savings needs of Japanese consumers with the launch of variable funds that will augment the savings options available under the product.

Increasing the size and enhancing the professionalism and efficiency of the Division’s distribution channels remains a key priority. Building on recruiting successes in 2004, the sales agent distribution force will be further expanded and strengthened through ongoing, active recruitment and training. The Division will continue to explore opportunities to expand its reach in the bank and broker dealer channels, capitalizing on its success to date with MTFG.

During the year, the Division maintained a high level of customer service and improved its operating efficiency. In 2005, the Division will further its 2004 successes by continuing to leverage technology investments, pursuing additional opportunities to streamline operational processes and implementing new initiatives to attract high potential staff for future growth. These efforts will generate cost savings and, at the same time, enhance service to customers and agents.

Reinsurance Division

Established in 1984, Reinsurance Division has become one of North America's leading providers of risk management solutions, specializing in retrocession. In the simplest terms, reinsurance refers to the transfer of all or part of certain risks related to policies issued by an insurance company to a reinsurer. Retrocession is a form of reinsurance involving the assumption of risk from other reinsurers.

Through offices in Canada, the United States, Germany, Belgium, Barbados and Singapore, Reinsurance Division provides customer-focused solutions and innovative products in the following lines of business:

- **Life – offering retrocession of traditional life mortality risk as well as specialized coverages such as Structured/non-traditional solutions;**
- **Property and Casualty – offering traditional property catastrophe and aviation as well as specialized non-traditional retrocession for Property and Casualty reinsurers; and**
- **International Group Program ("IGP") – offering group life, health and pension products and services to multinational clients for their local national and globally mobile employees. This line of business was acquired as part of the John Hancock merger.**

The Company is no longer writing any new business within the Accident line.

In 2004, Reinsurance Division contributed nine per cent of the Company's shareholders' net income, two per cent of premiums and deposits and as at December 31, 2004, accounted for one per cent of the Company's funds under management.

Financial Performance

Reinsurance Division's net income increased to $232 million in 2004 from $216 million in 2003 despite the unfavourable impact of the weakened U.S. dollar. On a U.S. dollar basis, earnings increased by 15 per cent reflecting favourable mortality experience in Life Reinsurance, the impact of solid equity market performance on segregated fund guarantees, as well as the addition of John Hancock's IGP business.

The following Statements of Operations present Reinsurance Division results on both a Canadian dollar and U.S. dollar basis.

Summary Statements of Operations

For the years ended December 31	Canadian $			U.S. $		
(In $ millions)	**2004**	2003	2002	**2004**	2003	2002
Premium income	**$ 982**	$ 736	$ 1,063	**$ 756**	$ 527	$ 678
Net investment income	**187**	219	222	**145**	156	142
Other revenue	**36**	44	43	**28**	32	27
Total revenue	**$ 1,205**	$ 999	$ 1,328	**$ 929**	$ 715	$ 847
Policyholder benefits	**$ 810**	$ 642	$ 1,003	**$ 624**	$ 459	$ 640
General expenses and commissions	**70**	68	79	**54**	49	50
Other	**10**	10	8	**8**	7	5
Total policyholder benefits and expenses	**$ 890**	$ 720	$ 1,090	**$ 686**	$ 515	$ 695
Income before income taxes	**$ 315**	$ 279	$ 238	**$ 243**	$ 200	$ 152
Income taxes	**(83)**	(63)	(54)	**(64)**	(45)	(35)
Net income attributed to shareholders	**$ 232**	$ 216	$ 184	**$ 179**	$ 155	$ 117

Premium Income
Premium income increased by 33 per cent to $982 million in 2004 from $736 million in 2003. On a U.S. dollar basis, premiums increased by 43 per cent to $756 million in 2004 from $527 million in 2003. The new IGP business contributed very favourably to the Division's increase in premiums over 2003. Property and Casualty Reinsurance premiums decreased as a result of certain contracts that were not renewed during the period.

The premiums table presents Reinsurance Division results on both a Canadian dollar and U.S. dollar basis.

Premiums

For the years ended December 31 (In $ millions)	Canadian $			U.S. $		
	2004	2003	2002	**2004**	2003	2002
Life reinsurance	**$ 466**	$ 454	$ 519	**$ 357**	$ 325	$ 331
Property and Casualty reinsurance	**180**	282	544	**138**	202	347
International Group Program reinsurance	**336**	—	—	**261**	—	—
Total premiums	**$ 982**	$ 736	$ 1,063	**$ 756**	$ 527	$ 678

Moving Forward
Reinsurance Division's primary goal is to maintain its leadership position within its markets. As a wholesaler of risk, Reinsurance Division has a unique business model whereby it seeks to opportunistically capitalize on businesses within its realm of expertise and risk tolerance level. The Company's strong balance sheet allows the Division to take on certain highly profitable risks that only a few reinsurers are capable of accepting.

In 2005, as a result of consolidation within the industry, new business volumes on both life retrocession and the structured line of business are expected to be lower relative to 2004. However, the Division will continue with its strategy of pursuing one-off opportunities with appropriate risk profiles that provide attractive returns.

Property and Casualty Reinsurance has established its market position as a leader in providing property catastrophe coverage to the professional reinsurers of the world. The Division plans on maintaining and enhancing its position as a niche player and will selectively accept additional risk where it finds attractive opportunities that meet its underwriting and risk/return standards.

IGP's objective is to maintain its dominant position in the North American market and to continue to grow market share in Europe and Asia while maintaining the profitability of the business.

Guaranteed and Structured Financial Products Division

Guaranteed and Structured Financial Products ("G&SFP") Division offers a variety of specialized products and services to U.S. based qualified defined benefit and defined contribution retirement plans as well as other U.S. and international investors, both retail and institutional in nature. The in force business is predominantly from institutional markets, whereas the focus for new business in 2004 was in retail markets with such products as *Signature*Notes, structured settlements and immediate fixed annuities. This shift in product mix during the past year was made as G&SFP sought to diversify the Division's offerings into retail markets where margins are wider and the Company's strong brand and consumer awareness can be leveraged.

Manulife Financial acquired the G&SFP business during 2004 as part of the merger with John Hancock. In 2004, G&SFP Division contributed eight per cent of the Company's shareholders' net income, two per cent of total premiums and deposits and as at December 31, 2004, accounted for 12 per cent of the Company's funds under management.

Financial Performance

G&SFP Division's net income was $212 million for the period from acquisition to December 31, 2004.

The following Summary Statements of Operations present G&SFP Division results on both a Canadian dollar and U.S. dollar basis.

Summary Statements of Operations

For the year ended December 31, 2004

(In $ millions)		Canadian $		U.S. $
Premium income	$	1,056	$	819
Net investment income		1,276		991
Other revenue		17		13
Total revenue	$	2,349	$	1,823
Policyholder benefits	$	1,887	$	1,464
General expenses and commissions		56		43
Other		100		78
Total policyholder benefits and expenses	$	2,043	$	1,585
Income before income taxes	$	306	$	238
Income taxes		(94)		(73)
Net income attributed to shareholders	**$**	**212**	**$**	**165**

Premiums and Deposits

Premiums and deposits of $1.1 billion were mostly attributable to sales of retail products as well as deposits received into existing fund-type contracts.

Premiums and deposits exclude deposits for *Signature*Notes of $545 million as they have similar characteristics to banking deposits which are not recorded as premiums and deposits.

The following premiums and deposits table presents G&SFP Division results on both a Canadian dollar and U.S. dollar basis.

Premiums and Deposits

For the year ended December 31, 2004

(In $ millions)		Canadian $		U.S. $
Premiums	$	1,056	$	819
Segregated fund deposits		31		26
Total premiums and deposits	**$**	**1,087**	**$**	**845**

Funds Under Management

Since April 28, 2004, funds under management have declined as scheduled maturities of institutional funds outpaced sales during the period. As a result of historically tight market spreads and strict adherence to the Company's pricing discipline, G&SFP curtailed sales of some institutional products and dramatically reduced sales of other products. Funds under management of $40.3 billion were down $8.8 billion, or 18 per cent. Excluding the impact of the strengthened Canadian dollar, funds under management were down seven per cent.

The following funds under management table presents G&SFP Division results on both a Canadian dollar and U.S. dollar basis.

Funds Under Management

As at December 31, 2004

(In $ millions)		Canadian $		U.S. $
General fund	$	35,302	$	29,330
Segregated funds		4,965		4,125
Total funds under management	**$**	**40,267**	**$**	**33,455**

Moving Forward

Effective 2005, G&SFP Division will become part of the U.S. Wealth Management organization. This organizational change reflects G&SFP's increasing focus on retail-oriented products and will enable them to better leverage the strong distribution relationships of U.S. Wealth Management with G&SFP's strong product development, risk management and immediate annuity servicing capabilities. The expansion of G&SFP's product development efforts towards the retail market reflects the desire to capitalize on demographic changes in the marketplace and leverage the John Hancock brand.

Investment Division

Manulife Financial's Investment Division, operating as MFC Global Investment Management ("MFC Global"), manages assets for the Company's general fund and for external third party retail and institutional clients through a variety of products and distribution channels.

The Operations

MFC Global manages a broad range of investments including equities, government and corporate bonds, private placements, real estate, mortgages, oil and gas, timber and farmland, and structured products. Additionally, MFC Global has a physical presence in key financial centers around the world, totaling 40 offices in the United States, Canada, the United Kingdom, Japan, Australia, Hong Kong, and throughout Southeast Asia.

General Fund Assets

As a result of the merger with John Hancock in April, MFC's general fund invested assets increased substantially to $169.1 billion as at December 31, 2004 from $74.5 billion as at December 31, 2003. Both John Hancock and Manulife use a "bottom-up" approach to asset allocation, determining the duration and asset mix appropriate for the nature of each major liability segment independently. As a result of different liability mixes and investing styles, the nature of the asset portfolios differs significantly. The following table shows a comparison of the combined asset mix relative to Manulife alone from the prior period.

General Fund Assets

		2004		2003
As at December 31 (Canadian $ in millions unless otherwise stated)	Carrying value	% of total	Carrying value	% of total
Bonds	**$ 106,612**	**63**	$ 42,216	57
Mortgages	**28,684**	**17**	10,401	14
Stocks	**7,805**	**4**	5,866	8
Real estate	**4,669**	**3**	3,962	5
Policy loans	**6,743**	**4**	4,348	6
Cash and short-term investments	**8,517**	**5**	5,877	8
Bank loans	**1,391**	**1**	934	1
Other investments	**4,721**	**3**	861	1
Total invested assets	**$ 169,142**	**100**	$ 74,465	100

Bonds

The Company's bond portfolio represented 63 per cent of invested assets as at December 31, 2004. Historically, Manulife had focused its fixed income activities on highly-rated public bonds whereas John Hancock had a much larger percentage invested in private debt and has also been a more active buyer of securitized products. As a result of the combination, the Company enjoys a highly diversified mix of fixed income holdings. This portfolio is diversified by sector as well as by industry and issuer, with increases in Securitized and Utilities and decreases in Government and agency and Financial sectors. As at December 31, 2004, 94 per cent of the portfolio was invested in investment grade rated securities (BBB and higher).

The following table shows the distribution of the bond portfolio by sector and industry.

Bonds

As at December 31 (Canadian $ in millions unless otherwise stated)	2004 Carrying value	2004 % of total	2004 % Investment grade	2003 Carrying value	2003 % of total	2003 % Investment grade
Government and agency	**$ 25,750**	**24**	**99**	$ 17,315	41	99
Financial	**19,622**	**18**	**97**	10,067	24	98
Telecommunications	**3,769**	**4**	**90**	2,326	5	83
Utilities	**14,604**	**14**	**87**	3,693	9	96
Energy	**6,802**	**6**	**90**	2,175	5	94
Industrial	**7,020**	**7**	**89**	1,545	4	94
Securitized (ABS/MBS)	**11,945**	**11**	**99**	488	1	99
Consumer (non-cyclical)	**6,193**	**6**	**91**	1,907	4	94
Consumer (cyclical)	**3,686**	**4**	**85**	1,104	3	82
Basic materials	**4,310**	**4**	**85**	396	1	81
Technology	**299**	**–**	**93**	278	1	89
Media and Internet	**2,216**	**2**	**88**	814	2	82
Other	**396**	**–**	**97**	108	–	86
Total	**$ 106,612**	**100**	**94**	$ 42,216	100	96

Mortgages and Real Estate

As at December 31, 2004, mortgages represented 17 per cent of invested assets with 39 per cent of the mortgage portfolio in Canada and 61 per cent in the United States. Commercial mortgages accounted for 82 per cent of total mortgages. Predominately composed of first mortgages, the portfolio is diversified by geographic region, property type and mortgagor. Government-insured loans represented nine per cent of the total mortgage portfolio, offering an excellent risk-adjusted return. All mortgages are secured by real properties.

As at December 31, 2004, three per cent of the Company's invested assets were held in real estate. The portfolio is focused on high quality office buildings located in superior downtown and large suburban markets across North America and Japan. The portfolio has been managed such that the Company has been able to deliver occupancy rates that are consistently higher than industry average. The portfolio is also diversified by geographic region and property type, with 55 per cent located in the United States, 36 per cent in Canada and nine per cent in Asia. Commercial office properties represented 73 per cent of the portfolio, with the remainder shared among industrial, retail, residential and other property types.

Stocks

As at December 31, 2004, stocks represented four per cent of invested assets. The portfolio consists primarily of publicly traded common stocks and is diversified by industry sector and issuer. As at December 31, 2004, the stock portfolio was invested 34 per cent in U.S. issuers, 37 per cent in Canadian issuers, 22 per cent in Asian issuers and seven per cent in other issuers.

Other Investments

Other investments include unconsolidated joint ventures, partnerships, funds, limited liability corporations, leases, subordinated debt of life insurance companies and oil and gas holdings. Other investments also includes various types of derivative instruments including interest rate and currency swaps, interest rate caps and floors, swaptions and futures used to hedge and manage the Company's exposure to changes in interest rates, foreign exchange rates and equity market prices.

Third Party Assets
Separate from the General Fund, MFC Global manages a significant book of assets on behalf of clients of the Company's operating divisions and institutional clients.

Third Party Assets

As at December 31 (Canadian $ in millions unless otherwise stated)	2004	2003	Change $	Change %
Managed on behalf of:				
Operating division clients	**$ 28,027**	$ 16,520	$ 11,507	70%
Institutional clients	**24,055**	4,544	19,511	429%
Total	**$ 52,082**	$ 21,064	$ 31,018	147%

Assets under management increased by $31.0 billion or 147 per cent during the year ended December 31, 2004. Of this total increase, $28.6 billion or 92 per cent is a direct result of the merger with John Hancock, and the remaining $2.4 billion or eight per cent is attributable to growth in pre-merger assets.

Moving Forward
Consistently achieving superior investment returns and significantly growing the investment management business remain the two primary goals of Investment Operations. Going forward, the challenge will be maintaining high returns in investment grade assets in an environment characterized by tight spreads, low interest rates and highly priced assets.

With the addition of John Hancock, MFC Global has become a significant investment manager with approximately 2,000 employees, including 300 investment professionals. MFC Global's unique portfolio of non-traditional assets results in enhanced yields, diversifies risk and provides a competitive advantage. Going forward, the group will continue to leverage the resulting distribution network, expanded expertise and significant scale to aggressively grow the business.

Risk Management

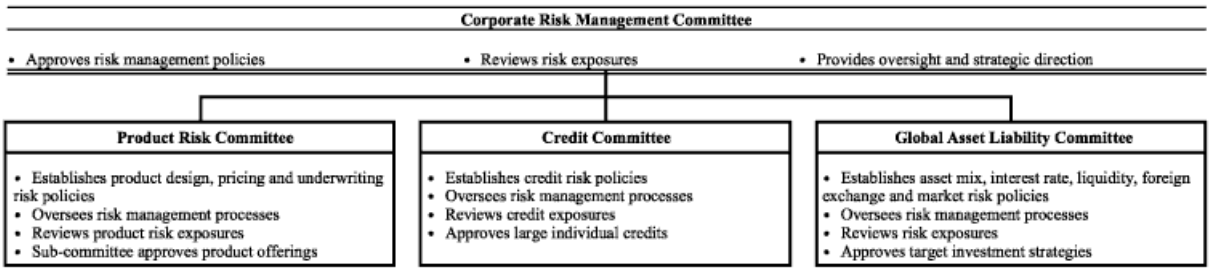
Overview
MFC is in the business of taking risks to generate profitable growth. How effectively these risks are managed is critically important to meeting expectations of shareholders, customers and regulators, and to safeguarding reputation and capital. The fundamental objective of MFC's risk management program, therefore, is to support shareholder value growth while ensuring commitments to customers are met and reputation and capital are protected. This is achieved by employing an enterprise level framework that guides all risk-taking activities globally, ensuring they are aligned with corporate philosophy: taking risks that are prudent in relation to capital strength, that meet corporate ethical standards, that are diversified across risk types, businesses and geographies, and for which appropriate compensation is earned.

MFC's enterprise risk management framework is built around four cornerstones: comprehensive risk governance; effective risk management processes; rigorous exposure measurement; and disciplined risk limit management. Continuous investment is being made in the tools, processes and professionals employed in all aspects of risk measurement and management as the external environment shifts and business operations broaden.

Risk Governance
Sound business decisions require a strong risk culture, and a well-informed executive management and Board of Directors. The Audit and Risk Management Committee of MFC's Board of Directors, along with the Conduct Review and Ethics Committee, oversees global risk management. These Board committees approve and monitor compliance with all key risk policies and limits, and regularly review with management trends in material risk exposures, major risk-taking activities, and the ongoing effectiveness of risk management practices.

MFC's Chief Executive Officer ("CEO") and a top tier of executive risk oversight committees set the overall risk appetite, and influence and communicate the Company's risk culture across global operations. The committees shape risk policy, monitor material risk exposures, guide risk-taking activity and champion strategic risk management priorities throughout the organization.

Executive risk oversight committees include:



Business units across the organization own and take accountability for the risks assumed within their operations. Business unit general managers are responsible for ensuring business strategies align with corporate risk philosophy and culture, and for managing both risk and return on risk-based allocated capital within corporate policy and limits.

Corporate Risk Management maintains the comprehensive enterprise risk management framework, monitors and reports on enterprise wide risk exposures, and proactively partners with other corporate areas and business units in employing analytic techniques to appropriately assess and allocate risk-based capital, and to optimize risk and return profiles. The group also drives the development and introduction of new risk measurement and management techniques and processes throughout the organization.

Internal Audit independently assesses the effectiveness of risk management policies and internal controls, and oversees the risk and control self-assessment program globally. Global Compliance independently assesses the effectiveness of regulatory compliance processes and business practices against potential legal, regulatory and reputation risks. The Chief Actuary independently opines on the adequacy of actuarial liabilities, oversees regulatory capital adequacy reporting and performs the Dynamic Capital Adequacy Testing, a stress analysis required by regulators incorporating extreme but plausible scenarios.

Risk Management Processes
Sound decision making requires that all potential new business initiatives, acquisitions, product offerings and investments are evaluated on a directly comparable risk-adjusted basis and that all risk exposures are identified, assessed and managed using a common set of standards and guidelines. MFC's enterprise risk management framework establishes global standards and guidelines for risk management and, in concert with its risk and capital management framework, establishes standards for risk-adjusted return measurement. The comprehensive risk-specific management programs encompass:

- Establishment, approval and maintenance of policies and limits;
- Clear delineation of risk management accountabilities across the organization;
- Specific delegation of authorities related to risk-taking activities;
- Processes for risk identification, assessment, monitoring, reporting and escalation;
- Standards for risk exposure measurement; and
- Strategies for risk control and mitigation.

A comprehensive report of risk exposures, incorporating both qualitative and quantitative assessments, is reviewed with the Corporate Risk Management Committee and the Audit and Risk Management Committee quarterly, following a formal risk identification and assessment process. In addition, the results of internal audits of risk controls and risk management programs are independently reported to the Audit and Risk Management Committee, and the results of the Dynamic Capital Adequacy Testing are reported to the Board of Directors.

Risk Measurement
MFC is exposed to a variety of risks through its diverse business activities. These risks are a blend of strategic risks, financial risks including product, credit, asset liability and market risks, and general operational risks. They can result in a combination of direct financial loss, damage to reputation, or inability to conduct business or service customers, all of which can impact shareholder value.

Individual quantitative measures are used to assess risk exposures related to various financial and operational risks. Risk measurement methodologies range from simple key risk indicators to stress testing to sophisticated stochastic scenario modeling of potential capital at risk. Strong controls are in place over the development, implementation and application of the stochastic scenario models employed. Currently, MFC evaluates its risk-based capital using a combination of Minimum Continuing Capital and Surplus Requirements ("MCCSR"), the risk-based capital required by its primary regulator, the Office of the Superintendent of Financial Institutions, and internally developed economic capital. Economic capital measures the amount of common equity needed to support risks, covering potential extreme losses that could occur, with a confidence expected for a company with MFC's financial strength ratings. Economic capital is in the process of being introduced internally across the organization. The Company allocates capital to its businesses based on a combination of MCCSR, local regulatory requirements in jurisdictions outside of Canada and economic capital. Risk-adjusted performance is monitored based on allocated capital.

Risk Limit Management
MFC's risk-taking activities are managed against an overall capacity for assuming risk, established based on the risk tolerances of the Board of Directors and executive management, reflecting the Company's financial condition. This overall capacity is defined in terms of local regulatory ratios for its key operating subsidiaries and the consolidated ratio of its available capital to its risk-based allocated capital. MFC targets an MCCSR ratio of 180 to 220 per cent for its primary Canadian operating subsidiary and an NAIC RBC ratio of 275 to 325 per cent for its U.S. operating subsidiaries. In addition, to manage its risk profile and limit exposure to specific risks, MFC manages risk exposures against enterprise-wide limits established for various financial risks, based on risk-specific exposure measures. MFC's risk profile is well diversified across risks, as shown by the composition of the Company's risk-based allocated capital.

Allocated Capital by Risk



Strategic Risk
Strategic risk is the risk of loss resulting from the inability to adequately plan or implement an appropriate business strategy, or to adapt to change in the external business, political or regulatory environment.

Managing strategic risk effectively is critical to delivering shareholder value growth. The CEO and Executive Committee set overall strategies that are approved by the Board of Directors, and have accountability to manage the risks embedded in these strategies. They are supported by a number of important processes:

- Strategic planning that is integrated with risk assessments and reviewed with the Board of Directors;
- Detailed business planning executed by local divisional executive management;
- Capital attribution and allocation that ensure a consistent decision making framework across the organization;
- Periodic reviews of operational performance of all businesses with the CEO and the Board of Directors; and
- Review and approval of all acquisitions and divestitures by the CEO and Board of Directors.

Product Risk
Product risk is the risk of loss due to actual experience emerging differently than assumed when the product was designed and priced, as a result of investment returns, expenses, taxes, mortality and morbidity claims, and policyholder behaviour.

The Product Risk Committee oversees product risk management policies and processes. Within the broad framework set out by the Product Design and Pricing Policy approved by the Audit and Risk Management Committee, it sets global product design and pricing standards and guidelines designed to ensure all aspects of product offerings align with corporate risk philosophy. These cover:

- product design features
- use of reinsurance
- pricing models and software
- risk-based capital allocations
- target profit objectives
- pricing methods and assumption setting
- stochastic and stress scenario analyses
- required documentation
- approval processes
- experience monitoring programs

Designated pricing officers in each business unit are accountable for all pricing activities. The general manager and chief financial officer of each business unit, as well as Corporate Risk Management, approve the design and pricing of each product, ensuring corporate standards are met. The Chief Risk Officer approves the introduction, or modification, of any product and related reinsurance treaty that introduces material changes in product design or risk exposure. The Chief Actuary approves all valuation methods and assumptions and approves all reinsurance treaties related to business in force. Annual risk and compliance self-assessments and periodic internal audits are performed for all businesses to ensure compliance with standards.

Underwriting and claims risks are key components of product risk. A global underwriting manual is utilized by all businesses ensuring underwriting practices are consistent across the organization while reflecting local conditions. Each business unit establishes underwriting policies and procedures, including criteria for approval of risks and claims adjudication policies and procedures. Periodic reviews of business unit practices ensure compliance with standards.

Fluctuations in claims experience may result in losses. As at December 31, 2004, actual mortality and morbidity rates over the next year exceeding the rates provided for in actuarial reserves by five per cent would reduce net income by $102 million. Enterprise-wide, this aggregate claims exposure is mitigated as a result of operating internationally and insuring a wide range of non-correlated risk events, reducing the likelihood of high aggregate claims rates.

Exposure to claims concentrations is further mitigated through the use of geographical aggregate retention limits for certain covers and through the purchase of catastrophe reinsurance for life, health and disability insurance worldwide. MFC's catastrophe reinsurance covers losses in excess of U.S. $50 million, up to U.S. $150 million (U.S. $100 million for Japan). In addition to accidents and natural catastrophes, it provides full cover for losses due to all terrorist activities in Canada, where the concentrations are highest, and restricted cover for losses due to terrorist activities in other parts of the world.

Exposure to individual large claims is mitigated through established retention limits per insured life varying by market and jurisdiction. Coverage in excess of these limits is reinsured with other companies. MFC's current global retention limit is U.S. $20 million (U.S. $25 million for joint life policies) and is shared across business units with lower limits applying in some markets and jurisdictions.

Credit Risk

Credit risk is the risk of loss due to the inability or unwillingness of a borrower or counterparty to fulfill its payment obligations.

MFC's Credit Committee establishes and oversees implementation of policies and processes to manage credit risk. The committee sets out objectives related to the overall quality and diversification of the investment portfolio and establishes criteria for the selection of counterparties and intermediaries. The policies establish exposure limits by borrower or issuer, corporate connection, quality rating, industry, and geographic region. Corporate connection limits vary according to internal risk rating.

All credit-granting units within the Company have a defined evaluation process that provides an objective assessment of credit proposals. Borrowers are assigned an internal risk rating based on a detailed examination of the organization, including business strategy, market competitiveness, industry trends, financial strength, access to funds, and other risks facing the organization. Internal ratings are assessed and updated on a regular basis and are based on a standardized 22-point scale consistent with those of external rating agencies.

Delegated credit approval authorities are established and approved by the Credit Committee and Audit and Risk Management Committee. Credit decisions are made on a case-by-case basis at a management level appropriate to the size and risk level of the transaction, based on the delegated authorities that vary according to internal risk rating. All major credit decisions are referred to the Credit Committee for approval. The largest credits are referred to the CEO for approval and, in certain cases, to the Board of Directors.

Distinct derivative counterparty exposure limits, based on a minimum acceptable counterparty credit rating of "A", are in place. For a derivative counterparty, derivative exposure is measured as gross potential credit exposure, which takes into consideration mark-to-market value, net of any collateral held, and a provision for future exposure. Reinsurance counterparty exposure measures reflect both current exposures and potential future exposures. All reinsurance counterparties are required to meet minimum credit-rating criteria.

Regular reviews of the credits within the various portfolios are undertaken to ensure that changes to credit quality are identified, and where appropriate, corrective actions taken. Prompt identification of problem credits is a key objective. A centralized list of problem and potential problem credits is maintained by Corporate Risk Management, which provides an independent credit risk oversight function. The Credit Committee reviews credits on the list regularly, and provides direction where appropriate. Corporate Risk Management and Internal Audit perform periodic internal audits of all credit-granting units to ensure compliance with credit policies and processes.

An allowance for losses on invested assets is established when an asset or portfolio of assets becomes impaired as a result of deterioration in credit quality, to the extent there is no longer assurance of timely realization of the carrying value of assets and related investment income. The carrying value of an impaired asset is reduced to estimated net realizable value at the time of recognition of impairment. There is no assurance that the allowance for losses will be adequate to cover future losses or that additional provisions or asset write-downs will not be required. However, MFC remains conservatively provisioned for credit losses overall and the level of impaired assets continues to be very low.

Actuarial liabilities also include general provisions for credit losses from future asset impairments. These are set conservatively, taking into account normal historical levels and future expectations, with an allowance for adverse deviations. Fluctuations in credit default rates and, to a lesser extent, deterioration in credit ratings of borrowers, may result in losses, if actual rates exceed expected rates. As at December 31, 2004, credit loss rates over the next year exceeding the rates provided for in actuarial reserves by 25 per cent would reduce net income by $53 million.

A variety of aggregate credit risk exposure measures are monitored regularly and reported to the Audit and Risk Management Committee, as shown in the following table.

Credit Risk Measures

As at December 31 (Canadian $ in millions unless otherwise stated)	**2004**	2003
Net impaired assets	**$ 476**	$ 139
Net impaired assets as a per cent of total invested assets	**0.28%**	0.19%
Allowance for impairment	**$ 214**	$ 230
Provision for future credit losses included in actuarial liabilities(1)	**$ 3,531**	$ 1,574
Performing assets coverage ratio(2)	**2.81%**	4.10%
Impaired assets coverage ratio(3)	**543%**	489%

(1) Excludes allowances for pass-through credit risk pertaining to participating policies and certain other policies. The allowance for expected credit losses implicit in actuarial liabilities for these policies was estimated to be $1,076 million as at December 31, 2004.

(2) Performing assets coverage ratio is calculated as allowance for impairment and provision for future credit losses included in actuarial liabilities less gross impaired assets, as a per cent of total mortgages and non-government bonds less gross impaired assets.

(3) Impaired assets coverage ratio is calculated as allowance for impairment and provision for future credit losses included in actuarial liabilities, as a per cent of gross impaired assets.

Asset Liability and Market Risk

Asset liability and market risk is the risk of loss resulting from market price volatility, interest rate changes, adverse movements in foreign currency rates, and from not having access to sufficient funds to meet both expected liabilities and unexpected cash demands.

MFC's Global Asset Liability Committee, with the support of a network of business unit asset liability committees, establishes and oversees implementation of policies and processes related to the management of a variety of risks inherent in generating the investment returns required to support product liabilities, as well as returns on assets in the shareholders' equity account. These risks include asset allocation, interest rate changes, and price volatility of non-fixed income investments, such as equities, real estate, oil and gas and timber investments. The committee also oversees the management of liquidity and foreign exchange risks.

Global investment policies, approved by the Audit and Risk Management Committee, establish enterprise-wide and portfolio level targets and limits as well as delegated transaction approval authorities. The targets and limits are designed to ensure investment portfolios are widely diversified across asset classes and individual investment risks, and are suitable for the liabilities they support. Actual investment positions and risk exposures are monitored regularly. The positions and exposures are reported to the Global Asset Liability Committee monthly and to the Corporate Risk Management Committee and Audit and Risk Management Committee quarterly.

Segmentation and Investment Strategy Product liabilities are segmented into groups with similar characteristics and are each supported by unique portfolios of investments. Investment policies and goals are established for each asset segment and set out target investment strategies and portfolio management philosophies that best match the premium and benefit pattern, guarantees, policyholder options, and crediting rate strategies for the products supported. These policies and goals encompass asset mix, quality rating, duration and cash flow profile, liquidity, currency mix and industry concentration targets, as well as portfolio management styles such as active or indexed for equities and buy-and-hold or actively traded for public bonds. Governing business unit asset liability committees and the Global Asset Liability Committee approve the investment policies and goals.

Wealth management products that are primarily short to medium term obligations and offer interest rate guarantees for specified terms on single premiums are supported predominantly by fixed income assets, such as public bonds, private debt and mortgages. The cash flow profile of the fixed income assets is set to closely match the profile of the liabilities supported. Payout annuities have no surrender options and include predictable and very long-dated obligations. These are supported by a component of non-fixed income assets managed for total return in addition to fixed income assets. Insurance products, with recurring premiums extending many years in the future also include a significant component of very long-dated obligations. These obligations are also supported by a combination of non-fixed income assets managed for total return and fixed income assets.

Utilizing non-fixed income assets to support certain products is intended to enhance long-term investment returns and reduce aggregate risk through diversification. Target investment strategies are established using sophisticated portfolio analysis techniques to optimize long-term investment returns while considering the risks related to embedded product guarantees and policyholder withdrawal options, the impact of regulatory and economic capital requirements and management tolerances with respect to short-term income volatility and long-term tail risk exposure. For certain products such as participating insurance, universal life insurance and U.S. fixed annuities, the investment performance of assets supporting the liabilities will be largely passed through to policyholders as changes in the amounts of dividends declared or rates of interest credited, subject to embedded minimum guarantees.

Derivatives, including foreign exchange contracts, interest rate and cross currency swaps, forward rate agreements and options, are incorporated into investment strategies where appropriate to manage interest rate, foreign currency risk and equity risk. The risks associated with the use of derivatives are mitigated by established risk management policies and processes including specific limits on the size of derivative transactions, authorized types of derivatives and applications, delegated authorization and trading limits for specific personnel, as well as the pre-approval of all derivative application strategies and regular monitoring of the effectiveness of derivative strategies by Corporate Risk Management.

Investment Return Risk Investment return risk relates to potential losses arising from asset returns insufficient to support product liabilities and is driven by the mix of assets supporting liabilities, market influences including interest rate changes and price volatility of non-fixed income investments, as well as the nature of guarantees and policyholder options embedded in the products. The principal components of investment return risk within the Company's general account are the uncertainty related to returns achievable on both fixed income and non-fixed income investments to be made in the future as recurring premiums are received, and the impact of mismatches between the timing and amount of current assets and the liabilities they support.

Interest rate risk management programs for each product segment are designed to keep potential losses within acceptable limits, with interest rate risk exposure limits approved by the Audit and Risk Management Committee. Interest rate risk management policies and procedures, including delegated trading authorities and accountabilities for managing and monitoring interest rate risk, are clearly defined. Target asset durations or cash flow profiles are established to minimize interest rate risk exposure. Portfolio managers maintain interest rate risk positions within prescribed limits. Asset duration and cash flow targets are reviewed and modified with a frequency ranging from daily to annual, depending on the type of liabilities and the frequency and size of potential changes in the liability profiles. Actual asset positions are monitored against targets and rebalanced with a frequency ranging from daily to quarterly, depending on the potential exposure to changes in assets and liabilities.

Interest rate risk exposures are evaluated using a variety of techniques, depending on the nature of the assets and liabilities, primarily based on projected cash flows under a variety of future interest rate scenarios. These measures include cash flow gaps, durations, key rate durations, convexity, and earnings and shareholders' economic value at risk based on stochastic or specific stress scenarios.

Market price risk is driven by fluctuations in market values of direct equity and real estate holdings, and to a lesser extent, oil and gas and timberland holdings, that may impact returns on assets, as well as fluctuations in the market values of variable product and mutual fund equity holdings, and to a lesser extent bond holdings, that may impact fee income and costs associated with variable product investment-related guarantees. Investment-related guarantees include death, maturity, income and withdrawal guarantees on variable products and segregated funds.

Market price risk related to direct holdings is mitigated by investing in a diversified basket of non-fixed income investments comprising public equities, commercial real estate, private equity, timberlands, agricultural lands and oil and gas. Total non-fixed income holdings are managed against an established aggregate limit, representing a small proportion of total assets. Public equity holdings are diversified and managed against established targets and limits by industry type and corporate connection. Commercial real estate holdings are diversified and managed against established limits by property type. Allocations to non-fixed income assets are managed proactively, reflecting management's risk preferences.

Equity risk exposures are managed against enterprise-wide limits approved by the Corporate Risk Management Committee and Board of Directors. These limits cover equity risk arising from variable product investment-related guarantees, market-based fees and direct equity investments. New product development is managed against established equity related economic capital targets. Reinsurance is employed to transfer equity related investment-guarantee risk where appropriate, subject to established counterparty risk management policies. Capital market strategies to hedge equity risk are utilized where effective. Equity risk exposures based on earnings and shareholders' economic value at risk for specific stress scenarios and economic capital based on stochastic scenario modeling are monitored and reported quarterly.

One measure of investment return risk exposure is the sensitivity of shareholders' economic value to market influences including changes in interest rates and price volatility of non-fixed income assets. Shareholders' economic value is calculated as the net present value of cash flows related to current assets, recurring premiums to be received and product obligations to be paid, discounted at market yields and adjusted for tax.

Exposures for Assets in the Shareholders' Equity Account The following table shows the impact of an immediate and permanent parallel shift of one per cent in interest rates at all maturities across all markets, as well as the impact of an immediate ten per cent decline in the market value of equities and real estate, on shareholders' economic value arising from assets held in the shareholders' equity account.

Impact on Shareholders' Economic Value Arising From Assets in the Shareholders' Equity Account

As at December 31 (Canadian $ in millions)	**2004**	2003
One per cent increase in interest rates	**$ (316)**	$ (229)
One per cent decrease in interest rates	**$ 374**	$ 266
Ten per cent decline in equity and real estate market values	**$ (161)**	$ (165)

Exposures for General Account Wealth Management Business The following table shows the impact of an immediate and permanent parallel shift of one per cent in interest rates at all maturities across all markets, as well as the impact of an immediate ten per cent decline in the market value of equities and real estate on shareholders' economic value, arising from general account wealth management business excluding the business acquired upon the merger with John Hancock.

Impact on Shareholders' Economic Value Arising From Pre-Merger Wealth Management Business

As at December 31 (Canadian $ in millions)	**2004**	2003
One per cent increase in interest rates	**$ (4)**	$ 17
One per cent decrease in interest rates	**$ 7**	$ (20)
Ten per cent decline in equity and real estate market values	**$ (23)**	$ (24)

MFC acquired a new block of wealth management business upon the merger with John Hancock. The potential impact on shareholders' economic value arising from the acquired business as a result of an immediate and permanent one per cent increase in interest rates at all maturities as at December 31, 2004 was an increase of $64 million. The potential impact on shareholders' economic value as a result of an immediate and permanent one per cent decrease in interest rates at all maturities as at December 31, 2004 was a decrease of $74 million. The potential impact on shareholders' economic value as a result of an immediate ten per cent decline in equity and real estate market values as at December 31, 2004 was a decrease of $4 million.

Exposures for General Account Insurance Business The following table shows the impact of an immediate and permanent one per cent change in interest rates and an immediate ten per cent decline in equity and real estate market values on shareholders' economic value arising from general account insurance business excluding the business acquired from John Hancock.

Impact on Shareholders' Economic Value Arising From Pre-Merger Insurance Business

As at December 31 (Canadian $ in millions)	2004	2003
One per cent increase in interest rates	**$ 135**	$ 154
One per cent decrease in interest rates	**$ (295)**	$ (277)
Ten per cent decline in equity and real estate market values	**$ (190)**	$ (202)

MFC acquired a new block of life insurance business upon the merger with John Hancock. Investment return risk arises on this business primarily as a result of minimum crediting guarantees embedded in certain of this business and due to the uncertainty related to returns achievable on investments to be made in the future when recurring premiums are received. The potential impact on shareholders' economic value, arising from this acquired business, as a result of an immediate and permanent one per cent increase in interest rates at all maturities as at December 31, 2004 was an increase of $150 million. The potential impact on shareholders' economic value arising from this business as a result of an immediate and permanent one per cent decrease in interest rates at all maturities as at December 31, 2004 was a decrease of $423 million. The potential impact on shareholders' economic value arising from this business as a result of an immediate ten per cent decline in equity and real estate market values as at December 31, 2004 was a decrease of $4 million.

MFC also acquired long-term care business upon the merger with John Hancock. Investment return risk arises on this business primarily due to the uncertainty related to returns achievable on investments to be made in the future when recurring premiums are received. Premiums are expected to exceed claim payments for approximately twenty years into the future and no surrender payments are made on policy lapse. MFC has established a target investment strategy consisting of a blend of long maturity bonds and a material component of non-fixed income assets to support the significant long-dated obligations inherent in this business. Management is in the process of repositioning current assets towards this target investment strategy, including replacing fixed income assets with non-fixed income assets. Management intends to invest future net cash flows pursuant to this target investment strategy and intends to proactively manage investment allocations between fixed income and non-fixed income assets. Given the current low level of interest rates, management has chosen not to lock in the currently available yields on future fixed income investments. As a result, economic losses could arise should the investment returns earned in the future on the portfolio of assets supporting this business be less than the six to seven per cent assumed in the pricing of this business. Actuarial reserves established as at December 31, 2004, as prescribed by the Canadian Asset Liability Method, were sufficient to provide for these liabilities, assuming future interest rates decline gradually from the current levels stabilizing at five per cent.

The potential impact on shareholders' economic value arising from the acquired long-term care business, as a result of an immediate and permanent one per cent increase in interest rates at all maturities as at December 31, 2004 was an increase of $552 million. The potential impact on shareholders' economic value arising from this business as a result of an immediate and permanent one per cent decrease in interest rates at all maturities as at December 31, 2004 was a decrease of $889 million. The potential impact on shareholders' economic value arising from this business as a result of an immediate ten per cent decline in equity and real estate market values as at December 31, 2004 was a decrease of $20 million.

Exposures for Variable Products and Other Managed Assets The following table shows the potential impact on shareholders' economic value, arising from variable products and mutual funds, as well as institutional asset management operations, as a result of an immediate ten per cent decline in the market value of equity and bond funds.

Impact on Shareholders' Economic Value of a Ten Per Cent Decline in Market Values of Variable Product and Other Managed Assets

As at December 31 (Canadian $ in millions)	2004	2003
Market-based fees	**$ (411)**	$ (213)
Variable product guarantees	**$ (204)**	$ (99)

Additional information related to investment related guarantees on variable annuities and segregated funds is shown in the table below.

Variable Annuity and Segregated Fund Investment-Related Guarantees

	2004			2003		
As at December 31 (Canadian $ in millions)	Fund value[2]	Amount at risk[2]	Expected guarantee cost[3]	Fund value[2]	Amount at risk[2]	Expected guarantee cost[3]
Maturity/income benefits	**$ 18,798**	$ 915		**$ 9,306**	$ 745	
Death benefits[1]	**16,866**	2,047		**6,811**	1,851	
Total	**$ 35,664**	$ 2,962	$ (475)	**$ 16,117**	$ 2,596	$ (166)

(1) Death benefits include stand-alone guarantees and guarantees in excess of maturity or income guarantees where both are provided on a policy.
(2) Amount at risk is the excess of guaranteed values over fund values on all policies where the guaranteed value exceeds the fund value. Fund value and amount at risk are net of amounts reinsured.
(3) Expected guarantee cost is net of reinsurance and fee income allocated to support the guarantees.

The reported amount at risk represents a theoretical value only as it is not currently payable. Guaranteed benefits are contingent and only payable upon death, maturity, withdrawal or annuitization, if fund values remain below guaranteed values. The Company calculates the present value of projected future guaranteed benefit payments, net of reinsurance and net of fee income allocated to support the guarantees, based on a set of stochastic investment return scenarios, and considering future mortality, policy termination, and annuitization rates. The expected guarantee cost represents the average of this present value across all investment return scenarios modeled, and was negative as at December 31, 2004 and December 31, 2003, meaning that fee income allocated is expected to exceed claims costs.

The Company holds actuarial liabilities for guaranteed benefit payments related to variable annuities and segregated funds calculated as the present value of the projected guaranteed benefit payments, net of reinsurance and net of fee income allocated to support the guarantees, based on the same set of stochastic investment return scenarios, as described above for the expected guarantee cost. The actuarial liabilities held must fall in a confidence range defined by the most adverse forty per cent to the most adverse twenty per cent of the stochastic investment return scenarios. As at December 31, 2004 and December 31, 2003, actuarial liabilities held for these guaranteed benefit payments were $600 million and $532 million respectively, exceeding both the minimum requirement and the expected guarantee cost. While determined based on stochastic scenarios, in aggregate, the actuarial liabilities held as at December 31, 2004 were adequate to fund the projected guaranteed benefit payments across all businesses as long as future long term equity returns, including dividends, average at least three per cent across all businesses with such guarantees.

Foreign Currency Risk Adverse movements in foreign exchange rates may result in losses if assets and liabilities are not matched by currency. MFC has a policy of matching the currency of its assets with the currency of the liabilities they support to mitigate this exposure. To limit the impact of changes in foreign exchange rates on regulatory capital ratios, shareholders' equity is also generally currency matched to the liabilities it supports, up to target capital levels. MFC's reported Canadian dollar income and shareholders' equity may be exposed to losses resulting from adverse movements in foreign exchange rates due to the fact that it manages operations globally in many currencies, most notably U.S. dollars. A significant portion of shareholders' equity in excess of target capital levels is held in Canadian dollars to mitigate the impact of changes in foreign exchange rates on shareholders' equity.

Value at Risk exposure relative to the policy position of matching the currency of its equity, up to target capital levels, with the currency of its liabilities is monitored regularly against established limits. The Value at Risk model is based on the industry-accepted J.P. Morgan Risk Metrics methodology. The sensitivity of net income and shareholders' equity to changes in foreign exchange rates is monitored regularly and reported to the Global Asset Liability Committee, Corporate Risk Management Committee and Audit and Risk Management Committee quarterly. A one per cent increase in the Canadian dollar relative to the U.S. dollar would have reduced shareholders' equity by $157 million as at December 31, 2004 and $49 million as at December 31, 2003. As at December 31, 2004 and December 31, 2003 the same change in foreign exchange rates would reduce net income over the next year by $20 million and $9 million, respectively.

Liquidity Risk Global liquidity management policies and procedures are designed to ensure that adequate liquidity is available to MFC and all its local operations. Products are designed taking into account the risk related to unexpected liquidity demands as a result of policyholder termination features. Investment strategies are established and implemented to ensure adequate levels of marketable investments are held. Access is maintained to other sources of liquidity such as commercial paper funding and committed standby bank credit facilities. Operating liquidity is monitored in local operations as well as centrally, with daily forecasting and monitoring of actual cash movements to ensure liquidity is available and cash is employed optimally.

Global operating and strategic liquidity are managed against established minimum levels. Minimum operating liquidity is set as the level of one month's operating cash outflows. Strategic liquidity is measured using an industry-accepted model under both immediate (within one month) and ongoing (within one year) stress scenarios. Under this model, adjusted liquid assets include cash and short-term investments, and marketable bonds and stocks discounted to reflect convertibility to cash, net of maturing debt obligations. Under the model, actuarial liabilities are adjusted to reflect their potential for withdrawal. MFC's policy is to maintain adjusted liquid assets at a level well above adjusted actuarial liabilities.

Strategic Liquidity

		2004		2003
As at December 31 (Canadian $ in millions unless otherwise stated)	**Immediate scenario**	**Ongoing scenario**	Immediate scenario	Ongoing scenario
Adjusted liquid assets	**$ 88,444**	**$ 87,035**	$ 47,723	$ 48,414
Adjusted actuarial liabilities	**$ 23,927**	**$ 29,216**	$ 8,596	$ 11,641
Liquidity ratio	**370%**	**298%**	555%	416%

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, systems failures, human performance failures or from external events.

Operational risk is naturally present in all of MFC's business activities and incorporates exposures relating to fiduciary breaches, regulatory compliance failures, legal disputes, business disruption, technology failures, processing errors, business integration, theft and fraud, damage to physical assets and employee safety. Exposures can take the form of financial losses, regulatory sanctions or damage to reputation. Effectively managing operational risk is essential to shareholder value growth, delivering on commitments to

customers and safeguarding reputation. While operational risk management has always been viewed as a fundamental activity at MFC, risk management practices for the different components of operational risk are at varying stages of development. Refinements and enhancements in policies and practices are being made as the operational risk environment shifts.

MFC's reputation is one of its most valuable assets and, in today's environment of increased scrutiny by stakeholders, it is vital that it be safeguarded. A loss of reputation is usually a consequence of some other risk control failure and cannot be managed in isolation, but as a by-product of integrated risk management programs. While the CEO and senior executive management are ultimately responsible for the Company's reputation, it is the responsibility of every Company employee and representative to conduct their business activities in a manner that protects and enhances the Company's reputation. This responsibility is clearly detailed and communicated to every executive, officer and employee through the Company's Code of Business Conduct and Ethics.

MFC's strong corporate governance, clearly communicated corporate values emphasizing integrity and ethical conduct as core values to be reflected in every business decision and activity, and integrated approach to managing risk set the foundation for mitigating operational risk. This base is fortified by ensuring appropriate internal controls and systems, together with trained and competent people, are in place throughout the organization. Within established corporate standards that emphasize proactive management practices and define minimum policy and process requirements, business unit general managers are accountable for day-to-day management of operational risk inherent in their operations. Business units and functional areas perform comprehensive risk control self-assessments to identify, document and assess inherent operational risks and effectiveness of internal controls. They regularly monitor key risk indicators that provide early warnings of emerging control issues and proactively modify procedures. Material operational risk exposures and risk management activities are reported to the Corporate Risk Management Committee and Audit and Risk Management Committee quarterly.

Internal Audit independently assesses the effectiveness of risk management policies and internal controls, and oversees the risk control self-assessment program globally. External auditors review the effectiveness of internal controls to the extent necessary to conduct an audit of the Company's financial statements. Both the internal and external auditors report independently to the Audit and Risk Management Committee on the findings of their audits.

Global Compliance oversees the regulatory compliance program, supported by designated compliance officers in every business unit and functional area. The program is designed to ensure compliance with regulatory obligations worldwide, ensuring awareness of the laws and regulations that affect the Company and the risks associated with failing to comply. Global Compliance also independently assesses and monitors the effectiveness of a broad range of regulatory compliance processes and business practices against potential legal, regulatory and reputation risks, and ensures significant issues are escalated and proactively mitigated. The processes and practices include product design, sales and marketing practices, sales compensation practices, asset management practices, fiduciary responsibilities, employment practices, underwriting and claims processing and regulatory filings. With the introduction of Sarbanes-Oxley 404 requirements, new processes are being established to assess and monitor the internal controls related to financial reporting and disclosures.

Technology-related risks are managed through a rigorous systems development protocol and global information security programs. Outsourcing arrangements, whereby a service provider performs a service activity on behalf of the Company, are subject to rigorous review procedures prior to their approval. Comprehensive policies and procedures are in place to monitor the ongoing results and contractual compliance of such arrangements. Global business continuity policies and standards are in place to ensure key business functions can continue and normal operations can resume effectively and efficiently in the event of a major disruption. The program incorporates periodic scenario analysis to validate the assessment of both critical and non-critical units, and the establishment and testing of appropriate business continuity plans for all critical units. Off-site backup facilities are available to minimize recovery time.

MFC's environmental policy reflects the Company's commitment to conducting all of its business activities in a manner that recognizes the need to preserve the quality of the environment, as well as the requirement to be compliant with all applicable environmental laws and regulations. In providing credit to borrowers, or making equity investments in private firms, reasonable steps are taken to ensure counterparties are environmentally responsible. In natural resource management operations, specific policies and procedures are in place to mitigate environmental risks and operate in an environmentally responsible manner. Programs are also in place across the real estate holdings to conserve energy and reduce waste.

Operational risk related to a variety of loss events is further mitigated through the purchase of appropriate amounts of insurance covers, to provide protection against unexpected material losses or to satisfy legal requirements and contractual obligations.

Critical Accounting and Actuarial Policies

The Company's significant accounting policies are described in note 1 to the consolidated financial statements on page 85. Certain of these accounting policies are recognized as critical as they require the Company to make estimates and assumptions about matters that are inherently uncertain and because actual results could differ from those estimates. The most significant estimation processes of life insurance companies relate to the provisioning for asset impairment and the determination of actuarial liabilities as described in notes 6 and 7 to the consolidated financial statements, respectively.

Allowance for Asset Impairment
The allowance for credit losses adjusts the value of assets to reflect their estimated realizable value. In assessing the estimated realizable value, the Company must rely on estimates. Judgment is exercised relating to matters including economic factors, developments affecting companies in particular industries, and specific issues with respect to single borrowers, for which the ultimate outcome is unknown.

Changes in circumstances may cause future assessments of credit risk to be materially different from current assessments, which could require an increase or decrease in the allowance for credit losses. Additional information on the process and methodology for determining the allowance for credit losses is included in the discussion of credit risk on page 92.

Actuarial Liabilities
Under generally accepted accounting principles ("GAAP") in Canada, the actuarial liabilities have two major components: a best estimate amount and a provision for adverse deviation. The best estimate amount represents the value of policy liabilities using best estimate assumptions made for the future lifetime of the policies, and includes assumptions related to mortality and morbidity, investment returns, rates of policy termination, operating expenses and certain taxes.

To recognize the uncertainty that is involved in establishing these best estimate actuarial liability assumptions, the Appointed Actuary is required to include a margin for each assumption to allow for possible deterioration in experience and to provide greater comfort that the policy liabilities are adequate to pay future benefits. The margin is reflected as either a specific adjustment to the best estimate assumption, or is established by scenario testing of that assumption and setting the actuarial liability to cover an appropriate range of experience. The impact of these margins is to increase actuarial liabilities and decrease the income that would have been recognized at inception of the policy.

The Appointed Actuary is responsible for ensuring that the assumptions and methods used in the determination of policy liabilities are appropriate to the circumstances and that such policy liabilities will be adequate to meet the Company's future obligations under insurance and annuity contracts at each valuation date. The selection and monitoring of appropriate valuation assumptions are designed to ensure that the policy liabilities make sufficient but not excessive provision for the insurer's policy obligations. Assumptions are regularly reviewed and updated where appropriate to reflect changes in future outlook and risk profile.

Differences between Canadian and U.S. GAAP
The consolidated financial statements of MFC are presented in accordance with Canadian GAAP. Canadian GAAP differs in certain significant respects from U.S. GAAP.

The primary differences between Canadian GAAP and U.S. GAAP include accounting for premiums and deposits, invested assets, investment income and segregated funds. There are also differences in the calculation and accounting for actuarial liabilities and differences in reporting policy cash flows. These differences are described in more detail in note 23 to the consolidated financial statements.

Differences between Canadian and Hong Kong GAAP
The consolidated financial statements of MFC are presented in accordance with Canadian GAAP. Canadian GAAP differs in certain respects from Hong Kong GAAP.

In Hong Kong, there are no accounting standards specific to life insurance companies; consequently, companies have more discretion in selecting appropriate accounting principles to prepare financial statements. The Canadian GAAP requirements for life insurance enterprises used by the Company in relation to non-invested assets and non-actuarial liabilities are generally considered acceptable within the Hong Kong accounting framework. Under Hong Kong GAAP, invested assets are carried at market value as compared to Canadian GAAP where stocks are carried on a moving average market basis and fixed interest investments are held at amortized cost. The computation of actuarial liabilities in Hong Kong is governed by the requirements of the Hong Kong Insurance Authority. In certain interest rate environments, actuarial liabilities determined in accordance with Hong Kong GAAP may be higher than actuarial liabilities computed in accordance with Canadian GAAP.

The Hong Kong Insurance Authority requires that insurance companies meet minimum solvency requirements. Each year, the Company compares the amount of net assets prepared in accordance with Canadian GAAP, as reported in the Company's annual

regulatory return, with the minimum solvency margin required in Hong Kong. As at December 31, 2004, the Company's net assets determined in accordance with Canadian GAAP exceeded the minimum solvency margin required in Hong Kong.

Contractual Obligations

In the normal course of business, the Company enters into contracts that give rise to obligations fixed by agreement as to the timing and dollar amount of payment.

As at December 31, 2004, the Company's contractual obligations and commitments were as follows:

Payments due by period (Canadian $ in millions)	**Total**	**Less than 1 year**	**1 – 3 years**	**4 – 5 years**	**After 5 years**
Debt	$ 3,269	$ 889	$ 33	$ 605	$ 1,742
Capital Trust Securities	1,593	–	–	–	1,593
Purchase obligations	1,160	329	384	292	155
Capital leases	242	17	34	34	157
Operating leases	867	134	294	179	260
Other	196	40	64	54	38
Total contractual obligations	**$ 7,327**	**$ 1,409**	**$ 809**	**$ 1,164**	**$ 3,945**

In the normal course of business, the Company enters into investment commitments, which are not reflected in the consolidated financial statements. As at December 31, 2004, there were $2,346 million of investment commitments (2003 – $507 million), of which $2,254 million matures within one year (2003 – $438 million) and $92 million matures within one to three years (2003 – $69 million).

Legal and Regulatory Proceedings

The Company is regularly involved in litigation, both as a defendant and as a plaintiff. The litigation naming the Company as a defendant ordinarily involves its activities as a provider of insurance protection and wealth management products, as well as an investment adviser, employer and taxpayer. In addition, government and regulatory bodies in Canada and the United States, including provincial and state regulatory bodies, state attorneys general, the United States Securities and Exchange Commission, the National Association of Securities Dealers, Inc. and Canadian securities commissions regularly make inquiries and, from time to time, require the production of information or conduct examinations concerning the Company's compliance with, among other things, insurance laws, securities laws, and laws governing the activities of broker-dealers practices. As with many other companies in the financial services industry, subsidiaries of Manulife Financial have been requested or required by such government and regulatory authorities to provide information with respect to market timing and late trading of mutual funds and sales compensation and broker-dealer practices, including with respect to mutual funds underlying variable life and annuity products. It is believed that these inquiries are similar to those made to many financial service companies by various agencies into practices, policies and procedures relating to trading in mutual fund shares and sales compensation and broker-dealer practices. The Company intends to continue to cooperate fully with government and regulatory authorities in connection with their respective inquiries. The Company does not believe that the conclusion of any current legal or regulatory matters, either individually or in the aggregate, will have a material adverse effect on its financial condition or results of operations.

Quarterly Financial Information

As at and for the three months ended (Canadian $ in millions, except per share amounts)	**Dec. 31, 2004**	**Sept. 30, 2004**	**June 30, 2004**	**Mar. 31, 2004**	**Dec. 31, 2003**	**Sept. 30, 2003**	**June 30, 2003**	**Mar. 31, 2003**
Revenue								
Premium income								
Life and health insurance	$ 3,714	$ 3,847	$ 3,262	$ 2,111	$ 2,204	$ 2,003	$ 2,021	$ 2,012
Annuities and pensions	985	1,041	905	422	439	456	577	828
Total premium income	$ 4,699	$ 4,888	$ 4,167	$ 2,533	$ 2,643	$ 2,459	$ 2,598	$ 2,840
Net investment income	2,378	2,263	2,023	1,159	1,127	1,098	1,149	1,045
Other revenue	915	895	782	448	426	392	370	359
Total revenue	$ 7,992	$ 8,046	$ 6,972	$ 4,140	$ 4,196	$ 3,949	$ 4,117	$ 4,244
Income before income taxes	$ 1,028	$ 996	$ 872	$ 543	$ 479	$ 489	$ 469	$ 415
Income taxes	(264)	(279)	(214)	(117)	(63)	(94)	(82)	(77)
Net income	$ 764	$ 717	$ 658	$ 426	$ 416	$ 395	$ 387	$ 338
Basic earnings per common share	$ 0.93	$ 0.88	$ 0.93	$ 0.92	$ 0.92	$ 0.85	$ 0.83	$ 0.73
Diluted earnings per common share	$ 0.92	$ 0.87	$ 0.92	$ 0.91	$ 0.91	$ 0.84	$ 0.83	$ 0.72
Segregated fund deposits	$ 6,477	$ 6,451	$ 6,474	$ 5,702	$ 4,778	$ 4,232	$ 4,196	$ 4,481
Total assets	$ 184,246	$ 190,569	$ 197,727	$ 78,972	$ 77,516	$ 78,411	$ 76,886	$ 79,087
Segregated funds net assets	$ 117,890	$ 111,182	$ 113,850	$ 77,797	$ 71,464	$ 65,385	$ 60,966	$ 56,508

Other Disclosures
Selected Annual Financial Information

As at and for the years ended December 31 (Canadian $ in millions, except per share amounts)	2004	2003	2002
Total assets	**$ 184,246**	$ 77,516	$ 81,195
Long-term financial liabilities:			
Long-term debt	**$ 2,948**	$ 1,123	$ 1,436
Non-controlling interest in subsidiaries	**1,043**	1,037	1,059
Trust preferred securities issued by subsidiaries	**606**	650	794
Preferred shares issued by a subsidiary	**93**	–	–
	$ 4,690	$ 2,810	$ 3,289
(Canadian $)			
Cash dividend per common share	**$ 0.99**	$ 0.81	$ 0.64
Cash dividend per Class A Share, Series 1	**$ 1.025**	$ 0.76875	$ –

Changes in Accounting Policies

a) Stock-based compensation Effective January 1, 2002, the Company adopted prospectively the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments," which requires that stock-based compensation awarded to non-employees, direct awards of stock, awards that call for settlement in cash or other assets or stock appreciation rights awarded to employees be recognized at fair value as an expense. Other stock options awarded to employees must either be recognized at fair value as an expense, or require the disclosure of the pro forma net income and pro forma earnings per share amounts as if fair value based accounting had been used. This standard did not materially affect these consolidated financial statements and the calculation of MFC's earnings per share. The Company changed its accounting policy for stock options granted to employees from the intrinsic value method to the fair value method effective January 1, 2003 for awards granted on or after January 1, 2002.

b) Hedging relationships Effective January 1, 2004, the Company adopted CICA Accounting Guideline 13, "Hedging Relationships," which requires that conditions with respect to the identification, documentation, designation and effectiveness of each hedging relationship be satisfied in order to apply hedge accounting. As a result, certain derivatives that the Company had considered to be part of a hedging relationship no longer qualified for hedge accounting under the requirements of Accounting Guideline 13. Effective January 1, 2004, these derivatives are accounted for as portfolio investments with unrealized gains and losses recognized on a moving average basis whereby carrying values are adjusted toward market values at five per cent per quarter. The resulting transitional loss of $6 million as at January 1, 2004 was deferred and is being amortized to income in the same period as the original hedged items. The adoption of this Guideline did not materially impact these consolidated financial statements.

c) Disclosure of guarantees The CICA issued Accounting Guideline 14, "Disclosure of Guarantees," in February 2003 effective for financial statements of interim and annual periods commencing on or after January 1, 2003. The Guideline clarifies disclosure requirements for certain guarantees. The adoption of this Guideline did not impact these consolidated financial statements.

d) Consolidation of variable interest entities In June 2003, the CICA issued Accounting Guideline 15, "Consolidation of Variable Interest Entities" ("AcG 15"), effective for annual and interim financial statements for periods beginning on or after November 1, 2004, which clarifies the application of consolidation principles to certain entities that are subject to control on a basis other than ownership of voting interests.

The Company has determined that no variable interest entity ("VIE") is required to be consolidated under the new guidance. In December 2001, Manulife Financial Capital Trust (the "Trust"), a wholly owned open-end trust, issued Manulife Financial Capital Securities ("MaCS"), the proceeds of which were used to purchase senior notes from the Company. The Trust is a VIE as defined by AcG 15 and because the Company is deemed not to be the primary beneficiary, the MaCS issued by the Trust will be deconsolidated (from non-controlling interest in subsidiaries), and the senior notes issued by the Company will be reported as senior notes issued to the Trust. The MaCS, totaling $1 billion, continue to form part of the Company's Tier 1 regulatory capital.

e) Financial instruments In January 2004, the Accounting Standards Board approved a revision to CICA Handbook Section 3860, "Financial Instruments: Disclosure and Presentation," that changes the accounting for certain obligations having characteristics of both a liability and equity. The amendments will require the Company's preferred shares to be presented as a liability and the preferred share dividends to be reported in income as interest expense. The revision is effective for fiscal years beginning on or after November 1, 2004.

Additional Information Available

Additional information relating to MFC, including its Annual Information Form, is available on the Company's web site at www.manulife.com and on SEDAR at www.sedar.com.

Outstanding Shares

As at March 15, 2005, the Company had 808,062,465 common shares outstanding.

Appointed Actuary's Report to the Shareholders

I have valued the policy liabilities of Manulife Financial Corporation for its Consolidated Balance Sheets as at December 31, 2004 and 2003 and their change in the Consolidated Statements of Operations for the years then ended in accordance with actuarial practice generally accepted in Canada, including selection of appropriate assumptions and methods.

In my opinion, the amount of policy liabilities makes appropriate provision for all policyholder obligations and the consolidated financial statements fairly present the results of the valuation.



Simon Curtis, F.C.I.A.
Executive Vice President and Appointed Actuary

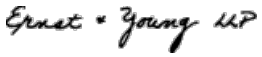
Toronto, Canada
February 10, 2005

Auditors' Report to the Shareholders

We have audited the Consolidated Balance Sheets of Manulife Financial Corporation and the Consolidated Statements of Net Assets of its Segregated Funds as at December 31, 2004 and 2003 and the Consolidated Statements of Operations, Equity, Cash Flows and Changes in Net Assets of its Segregated Funds for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company and its Segregated Funds as at December 31, 2004 and 2003 and the results of the Company's operations and cash flows and the changes in the net assets of its Segregated Funds for the years then ended in accordance with Canadian generally accepted accounting principles.



Ernst & Young LLP
Chartered Accountants

Toronto, Canada
February 10, 2005

Consolidated Statements of Operations

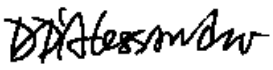
For the years ended December 31 (Canadian $ in millions except per share amounts)		2004	2003
Revenue			
Premium income		**$ 16,287**	$ 10,540
Net investment income (note 6)		**7,823**	4,419
Other revenue		**3,040**	1,547
Total revenue		**$ 27,150**	$ 16,506
Policy benefits and expenses			
To policyholders and beneficiaries			
	Death and disability benefits	**$ 4,778**	$ 3,109
	Maturity and surrender benefits	**8,659**	3,200
	Annuity payments	**2,828**	1,268
	Policyholder dividends and experience rating refunds	**1,391**	889
	Net transfers to segregated funds	**507**	865
	Change in actuarial liabilities (note 7)	**(1,137)**	1,147
General expenses		**3,233**	2,011
Commissions		**2,609**	1,678
Interest expense		**494**	253
Premium taxes		**208**	119
Non-controlling interest in subsidiaries		**87**	57
Trust preferred securities issued by subsidiaries		**54**	58
Total policy benefits and expenses		**$ 23,711**	$ 14,654
Income before income taxes		**$ 3,439**	$ 1,852
Income taxes (note 9)		**(874)**	(316)
Net income		**$ 2,565**	$ 1,536
Net income (loss) attributed to participating policyholders		**$ 1**	$ (10)
Net income attributed to shareholders		**$ 2,564**	$ 1,546
Preferred share dividends		**(14)**	(7)
Net income available to common shareholders		**$ 2,550**	$ 1,539
Weighted average number of common shares outstanding (in millions)		**698**	463
Weighted average number of diluted common shares outstanding (in millions)		**704**	466
Basic earnings per common share		**$ 3.65**	$ 3.33
Diluted earnings per common share		**$ 3.62**	$ 3.31

The accompanying notes to these consolidated financial statements are an integral part of these statements.

Consolidated Balance Sheets

As at December 31 (Canadian $ in millions)	2004	2003
Assets		
Invested assets (note 6)		
Bonds	**$ 106,612**	$ 42,216
Mortgages	**28,684**	10,401
Stocks	**7,805**	5,866
Real estate	**4,669**	3,962
Policy loans	**6,743**	4,348
Cash and short-term investments	**8,517**	5,877
Bank loans	**1,391**	934
Other investments	**4,721**	861
Total invested assets	**$ 169,142**	$ 74,465
Other assets		
Accrued investment income	**$ 1,777**	$ 914
Outstanding premiums	**549**	490
Goodwill	**7,332**	589
Intangible assets (note 5)	**1,806**	–
Miscellaneous	**3,640**	1,058
Total other assets	**$ 15,104**	$ 3,051
Total assets	**$ 184,246**	$ 77,516
Segregated funds net assets	**$ 117,890**	$ 71,464
Liabilities and Equity		
Actuarial liabilities (note 7)	**$ 130,608**	$ 51,647
Benefits payable and provision for unreported claims	**1,933**	2,083
Policyholder amounts on deposit	**4,869**	2,499
Deferred realized net gains (note 6)	**3,667**	3,293
Bank deposits	**4,373**	2,550
Consumer notes (note 10)	**2,881**	–
Future income tax liability (note 9)	**980**	170
Other liabilities	**6,800**	3,206
	$ 156,111	$ 65,448
Long-term debt (note 12)	**2,948**	1,123
Non-controlling interest in subsidiaries (note 13)	**1,043**	1,037
Trust preferred securities issued by subsidiaries (note 14)	**606**	650
Preferred shares issued by a subsidiary (note 15)	**93**	–
Equity		
Participating policyholders' equity	**150**	82
Shareholders' equity		
Preferred shares	**344**	344
Common shares	**14,646**	599
Contributed surplus	**102**	14
Retained earnings and currency translation account	**8,203**	8,219
Total equity	**$ 23,445**	$ 9,258
Total liabilities and equity	**$ 184,246**	$ 77,516
Segregated funds net liabilities	**$ 117,890**	$ 71,464

The accompanying notes to these consolidated financial statements are an integral part of these statements.



Dominic D'Alessandro
President and
Chief Executive Officer



Arthur R. Sawchuk
Chairman of the
Board of Directors

Consolidated Statements of Equity

For the years ended December 31 (Canadian $ in millions)	Participating Policyholders	Shareholders	**2004**	2003
Preferred shares				
Balance, January 1	$ –	$ 344	**$ 344**	$ –
Preferred shares issued (note 16)	–	–	**–**	350
Issuance costs, net of tax	–	–	**–**	(6)
Balance, December 31	$ –	$ 344	**$ 344**	$ 344
Common shares				
Balance, January 1	$ –	$ 599	**$ 599**	$ 596
Issued on acquisition of a subsidiary (notes 3 and 16)	–	13,510	**13,510**	–
Issued on exercise of stock options and deferred share units (notes 16 and 17)	–	712	**712**	3
Purchase and cancellation (note 16)	–	(175)	**(175)**	–
Balance, December 31	$ –	$ 14,646	**$ 14,646**	$ 599
Contributed surplus				
Balance, January 1	$ –	$ 14	**$ 14**	$ –
Issuance of options on acquisition of a subsidiary (notes 3 and 17)	–	215	**215**	–
Loss on exchange of preferred shares issued by a subsidiary (note 15)	–	(10)	**(10)**	–
Exercise of options, net	–	(117)	**(117)**	14
Balance, December 31	$ –	$ 102	**$ 102**	$ 14
Retained earnings				
Balance, January 1	$ 82	$ 8,892	**$ 8,974**	$ 7,815
Net income	1	2,564	**2,565**	1,536
Preferred share dividends	–	(14)	**(14)**	(7)
Common share dividends	–	(690)	**(690)**	(361)
Purchase and cancellation of common shares (note 16)	–	(334)	**(334)**	(9)
Transfer of participating policyholders' retained earnings from acquisition	67	–	**67**	–
Balance, December 31	$ 150	$ 10,418	**$ 10,568**	$ 8,974
Currency translation account				
Balance, January 1	$ –	$ (673)	**$ (673)**	$ 337
Change during the year	–	(1,542)	**(1,542)**	(1,010)
Balance, December 31	$ –	$ (2,215)	**$ (2,215)**	$ (673)
Total retained earnings and currency translation account	$ 150	$ 8,203	**$ 8,353**	$ 8,301
Total equity	$ 150	$ 23,295	**$ 23,445**	$ 9,258

The accompanying notes to these consolidated financial statements are an integral part of these statements.

Consolidated Statements of Cash Flows

For the years ended December 31 (Canadian $ in millions)		2004		2003
Operating activities				
Net income	**$**	**2,565**	$	1,536
Adjustments for non-cash items in net income:				
Increase in actuarial liabilities, excluding Guaranteed and Structured Financial Products		**2,723**		1,147
Amortization of net realized and unrealized gains on investments		**(779)**		(575)
Amortization of premium/discount and mark to market adjustments		**401**		83
Other amortization		**104**		62
Future income tax expense		**633**		202
Provisions on investments		**115**		5
Stock-based compensation expense		**27**		14
Non-controlling interest in subsidiaries		**20**		(10)
Net income adjusted for non-cash items	**$**	**5,809**	$	2,464
Changes in operating assets and liabilities:				
Decrease in other policy related liabilities		**(723)**		(218)
Additional changes in other assets and liabilities		**667**		409
Cash provided by operating activities	**$**	**5,753**	$	2,655
Investing activities				
Purchases and mortgage advances	**$**	**(48,219)**	$	(38,420)
Disposals and repayments		**45,101**		35,699
Cash received as part of acquisition of John Hancock Financial Services, Inc.		**2,594**		–
Cash used in investing activities	**$**	**(524)**	$	(2,721)
Financing activities				
Increase in repurchase agreements and securities sold but not yet purchased	**$**	**61**	$	420
Issue of long-term debt		**94**		–
Repayment of long-term debt		**(58)**		(213)
Net redemptions in Guaranteed and Structured Financial Products' institutional products		**(3,860)**		–
Bank deposits, net		**1,333**		1,113
Consumer notes issued		**532**		–
Sale of preferred shares of a subsidiary		**62**		–
Redemption of preferred shares issued by a subsidiary (note 15)		**(150)**		–
Preferred share dividends		**(14)**		(7)
Common share dividends		**(690)**		(361)
Borrowed funds (repaid), net		**262**		(1)
Purchase and cancellation of common shares		**(509)**		(9)
Common shares issued on exercise of options		**568**		3
Preferred shares issued, net		**–**		344
Cash (used in) provided by financing activities	**$**	**(2,369)**	$	1,289
Cash and short-term investments				
Increase during the year	**$**	**2,860**	$	1,223
Currency impact on cash and short-term investments		**(233)**		(577)
Balance, January 1		**5,554**		4,908
Balance, December 31	**$**	**8,181**	$	5,554
Cash and short-term investments				
Beginning of year				
Gross cash and short-term investments	**$**	**5,877**	$	5,143
Net payments in transit, included in other liabilities		**(323)**		(235)
Net cash and short-term investments, January 1	**$**	**5,554**	$	4,908
End of year				
Gross cash and short-term investments	**$**	**8,517**	$	5,877
Net payments in transit, included in other liabilities		**(336)**		(323)
Net cash and short-term investments, December 31	**$**	**8,181**	$	5,554

The accompanying notes to these consolidated financial statements are an integral part of these statements.

Segregated Funds Consolidated Statements of Net Assets

As at December 31 (Canadian $ in millions)	2004	2003
Investments, at market values		
Cash and short-term investments	**$ 1,726**	$ 3,005
Bonds	**7,478**	5,157
Stocks	**106,304**	63,213
Other investments	**2,193**	–
Accrued investment income	**106**	15
Other assets, net	**83**	74
Total segregated funds net assets	**$ 117,890**	$ 71,464
Composition of segregated funds net assets:		
Held by policyholders	**$ 117,570**	$ 71,173
Held by the Company	**320**	291
Total segregated funds net assets	**$ 117,890**	$ 71,464

Segregated Funds Consolidated Statements of Changes in Net Assets

For the years ended December 31 (Canadian $ in millions)	2004	2003
Additions		
Deposits from policyholders	**$ 25,104**	$ 17,713
Net realized and unrealized investment gains	**8,936**	11,143
Interest and dividends	**2,583**	1,421
Net transfers from general fund	**507**	865
Funds assumed on acquisition of a subsidiary	**31,020**	–
Currency revaluation	**(8,322)**	(10,068)
Total additions	**$ 59,828**	$ 21,074
Deductions		
Payments to policyholders	**$ 11,840**	$ 7,562
Management and administrative fees	**1,562**	879
Total deductions	**$ 13,402**	$ 8,441
Net additions for the year	**$ 46,426**	$ 12,633
Segregated funds net assets, January 1	**71,464**	58,831
Segregated funds net assets, December 31	**$ 117,890**	$ 71,464

The accompanying notes to these consolidated financial statements are an integral part of these statements.

Notes to Consolidated Financial Statements

(Canadian $ in millions unless otherwise stated)

Note 1 o Nature of Operations and Significant Accounting Policies

Manulife Financial Corporation ("MFC") is a publicly traded stock life insurance company and the holding company of The Manufacturers Life Insurance Company ("Manufacturers Life"), a Canadian life insurance company, and John Hancock Financial Services, Inc. ("JHF"), the holding company of a United States financial services group (note 3). Manulife Financial Corporation and its subsidiaries (collectively, "Manulife Financial" or the "Company") provide a wide range of financial products and services, including individual life insurance, long-term care insurance, group life and health insurance, pension products, annuities and mutual funds, to individual and group customers in the United States, Canada and Asia. The Company also offers reinsurance services, primarily life and property and casualty retrocession, and provides investment management services with respect to the general fund assets of the Company, segregated and mutual funds, and to institutional customers.

MFC is registered under the Insurance Companies Act (Canada) ("ICA"), which requires that financial statements be prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), and the accounting requirements of the Office of the Superintendent of Financial Institutions (Canada) ("OSFI"). None of the accounting requirements of OSFI is an exception to Canadian GAAP. The preparation of financial statements, in conformity with GAAP, requires that management makes estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates. The most significant estimation processes are related to the determination of actuarial liabilities and provisioning for asset impairment. Although some variability is inherent in these estimates, management believes that the amounts provided are adequate. The significant accounting policies used in the preparation of these consolidated financial statements are summarized below:

a) Basis of consolidation MFC consolidates the financial statements of all subsidiary companies and eliminates on consolidation all significant inter-company balances and transactions. The results of operations of subsidiaries are included in the consolidated financial statements from their dates of acquisition. The equity method is used to account for investments over which the Company exerts significant influence. Gains and losses on sales of these investments are included in income when realized, while expected losses on other than temporary impairments are recognized immediately.

b) Invested assets Under Canadian GAAP for life insurance companies, the invested assets held by the Company are accounted for through a variety of methods. These methods are summarized as follows:

	Carrying value	Recognition of realized gains and losses on normal business activities	Recognition of impairment
Bonds	At amortized cost less an allowance for specific losses. No recognition of unrealized gains and losses unless there is impairment.	Deferred and brought into income over the lesser of 20 years or the remaining term to maturity of the bond sold.	Impairment is recognized on a specific bond when there is no longer reasonable assurance as to the timely collection of the full amount of principal and interest. In such cases, the bond is written down to its net realizable value and the charge is recorded in income in the period the impairment is recognized.
Mortgages	At amortized cost less repayments and an allowance for specific losses. No recognition of unrealized gains and losses unless there is impairment.	Deferred and brought into income over the lesser of 20 years or the remaining term to maturity of the mortgage sold.	Impairment is recognized on a specific mortgage when there is no longer reasonable assurance as to the timely collection of the full amount of principal and interest. Such impaired mortgages are carried at their estimated realizable value, determined for each asset by discounting the expected future cash flows at the original interest rate inherent in the asset. When the amounts and timing of future cash flows cannot be estimated with reasonable reliability, estimated realizable amounts are measured at either the fair value of any security underlying the mortgage, net of expected costs of realization and any amounts legally required to be paid to borrowers, or at observable market prices for the mortgages. The impairment charge is recorded in income in the period the impairment is recognized. Mortgages are classified as impaired whenever payments are three months or more in arrears or if there is a provision against the mortgage. At the time of foreclosure, mortgages are written down to net realizable value. Declines in the net realizable value of foreclosed properties are charged to income immediately.

	Carrying value	Recognition of realized gains and losses on normal business activities	Recognition of impairment
Stocks	Recognition of unrealized gains and losses is on a moving average market basis whereby carrying values are adjusted towards market value at 5% per quarter.	Deferred and brought into income at the rate of 5% of unamortized deferred realized gains and losses each quarter.	Specific stocks are written down to market value, through a charge to income, if an impairment in the value of the entire stock portfolio (determined net of deferred realized gains) is considered to be other than temporary.
Real estate	Recognition of unrealized gains and losses is on a moving average market basis whereby carrying values are adjusted towards market value at 3% per quarter.	Deferred and brought into income at the rate of 3% of unamortized deferred realized gains and losses each quarter.	Specific properties are written down to market value if an impairment in the value of the entire real estate portfolio (determined net of deferred realized gains) is considered to be other than temporary.
Policy loans	At their unpaid balance.	Not applicable. Fully secured by the cash surrender value of the policies on which the loans are made.	Not applicable. Fully secured by the cash surrender value of the policies on which the loans are made.

Once established, an allowance against impairment of bonds or mortgages is reversed only if the conditions that caused the impairment no longer exist. On disposition of an impaired asset, the allowance is written off against the related asset.

In addition to allowances against the carrying value of impaired assets, the Company provides for potential future impairments by reducing investment yields assumed in the calculation of actuarial liabilities.

Other investments include investments in unconsolidated joint ventures, partnerships, funds, limited liability corporations, oil and gas holdings, leases, subordinated debt of life insurance companies and derivatives.

c) Cash and short-term investments Cash and short-term investments in the Consolidated Statements of Cash Flows comprise cash, current operating accounts, overnight bank and term deposits, and fixed-income securities with an original term to maturity of three months or less. Net payments in transit and overdraft bank balances are included in other liabilities.

d) Goodwill and other intangible assets Goodwill represents the excess of the cost of businesses acquired over fair values of the net assets acquired. Intangible assets are allocated between indefinite and finite life intangible assets. Goodwill and intangible assets with indefinite lives are not amortized but are tested for impairment on at least an annual basis and if determined to be impaired, a charge is recorded in income to the extent the carrying value exceeds the estimated fair value. Finite life assets are amortized over their estimated useful lives.

e) Miscellaneous assets Included in miscellaneous assets are amounts due from reinsurers and capital assets. The latter are carried at cost less accumulated amortization computed on a straight-line basis over their estimated useful lives, which vary from two to ten years.

f) Segregated funds The Company manages a number of segregated funds on behalf of policyholders. The investment returns on these funds accrue directly to the policyholders, with the Company assuming no risk. Consequently, these funds are segregated and presented separately from the general fund of the Company. Income earned from fund management fees is included in other revenue in the general fund. Investments held in segregated funds are carried at market value.

The Company also provides minimum guarantees on individual variable life and annuity contracts. These include minimum death benefit guarantees, minimum maturity value guarantees and minimum income benefit guarantees. The liabilities associated with these minimum guarantees are recorded in actuarial liabilities in the general fund of the Company.

g) Actuarial liabilities Actuarial liabilities represent the amount which, together with estimated future premiums and net investment income, will be sufficient to pay estimated future policy benefits, policyholder dividends, taxes (other than income taxes) and expenses on policies in force. The Company's Appointed Actuary is responsible for determining the amount of actuarial liabilities that must be set aside each year to ensure that sufficient funds will be available in the future to meet these obligations. The valuation methods employed by the Appointed Actuary are based on standards established by the Canadian Institute of Actuaries. In accordance with Canadian generally accepted actuarial practices, liabilities have been determined using the Canadian Asset Liability Method ("CALM").

h) Income taxes The Company provides for income taxes using the liability method of tax allocation. Under this method, the provision for income taxes is calculated based on income tax laws and income tax rates substantively enacted as at the Consolidated Balance Sheet dates. The income tax provision is comprised of two components: current income taxes and future income taxes. Current income taxes are amounts expected to be payable or recoverable as a result of operations in the current year. Future income taxes arise from changes during the year in cumulative temporary differences between the accounting carrying value of assets and liabilities and their respective tax bases. A future income tax asset is recognized to the extent that future realization of the tax benefit is more likely than not, with a valuation allowance for the excess.

i) Translation of foreign currencies Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates in effect at the Consolidated Balance Sheet dates. Revenue and expenses are translated at the average exchange rates prevailing during the year. Unrealized foreign currency translation gains and losses on investments in self-sustaining operations and the results of hedging these positions, net of applicable taxes, are recorded in equity. Translation gains and losses on disposition of investments in self-sustaining operations are included in income.

j) Stock-based compensation The Company provides compensation to certain employees and directors in the form of stock options, deferred share units and restricted share units. The Company uses the fair value method for stock-based compensation awarded to non-employees, direct awards of stock and awards that call for settlement in cash or other assets awarded to employees after January 1, 2002.

Effective January 1, 2003, the Company changed its accounting policy for stock options granted to employees from the intrinsic value method to the fair value method for awards granted on or after January 1, 2002. The fair value is recognized over the applicable vesting period as an increase in compensation expense and contributed surplus.

For restricted share units, a liability is accrued and compensation expense is recognized over the vesting period. The vested portion of changes in the value of restricted share units are recognized in the Consolidated Statements of Operations.

k) Employee future benefits The Company maintains a number of pension plans for its eligible employees and agents. The assets supporting trusteed pension plans are held in separate trusteed pension funds. Other pension plan benefits are included in other liabilities and are supported by the Company's general fund assets.

The defined contribution plans were established in 1998 and provide pension benefits based on the accumulated contributions and fund earnings. The cost of defined contribution benefits is the required contribution provided by the Company in exchange for the services of employees rendered during the period.

The defined benefit plans provide pension benefits based on length of service and final average earnings. The cost of defined benefit pension benefits is recognized using the projected benefit method pro-rated on services and estimates of expected return on plan assets, salary escalation and retirement ages of employees. Actuarial gains and losses are amortized to income over the estimated average remaining service lives of plan members. The expected return on plan assets is based on an estimate of the long-term expected rate of return on plan assets and a market-related value of plan assets.

The Company also provides supplementary pension, health, dental and life insurance benefits to qualifying employees upon retirement. The estimated present value of these benefits is charged to income over the employees' years of service to their dates of full entitlement.

l) Derivatives The Company uses derivatives to manage exposures to foreign currency, interest rate and other market risks arising from its on-balance sheet financial instruments. Realized and unrealized gains and losses on derivatives which are designated and effective as hedges are accounted for on the same basis as the underlying assets and liabilities. Realized and unrealized gains and losses on derivative transactions that do not qualify for the accounting definition of a hedge, are accounted for as a portfolio investment whereby carrying values are adjusted toward market values at 5% per quarter. Hedge effectiveness is assessed quarterly.

Derivative income and expenses related to invested assets and financial liabilities are included in investment income and interest expense, respectively, in the Consolidated Statements of Operations. Cash flows relating to derivatives associated with invested assets and financial liabilities are included in the Consolidated Statements of Cash Flows on a basis consistent with the cash flows from the underlying invested assets and financial liabilities. Derivative assets and liabilities are included in other investments and other liabilities, respectively, and deferred realized net gains are presented as such in the Consolidated Balance Sheets.

m) Premium income and related expenses Gross premiums for all types of insurance contracts, and contracts with limited mortality or morbidity risk, are generally recognized as revenue when due.

When premiums are recognized, the related actuarial liabilities are computed, resulting in benefits and expenses being matched with such revenue.

Note 2 o Changes in Accounting Policies and Newly Issued Accounting Pronouncements

a) Stock-based compensation Effective January 1, 2002, the Company adopted prospectively Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments," which requires that stock-based compensation awarded to non-employees, direct awards of stock, awards that call for settlement in cash or other assets or stock appreciation rights awarded to employees be recognized at fair value as an expense. Other stock options awarded to employees must either be recognized at fair value as an expense, or require the disclosure of the pro forma net income and pro forma earnings per share amounts as if fair value based accounting had been used. This standard did not materially affect these consolidated financial statements and the calculation of MFC's earnings per share. The Company changed its accounting policy for stock options granted to employees from the intrinsic value method to the fair value method effective January 1, 2003 for awards granted on or after January 1, 2002.

b) Hedging relationships Effective January 1, 2004, the Company adopted the CICA Accounting Guideline 13, "Hedging Relationships," which requires that conditions with respect to the identification, documentation, designation and effectiveness of each

hedging relationship be satisfied in order to apply hedge accounting. As a result, certain derivatives that the Company had considered to be part of a hedging relationship no longer qualified for hedge accounting under the requirements of Accounting Guideline 13. Effective January 1, 2004, these derivatives are accounted for as portfolio investments with unrealized gains and losses recognized on a moving average basis whereby carrying values are adjusted toward market values at 5% per quarter. The resulting transitional loss of $6 as at January 1, 2004 was deferred and is being amortized to income in the same period as the original hedged items. The adoption of this Guideline did not materially impact these consolidated financial statements.

c) Disclosure of guarantees The CICA issued Accounting Guideline 14, "Disclosure of Guarantees," in February 2003 effective for financial statements of interim and annual periods commencing on or after January 1, 2003. The Guideline clarifies disclosure requirements for certain guarantees. The adoption of this Guideline did not impact these consolidated financial statements.

d) Consolidation of variable interest entities In June 2003, the CICA issued Accounting Guideline 15, "Consolidation of Variable Interest Entities" ("AcG 15"), effective for annual and interim financial statements for periods beginning on or after November 1, 2004, which clarifies the application of consolidation principles to certain entities that are subject to control on a basis other than ownership of voting interests.

The Company has determined that no variable interest entity ("VIE") is required to be consolidated under the new guidance. In December 2001, Manulife Financial Capital Trust (the "Trust"), a wholly owned open-end trust, issued Manulife Financial Capital Securities ("MaCS"), the proceeds of which were used to purchase senior notes from the Company. The Trust is a VIE as defined by AcG 15 and because the Company is deemed not to be the primary beneficiary, the MaCS issued by the Trust will be deconsolidated (from non-controlling interest in subsidiaries), and the senior notes issued by the Company will be reported as senior notes issued to the Trust. The MaCS, totaling $1 billion, continue to form part of the Company's Tier 1 regulatory capital.

e) Financial instruments In January 2004, the Accounting Standards Board approved a revision to CICA Handbook Section 3860, "Financial Instruments: Disclosure and Presentation," that changes the accounting for certain obligations having characteristics of both a liability and equity. The amendments will require the Company's preferred shares to be presented as a liability and the preferred share dividends to be reported in income as interest expense. The revision is effective for fiscal years beginning on or after November 1, 2004.

Note 3 o Business Combination with John Hancock Financial Services, Inc.

Effective April 28, 2004, the Company completed a merger with JHF under which MFC became the beneficial owner of all of the outstanding common shares of JHF that were not already beneficially owned by the Company as general fund assets, and JHF became a wholly owned subsidiary of MFC. The results of JHF's operations have been included in these consolidated financial statements since the date of merger.

JHF provides a broad array of insurance and investment products and services to retail and institutional customers. As a result of the merger, the combined company is the largest life insurance company in Canada and the second largest in North America, as measured by market capitalization. The combined entity has a more diversified product line, distribution capabilities and improved operating efficiencies, and expects to have a leading position across all its core business lines.

Pursuant to the merger, holders of JHF common stock received 1.1853 common shares of MFC for each JHF common stock. Approximately 342 million MFC common shares were issued at an ascribed price of $39.61 per share based on the volume weighted average closing stock price of the MFC common shares for the period from September 25, 2003 to September 30, 2003. As at the date of merger, the common stock of JHF that was beneficially owned by the Company as general fund assets had a carrying value of $296. In addition, all of the JHF unvested stock options as at the date of announcement of the merger on September 28, 2003, vested immediately prior to the closing date and were exchanged for approximately 19 million MFC stock options. The Company recorded $215 as part of the purchase consideration and share capital, representing the fair value of these JHF stock options using the Black-Scholes option-pricing model based on the closing share price of MFC as at April 28, 2004. JHF stock options that were granted after the date of announcement were exchanged for approximately four million MFC stock options. The fair value of these options is recognized in the Consolidated Statement of Operations over the remaining vesting period from the date of acquisition.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed as at the date of acquisition:

As at April 28, 2004	
Assets	
Invested assets	**$ 106,647**
Intangible assets (note 5)	**2,041**
Goodwill	**7,441**
Other assets	**4,542**
Total assets acquired	**$ 120,671**
Liabilities	
Actuarial liabilities	**$ 91,891**
Policyholder amounts on deposits	**3,959**
Restructuring costs accrued (note 4)	**184**
Other liabilities	**10,567**
Total liabilities assumed	**$ 106,601**
Net assets acquired	**$ 14,070**
Total Purchase Consideration	
MFC common shares	**$ 13,510**
Cash consideration for partial shares	**15**
Fair value of JHF stock options exchanged for MFC stock options	**215**
Carrying value of JHF common stock beneficially owned by MFC, prior to acquisition	**296**
Transaction costs, net of tax	**34**
Total	**$ 14,070**

The goodwill arising from the JHF acquisition may be adjusted in 2005, in terms of both amount and allocation to the Company's major reportable segments, as part of the finalization of the allocation of the purchase price to the assets acquired and liabilities assumed from JHF.

Note 4 o Restructuring Costs

Following the acquisition of JHF on April 28, 2004, the Company developed a plan to restructure and integrate the operations of JHF with its consolidated subsidiaries. The Company expects the restructuring to be substantially completed by the end of 2005. Costs of $475 are expected to be incurred and consist primarily of consolidation activities involving operations and systems, compensation costs and facilities. Accrued restructuring costs are included in other liabilities in the Consolidated Balance Sheets and restructuring charges are included in the Consolidated Statements of Operations. The costs include approximately $184 that was recognized as part of the purchase equation for the JHF acquisition and costs of $291 that will be charged to income as incurred.

The following details the amount and status of restructuring costs:

	Expected future cost			Amount utilized in the year			Balance as at December 31, 2004		
Type of cost	Accrued on acquisition	Expense as incurred	Total	Accrued on acquisition	Expense as incurred	Total	Accrued on acquisition	Expense as incurred	Total
Consolidation of operations and systems	$ 11	$ 267	$ 278	$ 6	$ 134	$ 140	$ 5	$ 133	$ 138
Severance	79	17	96	29	3	32	50	14	64
Facilities	94	7	101	10	2	12	84	5	89
Change in foreign exchange rates	–	–	–	–	–	–	(15)	(7)	(22)
Total	**$ 184**	**$ 291**	**$ 475**	**$ 45**	**$ 139**	**$ 184**	**$ 124**	**$ 145**	**$ 269**
Canada	$ 57	$ 149	$ 206	$ 25	$ 70	$ 95	$ 32	$ 79	$ 111
United States	123	132	255	18	67	85	105	65	170
Other	4	10	14	2	2	4	2	8	10
Change in foreign exchange rates	–	–	–	–	–	–	(15)	(7)	(22)
Total	**$ 184**	**$ 291**	**$ 475**	**$ 45**	**$ 139**	**$ 184**	**$ 124**	**$ 145**	**$ 269**

Note 5 o Intangible Assets

The acquired intangible assets include the JHF brand name, distribution networks, fund management contracts, and contractual rights totaling $2,041. Of the total intangible assets, $817 was identified as the value of intangible assets that have finite lives and will be

amortized over their estimated useful lives (generally between 20 to 30 years), in relation to the associated gross margins from the related businesses.

For the year ended December 31, 2004		JHF Acquisition	Amortization	Change in foreign exchange rates	Balance December 31, 2004
Indefinite Life					
	Brand	$ 822	$ –	$ (97)	$ 725
	Fund management contracts	402	–	(49)	353
		$ 1,224	$ –	$ (146)	$ 1,078
Finite Life					
	Distribution networks	$ 627	$ (3)	$ (67)	$ 557
	Other intangible assets	190	(9)	(10)	171
		$ 817	$ (12)	$ (77)	$ 728
Total		**$ 2,041**	**$ (12)**	**$ (223)**	**$ 1,806**

Note 6 o Invested Assets and Investment Income

a) Invested assets

As at December 31 2004	Carrying value	Fair value	Unrealized gains	Unrealized losses	Deferred realized net gains (losses)	Total realized and unrealized net gains (losses)
Bonds (fixed maturity)						
Canadian government and agency	**$ 11,178**	**$ 12,322**	**$ 1,157**	**$ (13)**	**$ 475**	**$ 1,619**
U.S. government and agency	**9,314**	**9,542**	**250**	**(22)**	**307**	**535**
Other government and agency	**5,258**	**5,342**	**92**	**(8)**	**136**	**220**
Corporate	**68,917**	**71,621**	**2,842**	**(138)**	**1,225**	**3,929**
Mortgage/asset-backed securities	**11,945**	**12,044**	**162**	**(63)**	**52**	**151**
Mortgages	**28,684**	**29,474**	**975**	**(185)**	**68**	**858**
Stocks	**7,805**	**8,319**	**1,292**	**(778)**	**1,289**	**1,803**
Real estate	**4,669**	**5,066**	**499**	**(102)**	**109**	**506**
Policy loans	**6,743**	**6,743**	**–**	**–**	**–**	**–**
Cash and short-term investments	**8,517**	**8,517**	**–**	**–**	**(1)**	**(1)**
Bank loans	**1,391**	**1,404**	**13**	**–**	**–**	**13**
Other investments	**4,721**	**4,839**	**118**	**–**	**7**	**125**
Total invested assets	**$ 169,142**	**$ 175,233**	**$ 7,400**	**$ (1,309)**	**$ 3,667**	**$ 9,758**

2003						
Bonds (fixed maturity)						
Canadian government and agency	$ 8,631	$ 9,573	$ 959	$ (17)	$ 385	$ 1,327
U.S. government and agency	6,211	6,308	141	(44)	277	374
Other government and agency	2,473	2,548	83	(8)	110	185
Corporate	24,413	26,173	1,835	(75)	1,089	2,849
Mortgage/asset-backed securities	488	517	33	(4)	22	51
Mortgages	10,401	11,145	755	(11)	41	785
Stocks	5,866	6,126	1,087	(827)	1,281	1,541
Real estate	3,962	4,293	422	(91)	87	418
Policy loans	4,348	4,348	–	–	–	–
Cash and short-term investments	5,877	5,877	–	–	–	–
Bank loans	934	949	15	–	–	15
Other investments	861	878	17	–	1	18
Total invested assets	$ 74,465	$ 78,735	$ 5,347	$ (1,077)	$ 3,293	$ 7,563

Fair values are determined with reference to quoted market prices where available. Fair values of mortgages and bank loans reflect changes in interest rates, which have occurred since the mortgages and bank loans were originated, and changes in the creditworthiness of individual borrowers. For fixed-rate mortgages, fair value is determined by discounting the expected future cash flows at market interest rates for mortgages with similar credit risks. Fair values of real estate are determined by a combination of internal and external appraisals utilizing expected net cash flows discounted at market interest rates. Foreclosed properties of $12 are included in real estate as at December 31, 2004 (2003 – $17). Carrying values of policy loans, cash and short-term investments and the remaining other investments approximate their fair values. Included in other investments are investments in unconsolidated joint ventures, partnerships, funds, limited liability corporations, oil and gas holdings, leases, subordinated debt of life insurance companies and

derivatives. Fair values of interest rate and foreign exchange derivative contracts are determined by discounting expected future cash flows using current market interest and exchange rates for similar instruments. Fair values of options, financial futures, and common stock index swaps are based on the quoted market prices or the value of underlying securities or indices.

The following table presents the carrying value and fair value of bonds, based on period to maturity:

Bonds As at December 31	2004 Carrying value	2004 Fair value	2003 Carrying value	2003 Fair value
Maturity				
Due in one year or less	**$ 5,776**	**$ 5,810**	$ 4,123	$ 4,192
Due after one year through five years	**25,081**	**25,516**	11,433	11,893
Due after five years through ten years	**28,179**	**29,066**	9,782	10,367
Due after ten years	**35,631**	**38,435**	16,390	18,150
Mortgage/asset-backed securities	**11,945**	**12,044**	488	517
Total	**$ 106,612**	**$ 110,871**	$ 42,216	$ 45,119

The following table presents the carrying value and fair value of mortgages, by type of property:

Mortgages As at December 31	2004 Carrying value	2004 Fair value	2003 Carrying value	2003 Fair value
Residential	**$ 6,375**	**$ 6,507**	$ 2,383	$ 2,497
Office	**5,963**	**6,184**	2,708	2,939
Retail	**6,611**	**6,891**	2,735	2,926
Industrial	**3,887**	**4,069**	2,308	2,497
Other	**5,848**	**5,823**	267	286
Total	**$ 28,684**	**$ 29,474**	$ 10,401	$ 11,145

The carrying value of government-insured mortgages was 9% of the total carrying value of the mortgage portfolio as at December 31, 2004 (2003 – 4%) and the value of privately-insured mortgages was 1.1% of the total mortgage portfolio as at December 31, 2004 (2003 – 1.1%).

b) Net investment income

For the years ended December 31 2004	Gross investment income	Provision for impairment, net (note 6 (e))	Amortization of net realized and unrealized gains (losses)	Total	Yield (%)
Bonds	**$ 4,764**	**$ (35)**	**$ 354**	**$ 5,083**	**5.91**
Mortgages	**1,331**	**(49)**	**15**	**1,297**	**5.70**
Stocks	**252**	**–**	**355**	**607**	**11.83**
Real estate	**295**	**11**	**60**	**366**	**8.96**
Policy loans	**459**	**–**	**–**	**459**	**7.25**
Cash and short-term investments	**150**	**–**	**–**	**150**	**n/a**
Bank loans	**64**	**–**	**–**	**64**	**5.41**
Other investments	**124**	**(42)**	**(5)**	**77**	**n/a**
Investment expenses	**(280)**	**–**	**–**	**(280)**	**n/a**
Total	**$ 7,159**	**$ (115)**	**$ 779**	**$ 7,823**	**5.68**

Bonds	$ 2,317	$ 13	$ 280	$ 2,610	6.38
Mortgages	676	(17)	14	673	7.18
Stocks	156	–	197	353	7.03
Real estate	277	–	54	331	9.53
Policy loans	368	–	–	368	8.02
Cash and short-term investments	109	–	–	109	n/a
Bank loans	43	–	–	43	6.06
Other investments	44	(1)	30	73	n/a
Investment expenses	(141)	–	–	(141)	n/a
Total	$ 3,849	$ (5)	$ 575	$ 4,419	6.34

Yields are based on total investment income divided by the aggregate of the average carrying value of assets plus accrued income less deferred realized net gains.

c) Securities lending The Company engages in securities lending to generate additional income. Certain securities from its portfolio are loaned to other institutions for periods of time. Collateral, which exceeds the market value of the loaned securities, is lodged by the borrower with the Company and retained by the Company until the underlying security has been returned to the Company. The market value of the loaned securities is monitored on a daily basis with additional collateral obtained or refunded as the market value fluctuates. As at December 31, 2004, the Company had loaned securities (which are included in invested assets) with a carrying value and market value of approximately $5,958 and $6,099 respectively (2003 – $3,022 and $3,062, respectively).

d) Mortgage securitization The Company originates commercial mortgages and sells them to Commercial Mortgage Backed Securities Trusts, and, in certain cases, retains servicing rights to the mortgages sold. During 2004, the Company sold $48 (2003 – nil) of commercial mortgage loans in securitization transactions for which it received net proceeds of $47 (2003 – nil). There is no recourse to the Company on this transaction.

e) Credit risk Credit risk is the risk that a party to a financial instrument, such as a mortgage borrower, will fail to fully honour its financial obligations to the Company. Credit risks are primarily associated with investment, derivative and reinsurance counterparties (see reinsurance risk in note 8(b)).

The Company has provided for credit risks by establishing allowances against the carrying value of impaired assets in the Consolidated Balance Sheets. In addition to these allowances, the Company provides for potential future impairments by reducing investment yields assumed in the calculation of actuarial liabilities (note 7(c)).

The carrying value of impaired assets was as follows:

As at December 31 **2004**	Gross amount	Allowance	Carrying value
Bonds	**$ 303**	**$ 94**	**$ 209**
Mortgages	**282**	**77**	**205**
Other	**105**	**43**	**62**
Total	**$ 690**	**$ 214**	**$ 476**
2003			
Bonds	$ 273	$ 193	$ 80
Mortgages	96	37	59
Total	$ 369	$ 230	$ 139

The changes during the year in respect of the allowance for impairment were as follows:

Allowance for impairment	**2004**	2003
Balance, January 1	**$ 230**	$ 290
Net provisions during the year	**115**	5
Write-offs, disposals and currency translation	**(131)**	(65)
Balance, December 31	**$ 214**	$ 230

Concentrations of credit risk

The Company's exposure to credit risk is managed through risk management policies and procedures with emphasis on the quality of the investment portfolio together with maintenance of issuer, industry and geographic diversification standards.

As at December 31, 2004, 94% of bonds (2003 – 96%) were rated at investment grade "BBB" or higher, and 63% (2003 – 79%) were rated "A" or higher. Government bonds represented 24% (2003 – 41%) of the bond portfolio. The Company's highest exposure to a single non-government issuer was $431 (2003 – $399). Mortgages and real estate are diversified geographically and by property type. The Company's largest concentration of mortgages and real estate was in Ontario, Canada, with $7,166 (2003 – $4,930) of the total portfolio. Income-producing commercial office properties were the largest concentration in the real estate portfolio with $3,401 (2003 – $3,050). As at December 31, 2004, 96% (2003 – 96%) of the stock portfolio was comprised of publicly listed corporations. The largest single issuer represented 2% (2003 – 6%) of the portfolio.

The Company's exposure to loss on derivatives is limited to the extent that default by counterparties to these contracts results in the loss of any gains that may have accrued. All contracts are held with counterparties rated "A" or higher. As at December 31, 2004, 74% (2003 – 58%) of the exposed amount was with counterparties rated "AA" or higher. The largest single counterparty exposure as at December 31, 2004 was $137 (2003 – $88).

Note 7 o Actuarial Liabilities

a) Composition Actuarial liabilities represent the amount which, together with estimated future premiums and net investment income, will be sufficient to pay estimated future benefits, policyholder dividends, taxes (other than income taxes) and expenses on policies in force. Under Canadian GAAP, the determination of actuarial liabilities is based on an explicit projection of cash flows using

best estimate assumptions for each material cash flow item and contingency. Investment returns are based on projected investment income using the current asset portfolios and projected reinvestment strategies. Each assumption is adjusted by a margin for adverse deviation. For investment returns, this margin is established by scenario testing. For other assumptions, this margin is established by directly adjusting the best estimate assumption.

The period used for the projection of cash flows is the policy lifetime for most individual insurance contracts. For other types of contracts a shorter projection period may be used, limiting the period to the term of the liability over which the Company is exposed to material insurance risk without ability to adjust premiums or policy charges. Where the projection period is less than the policy lifetime, actuarial liabilities may be reduced by an allowance for acquisition expenses expected to be recovered from policy cash flows beyond the projection period used for the liabilities. Such allowances are tested for recovery using assumptions, including margin for adverse deviation, as used in other components of the actuarial valuation.

For minimum guarantees on segregated funds, the Company determines actuarial liabilities using stochastic models as defined by the Canadian Institute of Actuaries. The models are based on the nature of the segregated fund guarantees. Investment performance, mortality and termination assumptions are the key variables that are modeled.

The composition of actuarial liabilities by line of business and geographic territory was as follows:

As at December 31		Individual life insurance			
2004	Participating	Non-participating	Annuities and pensions	Other(1)	Total
United States	**$ 22,225**	**$ 9,390**	**$ 48,547**	**$ 8,793**	**$ 88,955**
Canada	**4,211**	**7,591**	**13,378**	**4,202**	**29,382**
International	**9,575**	**1,408**	**1,109**	**179**	**12,271**
Total	**$ 36,011**	**$ 18,389**	**$ 63,034**	**$ 13,174**	**$ 130,608**
2003					
United States	$ 9,544	$ 3,621	$ 5,417	$ 1,254	$ 19,836
Canada	3,127	3,149	11,174	2,090	19,540
International	9,018	1,893	1,225	135	12,271
Total	$ 21,689	$ 8,663	$ 17,816	$ 3,479	$ 51,647

(1) Other includes group insurance, and individual and group health.

For participating policies in force at demutualization, separate sub-accounts were established within the participating account. These sub-accounts permit this participating business to be operated as separate “closed blocks” of business. As at December 31, 2004, $24,588 (2003 – $14,079) of both assets and actuarial liabilities related to the participating policyholders’ account were included in the closed blocks.

b) Assets backing actuarial liabilities, other liabilities and capital The Company has established target invested asset portfolio mixes, which take into account the risk attributes of the liabilities supported by the assets, expectations of market performance, and a generally conservative investment philosophy. Assets are segmented and matched to liabilities with similar underlying characteristics by product line and major currency. Liabilities with rate and term guarantees, such as annuities and pensions, are predominantly backed by fixed-rate instruments such as bonds and commercial and mortgage loans. Insurance products, such as participating whole life insurance, are backed by a broader range of asset classes. The Company’s equity is primarily invested in North American and international securities and North American real estate.

Changes in the fair value of assets backing actuarial liabilities would have a limited impact on the Company’s equity, as it would be substantially offset by a corresponding change in the fair value of the actuarial liabilities. The fair value of assets backing actuarial liabilities as at December 31, 2004 was estimated at $135,122 (2003 – $54,412).

The fair value of assets backing capital and other liabilities as at December 31, 2004 was estimated at $55,215 (2003 – $27,374).

The deferred realized net gains taken into account in the computation of actuarial liabilities as at December 31, 2004 were $2,139 (2003 – $1,776).

The carrying value of total assets backing actuarial liabilities, other liabilities and capital was as follows:

As at December 31 2004	Individual life insurance: Participating	Individual life insurance: Non-participating	Annuities and pensions	Other actuarial liabilities(1)	Other liabilities(2)	Capital(3)	Total
Assets							
Bonds	**$ 20,541**	**$ 11,178**	**$ 44,935**	**$ 7,434**	**$ 15,280**	**$ 7,244**	**$ 106,612**
Mortgages	**4,485**	**2,521**	**12,877**	**1,913**	**4,770**	**2,118**	**28,684**
Stocks	**2,360**	**1,336**	**256**	**257**	**954**	**2,642**	**7,805**
Real estate	**1,851**	**995**	**146**	**564**	**662**	**451**	**4,669**
Other	**6,774**	**2,359**	**4,820**	**3,006**	**3,837**	**15,680**	**36,476**
Total	**$ 36,011**	**$ 18,389**	**$ 63,034**	**$ 13,174**	**$ 25,503**	**$ 28,135**	**$ 184,246**
2003							
Assets							
Bonds	$ 11,155	$ 4,844	$ 10,480	$ 1,788	$ 8,177	$ 5,772	$ 42,216
Mortgages	1,639	1,081	3,960	610	2,740	371	10,401
Stocks	1,984	447	258	72	779	2,326	5,866
Real estate	1,836	773	77	398	745	133	3,962
Other	5,075	1,518	3,041	611	1,360	3,466	15,071
Total	$ 21,689	$ 8,663	$ 17,816	$ 3,479	$ 13,801	$ 12,068	$ 77,516

(1) Other actuarial liabilities include group insurance, and individual and group health.
(2) Other liabilities include other policy related liabilities and non-insurance liabilities.
(3) Capital represents total equity, long-term debt, non-controlling interest in subsidiaries, trust preferred securities issued by subsidiaries and preferred shares issued by a subsidiary.

c) Significant reserve assumptions The preparation of consolidated financial statements involves the use of estimates and assumptions; however, actual results may differ from those estimates. The most significant estimation processes for insurance companies relate to the determination of actuarial liabilities and provisioning for asset impairment.

Actuarial liabilities have two major components: a best estimate amount and a provision for adverse deviation. In conjunction with prudent business practices to manage both business and investment risks, the selection and monitoring of appropriate assumptions are designed to minimize the extent to which the Company is financially exposed to measurement uncertainty.

Best estimate reserve assumptions In the computation of actuarial liabilities, best estimate reserve assumptions are made. Assumptions are made for the valuation term of the liabilities and include assumptions with respect to mortality and morbidity, investment returns, rates of policy termination, operating expenses and certain taxes. Actuarial assumptions may be subject to change in the future. Actual experience is monitored regularly to ensure that the assumptions remain appropriate. Assumptions are discussed in more detail in the following table:

	Nature of factor and assumption methodology	Risk management
Mortality and morbidity	Mortality relates to the occurrence of death. Mortality assumptions are based on past and emerging Company and industry experience. Assumptions are differentiated by sex, underwriting class and policy type. Morbidity relates to the occurrence of accidents and sickness. Morbidity assumptions are based on Company and industry experience.	The Company establishes appropriate underwriting standards to determine the insurability of applicants. Claim trends are monitored on an ongoing basis. Exposure to large claims is managed by establishing policy retention limits, which vary by market and geographic location. Policies in excess of the limits are reinsured with other companies. Mortality is monitored monthly and 2004 experience was favourable when compared with the Company's assumptions. Morbidity is also monitored monthly and 2004 experience was favourable when compared with the Company's assumptions.
Investment returns	The Company matches assets and liabilities by business segment, using investment objectives that are appropriate for each line of business. The projected cash flows from these assets are combined with future reinvestment rates derived from the current economic outlook and the Company's investment policy in order to determine expected rates of return on these assets for all future years.	The Company's policy of closely matching cash flows of the assets with those of the corresponding liabilities reduces the Company's exposure to future changes in interest rates. The interest rate risk positions in business segments are monitored on an ongoing basis. Under the Canadian Asset Liability Method (CALM), the reinvestment rate is quantified by using interest rate scenario testing.

	Nature of factor and assumption methodology	Risk management
Investment returns (continued)	Investment return assumptions include expected future asset defaults. Asset defaults are projected based on both past Company and industry experience and specific reviews of the current investment portfolio.	The exposure to asset default is managed by policies and procedures, which limit concentrations by issuer, connections, ratings, sectors and geographic regions. On certain policies, such as for participating insurance and universal life, asset default experience is passed back to policyholders through the investment return crediting formula. The Company holds explicit provisions in actuarial liabilities for asset credit risk, which including provisions for adverse deviation, totaled $3,531 as at December 31, 2004 (2003 – $1,574). In 2004, default experience on both bonds and mortgages continued to be favourable when compared to the Company's assumptions. Stocks and real estate are used primarily to support liabilities where investment return experience is passed back to policyholders through dividends or credited investment return adjustments. A limited amount of stocks are also used to support long-dated obligations in the Company's U.S. annuity and pension businesses, and for insurance liabilities in Japan.
Policy terminations	Lapse relates to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are based on the Company's experience adjusted for expected future conditions. Assumptions reflect differences in geographic markets and lapse patterns for different types of contracts.	The Company designs its products in order to minimize financial exposure to lapse and surrender risk. In addition, the Company monitors experience monthly. In aggregate, 2004 lapse experience on insurance products was unfavourable when compared to the Company's assumptions used in the computation of actuarial liabilities.
Expenses and taxes	Operating expense assumptions reflect the projected costs of maintaining and servicing in force policies and associated overhead expenses. These expenses are derived from the Company's internal cost studies projected into the future with an allowance for inflation. Taxes reflect assumptions for future premium taxes and other non-income related taxes. The impact of income taxes, projected on the basis of the valuation assumptions (expected plus margin for adverse deviation), is also included.	The Company prices its products to cover the expected costs of servicing and maintaining them. In addition, the Company monitors expenses monthly, including comparisons of actual expenses to expense levels allowed for in pricing and valuation. Maintenance expenses for 2004 were favourable when compared with the Company's assumptions used in the computation of actuarial liabilities. The Company prices its products to cover the expected cost of taxes.

The Company's practice of matching the currency of the assets supporting liabilities with the currency of the liabilities that these assets support results in minimal financial exposure related to foreign currency fluctuations on assets backing liabilities.

Provision for adverse deviation assumptions The basic assumptions made in establishing actuarial liabilities are best estimates for a range of possible outcomes. To recognize the uncertainty in establishing these best estimate reserve assumptions, to allow for possible deterioration in experience and to provide greater comfort that the reserves are adequate to pay future benefits, the Appointed Actuary is required to include a margin in each assumption.

The impact of these margins is to increase actuarial liabilities and decrease the income that would be recognized at inception of the policy. Minimum conditions are prescribed by the Canadian Institute of Actuaries for determining margins related to interest rate risk. For other risks, which are not specifically addressed by the Canadian Institute of Actuaries, a range is defined as 5% to 20% of the expected experience assumption, taking into account the risk profiles of the business. The Company uses assumptions at the conservative end of the permissible ranges, taking into account the risk profile of the business.

Reinsurance The impact of ceded reinsurance is reflected in the actuarial liabilities. The cash flows used in the actuarial valuation adjust the gross policy cash flows to reflect the projected cash flows from ceded reinsurance.

As a result of ceded reinsurance, actuarial liabilities have been reduced by $5,387 as at December 31, 2004 (2003 – $3,255).

d) Change in actuarial liabilities Change in actuarial liabilities during the year was a result of the following business activities and changes in actuarial estimates:

For the years ended December 31	2004	2003
Balance, January 1	**$ 51,647**	$ 56,397
Normal change		
New policies	**2,046**	1,597
In force	**(3,133)**	(509)
Changes in methods and assumptions	**(50)**	59
Changes due to acquisition and assumption transactions	**91,965**	88
Currency impact	**(11,867)**	(5,985)
Balance, December 31	**$ 130,608**	$ 51,647

e) Changes in actuarial methods and assumptions The Company examines the assumptions used in determining actuarial liabilities on an ongoing basis to ensure they appropriately reflect emerging experience and changes in risk profile. Policy liabilities are increased when expected benefit costs and related risks increase, and vice versa. Policy liabilities include actuarial liabilities and liabilities for policy benefits in the course of settlement.

In 2004, changes in methods and assumptions used in the determination of actuarial and other policy liabilities resulted in a net reduction of $50 (2003 – increase of $59) in actuarial liabilities and a net increase of $12 (2003 – $19) in benefits payable and provision for unreported claims. A portion of the change was in a non-wholly owned subsidiary, reducing the impact on pre-tax income to an increase of $36 (2003 – reduction of $58). The statement of operations impact of the changes in methods and assumptions is reported in the “Corporate and Other” segment.

The changes in methods and assumptions include a net reduction of $246 in cyclical credit loss reserves and a net increase of $137 in actuarial liabilities for cedent treaty recapture in life retrocession reinsurance assumed and a net increase of $103 in actuarial liabilities for segregated fund guarantees. The net impact of other changes in methods and assumptions from regular review of experience and actuarial models is a $32 reduction of actuarial liabilities. The release of cyclical credit loss reserves follows recommendations by the Company’s external actuarial reviewer that led to a review of the methods and assumptions for this reserve.

Note 8 o Risk Management

In addition to risks related to reserve assumptions, the Company is also exposed to the following risks, which are considered in establishing actuarial liabilities:

a) Interest rate risk Investment return risk relates to potential losses arising from asset returns insufficient to support product liabilities. The uncertainty related to returns achievable on both fixed income and non-fixed income investments to be made in the future as recurring premiums are received and the impact of mismatches between the timing and amount of current assets and the liabilities they support are the principal components of investment return risk within the Company’s general fund. Interest rate risk exposures are measured using a variety of techniques, including cash flow gaps, durations, key rate durations, convexity, and earnings and shareholders’ economic value at risk. Shareholders’ economic value is calculated as the net present value of cash flows related to current assets, recurring premiums to be received and liabilities, discounted at market yields and adjusted for tax.

The Company’s general fund wealth management business may be exposed to interest rate risk as a result of mismatches between the timing and amount of its assets and liabilities. The impact on shareholders’ economic value of an immediate and permanent parallel shift of 1% in interest rates at all maturities across all markets arising from general fund wealth management business is as follows:

For the years ended December 31	2004	2003
1% increase in interest rates	**$ 60**	$ 17
1% decrease in interest rates	**(67)**	(20)

The Company’s general fund insurance business is supported by a portfolio of assets invested in a blend of medium to long maturity bonds and a material component of non-fixed income assets, with the investment allocations between fixed income and non-fixed income assets managed proactively. As a result, the interest rate risk related to this business is not easily identified separately from the price volatility related to non-fixed income assets.

b) Reinsurance risk In the normal course of business, the Company limits the amount of loss on any one policy by reinsuring certain levels of risk with other insurers. In addition, the Company accepts reinsurance from other reinsurers. Reinsurance ceded does not discharge the Company’s liability as the primary insurer. Failure of reinsurers to honour their obligations could result in losses to the Company; consequently, allowances are established for amounts deemed uncollectible. In order to minimize losses from reinsurer insolvency, the Company monitors the concentration of credit risk both geographically and with any one reinsurer. In addition, the Company selects reinsurers with high credit ratings.

The effect of reinsurance on premium income was as follows:

For the years ended December 31	2004	2003
Direct premium income	**$ 16,284**	$ 10,398
Reinsurance assumed	**1,318**	788
Reinsurance ceded	**(1,315)**	(646)
Total premium income	**$ 16,287**	$ 10,540

Note 9 o Income Taxes

The effective income tax rate for the provision for income taxes reported in the Consolidated Statement of Operations varies from the income taxes computed at the Canadian statutory tax rate of 34% for the year ended December 31, 2004 (2003 – 36%) for the following reasons:

Reconciliation of income tax expense

For the years ended December 31	2004	2003
Income tax at Canadian statutory tax rate	**$ 1,169**	$ 667
Increase (decrease) in income taxes due to:		
Tax-exempt investment income	**(85)**	(76)
Differences in tax rates on income not subject to tax in Canada	**(228)**	(260)
Recognition of tax benefit from prior years	**(5)**	(14)
Other	**23**	(1)
Income tax expense	**$ 874**	$ 316

Components of income tax expense included in the Consolidated Statements of Operations are as follows:

For the years ended December 31	2004	2003
Canadian income tax expense:		
Current	**$ 106**	$ 64
Future	**139**	76
	$ 245	$ 140
Foreign income tax expense		
Current	**$ 135**	$ 50
Future	**494**	126
	$ 629	$ 176
Income tax expense	**$ 874**	$ 316

The amount of income taxes paid in cash during the year ended December 31, 2004 was $386 (2003 – $91).

Income taxes are included in the consolidated financial statements as follows:

For the years ended December 31	2004	2003
Consolidated Statements of Operations		
Income taxes	**$ 874**	$ 316
Consolidated Statements of Equity		
Currency translation account	**28**	102
Income taxes	**$ 902**	$ 418

Undistributed earnings of non-Canadian subsidiaries may be taxed upon repatriation to Canada. The Company has recognized a future tax liability on these undistributed earnings to the extent that management expects it will be incurred on earnings repatriated in the foreseeable future. If all undistributed earnings were repatriated, incremental taxes that would be chargeable as at December 31, 2004 are estimated to be $244 (2003 – $229).

The following table presents future income taxes in total, and the principal components:

For the years ended December 31	2004	2003
Future income tax asset:		
Actuarial liabilities	$ 1,556	$ –
Gains on sale of invested assets	243	409
Other	1,818	744
	$ 3,617	$ 1,153
Valuation allowance	(156)	(160)
Future income tax asset	$ 3,461	$ 993
Future income tax liability:		
Actuarial liabilities	$ –	$ (655)
Real estate	(349)	(327)
Securities and other investments	(3,460)	(101)
Intangibles	(632)	–
Other	–	(80)
Future income tax liability	$ (4,441)	$ (1,163)
Net future income tax liability	$ (980)	$ (170)

As at December 31, 2004, the Company has approximately $1,393 (2003 – $2,152) of tax loss carry forwards available, which expire between the years 2006 and 2018. A benefit has been recognized in the amount of $333 (2003 – $598) in future income taxes. A benefit in the amount of $156 (2003 – $160) has not been recognized.

Note 10 o Consumer Notes

A subsidiary of JHF issues consumer notes through its *Signature*Notes program. *Signature*Notes is an investment product sold through a broker-dealer network to retail customers in the form of publicly traded fixed and/or floating rate securities. *Signature*Notes are issued weekly with a variety of maturities, interest rates and call provisions. *Signature*Notes may be redeemed upon the death of the holder, subject to an overall program redemption limit of 1% of the aggregate securities outstanding or an individual redemption limit of U.S. $0.2 of aggregate principal. As at December 31, 2004, interest rates ranged from 1.75% to 6.25% with maturities until 2032. The fair value of consumer notes as at December 31, 2004 was $2,865.

Note 11 o Commercial Paper

Included in other liabilities is commercial paper issued by JHF that was primarily used to meet working capital needs. The carrying value of commercial paper outstanding as at December 31, 2004 was $349 (2003 – nil). Outstanding commercial paper as at December 31, 2004 had a weighted average interest rate of 1.18% and a weighted average life of approximately 33 days. The carrying value of the commercial paper approximates its fair value. Commercial paper borrowing arrangements are supported by a syndicated line of credit.

Note 12 o Long-Term Debt

As at December 31	2004	2003
Senior debt		
5.625% Notes payable U.S. dollar	$ 635	$ –
Other notes payable	639	–
Subordinated notes		
7.875% U.S. dollar	252	323
5.70% Canadian dollar	250	250
6.24% Canadian dollar	550	550
Surplus notes U.S. dollar	622	–
Total long-term debt	$ 2,948	$ 1,123
Fair value	$ 3,050	$ 1,199

The fair value of long-term debt is determined by reference to current market prices, where available. The cash amount of interest paid during the year ended December 31, 2004 was $168 (2003 – $93).

a) 5.625% U.S. dollar notes payable On December 6, 2001, JHF issued U.S. $500 ($796) in 5.625% senior notes maturing on December 1, 2008 pursuant to a U.S. $1,000 effective shelf registration statement.

b) Other notes payable The notes payable bear interest rates ranging from 6.4% to 12.1% and mature in varying amounts to 2012. The notes were issued by various subsidiaries of JHF.

c) 7.875% U.S. dollar subordinated notes During 1995, the Company issued U.S. $250 ($341) in 7.875% subordinated notes due April 15, 2005. This debt was issued as a private placement under Rule 144A of the Securities Act (United States). During 2004, U.S. $41 of these subordinated notes were purchased at a cost of U.S. $44 ($58) and extinguished.

d) Canadian dollar subordinated debt On February 16, 2001, the Company issued, in two tranches, $800 in unsecured subordinated debentures, redeemable in whole or in part by the Company at any time. Debentures with principal of $250, maturing on February 16, 2011, bear interest at a fixed rate of 5.70% for five years and thereafter at a rate of 1% plus the 90-day Bankers Acceptance Rate (adjusted quarterly). In addition, debentures with principal of $550, maturing on February 16, 2016, bear interest at a fixed rate of 6.24% for 10 years and thereafter at a rate of 1% plus the 90-day Bankers Acceptance Rate (adjusted quarterly). Proceeds to Manufacturers Life, net of issuance costs, were approximately $796. The debt constitutes Tier 2B regulatory capital.

e) U.S. dollar surplus notes On February 25, 1994, JHF issued U.S. $450 in 7.375% surplus notes maturing on February 15, 2024. Any payment of interest or principal on the surplus notes requires the prior approval of the Massachusetts Commissioner of Insurance.

The carrying value of the senior debt and surplus notes reflects a net increase of U.S. $125 relating to the unamortized fair value adjustment of these instruments, which arose as a result of the acquisition of JHF (note 3). The amortization of the fair value adjustment is recorded in interest expense in these consolidated financial statements.

Aggregate maturities of long-term debt are as follows:

As at December 31	2004	2003
Less than one year	**$ 417**	$ –
One to two years	**19**	323
Two to three years	**14**	–
Three to four years	**638**	–
Four to five years	**1**	–
Greater than five years	**1,859**	800
Total	**$ 2,948**	$ 1,123

Note 13 o Non-Controlling Interest in Subsidiaries

As at December 31	2004	2003
Non-controlling interest in common equity of subsidiaries	**$ 43**	$ 37
Manulife Financial Capital Securities – Series A	**60**	60
Manulife Financial Capital Securities – Series B	**940**	940
Total	**$ 1,043**	$ 1,037

On December 10, 2001, Manulife Financial Capital Trust (the “Trust”), a wholly owned open-end trust, issued 60,000 Manulife Financial Capital Securities (“MaCS”) – Series A and 940,000 Manulife Financial Capital Securities – Series B. These securities are exchangeable into newly issued Manufacturers Life Class A Shares Series 2, in the case of MaCS – Series A, or newly issued Manufacturers Life Class A Shares Series 4, in the case of MaCS – Series B, under certain circumstances.

Each MaCS – Series A entitles the holder to receive fixed cash distributions payable semi-annually in the amount of $35.00. Each MaCS – Series B entitles the holder to receive fixed cash distributions payable semi-annually in the amount of $33.50.

The MaCS, with regulatory approval, may be redeemed in whole, upon the occurrence of certain tax or regulatory capital changes, or on or after December 31, 2006, at the option of the Trust.

Under certain circumstances, each MaCS will be automatically exchanged, without the consent of the holders, for Manufacturers Life Class A Shares Series 3, in the case of MaCS – Series A, and Manufacturers Life Class A Shares Series 5, in the case of MaCS – Series B.

The MaCS – Series A and MaCS – Series B constitute Tier 1 regulatory capital.

Note 14 o Trust Preferred Securities Issued by Subsidiaries

As at December 31	2004	2003
Trust preferred securities	**$ 606**	$ 650

Capital Trust Pass-through Securities Units of U.S. $500 ($672) were issued by subsidiaries of MFC in January 1997, maturing February 1, 2027.

Each unit consists of one 8.25% trust preferred security, issued by the trust subsidiary, and one 0.125% preferred purchase contract, issued by The Manufacturers Investment Corporation (“MIC”). The trust subsidiary’s only asset is an investment in notes issued by MIC. Holders of each purchase contract may be required to purchase 20 non-cumulative perpetual preferred shares, Series A of MIC,

at U.S. $50 per share. Holders may satisfy this purchase by delivering the trust preferred securities to MIC in exchange for the perpetual preferred shares.

The Securities Units were issued as a private placement under Rule 144A of the Securities Act (United States).

From the Company's perspective, the issue is equivalent to a combination of 8.25% subordinated debt maturing February 1, 2027, and an option exercisable by the Company, requiring contract holders to purchase an equivalent amount of perpetual preferred shares in MIC. The securities form part of the Company's regulatory capital.

Note 15 o Preferred Shares Issued by a Subsidiary

The Maritime Life Assurance Company ("MLAC"), a subsidiary of JHF, had preferred shares outstanding as at the date of MFC's acquisition of JHF.

The MLAC First Preferred Shares, Series A were non-voting, bore cumulative dividends and were redeemable at the election of MLAC at a par value of $25.00 per share. On October 15, 2004, the Company redeemed all of the outstanding First Preferred Shares, Series A at a total par value of $35 plus prorated dividends to but not including the redemption date.

MLAC's Second Preferred Shares, Series 1 ("Series 1 Shares") were non-voting, bore non-cumulative dividends and were redeemable at the election of MLAC on December 31, 2004 and every five years plus one day thereafter at a price of $25.00 per share or at $25.50 per share at any other time after December 31, 2004. All the outstanding Series 1 Shares were redeemed on December 31, 2004, at a total par value of $100.

MLAC's Second Preferred Shares, Series 3 ("Series 3 Shares") were non-voting, bore non-cumulative dividends and were redeemable at the election of MLAC at $26.00 per share on or after December 31, 2007, or $25.75 per share on or after December 31, 2008, or $25.50 per share on or after December 31, 2009, or $25.25 per share on or after December 31, 2010, or $25.00 per share on or after December 31, 2011. On October 20, 2004, Manufacturers Life completed an offer made to holders of MLAC's Series 3 Shares on September 27, 2004 to exchange each Series 3 Share for one Manufacturers Life Class A, Series 6 Preferred Share ("Series 6 Share"). Holders of Series 3 Shares tendered 86% of shares outstanding in exchange for Series 6 Shares, which have the same economic terms as the Series 3 Shares. For those Series 3 Shares not exchanged, MLAC's Board of Directors approved a by-law providing for the consolidation of the Series 3 Shares on the basis of one consolidated Series 3 Share for each 1,000,000 existing Series 3 Shares. Manufacturers Life voted all of the Series 3 Shares that it acquired pursuant to the exchange offer in favour of the consolidation by-law, which was approved by MLAC's policyholders and preferred shareholders at a special meeting held on November 24, 2004. As a result of the consolidation and in accordance with the by-law, holders of fractional Series 3 Shares after consolidation received a cash payment for each of their Series 3 Shares held prior to consolidation equal to $26.82 plus declared and unpaid dividends prorated to the date immediately prior to the consolidation. Excluding dividends, $15 was paid to outside shareholders.

Note 16 o Share Capital

The authorized capital of MFC consists of:

a) an unlimited number of common shares without nominal or par value; and

b) an unlimited number of Class A and Class B preferred shares without nominal or par value, issuable in series.

Preferred shares On June 19, 2003, MFC issued 14 million Class A Shares, Series 1 ("Series 1 Preferred Shares") at a price of $25.00 per share, for an aggregate amount of $350. The Series 1 Preferred Shares are non-voting and are entitled to non-cumulative preferential cash dividends payable quarterly, if and when declared, at a per annum rate of 4.10% per Series 1 Preferred Share. With regulatory approval, the Series 1 Preferred Shares may be redeemed by MFC on or after June 19, 2010, in whole or in part, at declining premiums that range from $1.25 to nil per Series 1 Preferred Share, by either payment of cash or the issuance of MFC common shares. On or after December 19, 2015, the Series 1 Preferred Shares will be convertible at the option of the holder into MFC common shares, the amount of which is determined by a prescribed formula, and is subject to the right of MFC prior to the conversion date to redeem for cash or find substitute purchasers for such preferred shares.

Common shares On October 30, 2003, MFC received acceptance from the Toronto Stock Exchange (the "Exchange") of the Company's intention to make a normal course issuer bid to purchase up to 46 million of its common shares, representing approximately 9.9% of common shares then outstanding. Purchases made under the bid were executed on the Exchange in the 12 months following the commencement of the bid on November 4, 2003. On April 1, 2004, the Exchange accepted an amendment to the terms of this normal course issuer bid. Under this amendment, MFC could have repurchased up to 79 million of its common shares, representing approximately 9.9% of common shares outstanding following the merger with JHF. In addition, pursuant to a waiver granted to MFC by the Exchange, MFC could have repurchased the full amount of common shares under the bid without regard to the usual limit of 2% of the outstanding common shares in any 30-day period. This amendment to the normal course issuer bid became effective on April 20, 2004 and expired on November 3, 2004. During the year ended December 31, 2004, MFC purchased and subsequently cancelled four million (2003 – 220 thousand) of its common shares pursuant to this normal course issuer bid at a total cost of $203 (2003 – $9).

A previous normal course issuer bid program terminated on October 16, 2003.

Pursuant to the merger with JHF, holders of JHF common stock received 1.1853 common shares of MFC for each JHF common stock. Approximately 342 million MFC common shares were issued at an ascribed price of $39.61 per share.

On November 4, 2004, the Exchange accepted the Company's filing of notice of intention to make a normal course issuer bid during the 12-month period commencing November 9, 2004. Under this bid, MFC may repurchase up to 55 million of its common shares, representing approximately 6.8% of common shares outstanding, provided that the aggregate purchase price of the shares acquired under this bid does not exceed $3,000. The Company is also limited to purchasing up to 2% of its outstanding common shares in any 30-day period under this bid. During the year ended December 31, 2004, MFC purchased and subsequently cancelled six million of its common shares pursuant to this normal course issuer bid at a total cost of $306.

All transactions under the normal course issuer bids were and will be executed on the Exchange at prevailing market prices (or, with the Exchange's approval, off the Exchange) in amounts and at times determined by MFC, subject to compliance with applicable law and regulations. Any common shares purchased as part of the bids will be cancelled.

In total, during the year ended December 31, 2004, MFC purchased and subsequently cancelled 10 million (2003 – 220 thousand) of its common shares pursuant to all normal course issuer bids at a total cost of $509 (2003 – $9).

In accordance with the provisions of the Plan of Demutualization of Manufacturers Life and the share capital by-laws of MFC, unclaimed demutualization benefits issued in the form of MFC common shares to eligible policyholders whose addresses were not known to the Company (Lost Policyholders) were cancelled effective August 31, 2002. The unclaimed demutualization benefits that were cancelled include approximately two million common shares of MFC with a nominal share capital. The cancellation of the common shares was reflected in these consolidated financial statements, retroactive to August 31, 2002. Under the Plan of Demutualization and the share capital by-laws of MFC, Lost Policyholders may claim their cancelled demutualization benefits at any time and are entitled to have reissued to them the number of MFC common shares they were entitled to receive on demutualization, together with all dividends paid on the common shares from the date of demutualization, without interest.

	2004		2003	
For the years ended December 31	Number of shares (in millions)	Amount	Number of shares (in millions)	Amount
Common Shares				
Balance, January 1	**463**	**$ 599**	463	$ 596
Issued on acquisition of subsidiary (note 3)	**342**	**13,510**	–	–
Issued on exercise of stock options and deferred share units (note 17)	**14**	**712**	–	3
Normal course issuer bids – purchased for cancellation	**(10)**	**(175)**	–	–
Cancelled	**(2)**	**–**	–	–
Balance, December 31	**807**	**$ 14,646**	463	$ 599

Note 17 o Stock-Based Awards

Under the Company's Executive Stock Option Plan ("ESOP"), stock options are periodically granted to selected individuals. Options provide the holder with the right to purchase common shares at an exercise price equal to the closing market price of MFC's common shares on the Exchange on the business day immediately preceding the date the options were granted. The options vest over a period not exceeding four years and expire not more than 10 years from the grant date. A total of 36,800,000 common shares have been reserved for issuance under the ESOP.

In 2000, the Company also granted deferred share units ("DSUs") to certain employees under the ESOP. The DSUs vested over a four-year period and each unit entitles the holder to receive one common share on retirement or termination of employment. The DSUs attract dividends in the form of additional DSUs at the same rate as dividends on the common shares. No DSUs were granted during 2004 and 2003. The number of DSUs outstanding was two million as at December 31, 2004 (2003 – two million).

Effective January 1, 2001, the Company established the Global Share Ownership Plan ("GSOP") for its eligible employees and the Stock Plan for Non-Employee Directors. Under the Company's GSOP, qualifying employees can choose to have up to 5% of their annual base earnings applied toward the purchase of common shares of MFC. Subject to certain conditions, the Company will match 50% of the employee's eligible contributions. The Company's contributions vest immediately. All contributions will be used by the plan's trustee to purchase common shares in the open market.

Under the Company's Stock Plan for Non-Employee Directors, each eligible director may elect to receive DSUs or common shares in lieu of cash equal to his or her annual director's retainer and fees. Upon termination of Board service, the eligible director may elect to receive cash or common shares equal to the value of the DSUs accumulated in his or her account. A total of 500,000 common shares have been reserved for issuance under the Stock Plan for Non-Employee Directors.

The Company has previously granted stock options to directors under the Director Equity Incentive Plan ("DEIP"). There were no stock options granted under this plan in 2004 resulting from a decision made by the Board of Directors in 2003 to permanently discontinue stock option grants to directors. A total of 500,000 common shares have been reserved for issuance under the DEIP.

In 2003, the Company established a new Restricted Share Unit ("RSU") plan. For the year ended December 31, 2004, 1.3 million (2003 – 969 thousand) RSUs were granted to certain eligible employees under this plan. RSUs represent phantom common shares of MFC that entitle a participant to receive payment equal to the market value of the same number of common shares, plus credited dividends, at the time the RSUs vest. RSUs vest over three years from the grant date, and the related compensation expense is recognized over this period. Compensation expense related to RSUs was $42 for the year ended December 31, 2004 (2003 – $13).

All JHF unvested stock options granted prior to the announcement of the merger with MFC on September 28, 2003, vested immediately prior to the date of acquisition and were exchanged for approximately 19 million MFC stock options. JHF stock options that were granted after the date of announcement were exchanged for approximately four million MFC stock options.

	2004		2003	
For the years ended December 31	Number of options (in millions)	Weighted average exercise price	Number of options (in millions)	Weighted average exercise price
Outstanding, January 1	**12**	**$ 37.87**	11	$ 38.20
Issued on acquisition (note 3)	**23**	**$ 37.00**	–	$ –
Granted	**2**	**$ 48.53**	1	$ 36.38
Exercised	**(14)**	**$ 39.47**	–	$ –
Forfeited	**(2)**	**$ 42.77**	–	$ –
Outstanding as at December 31	**21**	**$ 38.96**	12	$ 37.87
Exercisable as at December 31	**13**	**$ 36.71**	6	$ 35.54

Options Outstanding

	Options Outstanding			Options Exercisable	
As at December 31, 2004 Exercise Price	Number of options (in millions)	Weighted average exercise price	Weighted average contractual remaining life	Number of options (in millions)	Weighted average exercise price
$14.17 – $29.64	1	$ 25.99	2.4 years	1	$ 25.99
$30.80 – $39.03	7	$ 33.68	4.9 years	6	$ 33.24
$40.51 – $55.40	13	$ 43.05	5.5 years	6	$ 42.14
Total	21	$ 38.96	5.1 years	13	$ 36.71

The weighted average fair value of each option granted in the year has been estimated at $11.33 (2003 – $10.75) using the Black-Scholes option-pricing model. The pricing model uses the following weighted average assumptions for these options: risk-free interest rate of 3.7% (2003 – 4.8%), dividend yield of 1.8% (2003 – 1.8%), expected volatility of 22.5% (2003 – 25%) and expected life of six (2003 – seven) years.

Effective January 1, 2003, the Company changed its accounting policy on a prospective basis for stock options granted to employees on or after January 1, 2002, from the intrinsic value method to the fair value method, and recorded an additional compensation expense, with an offsetting increase to contributed surplus, of $27 during the year ended December 31, 2004 (2003 – $14).

In aggregate, the Company recorded stock-based compensation expense of $69 for the year ended December 31, 2004 (2003 – $27).

Diluted earnings per share

For the years ended December 31	**2004**	2003
Net income available to common shareholders	**$ 2,550**	$ 1,539
Weighted average number of common shares (in millions)	**698**	463
Stock-based awards(1) (in millions)	**6**	3
Weighted average number of diluted common shares (in millions)	**704**	466

(1) The dilutive effect of stock-based awards was calculated using the treasury stock method. This method calculates the number of incremental shares by assuming the outstanding stock-based awards are (i) exercised and (ii) then reduced by the number of shares assumed to be repurchased from the issuance proceeds, using the average market price of MFC common shares for the period. Excluded from the calculation were an average of two million anti-dilutive stock-based awards.

Note 18 o Employee Future Benefits

The Company maintains a number of pension and benefit plans for its eligible employees and agents. The Company's funding policy for all applicable plans is to make at least the minimum annual contributions required by regulations of the countries in which the plans are offered. Different assumptions and methods are prescribed for regulatory funding purposes compared to accounting purposes.

MFC acquired JHF in April 2004, including its pension and other retirement plans. There were no significant gains or losses as a result of plan amendments made to these plans from the acquisition.

Total cash payments for employee future benefits for the year ended December 31, 2004 were $154 (2003 – $37) and includes cash contributed by the Company to its funded pension plans, cash payments directly to beneficiaries for its unfunded benefits plans, and cash contributed to its defined contribution plans.

The Company measures its accrued benefit obligation and the fair value of plan assets for accounting purposes as at December 31 of each year. Actuarial valuations to determine employer required annual contributions for Canadian based pension plans are required at least once every three years. The most recent actuarial valuation of the main Canadian staff pension plan was performed as at December 31, 2003. Pension plans based in the United States require annual valuations, with the most recent valuations performed as at January 1, 2004.

Information about the Company's benefit plans, in aggregate, was as follows:

	Pension benefits		Other employee benefits	
For the years ended December 31	**2004**	2003	**2004**	2003
Changes in accrued benefit obligation:				
Balance, January 1	**$ 957**	$ 892	**$ 157**	$ 141
JHF accrued benefit obligation at date of acquisition	**3,196**	–	**881**	–
Service cost	**51**	28	**8**	6
Interest cost	**169**	52	**42**	8
Plan participants' contributions	**1**	1	**–**	–
Amendments	**4**	6	**(2)**	–
Actuarial loss	**109**	72	**40**	12
Benefits paid	**(224)**	(54)	**(49)**	(3)
Currency impact	**(384)**	(40)	**(111)**	(7)
Balance, December 31	**$ 3,879**	$ 957	**$ 966**	$ 157

	Pension benefits		Other employee benefits	
For the years ended December 31	**2004**	2003	**2004**	2003
Changes in plan assets:				
Fair value of plan assets, January 1	**$ 641**	$ 627	**$ –**	$ –
JHF plan assets at date of acquisition	**2,983**	–	**327**	–
Actual return on plan assets	**379**	76	**27**	–
Employer contributions	**83**	17	**49**	3
Plan participants' contributions	**1**	1	**–**	–
Benefits paid	**(224)**	(54)	**(49)**	(3)
Currency impact	**(364)**	(26)	**(42)**	–
Fair value of plan assets(1), December 31	**$ 3,499**	$ 641	**$ 312**	$ –

(1) Pension benefit plans include investments in MFC common shares of $3 (2003 – $1).

	Pension benefits		Other employee benefits	
For the years ended December 31	**2004**	2003	**2004**	2003
Funded status, end of year	**$ (380)**	$ (316)	**$ (654)**	$ (157)
Unrecognized net actuarial loss (gain)	**97**	189	**5**	(39)
Unrecognized initial transition gain	**–**	(1)	**–**	–
Unrecognized prior service cost	**23**	23	**(13)**	–
Accrued benefit liability	**$ (260)**	$ (105)	**$ (662)**	$ (196)
Amounts recognized in the Consolidated Balance Sheets consist of:				
Prepaid benefit – cost	**$ 104**	$ 103	**$ –**	$ –
Accrued benefit liability	**(364)**	(208)	**(662)**	(196)
Accrued benefit liability	**$ (260)**	$ (105)	**$ (662)**	$ (196)

As at December 31, 2004, pension plans subject to regulatory required contributions consisted of assets of $3,486 (2003 – $641) and pension benefit obligations of $3,136 (2003 – $709).

Of the $380 unfunded pension benefit amount as at December 31, 2004 (2003 – $316), $683 (2003 – $207) relates to the Company's executive supplementary pension plans of which $578 (2003 – $148) has been charged to earnings to date. Charges for other unfunded plans amounted to $47 as at December 31, 2004 (2003 – $41) of which $45 (2003 – $38) has been charged to earnings or otherwise accrued for in the Company's accounts. The assets supporting unfunded pension liabilities are not separately segregated and form part of the general fund assets of the Company.

The weighted average asset allocation of the Company's principal pension plans by asset category was as follows:

As at December 31	Actual allocation 2004	2003
Equity securities	**62%**	66%
Debt securities	**31%**	29%
Real estate	**2%**	5%
Other	**5%**	–
Total	**100%**	100%

Components of the net benefit expense were as follows:

For the years ended December 31	Pension benefits 2004	2003	Other employee benefits 2004	2003
Defined benefit service cost	**$ 51**	$ 28	**$ 8**	$ 6
Defined contribution service cost	**22**	17	**–**	–
Interest cost	**169**	52	**42**	8
Actual (positive) negative return on plan assets	**(379)**	(76)	**(27)**	–
Actuarial (gains) losses	**47**	69	**(2)**	12
Plan amendments	**4**	6	**(2)**	–
Pension costs incurred before adjustments	**$ (86)**	$ 96	**$ 19**	$ 26
Difference between costs arising in the period and cost recognized in respect of:				
Return on plan assets(1)	**177**	31	**9**	–
Actuarial (gains) losses(2)	**(35)**	(58)	**1**	(15
Plan amendments(3)	**(1)**	(6)	**(1)**	–
Net benefit expense	**$ 55**	$ 63	**$ 28**	$ 11

(1) Expected return on plan assets of $220 for the year ended December 31, 2004 (2003 – $45) less deferral of actual return on plan assets of $406 (2003 – $76).

(2) Actuarial (gains) losses amortized in 2004 of $11 (2003 – $8) less actual actuarial (gains) losses incurred of $45 (2003 – $81).

(3) Amortization of plan amendments/prior service cost in 2004 of nil (2003 – nil) less actual cost of plan amendments of $2 (2003 – $6).

The weighted average assumptions used by the Company to determine the benefit obligation and net benefit expense were as follows:

For the years ended December 31	Pension benefits 2004	2003	Other employee benefits 2004	2003
To determine benefit obligation at end of year				
Discount rate	**5.8%**	6.0%	**5.8%**	6.0%
Rate of compensation increase	**3.9%**	3.6%	**3.2%**	3.5%
To determine net benefit expense for the year				
Discount rate	**6.2%**	6.1%	**6.0%**	6.2%
Expected return on plan assets(1)	**8.2%**	7.2%	**8.75%**	n/a
Rate of compensation increase	**3.1%**	3.6%	**3.4%**	3.5%

(1) The expected return on pension plan assets for U.S.-based plans ranged from 8.25% to 8.5%. Plans based in Canada had an expected return on plan assets of 7%.

To develop the expected long-term rate of return on plan assets assumptions, the Company considers the historical returns and the future expectations for each asset class, as well as the target asset allocation of the pension portfolio.

Assumed health care cost trends have a significant effect on the amounts reported for the health care plan. The impact of a 100 basis-point change in assumed health care cost trend rates would have been as follows:

As at and for the year ended December 31, 2004	100 basis-point increase	100 basis-point decrease
Effect on post-employment benefit obligation	**62**	**(51)**
Effect on total service and interest costs	**5**	**(4)**

Note 19 o Commitments and Contingencies

a) Legal proceedings The Company is regularly involved in legal actions, both as a defendant and as a plaintiff. The legal actions naming the Company as a defendant ordinarily involve its activities as a provider of insurance protection and wealth management products, as well as an investment adviser, employer and taxpayer. In addition, government and regulatory bodies in Canada and the United States regularly make inquiries and, from time to time, require the production of information or conduct examinations concerning the Company's compliance with, among other things, insurance laws, security laws, and laws governing the activities of

broker-dealers. The Company does not believe that the conclusion of any current legal or regulatory matters, either individually or in the aggregate, will have a material adverse effect on its consolidated financial position or results of operations.

b) Investment commitments In the normal course of business, various investment commitments are outstanding which are not reflected in the consolidated financial statements. There were $2,346 of outstanding investment commitments as at December 31, 2004, of which $520 mature in 30 days, $1,205 mature in 31 to 365 days and $621 mature in 2006 or later. There were $507 of outstanding investment commitments as at December 31, 2003, of which $198 matured in 30 days, $240 matured in 31 to 365 days and $69 matured in 2005 or later.

c) Letters of credit In the normal course of business, third party relationship banks issue letters of credit on the Company's behalf. As at December 31, 2004, letters of credit in the amount of $3,773 (2003 – $2,211) were outstanding. There were no assets pledged against these outstanding letters of credit as at December 31, 2004 and 2003.

d) Pledged assets In the normal course of business, certain of MFC's subsidiaries pledge their assets as security for liabilities incurred. The amounts pledged were as follows:

	2004		2003	
As at December 31	Bonds	Other	Bonds	Other
In respect of:				
Derivatives	**$ 122**	**$ 11**	$ –	$ 7
Regulatory requirements	**126**	**–**	43	–
Securities borrowed	**390**	**–**	–	–
Real estate	**–**	**81**	–	74
Total	**$ 638**	**$ 92**	$ 43	$ 81

e) Lease obligations The Company has a number of obligations under long-term capital and operating leases, primarily for the use of office space. The future minimum lease payments by year and in aggregate, under capital and non-cancelable operating leases are presented below:

	Capital leases	Operating leases	Total
2005	$ 17	$ 134	$ 151
2006	17	147	164
2007	17	147	164
2008	17	147	164
2009	17	32	49
Thereafter	157	260	417
Total minimum lease payments	**$ 242**	**$ 867**	**$ 1,109**

f) Capital requirements Dividends and capital distributions are restricted under the ICA. The ICA requires Canadian insurance companies to maintain, at all times, minimum levels of capital (which principally includes common shareholders' equity (including retained earnings), non-cumulative perpetual preferred shares, subordinated debt, other financial instruments that qualify as regulatory capital and the participating account) calculated in accordance with Minimum Continuing Capital and Surplus Requirements. In addition to the requirements under Canadian law, MFC must also maintain minimum levels of capital for its foreign subsidiaries. Such amounts of capital are based on the local statutory accounting basis in each jurisdiction. The most significant of these are the Risk Based Capital requirements for MFC's U.S. insurance subsidiaries. The Company maintains capital well in excess of the minimum required in all foreign jurisdictions in which the Company does business.

There are additional restrictions on distributions in foreign jurisdictions in relation to shareholder dividends. In the U.S., MFC's principal insurance subsidiaries are domiciled in Michigan and Massachusetts. Michigan regulatory approval is required if a shareholder dividend distribution from a Michigan insurance subsidiary to the parent company would exceed that subsidiary's earned surplus. Regulatory approval is also required if the distribution (together with other distributions during the previous 12 months) exceeds the greater of the subsidiary's statutory net operating income for the previous year or 10% of its surplus determined at the end of the previous year. The determination must be made in accordance with statutory accounting principles. Under the Massachusetts insurance law, no insurer may pay any shareholder dividend from any source other than statutory unassigned funds without the prior approval of the Massachusetts Commissioner of Insurance (the "MCI"). The Massachusetts insurance holding company act requires that notification be given to the MCI no later than five days following declaration, and at least 10 days prior to payment, of any dividend or distribution by a Massachusetts insurance company. Further, this act provides that no extraordinary dividend may be paid without 30 days prior written notice to the MCI, and only if the MCI has not disapproved, or has approved, the payment within the 30-day notice period. An extraordinary dividend is any dividend or distribution of cash or other property whose fair market value, together with other dividends or distributions made within the preceding 12 months, exceeds the greater of (i) 10% of an insurance company's surplus as regards to policyholders as of the preceding December 31, or (ii) a life insurance company's statutory net gain from operations for the 12 months ending on the preceding December 31.

g) Participating business In some territories where the Company maintains participating accounts, there are regulatory restrictions on the amounts of profit that can be transferred to shareholders. Where applicable, these restrictions generally take the form of a fixed percentage of the policyholder dividends. For participating businesses operating as separate "closed blocks," transfers are governed by the terms of Manufacturers Life's and John Hancock Mutual Life Insurance Company's plans of demutualization.

Note 20 o Fair Value of Financial Instruments

Financial instruments refer to both on- and off-balance sheet instruments and may be assets or liabilities. These assets or liabilities are contracts that ultimately give rise to a right for one party to receive an asset and an obligation for another party to deliver an asset. Fair values are management's best estimates of the amounts at which instruments could be exchanged in a current transaction between willing parties and are generally calculated based on the characteristics of the instrument and the current economic and competitive environment. These calculations are subjective in nature, involve uncertainties and matters of significant judgment and do not include any tax impact.

Both the fair values and the basis for determining the fair value of invested assets, actuarial liabilities, commercial paper, long-term debt and derivative financial instruments are disclosed in notes 6, 7, 11, 12 and 21, respectively.

The carrying values of accrued investment income, outstanding premiums, miscellaneous assets, policy benefits in the course of settlement, provision for unreported claims, policyholder amounts on deposit and other liabilities approximate their fair values due to their short-term nature.

The fair value of bank deposits is estimated at $4,371 as at December 31, 2004 (2003 – $2,554) compared to a carrying value of $4,373 as at December 31, 2004 (2003 – $2,550). The fair value of these financial instruments is determined by discounting the contractual cash flows, using market interest rates currently offered for deposits with similar terms and conditions.

Note 21 o Derivative Financial Instruments

Derivative financial instruments are financial contracts, the values of which are derived from underlying assets or interest or foreign exchange rates. Derivatives such as interest rate and cross currency swaps, forward contracts, total return swaps, futures agreements and options are used to hedge and manage exposures to changes in interest rate levels, foreign exchange rates and equity market prices, to replicate permissible investments, to manage the duration of assets and liabilities and to hedge anticipated transactions.

Swaps are contractual agreements between the Company and a third party to exchange a series of cash flows. For interest rate swaps, counterparties generally exchange fixed and floating interest rate payments based on a notional value in a single currency. Cross currency swaps involve an initial and final exchange of principal amounts between parties as well as the exchange of fixed or floating interest payments in one currency for the receipt of fixed or floating interest payments in another currency. Equity contracts involve the exchange of floating rate interest payments for the receipt of returns from an equity market index.

Forward and futures agreements are contractual obligations to buy or sell a financial instrument at a future date at a specified price. Forward contracts are over-the-counter contracts negotiated between counterparties and futures agreements are standardized contracts that are transacted on regulated exchanges.

Options are contractual agreements whereby the holder has the right, but not the obligation, to buy or sell a specified amount of the financial instrument at a predetermined price within a specified time.

Hedge effectiveness is assessed quarterly using a variety of techniques including regression analysis and cumulative dollar offset. When it is determined that a derivative is not effective as a hedge, the Company discontinues hedge accounting. In certain cases, there is no hedge ineffectiveness because the derivative instrument was constructed such that all the terms of the derivative match the hedged risk in the hedged item.

Credit risk equivalent is the sum of replacement cost and the potential future credit exposure. Replacement cost represents the cost of replacing, at current market rates, all contracts with a positive fair value. The amounts take into consideration legal contracts that permit offsetting of positions. The potential future credit exposure represents the potential for future changes in value based upon a formula prescribed by OSFI.

Risk-weighted amount represents the credit risk equivalent, weighted according to the creditworthiness of the counterparty, as prescribed by OSFI.

Fair value is summarized by derivative type and represents the unrealized net gain or loss, accrued interest receivable or payable, and premiums paid or received. Substantially all derivative financial instruments wholly or partially offset the change in fair values of related on-balance sheet assets and liabilities.

The Company had the following amounts outstanding:

As at December 31 2004	Remaining term to maturity (notional amounts) Under 1 year	1 to 5 years	Over 5 years	Total	Fair value Positive	Negative	Net	Credit risk equivalent	Risk-weighted amount
Interest rate contracts:									
Swap contracts	**$ 4,245**	**$ 13,828**	**$ 29,495**	**$ 47,568**	**$ 1,221**	**$ (1,447)**	**$ (226)**	**$ 797**	**$ 247**
Future contracts	**416**	**–**	**–**	**416**	**–**	**–**	**–**	**–**	**–**
Options purchased	**73**	**978**	**5,874**	**6,925**	**117**	**–**	**117**	**149**	**49**
Options written	**36**	**14**	**–**	**50**	**–**	**(5)**	**(5)**	**–**	**–**
Sub-total	**$ 4,770**	**$ 14,820**	**$ 35,369**	**$ 54,959**	**$ 1,338**	**$ (1,452)**	**$ (114)**	**$ 946**	**$ 296**
Foreign exchange:									
Swap contracts	**591**	**10,111**	**3,234**	**13,936**	**1,458**	**(1,626)**	**(168)**	**1,289**	**403**
Forward contracts	**1,670**	**83**	**16**	**1,769**	**37**	**(15)**	**22**	**45**	**14**
Other	**481**	**512**	**–**	**993**	**15**	**(6)**	**9**	**143**	**44**
Total	**$ 7,512**	**$ 25,526**	**$ 38,619**	**$ 71,657**	**$ 2,848**	**$ (3,099)**	**$ (251)**	**$ 2,423**	**$ 757**

2003									
Interest rate contracts:									
Swap contracts	$ 492	$ 1,448	$ 451	$ 2,391	$ 59	$ (74)	$ (15)	$ 42	$ 11
Future contracts	3	–	–	3	–	–	–	–	–
Options written	–	15	–	15	–	(1)	(1)	–	–
Sub-total	$ 495	$ 1,463	$ 451	$ 2,409	$ 59	$ (75)	$ (16)	$ 42	$ 11
Foreign exchange:									
Swap contracts	948	2,257	664	3,869	259	(130)	129	307	88
Forward contracts	1,537	65	–	1,602	48	(3)	45	26	6
Other	496	8	–	504	21	(3)	18	32	10
Total	$ 3,476	$ 3,793	$ 1,115	$ 8,384	$ 387	$ (211)	$ 176	$ 407	$ 115

Note 22 o Segmented Information

The Company provides a wide range of financial products and services, including individual life insurance, long-term care insurance, group life and health insurance, pension products, annuities and mutual funds. These services are provided to individual and group customers in the United States, Canada and Asia. Manulife Financial also provides investment management services with respect to the general fund assets of the Company, segregated and mutual funds as well as to institutional customers. The Company also offers reinsurance services specializing in retrocession and offering products in life, property and casualty.

The Company's business segments include the U.S. Protection, U.S. Wealth Management, Canadian, Asian, Japan, Reinsurance and Guaranteed & Structured Financial Products ("G&SFP") Divisions. Each division has profit and loss responsibility and develops products, services and distribution strategies based on the profile of its business and the needs of its market.

Due to the complexity of the Company, certain estimates and allocation methodologies are employed in the preparation of segmented financial information. Indirect expenses are allocated to business segments using allocation formulas applied on a consistent basis, while capital is apportioned to the Company's business segments on a risk-based methodology. The income statement impact of the changes in methods and assumptions (note 7(e)) is reported in the "Corporate and Other" segment.

The accounting policies of the segments are the same as those described in note 1, Nature of Operations and Significant Accounting Policies.

The results of the Company's business segments differ from geographic segmentation primarily as a consequence of segmenting the results of the Company's Reinsurance Division into the different geographic segments to which its business pertains.

By segment For the year ended December 31, 2004	U.S. Protection Division	U.S. Wealth Mgmt Division	Canadian Division	Asian Division	Japan Division	Reinsurance Division	G&SFP Division	Corporate & Other	Totals
Revenue									
Premium income									
Life and health insurance	$ 4,710	$ –	$ 4,385	$ 1,752	$ 1,105	$ 982	$ –	$ –	$ 12,934
Annuities and pensions	–	1,344	874	79	–	–	1,056	–	3,353
Total premium income	$ 4,710	$ 1,344	$ 5,259	$ 1,831	$ 1,105	$ 982	$ 1,056	$ –	$ 16,287
Net investment income	2,321	930	2,271	401	185	187	1,276	252	7,823
Other revenue	442	1,479	480	179	45	36	17	362	3,040
Total revenue	$ 7,473	$ 3,753	$ 8,010	$ 2,411	$ 1,335	$ 1,205	$ 2,349	$ 614	$ 27,150
Interest expense	$ 20	$ 5	$ 118	$ 43	$ 1	$ 4	$ 100	$ 203	$ 494
Income before income taxes	$ 700	$ 554	$ 811	$ 353	$ 208	$ 315	$ 306	$ 192	$ 3,439
Income taxes	(233)	(157)	(194)	(31)	(43)	(83)	(94)	(39)	(874)
Net income	$ 467	$ 397	$ 617	$ 322	$ 165	$ 232	$ 212	$ 153	$ 2,565
Segregated fund deposits	$ 1,106	$ 17,145	$ 3,116	$ 1,197	$ 2,394	$ –	$ 31	$ 115	$ 25,104
Goodwill									
Balance, January 1	$ –	$ 67	$ 72	$ 27	$ 423	$ –	$ –	$ –	$ 589
JHF acquisition	3,139	2,130	1,816	138	–	89	–	129	7,441
Change in foreign exchange rates	(383)	(263)	–	(13)	(12)	(11)	–	(16)	(698)
Balance, December 31	$ 2,756	$ 1,934	$ 1,888	$ 152	$ 411	$ 78	$ –	$ 113	$ 7,332
As at December 31, 2004									
Actuarial liabilities	$ 39,488	$ 18,667	$ 28,685	$ 5,430	$ 6,574	$ 1,355	$ 30,605	$ (196)	$ 130,608
Total assets	$ 50,593	$ 23,978	$ 41,560	$ 8,271	$ 8,913	$ 3,382	$ 36,229	$ 11,320	$ 184,246
Segregated funds net assets	$ 10,953	$ 72,186	$ 19,422	$ 4,498	$ 3,412	$ –	$ 4,965	$ 2,454	$ 117,890

By geographic location For the year ended December 31, 2004	United States	Canada	Asia	Other	Total
Revenue					
Premium income					
Life and health insurance	$ 5,093	$ 4,442	$ 2,857	$ 542	$ 12,934
Annuities and pensions	2,400	874	79	–	3,353
Total premium income	$ 7,493	$ 5,316	$ 2,936	$ 542	$ 16,287
Net investment income	4,478	2,726	586	33	7,823
Other revenue	2,249	520	235	36	3,040
Total revenue	$ 14,220	$ 8,562	$ 3,757	$ 611	$ 27,150

By segment For the year ended December 31, 2003	U.S. Protection Division	U.S. Wealth Mgmt Division	Canadian Division	Asian Division	Japan Division	Reinsurance Division	G&SFP Division	Corporate & Other	Totals
Revenue									
Premium income									
Life and health insurance	$ 2,100	$ –	$ 2,684	$ 1,488	$ 1,232	$ 736	$ –	$ –	$ 8,240
Annuities and pensions	–	1,373	832	95	–	–	–	–	2,300
Total premium income	$ 2,100	$ 1,373	$ 3,516	$ 1,583	$ 1,232	$ 736	$ –	$ –	$ 10,540
Net investment income	1,260	442	1,842	328	150	219	–	178	4,419
Other revenue	129	891	284	134	34	44	–	31	1,547
Total revenue	$ 3,489	$ 2,706	$ 5,642	$ 2,045	$ 1,416	$ 999	$ –	$ 209	$ 16,506
Interest expense	$ 13	$ 2	$ 91	$ 41	$ 2	$ 3	$ –	$ 101	$ 253
Income (loss) before income taxes	$ 404	$ 227	$ 653	$ 328	$ 129	$ 279	$ –	$ (168)	$ 1,852
Income taxes	(129)	(47)	(158)	(17)	(23)	(63)	–	121	(316)
Net income (loss)	$ 275	$ 180	$ 495	$ 311	$ 106	$ 216	$ –	$ (47)	$ 1,536
Segregated fund deposits	$ 360	$ 13,654	$ 1,993	$ 1,013	$ 693	$ –	$ –	$ –	$ 17,713
Goodwill									
Balance, January 1	$ –	$ 82	$ 72	$ 13	$ 467	$ –	$ –	$ –	$ 634
Acquisition	–	–	–	16	–	–	–	–	16
Change in foreign exchange rates	–	(15)	–	(2)	(44)	–	–	–	(61)
Balance, December 31	$ –	$ 67	$ 72	$ 27	$ 423	$ –	$ –	$ –	$ 589
As at December 31, 2003									
Actuarial liabilities	$ 13,835	$ 5,436	$ 19,100	$ 4,156	$ 7,783	$ 832	$ –	$ 505	$ 51,647
Total assets	$ 16,126	$ 6,630	$ 27,480	$ 6,435	$ 10,458	$ 3,450	$ –	$ 6,937	$ 77,516
Segregated funds net assets	$ 1,997	$ 54,245	$ 10,701	$ 3,421	$ 1,100	$ –	$ –	$ –	$ 71,464

By geographic location For the year ended December 31, 2003	United States	Canada	Asia	Other	Total
Revenue					
Premium income					
Life and health insurance	$ 2,383	$ 2,745	$ 2,720	$ 392	$ 8,240
Annuities and pensions	1,373	832	95	–	2,300
Total premium income	$ 3,756	$ 3,577	$ 2,815	$ 392	$ 10,540
Net investment income	1,830	2,069	478	42	4,419
Other revenue	1,044	304	175	24	1,547
Total revenue	$ 6,630	$ 5,950	$ 3,468	$ 458	$ 16,506

Note 23 o Material Differences Between Canadian and United States Generally Accepted Accounting Principles

The consolidated financial statements of the Company are presented in accordance with Canadian GAAP. Canadian GAAP differs in certain material respects from U.S. GAAP. The material differences between U.S. and Canadian GAAP for a life insurance company relate to the treatment of invested assets, deferred acquisition costs and actuarial liabilities. Generally, these differences will result in materially different earnings emergence patterns between statements of operations prepared in accordance with U.S. GAAP as compared to statements of operations prepared in accordance with Canadian GAAP.

a) Condensed Consolidated Balance Sheets

As at December 31		2004		2003	
	Note 23 Reference	U.S. GAAP	Canadian GAAP	U.S. GAAP	Canadian GAAP
Assets					
Bonds	g (i)	**$ 111,244**	**$ 106,612**	$ 45,119	$ 42,216
Mortgages	g (ii)	**28,699**	**28,684**	10,349	10,401
Stocks	g (iii)	**9,885**	**7,805**	6,126	5,866
Real estate	g (iv)	**3,671**	**4,669**	3,031	3,962
Policy loans		**6,743**	**6,743**	4,348	4,348
Cash and short-term investments		**8,559**	**8,517**	5,877	5,877
Bank loans		**1,391**	**1,391**	934	934
Other investments	g (ix)	**4,851**	**4,721**	774	861
Total invested assets		**$ 175,043**	**$ 169,142**	$ 76,558	$ 74,465
Other assets					
Accrued investment income		**$ 1,777**	**$ 1,777**	$ 914	$ 914
Outstanding premiums		**549**	**549**	490	490
Deferred acquisition costs	g (vi)	**8,196**	**–**	6,945	–
Reinsurance deposits and amounts recoverable	h (vi)	**3,845**	**–**	1,602	–
Goodwill		**6,070**	**7,332**	542	589
Intangible assets		**1,806**	**1,806**	–	–
Value of business acquired	g (vii)	**4,757**	**–**	206	–
Miscellaneous		**5,345**	**3,640**	1,119	1,058
Total other assets		**$ 32,345**	**$ 15,104**	$ 11,818	$ 3,051
Total assets		**$ 207,388**	**$ 184,246**	$ 88,376	$ 77,516
Segregated funds net assets(2)	h (iv)	**114,196**	**–**	71,464	–
Total assets		**$ 321,584**	**$ 184,246**	$ 159,840	$ 77,516
Segregated funds net assets(2)	h (iv)		**$ 117,890**		$ 71,464
Liabilities and equity					
Actuarial liabilities	g (v), h (iii)	**$ 125,916**	**$ 130,608**	$ 60,521	$ 51,647
Other policy-related benefits		**31,877**	**6,802**	5,205	4,582
Deferred realized net gains	g (i) – (iv)	**–**	**3,667**	–	3,293
Banking deposits		**4,373**	**4,373**	2,550	2,550
Consumer notes		**2,863**	**2,881**	–	–
Future income tax liability(1)		**1,487**	**980**	1,058	170
Other liabilities		**8,555**	**6,800**	4,073	3,206
		$ 175,071	**$ 156,111**	$ 73,407	$ 65,448
Long-term debt		**2,976**	**2,948**	1,123	1,123
Non-controlling interest in subsidiaries		**41**	**43**	41	37
Manulife Capital Financial Securities(2)		**1,000**	**1,000**	1,000	1,000
Trust preferred securities issued by subsidiaries		**606**	**606**	650	650
Preferred shares issued by a subsidiary		**93**	**93**	–	–
Segregated funds net liabilities (3)	h (iv)	**114,196**	**–**	71,464	–
Preferred shares		**344**	**344**	344	344
Common shares, retained earnings, contributed surplus and currency translation account		**24,414**	**23,101**	10,197	8,914
Accumulated effect of comprehensive income on equity		**2,843**	**–**	1,614	–
Total liabilities and equity		**$ 321,584**	**$ 184,246**	$ 159,840	$ 77,516
Segregated funds net liabilities(2)	h (iv)		**$ 117,890**		$ 71,464

(1) U.S. GAAP terminology is deferred income taxes.
(2) U.S. GAAP classification is senior notes issued to Manulife Financial Capital Trust (see note 23 (i)).
(3) U.S. GAAP terminology is separate accounts.

b) Condensed Consolidated Statements of Operations

For the years ended December 31	Note 23 Reference	2004 U.S. GAAP	2004 Canadian GAAP	2003 U.S. GAAP	2003 Canadian GAAP
Revenue					
Premium income	g (viii), h (i)	**$ 9,987**	**$ 16,287**	$ 6,175	$ 10,540
Fee income	g (viii)	**3,900**	**–**	1,930	–
Investment income	g (i) – (iv), g (ix)	**6,742**	**7,823**	3,645	4,419
Realized investment gains	g (i) – (iv), g (ix)	**1,433**	**–**	1,157	–
Other revenue		**284**	**3,040**	272	1,547
Total revenue		**$ 22,346**	**$ 27,150**	$ 13,179	$ 16,506
Policy benefits and expenses					
Policyholder payments	h (ii), h (iii)	**$ 9,087**	**$ 18,163**	$ 6,497	$ 9,331
Amortization of deferred acquisition costs and value of business acquired		**1,085**	**–**	630	–
Change in actuarial liabilities	h (i), h (iii)	**4,308**	**(1,137)**	1,416	1,147
Commissions, general and other expenses	g (vi)	**4,270**	**6,544**	2,615	4,061
Non-controlling interest in subsidiaries		**87**	**87**	55	57
Trust preferred securities issued by subsidiaries		**54**	**54**	58	58
Total policy benefits and expenses		**$ 18,891**	**$ 23,711**	$ 11,271	$ 14,654
Income before income taxes		**$ 3,455**	**$ 3,439**	$ 1,908	$ 1,852
Income tax		**(860)**	**(874)**	(348)	(316)
Change in accounting policy, net of income taxes	i	**30**	**–**	–	–
Net income		**$ 2,625**	**$ 2,565**	$ 1,560	$ 1,536
Weighted average number of common shares outstanding (in millions):					
Basic		**698**	**698**	463	463
Diluted		**704**	**704**	466	466
Earnings per share:					
Basic		**$ 3.76**	**$ 3.65**	$ 3.37	$ 3.33
Diluted		**$ 3.73**	**$ 3.62**	$ 3.35	$ 3.31

c) Reconciliation of Canadian GAAP net income and equity to U.S. GAAP net income, comprehensive income and equity

For the years ended December 31		Net income		Equity	
	Note 23 Reference	**2004**	2003	**2004**	2003
Net income and equity determined in accordance with Canadian GAAP		**$ 2,565**	$ 1,536	**$ 23,445**	$ 9,258
Bonds	g (i)	**328**	409	**3,845**	1,784
Mortgages	g (ii)	**79**	51	**81**	(11)
Stocks	g (iii)	**115**	11	**1,970**	350
Real estate	g (iv)	**(78)**	(106)	**(889)**	(844)
Actuarial liabilities and policy amounts on deposit	g (v)	**(1,779)**	(1,106)	**(11,364)**	(6,648)
Value of business acquired	g (vii)	**(287)**	(72)	**(542)**	(216)
Deferred acquisition costs(1)	g (vi)	**1,630**	1,018	**8,617**	7,381
Deferred revenue	g (viii)	**168**	(195)	**(526)**	(756)
Future income taxes(2)		**(32)**	(33)	**(253)**	(392)
Other investments	g (ix)	**(148)**	18	**320**	53
Change in accounting policy, net of income taxes	i	**30**	–	**30**	–
Other reconciling items		**34**	29	**24**	582
Reclassification of preferred shares		**–**	–	**(344)**	(344)
Net income and equity determined in accordance with U.S. GAAP		**$ 2,625**	$ 1,560	**$ 24,414**	$ 10,197
Effect of unrealized gains and losses on available-for-sale bonds and stocks:					
Bonds	g (i)	**1,221**	(575)	**4,124**	2,903
Stocks	g (iii)	**272**	1,122	**1,375**	1,103
Actuarial liabilities	g (v)	**(221)**	(323)	**(1,431)**	(1,210)
Deferred acquisition costs	g (vi)	**14**	(18)	**(422)**	(436)
Deferred revenue	g (viii)	**1**	(13)	**23**	22
Value of business acquired	g (vii)	**(53)**	–	**(53)**	–
Other		**(44)**	83	**(50)**	(6)
Future income taxes(2) on above		**(292)**	(163)	**(986)**	(694)
SFAS 133 adjustments(4)		**331**	89	**263**	(68)
Foreign currency translation(3)		**(1,542)**	(958)	**–**	–
Comprehensive income and equity determined in accordance with U.S. GAAP(5)		**$ 2,312**	$ 804	**$ 27,257**	$ 11,811

(1) Deferred acquisition costs consist of $2,428 (2003 – $1,576) of capitalized expenditures less $798 (2003 – $558) of amortization charged to income.
(2) U.S. GAAP terminology is deferred income taxes.
(3) Included a gain of $146 (2003 – gain of $107), net of tax, arising from hedges of foreign currency exposure of a net investment in a foreign operation.
(4) Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." Other comprehensive income related to SFAS 133 is net of $147 in income taxes (2003 – $28).
(5) Included in comprehensive equity was gross unrealized investment gains and gross unrealized investment losses of $5,867 and $368 (2003 – $4,760 and $754), respectively.

d) Business combination with John Hancock Financial Services, Inc.

Effective April 28, 2004, the Company completed a merger with JHF under which MFC became the beneficial owner of all the outstanding common shares of JHF that were not already beneficially owned by the Company as general fund assets, and JHF became a wholly owned subsidiary of MFC. See note 3.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed as at the date of acquisition.

As at April 28, 2004		Canadian GAAP		U.S. GAAP
Assets				
Invested assets(1)	**$**	**106,647**	**$**	**104,974**
Intangible assets		**2,041**		**2,041**
Goodwill		**7,441**		**6,054**
Value of business acquired		**–**		**5,327**
Reinsurance recoverable		**–**		**3,010**
Other assets		**4,542**		**4,542**
Total assets acquired	**$**	**120,671**	**$**	**125,948**
Liabilities				
Actuarial liabilities and policyholder funds	**$**	**95,850**	**$**	**102,132**
Other liabilities		**10,751**		**9,746**
Total liabilities assumed	**$**	**106,601**	**$**	**111,878**
Total purchase consideration	**$**	**14,070**	**$**	**14,070**

(1) The difference in the fair values of invested assets at the time of acquisition reflects the difference between U.S. GAAP and Canadian GAAP on the accounting for leveraged leases pursuant to a business combination. Under U.S. GAAP, the deferred income tax liability associated with the investment in leveraged leases was offset against the leveraged lease assets.

e) Relationships with variable interest entities

With the acquisition of JHF in April 2004, the Company now has relationships with various types of special purpose entities ("SPEs") and other entities, some of which are variable interest entities ("VIEs"), as defined by FIN46R – see further details in note 23 i) – Newly issued accounting statements. Presented below are discussions of the Company's significant relationships with VIEs, including certain summarized financial information and conclusions about whether the Company should consolidate any VIE.

Any additional liabilities recognized as a result of consolidating any VIE with which the Company is involved would not represent additional claims on the general fund assets of the Company; rather, it would represent claims against additional assets recognized by the Company as a result of consolidating the VIE. These additional liabilities would be non-recourse to the general fund assets of the Company. Conversely, additional assets recognized as a result of consolidating a VIE would not represent additional assets which the Company could use to satisfy claims against its general fund assets, rather it would be used only to settle additional liabilities recognized as a result of consolidating a VIE.

Collateralized Debt Obligation Funds The Company acts as an investment manager to certain asset backed investment vehicles, commonly known as collateralized debt obligation funds ("CDOs"). The Company also invests in the debt and/or equity of these CDOs, and in the debt and/or equity of CDOs managed by others. CDOs raise capital by issuing debt and equity securities, and use this capital to invest in portfolios of interest bearing securities. The returns from a CDO's portfolio of investments are used by the CDO to finance its operations including paying interest on its debt and paying advisory fees and other expenses. Any net income or net loss is shared by the CDO's equity owners and, in certain circumstances where the Company manages the CDO, positive investment experience is shared by the Company through variable performance management fees. Any net losses in excess of the CDO equity are borne by the debt owners in ascending order of subordination. Owners of securities issued by CDOs that are managed by the Company have no recourse to the Company's assets in the event of default by the CDO. The Company's risk of loss from any CDO that it manages, or in which it invests, is limited to its investment in the CDO.

In accordance with FIN46R, the Company is required to consolidate a CDO that is deemed to be a VIE, but only if the Company is deemed to be the primary beneficiary of the CDO. For those CDOs that are not deemed to be VIEs, the Company determines its consolidation status by considering the control relationships among the equity owners of the CDOs. However, the Company has determined that most of the CDOs are VIEs. The Company has also determined that it is not the primary beneficiary of nor, does it have controlling financial interest in, any CDO. Therefore, the Company does not use consolidation accounting for any of the CDOs that it manages.

The Company believes that its relationships with its managed CDOs are collectively significant, and accordingly provides, in the tables below, summary financial data for all these CDOs, including information relating to the Company's maximum exposure to loss as a result of its relationships with these CDOs. The Company has determined that it is not the primary beneficiary of any CDO in which it invests and does not manage and thus will not be required to consolidate these CDOs. In addition, as its relationships with these CDOs are not collectively significant, the Company does not disclose any related data. Credit ratings are provided by nationally recognized credit rating agencies, and relate to the debt issued by the CDOs in which the Company has invested.

Total size of Company-managed CDOs

As at December 31		**2004**		2003
Total assets	**$**	**4,545**	$	–
Total debt	**$**	**4,463**	$	–
Total other liabilities		**11**		–
Total liabilities	**$**	**4,474**	$	–
Total equity		**71**		–
Total liabilities and equity	**$**	**4,545**	$	–

Maximum exposure of the Company to losses from Company-managed CDOs

As at December 31		**2004**		2003
Investment in tranches of Company-managed CDOs, by credit rating (Moody's/Standard & Poors):	$	%	$	%
Aaa/AAA	**$ 193**	**61**	$ –	–
Aa1/AA+	**76**	**24**	–	–
Baa2/BBB	**–**	**–**	–	–
B2	**–**	**–**	–	–
B3/B-	**9**	**3**	–	–
Caa1/CCC+	**13**	**4**	–	–
Not rated (equity)	**25**	**8**	–	–
Total Company exposure	**$ 316**	**100**	$ –	–

Low-Income Housing Properties The Company has generated income tax benefits in the United States by investing in apartment properties (the "Properties") that qualify for low-income housing and/or historic tax credits. Investments in these properties are primarily through limited partnership real estate investment funds, some of which are direct investments in Properties and others are consolidated into the Company's financial statements. The Properties are organized as limited partnerships or limited liability companies each having a managing general partner or a managing member. The Company is usually the sole limited partner or investor member in each Property; it is not the general partner or managing member in any Property.

The Properties typically raise additional capital by qualifying for long-term debt, which at times is guaranteed or otherwise subsidized by United States federal or state agencies, or by Fannie Mae. In certain cases, the Company invests in the mortgages of the Properties. The Company's maximum loss in relation to the Properties is limited to its equity investment in the Properties, future equity commitments made, and where the Company is the mortgagor, the outstanding balance of the mortgages originated for the Properties, and outstanding mortgage commitments to the Properties. The Company receives United States Federal income tax credits in recognition of its investment in each of the Properties for a period of 10 years. In some cases, the Company receives distributions from the Properties, which are based on a portion of the Property cash flows.

The Company has determined that it is not the primary beneficiary of any Property, and accordingly, the Company does not use consolidation accounting. The Company believes that its relationships with these Properties are significant, and therefore provides summary financial data for the Properties, and data relating to the Company's maximum exposure to loss as a result of its relationships with these Properties in the following table.

Total size of the Properties[1]

As at December 31		**2004**		2003
Total assets	**$**	**1,482**	$	186
Total debt	**$**	**903**	$	122
Total other liabilities		**137**		20
Total liabilities	**$**	**1,040**	$	142
Total equity		**442**		44
Total liabilities and equity	**$**	**1,482**	$	186

(1) Property level data reported above is reported with three-month delays due to the delayed availability of financial statements of the funds.

Maximum exposure of the Company to losses from the Properties

As at December 31	2004	2003
Equity investment in the Properties(1)	**$ 408**	$ 20
Outstanding equity capital commitments to the Properties	**109**	–
Carrying value of mortgages for the Properties	**81**	–
Outstanding mortgage commitments to the Properties	**1**	–
Total Company exposure	**$ 599**	$ 20

(1) Equity investment in the Properties above is reported with three-month delays due to the delayed availability of financial statements of the funds.

Other Entities The Company has investment relationships with a disparate group of entities ("Other Entities"), which result from the Company's direct investment in their debt and/or equity. This category includes energy investment partnerships, investment funds organized as limited partnerships, and businesses that have undergone debt restructurings and reorganizations. The Company has determined that for each of these Other Entities that are VIEs, the Company is not the primary beneficiary, and therefore should not use consolidation accounting for these investments. The Company believes that its relationships with the Other Entities are not significant, and accordingly does not provide any summary financial data including data relating to the Company's maximum exposure to loss as a result of its relationships with Other Entities. These potential losses are generally limited to amounts invested, which are included on the Company's Consolidated Balance Sheets in the appropriate investment categories.

f) Additional information required to be reported under U.S. GAAP

(i) Fair value of actuarial liabilities of investment contracts The fair value of actuarial liabilities of investment contracts as at December 31, 2004 was estimated at $47,742 (2003 – $15,171).

(ii) Derivative instruments and hedging activities The Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by Statement of Financial Accounting Standards No. 138 on January 1, 2001.

For fair value hedges, the Company is hedging changes in the fair value of assets, liabilities or firm commitments with changes in fair values of the derivative instruments recorded in income. For cash flow hedges, the Company is hedging the variability of cash flows related to variable rate assets, liabilities or forecasted transactions. The effective portion of changes in fair values of derivative instruments is recorded in other comprehensive income and reclassified into income in the same period or periods during which the hedged transaction affects earnings. The Company estimates that deferred net losses of $28, included in other comprehensive income as at December 31, 2004 (2003 – $53), will be reclassified into earnings within the next 12 months. Cash flow hedges include hedges of certain forecasted transactions up to a maximum of 40 years. For a hedge of its net investment in a foreign operation, the Company is hedging the foreign currency exposure of a net investment in a foreign subsidiary with changes in fair values of derivative instruments recorded in the currency translation account.

g) Valuation and income recognition differences between Canadian GAAP and U.S. GAAP

	Canadian GAAP	U.S. GAAP
(i) Bonds	Bonds are carried at amortized cost, less an allowance for specific losses. Allowances are provided on a specific bond whenever a decline in the value of the bond is considered to be other than temporary. Realized gains and losses on sale are deferred and brought into income over the lesser of 20 years or the remaining term to maturity of the bond sold.	Bonds may be classified as "available-for-sale," "held-to-maturity" or "trading" securities. "Available- for-sale" and "trading" bonds are carried at fair value, while "held-to-maturity" bonds are carried at amortized cost in the Consolidated Balance Sheets. A decline in the value of a specific "available-for- sale" or "held-to-maturity" bond that is considered to be other than temporary results in a write-down in the cost basis of the bond and a charge to income in the period of recognition. Realized gains and losses on sale are recognized in income immediately. Unrealized gains and losses on "available-for-sale" bonds, other than losses considered to be other than temporary, are excluded from income and reported net of tax in other comprehensive income, a component of equity, while unrealized gains and losses on "trading" bonds are included in income immediately.
(ii) Mortgages	Mortgages are carried at amortized cost less repayments and an allowance for specific losses. Realized gains and losses are deferred and brought into income over the lesser of 20 years or the remaining term to maturity of the mortgage sold.	Mortgages are carried at amortized cost less repayments and an allowance for losses. Realized gains and losses are recognized in income immediately.
(iii) Stocks	Stocks are carried at a moving average market basis whereby carrying values are adjusted towards market value at 5% per quarter. Specific stocks are written down to fair value if an impairment in the value of the entire stock portfolio (determined net of deferred realized gains) is considered to be other than temporary. Realized gains and losses are deferred and brought into income at the rate of 5% of the unamortized deferred realized gains and losses each quarter.	Stocks may be classified as "available-for-sale" or "trading" securities and are carried at fair value in the Consolidated Balance Sheets. Other-than-temporary declines in the value of "available-for-sale" stocks result in a write-down in the cost basis of the stocks and a charge to income in the period of recognition. Realized gains and losses and other-than-temporary unrealized gains and losses on "available-for-sale" stocks are recognized in income immediately. Unrealized gains and losses on "available-for-sale" stocks, other than losses considered to be other than temporary, are excluded from income and reported net of tax in other comprehensive income, a component of equity, while unrealized gains and losses on "trading" stocks are included in income immediately.
(iv) Real estate	Real estate is carried at a moving average market basis whereby the carrying values are adjusted towards market value at 3% per quarter. Specific properties are written down to market value if an impairment in the value of the entire real estate portfolio (determined net of deferred realized gains) is considered to be other than temporary. Realized gains and losses are deferred and brought into income at the rate of 3% of the unamortized deferred realized gains and losses each quarter.	Real estate is carried at cost less accumulated depreciation. Specific properties are written down, taking into account discounted cash flows, if an impairment in the value of the property is considered to be other than temporary. Realized gains and losses are recognized in income immediately.
(v) Actuarial liabilities	Actuarial liabilities for all types of policies are calculated using the Canadian Asset Liability Method ("CALM") and represent the current amount of balance sheet assets which, together with estimated future premiums and net investment income, will be sufficient to pay estimated future benefits, policyholder dividends, tax (other than income taxes) and expenses on policies in force. Actuarial liabilities are comprised of a best estimate reserve and a provision for adverse deviation. Best estimate reserve assumptions are made for the term of the liabilities and include assumptions with respect to mortality and morbidity trends, investment returns, rates of premium persistency, rates of policy termination, policyholder dividend payments, operating expenses and certain taxes. To recognize the uncertainty in the assumptions underlying the calculation of best estimate reserves, to allow for possible deterioration in experience and to provide greater comfort that actuarial liabilities are adequate to pay future benefits, the Appointed Actuary is required to add a margin to each assumption. These margins result in the	There are three main Financial Accounting Standards for valuing actuarial liabilities as follows: Statement of Financial Accounting Standards No. 60, "Accounting and Reporting by Insurance Enterprises" ("SFAS 60") applies to non-participating insurance, including whole life and term insurance, payout annuities, disability insurance and certain reinsurance contracts. Actuarial liabilities are calculated using a net level premium method and represent the present value of future benefits to be paid to, or on behalf of, policyholders and related expenses, less the present value of future net premiums. The assumptions include expected investment yields, mortality, morbidity, terminations and maintenance expenses. A provision for adverse deviation is also included. The assumptions are based on best estimates of long-term experience at the time of policy issue (or acquisition in the case of a business combination). The assumptions are not changed for future valuations unless it is determined that future income is no longer adequate to

	Canadian GAAP	U.S. GAAP
(v) Actuarial liabilities (continued)	calculation of a provision for adverse deviation, the impact of which is to increase actuarial liabilities and decrease the income that would otherwise be recognized at the time new policies are sold. Assumptions are updated regularly and the effects of any changes in assumptions, whether positive or negative, are recognized in income immediately. The margins for adverse deviations are recognized in income over the term of the liabilities as the risk of deviation from estimates declines. The future net investment income assumed in the calculation of actuarial liabilities is based on the projection of cash flows on the actual balance sheet assets supporting those liabilities, combined with an assumed reinvestment strategy. Actuarial liabilities include allowances for credit losses associated with the assets supporting liabilities, as well as allowances for interest rate mismatch, liquidity, and other investment-related risks. The term of the liability used in the valuation may be shorter than the ultimate contractual maturity. Under Canadian GAAP, actuarial liabilities are reported net of amounts expected to be recovered from reinsurers under reinsurance treaties.	recover the existing Deferred Acquisition Cost ("DAC") asset, in which case the DAC asset is reduced or written off and, to the extent necessary, actuarial liabilities are increased. The actuarial liabilities may not subsequently be reduced if the circumstances causing the strengthening are no longer applicable. Statement of Financial Accounting Standards No. 97, "Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments" ("SFAS 97") applies to universal life-type contracts and investment contracts. The actuarial liability for these contracts is equal to the policyholder account value. There is no provision for adverse deviation. If it is determined that future income for universal life-type contracts is no longer adequate to recover the existing DAC, the DAC asset is reduced or written off and, to the extent necessary, actuarial liabilities are increased. The actuarial liabilities may not subsequently be reduced if the circumstances causing the strengthening are no longer applicable. For contracts subject to SFAS 97 that are acquired in a business combination, the actuarial liabilities may include an adjustment based on the fair value of the liabilities at the date of acquisition. In addition, Statement of Position 03-1, "Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts" ("SOP 03-1"), requires the recognition of additional actuarial liabilities for insurance benefit features under universal life-type contracts and for annuitization benefits. The additional actuarial liability is based on the estimated proportion of contract assessments required to fund insurance benefits and annuitization benefits in excess of the policyholder account value. The estimate of the required proportion must consider a range of possible future scenarios and is updated regularly as experience emerges and to reflect changes in assumptions regarding future experience. Statement of Financial Accounting Standards No. 120, "Accounting and Reporting by Mutual Life Enterprises and by Insurance Enterprises for Certain Long-Duration Participating Contracts" ("SFAS 120") applies to participating insurance contracts. The actuarial liability for these contracts is computed using a net level premium method with mortality and interest assumptions consistent with the non-forfeiture assumptions. There is no provision for adverse deviation. The assumptions are not changed unless it is determined that future income is no longer adequate to recover the existing DAC, in which case the DAC asset is reduced or written off and, to the extent necessary, actuarial liabilities increased. The actuarial liabilities may not subsequently be reduced if the circumstances causing the strengthening are no longer applicable. In addition, in accordance with Emerging Issues Task Force Topic No. D-41 ("EITF D-41"), U.S. GAAP requires that actuarial liabilities be adjusted to reflect the changes that would have been necessary if the unrealized gains and losses not already provided for on bonds and stocks had been realized. This adjustment to actuarial liabilities is recognized directly in equity and is not included in income. Under U.S. GAAP, actuarial liabilities are not reduced to reflect amounts ceded to reinsurers; rather, amounts recoverable from reinsurers are reported separately as an asset on the balance sheet.

	Canadian GAAP	U.S. GAAP
(vi) Deferred acquisition costs	The cost of acquiring new insurance and annuity business, consisting primarily of commissions and underwriting and issue expenses, is implicitly recognized as a reduction in actuarial liabilities for most policies.	Acquisition costs which vary with, and are primarily related to, the production of new business are deferred and recorded as an asset. This DAC asset is amortized into income in proportion to different measures, depending on the policy type. DAC associated with SFAS 60 policies are amortized and charged to income in proportion to premium income recognized. For non-participating limited payment insurance policies, the DAC asset is amortized in proportion to the in force face amount of the policies. DAC associated with SFAS 97 and SFAS 120 policies (i.e. universal life-type contracts, investment contracts and participating insurance contracts) are amortized and charged to income in proportion to the estimated gross profit margins expected to be realized over the life of the contracts. The proportion of gross profits required to amortize the DAC is re-estimated periodically based on actual experience and updated assumptions regarding future experience, and total amortization to date is adjusted to reflect any change in this estimated proportion. In addition, EITF D-41 requires that DAC related to SFAS 97 and SFAS 120 contracts should be adjusted to reflect the changes that would have been necessary if the unrealized gains and losses on "available-for-sale" bonds and stocks had actually been realized. This adjustment to the DAC asset is recognized directly in equity and is not included in income.
(vii) Value of business acquired	The value of in force policies acquired in a business combination is implicitly recognized as a reduction in actuarial liabilities.	The value of business acquired ("VOBA") is determined at the acquisition date and recorded as an asset. The initial determination is based on a projection of future profits, net of the cost of required capital, which are discounted at a risk-adjusted yield. The VOBA asset is allocated among the various product lines, and is amortized and charged to income using the same methodologies used for DAC amortization but reflecting premiums or profit margins after the date of acquisition only.
(viii) Deferred revenue	All premium income is recorded as revenue. The anticipated costs of future services are included within the actuarial liabilities.	Under SFAS 97, fees assessed to policyholders relating to services that are to be provided in future years are recorded as deferred revenue. Deferred revenue is amortized to fee income in the same pattern as the amortization of the DAC asset.
(ix) Derivatives	Derivatives are designated and effective as hedges if there is a high correlation between changes in market value of the derivative and the underlying hedged item at inception and over the life of the hedge. Realized and unrealized gains and losses on derivatives designated and effective as hedges are accounted for on the same basis as the underlying assets and liabilities. Derivatives no longer considered hedges are carried on a moving market basis, whereby carrying values are moved toward market at a rate of 5% per quarter. Realized gains and losses are deferred and amortized into income at the rate of 5% of the unamortized deferred realized gains and losses each quarter.	All derivatives are reported in the Consolidated Balance Sheets at their fair values, with changes in fair values recorded in income or equity, depending on the nature and effectiveness of the hedge. Changes in the fair value of derivatives not designated as hedges will be recognized in current period earnings. Specific guidance is provided relating to the types of hedges, the measurement of hedge ineffectiveness and hedging strategies. When a derivative instrument that is designated and qualifies as a fair value hedge is terminated, a final fair value change is recorded in income, together with the offsetting change in fair value of the hedged item. When a derivative instrument that is designated and qualifies as a cash flow hedge is terminated, the effective portion of the accumulated gain or loss continues to be recorded in other comprehensive income until the hedged item is recorded in income. If the Company determines that a hedged forecasted transaction is no longer probable of occurring, the unrealized gain or loss from the derivative instrument recorded in other comprehensive income is immediately recognized in earnings.

h) Presentation differences between Canadian GAAP and U.S. GAAP

	Canadian GAAP	U.S. GAAP
(i) Premiums	All premium income is reported as revenue when due. A partially offsetting increase in actuarial liabilities for the related policies is recorded in the Consolidated Statements of Operations.	Under SFAS 60 and SFAS 120, gross premiums are reported as revenue when due. A partially offsetting increase in actuarial liabilities for the related policies is recorded in the Consolidated Statements of Operations. Premiums collected on SFAS 97 contracts are not reported as revenue in the Consolidated Statements of Operations but are recorded as deposits to policyholders' account balances. Fees assessed against policyholders' account balances relating to mortality charges, policy administration and surrender charges are recognized as revenue.
(ii) Death, maturity and surrender benefits	All death, maturity and surrender benefits are reported in the Consolidated Statements of Operations when incurred. Additionally, to the extent these amounts have previously been provided for in actuarial liabilities, a corresponding release of actuarial liabilities is recorded in the Consolidated Statements of Operations.	For SFAS 60 and SFAS 120 contracts, all death, maturity and surrender benefits are reported in the Consolidated Statements of Operations when incurred. Additionally, to the extent these amounts have previously been provided for in actuarial liabilities, a corresponding release of actuarial liabilities is recorded in the Consolidated Statements of Operations. For universal life-type contracts and investment contracts accounted for under SFAS 97, benefits incurred in the period in excess of related policyholders' account balances are recorded in the Consolidated Statements of Operations.
(iii) Change in actuarial liabilities	Interest credited on policyholders' account balances is included in change in actuarial liabilities in the Consolidated Statements of Operations.	Interest required to support SFAS 97 contracts is included in actuarial liabilities in the Consolidated Balance Sheets and is classified in policyholder payments in the Consolidated Statements of Operations.
(iv) Segregated funds assets and liabilities	Investments held in segregated funds are carried at market value. Segregated funds are managed separately from those of the general fund of the Company and are, therefore, presented in a separate schedule and are not included in the general fund Consolidated Balance Sheets or Consolidated Statements of Operations.	Assets and liabilities are called separate accounts and are presented in summary lines in the Consolidated Balance Sheets. Assets and liabilities are carried at market values and contract values, respectively.
(v) Consolidated statements of cash flows	The cash flows from investment contracts, including deferred annuities and group pensions, are disclosed as an operating activity in a consolidated statement of cash flows.	The cash flows from investment contracts accounted for under SFAS 97 are disclosed as a financing activity in a consolidated statement of cash flows.
(vi) Reinsuranc	**e** Where transfer of risk has occurred, reinsurance recoverables relating to ceded life insurance risks and ceded annuity contract risks are recorded as an offset to actuarial liabilities.	Where transfer of risk has occurred, life insurance actuarial liabilities are presented as a gross liability with the reinsured portion included as reinsurance recoverable. Actuarial liabilities related to annuities are also presented on a gross basis with the reinsured portion accounted for as deposits with reinsurers.

i) Newly issued accounting statements *Statement of Position 03-1 – "Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts" ("SOP 03-1")*

In July 2003, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued SOP 03-1. SOP 03-1 provides guidance on a number of topics including separate account presentation, interests in separate accounts, gains and losses on the transfer of assets from the general account to a separate account, liability valuation, returns based on a contractually referenced pool of assets or index, accounting for contracts that contain death or other insurance benefit features, accounting for reinsurance and other similar contracts, accounting for annuitization guarantees, and sales inducements to contract holders.

The Company adopted SOP 03-1 on January 1, 2004, which resulted in an increase in net income of $30 (net of tax of $19) and was recorded as the cumulative effects of an accounting change, on January 1, 2004. In addition, in conjunction with the adoption of SOP 03-1, the Company reclassified $1,000 in separate account assets and liabilities to the corresponding general account balance sheet accounts.

Statement of Financial Accounting Standards No. 150 – "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity" ("SFAS 150")

In May 2003, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." SFAS 150 changes the accounting

for certain financial instruments that, under previous guidance, issuers could account for as equity. It requires that certain financial instruments be classified as liabilities on issuer balance sheets, including those instruments that are issued in shares and are mandatorily redeemable, those instruments that are not issued in shares but give the issuer an obligation to repurchase previously issued equity shares, and certain financial instruments that give the issuer the option of settling an obligation by issuing more equity shares. SFAS 150 is effective for all financial instruments issued or modified after May 31, 2003. The adoption of SFAS 150 in 2003 resulted in the Company reclassifying its preferred shares out of shareholders' equity, as the preferred shares are convertible into a variable number of common shares. Dividends paid on the preferred shares are classified as interest expense.

FASB Interpretation 46 (revised December 2003) – Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51 ("ARB 51")

In December, 2003, the FASB re-issued Interpretation 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB 51," ("FIN 46R") which clarifies the consolidation accounting guidance of ARB 51, "Consolidated Financial Statements," to certain entities for which controlling financial interests are not measurable by reference to ownership of the equity of the entity. Such entities are known as variable interest entities ("VIEs").

Controlling financial interests of a VIE are defined as exposure of a party to the VIE to a majority of either the expected variable losses or expected variable returns of the VIE, or both. Such party is the primary beneficiary of the VIE and FIN 46R requires the primary beneficiary of a VIE to consolidate the VIE. FIN 46R also requires certain disclosures for significant relationships with VIEs, whether or not consolidation accounting is either used or anticipated.

In the event additional liabilities are recognized as a result of consolidating any VIEs with which the Company is involved, these additional liabilities would not represent additional claims on the general fund assets of the Company; rather, they would represent claims against additional assets recognized by the Company as a result of consolidating the VIEs. Conversely, in the event additional assets recognized as a result of consolidating VIEs, these additional assets would not represent additional funds which the Company could use to satisfy claims against its general fund assets, rather they would be used only to settle additional liabilities recognized as a result of consolidating the VIEs.

This interpretation was effective in 2003 for VIEs created after January 31, 2003 and on January 1, 2004 for all other VIEs. The Company has determined that no VIEs are required to be consolidated under the new guidance. In December 2001, Manulife Financial Capital Trust (the "Trust"), a wholly owned open-end trust, issued Manulife Financial Capital Securities ("MaCS"), the proceeds of which were used to purchase senior notes from the Company. The Trust is a VIE as defined by FIN 46R and since the Company is deemed not to be the primary beneficiary, the MaCS issued by the Trust have been deconsolidated (from non-controlling interest in subsidiaries), and the senior notes issued by the Company are now reported as senior notes issued to the Trust. The MaCS, totaling $1 billion, continue to form part of the Company's Tier 1 regulatory capital.

FASB Derivative Implementation Group SFAS 133 Implementation Issue No. 36 – "Embedded Derivatives: Bifurcation of a Debt Instrument that Incorporates Both Interest Rate Risk and Credit Rate Risk Exposures that are Unrelated or Only Partially Related to the Creditworthiness of the Issuer of that Instrument" ("DIG B36")

In April 2003, the FASB's Derivative Implementation Group released DIG B36, which addresses whether SFAS 133 requires bifurcation of a debt instrument into a debt host contract and an embedded derivative if the debt instrument incorporates both interest rate risk and credit risk exposures that are unrelated or only partially related to the creditworthiness of the issuer of that instrument. Under DIG B36, modified coinsurance and coinsurance with funds withheld reinsurance agreements as well as other types of receivables and payables where interest is determined by reference to a pool of fixed maturity assets or a total return debt index are examples of arrangements containing embedded derivatives requiring bifurcation. The Company's adoption of this guidance effective January 1, 2004 did not have a material impact on its consolidated financial position, results of operations or cash flows.

SFAS No. 148 – "Accounting for Stock-Based Compensation – Transition and Disclosure, an amendment of FASB Statement No. 123" ("SFAS 148")

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure, an amendment of FASB Statement No. 123," which is effective for fiscal years ending after December 31, 2002.

SFAS 148 provides alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation, which is an optional alternative method of accounting presented in SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). The Company adopted the fair value provisions of SFAS 123 on January 1, 2003 and utilized the transition provisions described in SFAS 148 on a prospective basis. For the periods prior to January 1, 2003, Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," was applied. Had the Company applied the fair value recognition provisions of SFAS 123, to all stock-based employee compensation, net income for the year ended December 31, 2004 would have been reduced by $10 (2003 – $22). Basic and diluted earnings per common share for the year ended December 31, 2004 would have decreased by $0.01 (2003 – $0.05).

Note 24 o Comparatives

Certain comparative amounts have been reclassified to conform with the current year's presentation.

Exhibit 99.4

CERTIFICATION

I, Dominic D'Alessandro, certify that:

1. I have reviewed this annual report on Form 40-F of Manulife Financial Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) [Omitted pursuant to SEC Release No. 33-8238];

   (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting;

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 28, 2005

/s/ "Dominic D'Alessandro"
Dominic D'Alessandro
President and Chief Executive Officer

Exhibit 99.5

CERTIFICATION

I, Peter H. Rubenovitch, certify that:

1. I have reviewed this annual report on Form 40-F of Manulife Financial Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the issuer and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. [Omitted pursuant to SEC Release No. 33-8238];

    c. Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting;

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely

affect the issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 28, 2005

/s/ "Peter H. Rubenovitch"
Peter H. Rubenovitch
Senior Executive Vice President and
Chief Financial Officer

Exhibit 99.6

CERTIFICATION
Pursuant to 18 United States Code s. 1350
As adopted pursuant to
Section 906 of the Sarbanes–Oxley Act of 2002

In connection with the Annual Report on Form 40-F of Manulife Financial Corporation (the "Company") for the year ended December 31, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer of the Company certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ "Dominic D'Alessandro"
Name: Dominic D'Alessandro
Title: President and Chief Executive Officer

March 28, 2005

Exhibit 99.7

CERTIFICATION
Pursuant to 18 United States Code s. 1350
As adopted pursuant to
Section 906 of the Sarbanes–Oxley Act of 2002

In connection with the Annual Report on Form 40-F of Manulife Financial Corporation (the "Company") for the year ended December 31, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer of the Company certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ "Peter H. Rubenovitch"
Name: Peter H. Rubenovitch
Title: Senior Executive Vice President and
Chief Financial Officer

March 28, 2005

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Manulife Financial Corporation's Annual Report (Form 40-F) for the year ended December 31, 2004, of our report dated February 25, 2004, with respect to the consolidated financial statements and schedules of John Hancock Financial Services, Inc. included in John Hancock Financial Services, Inc.'s Annual Report (Form 10-K) for the year ended December 31, 2003, filed with the Securities and Exchange Commission.

We also consent to the incorporation by reference in Manulife Financial Corporation's Annual Report (Form 40-F) for the year ended December 31, 2004 which is incorporated by reference in the documents listed below:

- Registration Statement (Form S-8 No. 333-12610) of Manulife Financial Corporation pertaining to the Manulife Financial Corporation Stock Plan for Non-Employee Directors and Executive Stock Option Plan;
- Registration Statement (Form S-8 No. 333-13072) of Manulife Financial Corporation pertaining to the Manulife Financial Corporation Global Share Ownership Plan;
- Registration Statement (Form S-8 No. 333-91102) of Manulife Financial Corporation pertaining to the Manulife Financial Corporation Director Equity Incentive Plan; and
- Registration Statement (Form S-8 No. 333-114951) of Manulife Financial Corporation pertaining to the John Hancock Financial Services, Inc. 1999 Long-Term Stock Incentive Plan, as amended and the John Hancock Financial Services, Inc. Non-Employee Directors' Long-Term Stock Incentive Plan,

of our report dated February 25, 2004 with respect to the above-mentioned consolidated financial statements and schedules of John Hancock Financial Services, Inc.

/s/ ERNST & YOUNG LLP

Boston, Massachusetts
March 24, 2005

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use of our report dated February 10, 2005, with respect to the consolidated financial statements of Manulife Financial Corporation included in this Annual Report (Form 40-F) for the year ended December 31, 2004, filed with the Securities and Exchange Commission.

We also consent to the incorporation by reference in Manulife Financial Corporation's Annual Report (Form 40-F) for the year ended December 31, 2004, which is incorporated by reference in the documents listed below:

- Registration Statement (Form S-8 No. 333-12610) of Manulife Financial Corporation pertaining to the Manulife Financial Corporation Stock Plan for Non-Employee Directors and Executive Stock Option Plan;
- Registration Statement (Form S-8 No. 333-13072) of Manulife Financial Corporation pertaining to the Manulife Financial Corporation Global Share Ownership Plan;
- Registration Statement (Form S-8 No. 333-91102) of Manulife Financial Corporation pertaining to the Manulife Financial Corporation Director Equity Incentive Plan; and
- Registration Statement (Form S-8 No. 333-114951) of Manulife Financial Corporation pertaining to the John Hancock Financial Services, Inc. 1999 Long-Term Stock Incentive Plan, as amended and the John Hancock Financial Services, Inc. Non-Employee Directors' Long-Term Stock Incentive Plan,

of our report dated February 10, 2005 with respect to the above-mentioned consolidated financial statements of Manulife Financial Corporation.

Ernst & Young LLP
Toronto, Ontario
March 24, 2005

Exhibit 99.9

CONSENT OF APPOINTED ACTUARY

I hereby consent to the use in this Annual Report on Form 40-F of Manulife Financial Corporation (the "Company") for the year ended December 31, 2004 of my Appointed Actuary's Report to the Shareholders and Directors dated February 10, 2005 (the "Report"), relating to the valuation of the policy liabilities of the Company for its Consolidated Balance Sheets as at December 31, 2004 and 2003 and their change in the Consolidated Statements of Operations for the years then ended.

/s/ *Simon R. Curtis*
Simon R. Curtis
Executive Vice President and Chief Actuary
Fellow, Canadian Institute of Actuaries
Toronto, Canada

Date: March 24, 2005

Business of the Annual Meeting

1. Consolidated Financial Statements

The consolidated financial statements for the year ended December 31, 2004, together with the reports of the auditor and the actuary on those statements, are found on pages 78 to 120.

2. Election of the Board of Directors

The 16 nominees for election to the Company's Board of Directors and their biographies are listed in the section "Board of Directors." All of the nominees are currently Directors of the Company, except Thomas d'Aquino. David D'Alessandro resigned as a Director effective March 1, 2005 and is not standing for re-election.

Each successful nominee will be elected to the Board of Directors for a term of one year, expiring at the Company's Annual Meeting in 2006.

Directors' attendance at Board and Committee meetings held in 2004 is set forth in the section "Board of Directors Meetings Held and Attendance of Directors."

3. Appointment of Auditors

The Board of Directors and management propose that the firm of Ernst & Young LLP be appointed as auditor for the 2005 fiscal year. Ernst & Young LLP has served as the Company's auditor for more than five years. Ernst & Young LLP has complied with the partner rotation requirements of the *Sarbanes-Oxley Act of 2002* ("SOX"). For 2004, fees charged by Ernst & Young LLP to the Manulife Financial group of companies were $26.3 million, compared with $10.6 million in 2003. The increase in fees is due to the merger with John Hancock and primarily relates to annual audit fees of the new subsidiaries as well as fees incurred with respect to the transaction itself.

Audit fees	$	23.9	$	7.5
Audit-related fees		1.1		0.5
Tax fees		0.9		2.2
All other fees		0.4		0.4
	$	26.3	$	10.6

(1) All figures reported in this Proxy Circular and the Annual Report are in Canadian currency, unless otherwise indicated.

Audit Fees

Fees for audit services totalled approximately $23.9 million in 2004 and approximately $7.5 million in 2003, including fees associated with the annual audit, the reviews of the Company's quarterly reports, statutory audits and regulatory filings.

Audit-Related Fees

Fees for audit-related services totalled approximately $1.1 million in 2004 and approximately $0.5 million in 2003. Audit-related services principally include due diligence in connection with mergers and acquisitions, audits in connection with proposed or consummated acquisitions, and consultations concerning financial accounting and reporting standards.

Tax Fees

Fees for tax services totalled approximately $0.9 million in 2004 and approximately $2.2 million in 2003. Fees for tax services include tax compliance, tax planning and tax advice services.

All Other Fees

Fees for all other services not included above totalled approximately $0.4 million in 2004 and $0.4 million in 2003.

The Company has complied with applicable rules regulating the provision of non-audit services to the Company by its external auditor. All audit and non-audit services provided to the Company by Ernst & Young LLP have been pre-approved by the Audit and Risk Management Committee (the "Audit Committee"). The Audit Committee has reviewed the magnitude and nature of these services to ensure that they are compatible with maintaining the independence of the external auditor.

4. Shareholder Proposals

Shareholder proposals that have been submitted for consideration at the Annual Meeting can be found in Appendix "A" of this Proxy Circular.

Board of Directors

The following provides background information on the nominees proposed for election to the Board of Directors of the Company. All successful nominees for the Board of Directors are elected for a term of one year, expiring at the next Annual Meeting.



Arthur R. Sawchuk
Age: 69
Residency: Toronto, Ontario, Canada
Director Since[1]: 1993
Common Shareholdings[2]:
Current: 22,000 **2004:** 22,000

DSUs[3]:
Current: 12,796 **2004:** 9,320

Stock Options: 5,000

Arthur Sawchuk is Chairman of the Board. Mr. Sawchuk retired from DuPont Canada Inc. as Executive Chairman. He also serves as a director of Manitoba Telecom Services Inc., Bowater Inc. and the Canadian Institute for Advanced Research. In the past five years, Mr. Sawchuk served as a director of the following publicly traded company: Trimac Corporation. Mr. Sawchuk chairs the Corporate Governance and Nominating Committee, is Vice-Chair of the Management Resources and Compensation Committee, and is a member of the Audit and Risk Management Committee and the Conduct Review and Ethics Committee.



Dominic D'Alessandro
Age: 58
Residency: Toronto, Ontario, Canada
Director Since: 1994
Common Shareholdings:
Current: 281,250 **2004:** 281,250

DSUs:
Current: 277,572 **2004:** 208,849

Since Dominic D'Alessandro's appointment as President and Chief Executive Officer in 1994, Manulife Financial has undergone a dramatic expansion of its operations and has emerged as one of the world's leading life insurers. Mr. D'Alessandro is also very active in community affairs. In recognition of his achievements, Mr. D'Alessandro was voted Canada's Most Respected CEO in 2004 by his peers and was named Canada's Outstanding CEO for 2002. He was made an Officer of the Order of Canada in 2003. In the past five years, Mr. D'Alessandro served as a director of the following publicly traded companies: Hudson's Bay Company and Trans Canada Pipelines.



Kevin E. Benson[4]
Age: 58
Residency: Wheaton, Illinois, U.S.A.
Director Since: 1995
Common Shareholdings:
Current: 5,320 **2004:** 5,320

DSUs:
Current: 9,932 **2004:** 6,734

Stock Options: 3,000

Kevin Benson is President and Chief Executive Officer and a director of Laidlaw International Inc., a transportation services company. He has previously served as President and Chief Executive Officer of The Insurance Corporation of British Columbia, as President of The Jim Pattison Group, and as President and Chief Executive Officer of Canadian Airlines. In the past five years, Mr. Benson served as a director of the following publicly traded companies: Canadian Airlines International and Swiss Airlines. Mr. Benson is a member of the Audit and Risk Management Committee and the Conduct Review and Ethics Committee.



John M. Cassaday
Age: 51
Residency: Toronto, Ontario, Canada
Director Since: 1993
Common Shareholdings:
Current: 20,000 **2004:** 20,000

DSUs:
Current: 7,977 **2004:** 5,626

Stock Options: 3,000

John Cassaday is President and Chief Executive Officer of Corus Entertainment Inc. Corus is Canada's leader in specialty television and radio and is a global leader in the production of children's animation. He also serves as a director of Sysco Corporation and Masonite International Corporation. Mr. Cassaday is also Chairman of the Board of St. Michael's Hospital. In the past five years, Mr. Cassaday served as a director of the following publicly traded company: Loblaw Companies Limited. Mr. Cassaday is a member of the Corporate Governance and Nominating Committee.



Lino J. Celeste
Age: 67
Residency: Saint John, New Brunswick, Canada
Director Since: 1994
Common Shareholdings:
Current: 6,300 **2004:** 6,300

DSUs:
Current: 4,291 **2004:** 2,998

Stock Options: 3,000

Lino Celeste is past Chairman of Aliant Inc., the merged Atlantic Provinces Telephone Companies. Prior to assuming the Chairmanship, Mr. Celeste was President and Chief Executive Officer of NBTel. He also serves as a director of NB Power and as Chairman of the Greater Saint John Community Foundation, a charitable organization. In the past five years, Mr. Celeste did not serve as a director of any other publicly traded company. Mr. Celeste is a member of the Audit and Risk Management Committee and the Conduct Review and Ethics Committee.



Gail C.A. Cook-Bennett[5]
Age: 64
Residency: Toronto, Ontario, Canada
Director Since: 1978
Common Shareholdings:
Current: 7,500 **2004:** 7,500

DSUs:
Current: 4,023 **2004:** 2,847

Stock Options: 3,000

Gail Cook-Bennett is Chairperson of the Canada Pension Plan Investment Board. She also serves as a director of Petro-Canada and Emera Inc. Dr. Cook-Bennett has been a professor at the University of Toronto, a director of the Bank of Canada, a member of the Trilateral Commission and an active volunteer in several organizations. She is a Fellow of the Institute of Corporate Directors. In the past five years, Dr. Cook-Bennett served as a director of the following publicly traded company: Transcontinental Inc. Dr. Cook-Bennett is a member of the Management Resources and Compensation Committee.



Thomas P. d'Aquino[6]
Age: 64
Residency: Rockcliffe Park, Ottawa, Ontario, Canada
Common Shareholdings:
Current: 1,800

Thomas d'Aquino is Chief Executive and President of the Canadian Council of Chief Executives ("CCCE"), a research and advocacy group composed of 150 chief executives of Canada's leading enterprises. He has served as a Special Assistant to the Prime Minister of Canada and as the founder and chief executive of Intercounsel Limited, a firm specializing in the execution of domestic and international business transactions and in advising chief executives on public policy strategies. He also served as an international trade lawyer and as an Adjunct Professor of Law lecturing on the law of international business transactions, trade and the regulation of multinational enterprise. Mr. d'Aquino is active on numerous non-profit boards and advisory committees both nationally and internationally. He is Chair of the CCCE's *North American Security and Prosperity Initiative* and has spearheaded past CCCE task forces on competitiveness, taxation, international trade, the environment and corporate governance. He is currently Chair of Lawrence National Centre for Policy and Management at the Richard Ivey School of Business and he also chairs The National Gallery of Canada Foundation. In the past five years, Mr. d'Aquino did not serve as a director of any publicly traded company.



Richard B. DeWolfe[7]
Age: 61
Residency: Westwood, Massachusetts, U.S.A.
Director Since: 2004
Common Shareholdings:
Current: 5,058

DSUs:
Current: 2,280

Stock Options: 17,779

Richard DeWolfe is Managing Partner of DeWolfe & Company, LLC, a real estate consulting firm. He is also a director of The Boston Foundation; Trustee of Boston University; Trustee of the 17136 Marine Biological Laboratory, Woods Hole, MA and a director of The National Conference for Community and Justice. He was formerly Chairman and CEO of The DeWolfe Companies, Inc., the largest homeownership organization in New England, which was listed on the American Stock Exchange and acquired by Cendant Corporation in 2002. Mr. DeWolfe was formerly Chairman and Founder of Reliance Relocations Services, Inc. ("RELO") and was formerly Chairman of the Board of Trustees, Boston University. In the past five years, Mr. DeWolfe served as a director of the following publicly traded companies: John Hancock Financial Services, Inc. and Response USA, Inc. Mr. DeWolfe is a member of the Audit and Risk Management Committee and the Conduct Review and Ethics Committee.



Robert E. Dineen, Jr.
Age: 64
Residency: New York, New York, U.S.A.
Director Since: 1999
Common Shareholdings:
Current: 14,500 **2004:** 14,500

DSUs:
Current: 12,482 **2004:** 9,150

Stock Options: 3,000

Robert Dineen is a Partner of Shearman & Sterling LLP, a leading international law firm headquartered in New York, specializing in complex, cross-border financial transactions. He also serves as a director of Nova Chemicals Corporation. In the past five years, Mr. Dineen did not serve as a director of any other publicly traded company. Mr. Dineen is a member of the Audit and Risk Management Committee and the Conduct Review and Ethics Committee.



Pierre Y. Ducros
Age: 65
Residency: Outremont, Quebec, Canada
Director Since: 1999
Common Shareholdings:
Current: 27,800 **2004:** 27,800

DSUs:
Current: 8,633 **2004:** 6,205

Stock Options: 3,000

Pierre Ducros is President, P. Ducros & Associates Inc. in Montréal. Previously, he was Chairman, President and Chief Executive Officer of DMR Group Inc. and Vice-Chairman of the Task Force on The Future of The Canadian Financial Services Sector (MacKay Task Force). Mr. Ducros also serves as a director of Emergis Inc., Cognos Incorporated, Nstein Technologies Inc., and eNGENUITY Technologies Inc. In the past five years, Mr. Ducros served as a director of the following publicly traded companies: Alliance Atlantis Communications Inc., BAE Systems Canada Inc. and NovAtel Inc. Mr. Ducros is a member of the Corporate Governance and Nominating Committee.



Allister P. Graham[8]
Age: 68
Residency: Toronto, Ontario, Canada
Director Since: 1996
Common Shareholdings:
Current: 25,224 **2004:** 25,224

DSUs:
Current: 8,269 **2004:** 5,815

Stock Options: 3,000

Allister Graham is the former Chairman and Chief Executive Officer of The Oshawa Group Limited. Currently, he serves as the Chairman of Nash Finch Company, a U.S. wholesale/ retail food distributor. Mr. Graham is also a trustee of the Associated Brands Income Trust. He is a previous Chairman of the Retail Council of Canada and Food Distributors International of Washington, D.C. In the past five years, Mr. Graham served as a director of the following publicly traded company: Dylex Ltd. Mr. Graham is a member of the Audit and Risk Management Committee and the Conduct Review and Ethics Committee.



Thomas E. Kierans[5][9]
Age: 64
Residency: Toronto, Ontario, Canada
Director Since: 1990
Common Shareholdings:
Current: 30,681 **2004:** 30,681

Stock Options: 3,000

Thomas Kierans is Chairman of CSI-Global Education Inc., a for-profit financial education institution. Before assuming this position he was the Chairman of The Canadian Institute for Advanced Research in Toronto. Mr. Kierans has also been President and Chief Executive Officer of the C.D. Howe Institute and President of McLeod Young Weir Limited (later ScotiaMcLeod Inc.). Mr. Kierans is also Chairman of the Board of the Toronto International Leadership Centre for Financial Sector Supervision and also of The Canadian Journalism Foundation. He serves as a director and advisor to several other companies, including BCE Inc., Bell Canada and Petro-Canada. In the past five years, Mr. Kierans served as a director of the following publicly traded companies: First Marathon Inc., Inmet Mining Corporation, IPSCO Inc., Teleglobe Inc. and Moore Corporation Limited. Mr. Kierans chairs the Audit and Risk Management Committee and the Conduct Review and Ethics Committee and is a member of the Corporate Governance and Nominating Committee.



Lorna R. Marsden
Age: 63
Residency: Toronto, Ontario, Canada
Director Since: 1995
Common Shareholdings:
Current: 19,332 **2004:** 19,332

DSUs:
Current: 4,047 **2004:** 2,837

Stock Options: 3,000

Lorna Marsden is President and Vice Chancellor and a member of the Board of Governors of York University. A former member of the Senate of Canada, she serves as a director of several Canadian companies. Dr. Marsden is also active in non-profit organizations including Canada World Youth. In the past five years, Dr. Marsden served as a director of the following publicly traded company: Westcoast Energy Inc. Dr. Marsden is a member of the Management Resources and Compensation Committee.



Hugh W. Sloan, Jr.
Age: 64
Residency: Bloomfield Village, Michigan, U.S.A.
Director Since: 1985
Common Shareholdings:
Current: 7,210 **2004:** 7,210

DSUs:
Current: 6,622 **2004:** 4,875

Stock Options: 3,000

Hugh Sloan is Deputy Chairman of the Woodbridge Foam Corporation, a manufacturer of foam products. Mr. Sloan serves as a director of a number of Canadian and American corporate, community and charitable organizations, including Wescast Industries Inc. and Virtek Vision International Inc. He is a former Staff Assistant to President Richard Nixon and a former Trustee of Princeton University. In the past five years, Mr. Sloan did not serve as a director of any other publicly traded company. Mr. Sloan chairs the Management Resources and Compensation Committee and is a member of the Corporate Governance and Nominating Committee.



Gordon G. Thiessen
Age: 66
Residency: Ottawa, Ontario, Canada
Director Since: 2002
DSUs:
Current: 7,034 **2004:** 4,593

Stock Options: 3,000

Gordon Thiessen joined the Board following a distinguished career with the Bank of Canada that began in 1963 and culminated in a seven-year term as the Bank's Governor. He is Chairman of the Canadian Public Accountability Board, the oversight body for the auditing profession in Canada. Mr. Thiessen also serves as a director of IPSCO Inc. and the Institute for Research on Public Policy. In the past five years, Mr. Thiessen did not serve as a director of any other publicly traded company. Mr. Thiessen is a member of the Management Resources and Compensation Committee.



Michael H. Wilson
Age: 67
Residency: Toronto, Ontario, Canada
Director Since: 1995
Common Shareholdings:
Current: 25,000 **2004:** 25,000

DSUs:
Current: 8,242 **2004:** 5,845

Stock Options: 3,000

Michael Wilson is Chairman of UBS Canada, an investment firm. Prior to July 2000, Mr. Wilson was Vice-Chairman and a director of RBC Dominion Securities Inc. in Toronto. He has been the Federal Minister for Finance, Industry, Science & Technology, and International Trade in the Government of Canada. Mr. Wilson also serves as a director of BP p.l.c. He is Chairman of Neuroscience Canada Foundation, Canadian Coalition for Good Governance and was Chairman of the Mental Health Implementation Task Force for Toronto and Peel. In the past five years, Mr. Wilson served as a director of the following publicly traded companies: Inscape Corporation and Rio Algom Ltd. He was also a trustee of ACS Trust. Mr. Wilson is a member of the Management Resources and Compensation Committee.

(1) "Director Since" prior to 1999, refers to the year the Director was first elected to the Board of Manufacturers Life. When Manufacturers Life demutualized, it became a wholly owned subsidiary of the Company.
(2) "Common Shareholdings" refers to the number of Common Shares over which control or direction is exercised by the Director, as at March 16, 2005 and March 10, 2004, respectively.
(3) "DSUs" refers to the number of deferred share units held by the Director as at March 16, 2005 and March 10, 2004, respectively.
(4) Kevin E. Benson was President and Chief Executive Officer of Canadian Airlines International ("CAI") prior to March 2000. CAI initiated proceedings under the *Companies Creditors Arrangement Act* ("CCAA") and applicable bankruptcy protection statutes in the United States on March 24, 2000.
(5) Gail C.A. Cook-Bennett and Thomas E. Kierans also serve together on the board of Petro-Canada.
(6) Thomas P. d'Aquino will be a nominee as a Director for the first time on May 5, 2005.
(7) Richard B. DeWolfe was granted stock options under the John Hancock Non-Employee Directors' Long-Term Incentive Plan, which were converted into stock options of the Company following the merger with John Hancock. For more information on the John Hancock Plans, see the section "Mid-Term and Long-Term Incentives Relating to the Merger." Mr. DeWolfe was a director of Response USA, Inc. ("Response") until October 2000. In May of 2001, Response commenced proceedings under applicable bankruptcy statutes in the United States.
(8) Allister P. Graham was a director of Dylex Limited ("Dylex") until May 2001. In August 2001 Dylex initiated proceedings under CCAA and certain creditors filed petitions in bankruptcy. In September 2001 a receiving order was made against Dylex and a trustee in bankruptcy was appointed.
(9) Thomas E. Kierans was a director of Teleglobe Inc. ("Teleglobe") until April 23, 2002. On May 15, 2002, Teleglobe announced that it had obtained creditor protection under the CCAA and that it had initiated ancillary filings in the United States and the United Kingdom.

Shareholdings of Board Members and Senior Officers(1) as at March 16, 2005

- Equity participation in the Company by Directors: 100%
- Total number of Common Shares held by:
  - All Directors 497,175
  - All non-employee Directors 215,925
  - Senior Officers 728,767
- Total number of DSUs held by:
  - All Directors 374,200
  - All non-employee Directors 96,628
  - Senior Officers 886,491
- Total value(2) of Common Shares and DSUs held by:
  - All Directors $50,278,337.50
  - All non-employee Directors $18,034,308.10
  - Senior Officers $93,200,386.60

(1) "Senior Officers" include the President and Chief Executive Officer, Senior Executive Vice Presidents and Executive Vice Presidents of the Company, and any Senior Vice President or Vice President who is in charge of a principal business unit of the Company or has access to material information of the Company before it is publicly disclosed.
(2) Values are based on the closing price of Common Shares on the Toronto Stock Exchange (the "TSX") as at March 16, 2005: $57.70.

Statement of Corporate Governance Practices

The Company's corporate governance practices meet or exceed the standards set out in the *Insurance Companies Act* (Canada) (the "Act"), the Toronto Stock Exchange Guidelines for Improved Corporate Governance in Canada (the "TSX Guidelines"), and comply with the requirements of SOX and any SEC rules thereunder, the domestic issuer standards of the New York Stock Exchange Corporate Governance Rules (the "NYSE Rules") and Canadian Securities Administrators Multilateral Instruments 52-109 and 52-110 ("CSA Instruments").

There are no differences between the Company's corporate governance practices and the domestic issuer requirements of the NYSE Rules. The Company also complies with the recently proposed corporate governance guidelines and corporate governance disclosure requirements recommended by Canadian Securities Administrators under National Policy 58-201 and National Instrument 58-101 ("CSA Guidelines").

The following Statement of Corporate Governance Practices outlines the Company's approach to governance and, where appropriate, highlights achievements in developing the Company's corporate governance program.

Guideline	Manulife Financial Practice
Mandate of the Board of Directors *Insurance Companies Act* TSX Guidelines NYSE Rules CSA Guidelines	The Board of Directors of the Company is responsible for the stewardship of the Company and for the supervision of the management of the business and affairs of the Company. The Board's general responsibilities are set out in this Board Mandate, and are communicated to Directors through the Company's *Directors' Manual: Duties and Responsibilities of the Board of Directors of Manulife Financial*. The Mandate of the Board is: 1. Understanding and meeting the duties and performance standards expected of the Board and each Director under (i) the Company's governing statute, the Act, (ii) other applicable statutes and regulatory regimes, and (iii) the expectations of shareholders and stakeholders of the Company; 2. Adopting and annually approving a strategic planning process for the Company under which the Board reviews (i) the opportunities and risks of the Company's businesses, (ii) the operational structure of the Company and its subsidiaries, including through review of the Company's lines of business, and (iii) frequent input from management on the continuing development of and the Company's performance against the strategic plan; 3. Monitoring appropriate procedures for identifying the principal risks of the Company's business, implementing appropriate systems to address these risks, and receiving frequent updates on the status of risk management activities and initiatives; 4. Supervising the succession planning processes at the Company, including the selection, appointment, development, evaluation and compensation of the Chair of the Board, the Chief Executive Officer ("CEO") and the senior management team; 5. Creating a culture of integrity throughout the Company, with specific emphasis on review of the CEO and other executive officers of the Company, and promoting that culture of integrity both through the actions of the Board and its individual Directors and through the Board's interaction with, and expectations of, management; 6. Ensuring the integrity of the Company's internal controls and management information systems by establishing appropriate internal and external audit and control systems and by receiving frequent updates on the status of those systems; 7. Considering and approving all Company activities related to major capital expenditures, raising capital, allocation of resources to the Company's lines of business, organizational restructurings and other major financial activities as set out in the Company's Administrative Resolutions and Investment Policy; 8. Regularly reviewing the Company's Disclosure Policy and approving all material disclosure items prior to disclosure in accordance with the Disclosure Policy; 9. Monitoring and overseeing the recruitment and training of senior management and the general development of the Company's human resources; 10. Overseeing the development of the Company's approach to corporate governance; 11. Developing and communicating the Board's expectations to individual Directors as they are updated and refined; and 12. Receiving feedback from stakeholders via shareholder proposals, communications to the non-management group of Directors (which may be sent to the independent Chair of the Board in care of the Corporate Secretary) and review of any concerns received under the Protocol for Receipt and Treatment of Complaints and Employee Concerns.

Guideline	Manulife Financial Practice
The Board's independence is fundamental to its stewardship role and its effectiveness TSX Guidelines NYSE Rules CSA Guidelines	The key to fulfilling its oversight role is the Board's independence. All but one member of the current Board is "unrelated" under Section 473(3) of the TSX Guidelines and independent under Section 2 of the NYSE Rules, Section 301 of SOX and Section 1.2 of the CSA Guideline. Dominic D'Alessandro, the Company's President and CEO is not unrelated or independent. The Board has determined that no other Director is in a relationship with the Company that would cause the Director to lose his or her status as unrelated or independent.
Membership standards for Board Committees have been developed TSX Guidelines NYSE Rules CSA Instruments CSA Guidelines	The Board relies heavily on its Committees to fulfill its mandate and meet its responsibilities. Committees of the Board allow Directors to share responsibility and devote the necessary resources to a particular area or issue. All Committees of the Board are comprised solely of unrelated and independent Directors. Each standing Committee has a written Charter setting out its mandate. These Charters are available on the Company's web site at www.manulife.com or by writing to the Company's Corporate Secretary. All Committees prepare annual objectives, plans and agendas. A scorecard of each Committee's compliance with its Charter is available on the Company's web site. Each Committee is required to report and seek approvals as required from the Board after each of its meetings. Committees meet without any members of management present ("*in camera*") at each meeting.
The Board has established the Governance Committee to oversee nominating duties *Insurance Companies Act* TSX Guidelines NYSE Rules CSA Guidelines	Working with the Governance Committee and approved by the Board, the Chair is charged with developing an analytical framework for assessing desired competencies, expertise, skills, background and personal qualities that should be sought in new members of the Board. The Chair maintains a list of candidates for the Board and is responsible for approaching Board candidates. Candidates meet with the Chair and the CEO prior to nomination or appointment to review expected contributions and commitment requirements. The Board will consider a nomination of a candidate for the Company's Board of Directors from a shareholder that is properly submitted under the Act. A proper nomination must be submitted by shareholder proposal that is signed by the holders of shares representing in aggregate not less than five per cent of the shares of the Company entitled to vote at the meeting to which the proposal is being submitted.
The Governance Committee has established a process for review of the Board, its Committees and individual Directors TSX Guidelines NYSE Rules CSA Guidelines	The Governance Committee conducts annual, formal evaluations of the Board, the Chair and Board Committees and immediately reviews the impact of any change in a Director's principal occupation or country of residency. The extensive evaluation process consists of a written *Board Effectiveness Survey* and presentation of the consolidated results, with suggested areas for improvement, to the Governance Committee and to the Board. Evaluation of the contributions of individual Directors consists of the completion of a written self-assessment survey and one-on-one follow-up meetings with the Chair. It is the ongoing contribution of Directors that determines their suitability for Board membership. The CEO's performance is evaluated separately. The Governance Committee conducts an annual, formal performance review of the CEO, and working with the CEO sets financial and non-financial objectives for the coming year, which are in turn approved by the Board. The CEO's performance is evaluated based on these objectives and on the Company's performance. As part of the Board renewal process, the Governance Committee reviews the overall size and operation of the Board and its Committees to ensure that they operate effectively. The Governance Committee also annually determines that a Director's ability to serve the Company is not impaired by additional obligations or by changes in his or her principal occupation or country of residency. The Board has established a normal retirement age of 72.
The Board has developed orientation and education programs for Directors TSX Guidelines CSA Guidelines	The Company provides an orientation program for new Directors, as well as an ongoing continuing education program for all Directors. As part of the program, Directors' seminars, divisional presentations to the Board and on-site visits to the Company's operations, help Directors better understand the Company's strategies, operations and the external business and the competitive environment in which the Company operates.
The Board has a process for review of Director compensation TSX Guidelines NYSE Rules CSA Guidelines	The Board, with the assistance of the Governance Committee and independent external advisors, undertakes a biennial review of Director compensation to ensure that it meets the objective of properly aligning the interests of Directors with the long-term interests of the Company. Directors are required to hold an equity position in the Company having a minimum value of $300,000 within five years of joining the Board. Common and Preferred Shares of the Company and DSUs are considered equity for this purpose, while stock options are not. No stock options were granted in 2003 or 2004 to non-employee Directors and in 2004, the Board of Directors resolved to permanently discontinue stock option grants to non-employee Directors.

Guideline	Manulife Financial Practice
The Board oversees the development of the Company's approach to governance TSX Guidelines NYSE Rules CSA Guidelines	The Governance Committee is responsible for assisting the Board in overseeing the Company's corporate governance program. The Governance Committee recommends governance policies, practices and procedures to the Board for consideration and approval. The Governance Committee regularly reviews its structures, mandates and composition, and annually approves the Company's Statement of Corporate Governance Practices.
Independence of the Chair of the Board TSX Guidelines NYSE Rules CSA Guidelines	The positions of Chair and CEO are separate. It is the Company's policy that the Chair be an unrelated and independent Director. The current Chair, Mr. Arthur Sawchuk, is unrelated and independent and has never been an employee of the Company. The Chair's mandate is to ensure that the Board carries out its responsibilities effectively and separately from management.
Position descriptions for the Chair, Committee Chairs, the CEO and individual Directors have been developed TSX Guidelines NYSE Rules CSA Guidelines	Position descriptions outlining the accountabilities for the Chair, the Chair of Board Committees, the CEO, the Board of Directors and individual Directors can be found on the Corporate Governance page of the Company's web site or can be obtained by contacting the Corporate Secretary. The Charter of the Board of Directors can also be found on the Corporate Governance page of the Company's web site and is available on request from the Corporate Secretary.
Audit Committee standards have been developed *Insurance Companies Act* TSX Guidelines NYSE Rules SOX CSA Instruments	As with all other Committees, the Audit Committee is comprised entirely of unrelated and independent Directors. In addition, the Board has reviewed the membership of the Audit Committee and has determined that no member serves on more than three other audit committees of publicly traded companies and that no member's ability to serve the Audit Committee is impaired in any way. Financial statements are presented for review by the Audit Committee at meetings scheduled prior to Board meetings. The Audit Committee provides a report and recommendation to the Board with respect to all financial disclosure of the Company. The Audit Committee reviews all requests for proposed audit or permitted non-audit services to be provided by the Company's independent auditor under the Audit Committee's Protocol for Approval of Audit and Permitted Non-Audit Services. Under this Protocol, the Audit Committee annually reviews and pre-approves recurring audit and non-audit services that are identifiable for the coming year. This Protocol also requires that any audit or non-audit services that are proposed during the year be approved by the Audit Committee, or by a member of the Audit Committee appointed by the Audit Committee. The Board reviews annually the membership of the Audit Committee to confirm that all members are financially literate, as required by the TSX Guidelines, the CSA Instruments and the NYSE Rules, and that at least one member can be designated as a financial expert, as required by SOX. Accordingly, the Board has reviewed the Audit Committee membership and determined that all members are financially literate and that all members possess the necessary qualifications to be designated as Audit Committee Financial Experts. The Audit Committee has direct communication, including *in camera* meetings, with the internal auditor, the independent auditor, the Appointed Actuary and with the Company's principal regulator, the Office of the Superintendent of Financial Institutions (Canada) ("OSFI").
Considering the Company's principal risks, risk management and internal controls TSX Guidelines NYSE Rules SOX CSA Instruments CSA Guidelines	The Board considers all principal risks facing the Company, as well as the measures either proposed or already implemented to manage these risks. The Audit Committee ensures that comprehensive risk management policies and processes, internal controls and management information systems are in place and refreshed regularly to mitigate the Company's exposures.
The Board has established an Ethics Committee *Insurance Companies Act* CSA Guidelines	Proper business ethics is a cornerstone of good corporate governance. The Ethics Committee oversees items such as conflicts of interest, related party transactions and confidential information. The mandate of the Ethics Committee includes an annual review of the Company's Code of Business Conduct and Ethics ("Code") and a review of the Company's compliance with legal requirements.

Guideline	Manulife Financial Practice
The Board has established a Compensation Committee TSX Guidelines NYSE Rules CSA Guidelines	A fundamental aspect of the stewardship role of the Board is ensuring that an effective and talented management team runs the Company. To further this goal, the Board has established the Compensation Committee to oversee the Company's global human resources strategy, with the objective of acquiring the best mix of talents for the Company. The Compensation Committee's main goal is to approve the appointment of and provide proper development, compensation and review of senior management. The Compensation Committee approves the annual performance assessment and compensation of senior executives, excluding the CEO. The annual performance assessment and compensation review of the CEO is performed by the Governance Committee.
The Company allows retention of outside advisors by Directors TSX Guidelines NYSE Rules CSA Instruments CSA Guidelines	The Board and its Committees may retain outside advisors at the Company's expense as they deem necessary, and the Governance, Compensation and Audit Committees did so in 2004. Individual Directors may also retain outside advisors, at the Company's expense, to provide advice on any matter before the Board or a Board Committee, with the approval of the Governance Committee.
Meetings of non-management Directors NYSE Rules CSA Guidelines	Each meeting of the Board and of its Committees is followed by an *in camera* meeting, at which the independent Chair of the Board or one of the Committees of the Board acts as Chair. Shareholders wishing to contact non-management Directors of the Company may write to the Chair of the Board, in care of the Corporate Secretary, at the head office of the Company.
The Board has approved a Code of Business Conduct and Ethics NYSE Rules SOX CSA Guidelines	The Company has established and circulated the Code, which covers all persons who act on behalf of the Company, including Directors. The Code complies with the requirements of the NYSE Rules, the SEC Rules and the CSA Guidelines. The Code is available on the Company's web site. The Board reviews the Code annually with the assistance of the Ethics Committee. All employees of the Company, including the CEO and Board of Directors, periodically sign an acknowledgement confirming their commitment to the Code.
The CEO and CFO certify Financial Statements NYSE Rules SOX CSA Instruments	The CEO and Chief Financial Officer certify the annual financial statements as required by SOX and certify quarterly financial statements as required by the CSA Instruments. The CEO will also provide an annual certification to the NYSE stating that the CEO is not aware of any violations of the governance requirements in the NYSE Rules. The Company will submit written affirmations as required by the NYSE Rules.
The Company's stakeholder communication initiatives	Policies have been established relating to the treatment and disclosure of information about the Company on a timely, accurate, understandable and broadly disseminated basis. Information relating to the Company is reviewed by a group that includes the Legal, Investor Relations ("IR") and Corporate Communications departments and senior management and others as required, for a determination of materiality and, if appropriate, public disclosure. The Company has reviewed its disclosure policies and practices to ensure full, fair and timely disclosure of information. The Company shares information with individual shareholders, institutional investors and financial analysts through its IR department, and to the media and employees through its Corporate Communications department. The IR department reports at each Board meeting on share performance, issues raised by shareholders and analysts, the Company's institutional shareholder base, and a summary of recent IR activities. The Company's web site www.manulife.com features web casts of the quarterly investor conference calls and presentations made by senior management to the investment community, as well as annual reports and other investor information. Shareholders can access voting results of all shareholder votes at the Company's web site or at www.sedar.com.

Risk Management

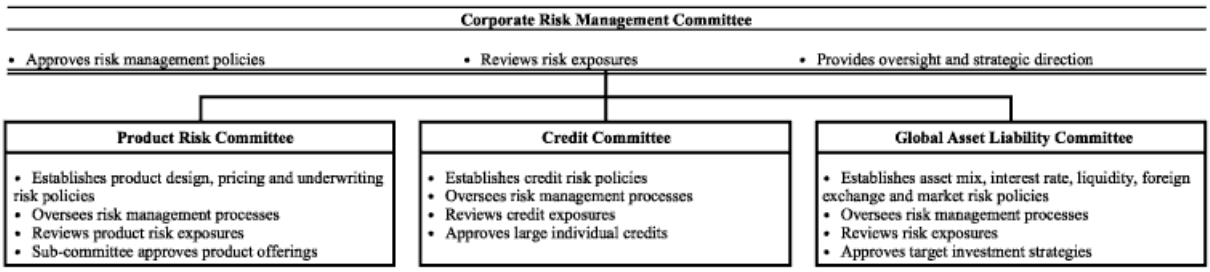
Overview
MFC is in the business of taking risks to generate profitable growth. How effectively these risks are managed is critically important to meeting expectations of shareholders, customers and regulators, and to safeguarding reputation and capital. The fundamental objective of MFC's risk management program, therefore, is to support shareholder value growth while ensuring commitments to customers are met and reputation and capital are protected. This is achieved by employing an enterprise level framework that guides all risk-taking activities globally, ensuring they are aligned with corporate philosophy: taking risks that are prudent in relation to capital strength, that meet corporate ethical standards, that are diversified across risk types, businesses and geographies, and for which appropriate compensation is earned.

MFC's enterprise risk management framework is built around four cornerstones: comprehensive risk governance; effective risk management processes; rigorous exposure measurement; and disciplined risk limit management. Continuous investment is being made in the tools, processes and professionals employed in all aspects of risk measurement and management as the external environment shifts and business operations broaden.

Risk Governance
Sound business decisions require a strong risk culture, and a well-informed executive management and Board of Directors. The Audit and Risk Management Committee of MFC's Board of Directors, along with the Conduct Review and Ethics Committee, oversees global risk management. These Board committees approve and monitor compliance with all key risk policies and limits, and regularly review with management trends in material risk exposures, major risk-taking activities, and the ongoing effectiveness of risk management practices.

MFC's Chief Executive Officer ("CEO") and a top tier of executive risk oversight committees set the overall risk appetite, and influence and communicate the Company's risk culture across global operations. The committees shape risk policy, monitor material risk exposures, guide risk-taking activity and champion strategic risk management priorities throughout the organization.

Executive risk oversight committees include:



Business units across the organization own and take accountability for the risks assumed within their operations. Business unit general managers are responsible for ensuring business strategies align with corporate risk philosophy and culture, and for managing both risk and return on risk-based allocated capital within corporate policy and limits.

Corporate Risk Management maintains the comprehensive enterprise risk management framework, monitors and reports on enterprise wide risk exposures, and proactively partners with other corporate areas and business units in employing analytic techniques to appropriately assess and allocate risk-based capital, and to optimize risk and return profiles. The group also drives the development and introduction of new risk measurement and management techniques and processes throughout the organization.

Internal Audit independently assesses the effectiveness of risk management policies and internal controls, and oversees the risk and control self-assessment program globally. Global Compliance independently assesses the effectiveness of regulatory compliance processes and business practices against potential legal, regulatory and reputation risks. The Chief Actuary independently opines on the adequacy of actuarial liabilities, oversees regulatory capital adequacy reporting and performs the Dynamic Capital Adequacy Testing, a stress analysis required by regulators incorporating extreme but plausible scenarios.

Risk Management Processes
Sound decision making requires that all potential new business initiatives, acquisitions, product offerings and investments are evaluated on a directly comparable risk-adjusted basis and that all risk exposures are identified, assessed and managed using a common set of standards and guidelines. MFC's enterprise risk management framework establishes global standards and guidelines for risk management and, in concert with its risk and capital management framework, establishes standards for risk-adjusted return measurement. The comprehensive risk-specific management programs encompass:

- Establishment, approval and maintenance of policies and limits;
- Clear delineation of risk management accountabilities across the organization;
- Specific delegation of authorities related to risk-taking activities;
- Processes for risk identification, assessment, monitoring, reporting and escalation;
- Standards for risk exposure measurement; and
- Strategies for risk control and mitigation.

A comprehensive report of risk exposures, incorporating both qualitative and quantitative assessments, is reviewed with the Corporate Risk Management Committee and the Audit and Risk Management Committee quarterly, following a formal risk identification and assessment process. In addition, the results of internal audits of risk controls and risk management programs are independently reported to the Audit and Risk Management Committee, and the results of the Dynamic Capital Adequacy Testing are reported to the Board of Directors.

Risk Measurement
MFC is exposed to a variety of risks through its diverse business activities. These risks are a blend of strategic risks, financial risks including product, credit, asset liability and market risks, and general operational risks. They can result in a combination of direct financial loss, damage to reputation, or inability to conduct business or service customers, all of which can impact shareholder value.

Individual quantitative measures are used to assess risk exposures related to various financial and operational risks. Risk measurement methodologies range from simple key risk indicators to stress testing to sophisticated stochastic scenario modeling of potential capital at risk. Strong controls are in place over the development, implementation and application of the stochastic scenario models employed. Currently, MFC evaluates its risk-based capital using a combination of Minimum Continuing Capital and Surplus Requirements ("MCCSR"), the risk-based capital required by its primary regulator, the Office of the Superintendent of Financial Institutions, and internally developed economic capital. Economic capital measures the amount of common equity needed to support risks, covering potential extreme losses that could occur, with a confidence expected for a company with MFC's financial strength ratings. Economic capital is in the process of being introduced internally across the organization. The Company allocates capital to its businesses based on a combination of MCCSR, local regulatory requirements in jurisdictions outside of Canada and economic capital. Risk-adjusted performance is monitored based on allocated capital.

Risk Limit Management
MFC's risk-taking activities are managed against an overall capacity for assuming risk, established based on the risk tolerances of the Board of Directors and executive management, reflecting the Company's financial condition. This overall capacity is defined in terms of local regulatory ratios for its key operating subsidiaries and the consolidated ratio of its available capital to its risk-based allocated capital. MFC targets an MCCSR ratio of 180 to 220 per cent for its primary Canadian operating subsidiary and an NAIC RBC ratio of 275 to 325 per cent for its U.S. operating subsidiaries. In addition, to manage its risk profile and limit exposure to specific risks, MFC manages risk exposures against enterprise-wide limits established for various financial risks, based on risk-specific exposure measures. MFC's risk profile is well diversified across risks, as shown by the composition of the Company's risk-based allocated capital.

Allocated Capital by Risk



Strategic Risk
Strategic risk is the risk of loss resulting from the inability to adequately plan or implement an appropriate business strategy, or to adapt to change in the external business, political or regulatory environment.

Managing strategic risk effectively is critical to delivering shareholder value growth. The CEO and Executive Committee set overall strategies that are approved by the Board of Directors, and have accountability to manage the risks embedded in these strategies. They are supported by a number of important processes:

- Strategic planning that is integrated with risk assessments and reviewed with the Board of Directors;
- Detailed business planning executed by local divisional executive management;
- Capital attribution and allocation that ensure a consistent decision making framework across the organization;
- Periodic reviews of operational performance of all businesses with the CEO and the Board of Directors; and
- Review and approval of all acquisitions and divestitures by the CEO and Board of Directors.

Product Risk
Product risk is the risk of loss due to actual experience emerging differently than assumed when the product was designed and priced, as a result of investment returns, expenses, taxes, mortality and morbidity claims, and policyholder behaviour.

The Product Risk Committee oversees product risk management policies and processes. Within the broad framework set out by the Product Design and Pricing Policy approved by the Audit and Risk Management Committee, it sets global product design and pricing standards and guidelines designed to ensure all aspects of product offerings align with corporate risk philosophy. These cover:

- product design features
- use of reinsurance
- pricing models and software
- risk-based capital allocations
- target profit objectives
- pricing methods and assumption setting
- stochastic and stress scenario analyses
- required documentation
- approval processes
- experience monitoring programs

Designated pricing officers in each business unit are accountable for all pricing activities. The general manager and chief financial officer of each business unit, as well as Corporate Risk Management, approve the design and pricing of each product, ensuring corporate standards are met. The Chief Risk Officer approves the introduction, or modification, of any product and related reinsurance treaty that introduces material changes in product design or risk exposure. The Chief Actuary approves all valuation methods and assumptions and approves all reinsurance treaties related to business in force. Annual risk and compliance self-assessments and periodic internal audits are performed for all businesses to ensure compliance with standards.

Underwriting and claims risks are key components of product risk. A global underwriting manual is utilized by all businesses ensuring underwriting practices are consistent across the organization while reflecting local conditions. Each business unit establishes underwriting policies and procedures, including criteria for approval of risks and claims adjudication policies and procedures. Periodic reviews of business unit practices ensure compliance with standards.

Fluctuations in claims experience may result in losses. As at December 31, 2004, actual mortality and morbidity rates over the next year exceeding the rates provided for in actuarial reserves by five per cent would reduce net income by $102 million. Enterprise-wide, this aggregate claims exposure is mitigated as a result of operating internationally and insuring a wide range of non-correlated risk events, reducing the likelihood of high aggregate claims rates.

Exposure to claims concentrations is further mitigated through the use of geographical aggregate retention limits for certain covers and through the purchase of catastrophe reinsurance for life, health and disability insurance worldwide. MFC's catastrophe reinsurance covers losses in excess of U.S. $50 million, up to U.S. $150 million (U.S. $100 million for Japan). In addition to accidents and natural catastrophes, it provides full cover for losses due to all terrorist activities in Canada, where the concentrations are highest, and restricted cover for losses due to terrorist activities in other parts of the world.

Exposure to individual large claims is mitigated through established retention limits per insured life varying by market and jurisdiction. Coverage in excess of these limits is reinsured with other companies. MFC's current global retention limit is U.S. $20 million (U.S. $25 million for joint life policies) and is shared across business units with lower limits applying in some markets and jurisdictions.

Credit Risk

Credit risk is the risk of loss due to the inability or unwillingness of a borrower or counterparty to fulfill its payment obligations.

MFC's Credit Committee establishes and oversees implementation of policies and processes to manage credit risk. The committee sets out objectives related to the overall quality and diversification of the investment portfolio and establishes criteria for the selection of counterparties and intermediaries. The policies establish exposure limits by borrower or issuer, corporate connection, quality rating, industry, and geographic region. Corporate connection limits vary according to internal risk rating.

All credit-granting units within the Company have a defined evaluation process that provides an objective assessment of credit proposals. Borrowers are assigned an internal risk rating based on a detailed examination of the organization, including business strategy, market competitiveness, industry trends, financial strength, access to funds, and other risks facing the organization. Internal ratings are assessed and updated on a regular basis and are based on a standardized 22-point scale consistent with those of external rating agencies.

Delegated credit approval authorities are established and approved by the Credit Committee and Audit and Risk Management Committee. Credit decisions are made on a case-by-case basis at a management level appropriate to the size and risk level of the transaction, based on the delegated authorities that vary according to internal risk rating. All major credit decisions are referred to the Credit Committee for approval. The largest credits are referred to the CEO for approval and, in certain cases, to the Board of Directors.

Distinct derivative counterparty exposure limits, based on a minimum acceptable counterparty credit rating of "A", are in place. For a derivative counterparty, derivative exposure is measured as gross potential credit exposure, which takes into consideration mark-to-market value, net of any collateral held, and a provision for future exposure. Reinsurance counterparty exposure measures reflect both current exposures and potential future exposures. All reinsurance counterparties are required to meet minimum credit-rating criteria.

Regular reviews of the credits within the various portfolios are undertaken to ensure that changes to credit quality are identified, and where appropriate, corrective actions taken. Prompt identification of problem credits is a key objective. A centralized list of problem and potential problem credits is maintained by Corporate Risk Management, which provides an independent credit risk oversight function. The Credit Committee reviews credits on the list regularly, and provides direction where appropriate. Corporate Risk Management and Internal Audit perform periodic internal audits of all credit-granting units to ensure compliance with credit policies and processes.

An allowance for losses on invested assets is established when an asset or portfolio of assets becomes impaired as a result of deterioration in credit quality, to the extent there is no longer assurance of timely realization of the carrying value of assets and related investment income. The carrying value of an impaired asset is reduced to estimated net realizable value at the time of recognition of impairment. There is no assurance that the allowance for losses will be adequate to cover future losses or that additional provisions or asset write-downs will not be required. However, MFC remains conservatively provisioned for credit losses overall and the level of impaired assets continues to be very low.

Actuarial liabilities also include general provisions for credit losses from future asset impairments. These are set conservatively, taking into account normal historical levels and future expectations, with an allowance for adverse deviations. Fluctuations in credit default rates and, to a lesser extent, deterioration in credit ratings of borrowers, may result in losses, if actual rates exceed expected rates. As at December 31, 2004, credit loss rates over the next year exceeding the rates provided for in actuarial reserves by 25 per cent would reduce net income by $53 million.

A variety of aggregate credit risk exposure measures are monitored regularly and reported to the Audit and Risk Management Committee, as shown in the following table.

Credit Risk Measures

As at December 31 (Canadian $ in millions unless otherwise stated)	**2004**	2003
Net impaired assets	**$ 476**	$ 139
Net impaired assets as a per cent of total invested assets	**0.28%**	0.19%
Allowance for impairment	**$ 214**	$ 230
Provision for future credit losses included in actuarial liabilities(1)	**$ 3,531**	$ 1,574
Performing assets coverage ratio(2)	**2.81%**	4.10%
Impaired assets coverage ratio(3)	**543%**	489%

(1) Excludes allowances for pass-through credit risk pertaining to participating policies and certain other policies. The allowance for expected credit losses implicit in actuarial liabilities for these policies was estimated to be $1,076 million as at December 31, 2004.

(2) Performing assets coverage ratio is calculated as allowance for impairment and provision for future credit losses included in actuarial liabilities less gross impaired assets, as a per cent of total mortgages and non-government bonds less gross impaired assets.

(3) Impaired assets coverage ratio is calculated as allowance for impairment and provision for future credit losses included in actuarial liabilities, as a per cent of gross impaired assets.

Asset Liability and Market Risk

Asset liability and market risk is the risk of loss resulting from market price volatility, interest rate changes, adverse movements in foreign currency rates, and from not having access to sufficient funds to meet both expected liabilities and unexpected cash demands.

MFC's Global Asset Liability Committee, with the support of a network of business unit asset liability committees, establishes and oversees implementation of policies and processes related to the management of a variety of risks inherent in generating the investment returns required to support product liabilities, as well as returns on assets in the shareholders' equity account. These risks include asset allocation, interest rate changes, and price volatility of non-fixed income investments, such as equities, real estate, oil and gas and timber investments. The committee also oversees the management of liquidity and foreign exchange risks.

Global investment policies, approved by the Audit and Risk Management Committee, establish enterprise-wide and portfolio level targets and limits as well as delegated transaction approval authorities. The targets and limits are designed to ensure investment portfolios are widely diversified across asset classes and individual investment risks, and are suitable for the liabilities they support. Actual investment positions and risk exposures are monitored regularly. The positions and exposures are reported to the Global Asset Liability Committee monthly and to the Corporate Risk Management Committee and Audit and Risk Management Committee quarterly.

Segmentation and Investment Strategy Product liabilities are segmented into groups with similar characteristics and are each supported by unique portfolios of investments. Investment policies and goals are established for each asset segment and set out target investment strategies and portfolio management philosophies that best match the premium and benefit pattern, guarantees, policyholder options, and crediting rate strategies for the products supported. These policies and goals encompass asset mix, quality rating, duration and cash flow profile, liquidity, currency mix and industry concentration targets, as well as portfolio management styles such as active or indexed for equities and buy-and-hold or actively traded for public bonds. Governing business unit asset liability committees and the Global Asset Liability Committee approve the investment policies and goals.

Wealth management products that are primarily short to medium term obligations and offer interest rate guarantees for specified terms on single premiums are supported predominantly by fixed income assets, such as public bonds, private debt and mortgages. The cash flow profile of the fixed income assets is set to closely match the profile of the liabilities supported. Payout annuities have no surrender options and include predictable and very long-dated obligations. These are supported by a component of non-fixed income assets managed for total return in addition to fixed income assets. Insurance products, with recurring premiums extending many years in the future also include a significant component of very long-dated obligations. These obligations are also supported by a combination of non-fixed income assets managed for total return and fixed income assets.

Utilizing non-fixed income assets to support certain products is intended to enhance long-term investment returns and reduce aggregate risk through diversification. Target investment strategies are established using sophisticated portfolio analysis techniques to optimize long-term investment returns while considering the risks related to embedded product guarantees and policyholder withdrawal options, the impact of regulatory and economic capital requirements and management tolerances with respect to short-term income volatility and long-term tail risk exposure. For certain products such as participating insurance, universal life insurance and U.S. fixed annuities, the investment performance of assets supporting the liabilities will be largely passed through to policyholders as changes in the amounts of dividends declared or rates of interest credited, subject to embedded minimum guarantees.

Derivatives, including foreign exchange contracts, interest rate and cross currency swaps, forward rate agreements and options, are incorporated into investment strategies where appropriate to manage interest rate, foreign currency risk and equity risk. The risks associated with the use of derivatives are mitigated by established risk management policies and processes including specific limits on the size of derivative transactions, authorized types of derivatives and applications, delegated authorization and trading limits for specific personnel, as well as the pre-approval of all derivative application strategies and regular monitoring of the effectiveness of derivative strategies by Corporate Risk Management.

Investment Return Risk Investment return risk relates to potential losses arising from asset returns insufficient to support product liabilities and is driven by the mix of assets supporting liabilities, market influences including interest rate changes and price volatility of non-fixed income investments, as well as the nature of guarantees and policyholder options embedded in the products. The principal components of investment return risk within the Company's general account are the uncertainty related to returns achievable on both fixed income and non-fixed income investments to be made in the future as recurring premiums are received, and the impact of mismatches between the timing and amount of current assets and the liabilities they support.

Interest rate risk management programs for each product segment are designed to keep potential losses within acceptable limits, with interest rate risk exposure limits approved by the Audit and Risk Management Committee. Interest rate risk management policies and procedures, including delegated trading authorities and accountabilities for managing and monitoring interest rate risk, are clearly defined. Target asset durations or cash flow profiles are established to minimize interest rate risk exposure. Portfolio managers maintain interest rate risk positions within prescribed limits. Asset duration and cash flow targets are reviewed and modified with a frequency ranging from daily to annual, depending on the type of liabilities and the frequency and size of potential changes in the liability profiles. Actual asset positions are monitored against targets and rebalanced with a frequency ranging from daily to quarterly, depending on the potential exposure to changes in assets and liabilities.

Interest rate risk exposures are evaluated using a variety of techniques, depending on the nature of the assets and liabilities, primarily based on projected cash flows under a variety of future interest rate scenarios. These measures include cash flow gaps, durations, key rate durations, convexity, and earnings and shareholders' economic value at risk based on stochastic or specific stress scenarios.

Market price risk is driven by fluctuations in market values of direct equity and real estate holdings, and to a lesser extent, oil and gas and timberland holdings, that may impact returns on assets, as well as fluctuations in the market values of variable product and mutual fund equity holdings, and to a lesser extent bond holdings, that may impact fee income and costs associated with variable product investment-related guarantees. Investment-related guarantees include death, maturity, income and withdrawal guarantees on variable products and segregated funds.

Market price risk related to direct holdings is mitigated by investing in a diversified basket of non-fixed income investments comprising public equities, commercial real estate, private equity, timberlands, agricultural lands and oil and gas. Total non-fixed income holdings are managed against an established aggregate limit, representing a small proportion of total assets. Public equity holdings are diversified and managed against established targets and limits by industry type and corporate connection. Commercial real estate holdings are diversified and managed against established limits by property type. Allocations to non-fixed income assets are managed proactively, reflecting management's risk preferences.

Equity risk exposures are managed against enterprise-wide limits approved by the Corporate Risk Management Committee and Board of Directors. These limits cover equity risk arising from variable product investment-related guarantees, market-based fees and direct equity investments. New product development is managed against established equity related economic capital targets. Reinsurance is employed to transfer equity related investment-guarantee risk where appropriate, subject to established counterparty risk management policies. Capital market strategies to hedge equity risk are utilized where effective. Equity risk exposures based on earnings and shareholders' economic value at risk for specific stress scenarios and economic capital based on stochastic scenario modeling are monitored and reported quarterly.

One measure of investment return risk exposure is the sensitivity of shareholders' economic value to market influences including changes in interest rates and price volatility of non-fixed income assets. Shareholders' economic value is calculated as the net present value of cash flows related to current assets, recurring premiums to be received and product obligations to be paid, discounted at market yields and adjusted for tax.

Exposures for Assets in the Shareholders' Equity Account The following table shows the impact of an immediate and permanent parallel shift of one per cent in interest rates at all maturities across all markets, as well as the impact of an immediate ten per cent decline in the market value of equities and real estate, on shareholders' economic value arising from assets held in the shareholders' equity account.

Impact on Shareholders' Economic Value Arising From Assets in the Shareholders' Equity Account

As at December 31 (Canadian $ in millions)	**2004**	2003
One per cent increase in interest rates	**$ (316)**	$ (229)
One per cent decrease in interest rates	**$ 374**	$ 266
Ten per cent decline in equity and real estate market values	**$ (161)**	$ (165)

Exposures for General Account Wealth Management Business The following table shows the impact of an immediate and permanent parallel shift of one per cent in interest rates at all maturities across all markets, as well as the impact of an immediate ten per cent decline in the market value of equities and real estate on shareholders' economic value, arising from general account wealth management business excluding the business acquired upon the merger with John Hancock.

Impact on Shareholders' Economic Value Arising From Pre-Merger Wealth Management Business

As at December 31 (Canadian $ in millions)	**2004**	2003
One per cent increase in interest rates	**$ (4)**	$ 17
One per cent decrease in interest rates	**$ 7**	$ (20)
Ten per cent decline in equity and real estate market values	**$ (23)**	$ (24)

MFC acquired a new block of wealth management business upon the merger with John Hancock. The potential impact on shareholders' economic value arising from the acquired business as a result of an immediate and permanent one per cent increase in interest rates at all maturities as at December 31, 2004 was an increase of $64 million. The potential impact on shareholders' economic value as a result of an immediate and permanent one per cent decrease in interest rates at all maturities as at December 31, 2004 was a decrease of $74 million. The potential impact on shareholders' economic value as a result of an immediate ten per cent decline in equity and real estate market values as at December 31, 2004 was a decrease of $4 million.

Exposures for General Account Insurance Business The following table shows the impact of an immediate and permanent one per cent change in interest rates and an immediate ten per cent decline in equity and real estate market values on shareholders' economic value arising from general account insurance business excluding the business acquired from John Hancock.

Impact on Shareholders' Economic Value Arising From Pre-Merger Insurance Business

As at December 31 (Canadian $ in millions)	2004	2003
One per cent increase in interest rates	**$ 135**	$ 154
One per cent decrease in interest rates	**$ (295)**	$ (277)
Ten per cent decline in equity and real estate market values	**$ (190)**	$ (202)

MFC acquired a new block of life insurance business upon the merger with John Hancock. Investment return risk arises on this business primarily as a result of minimum crediting guarantees embedded in certain of this business and due to the uncertainty related to returns achievable on investments to be made in the future when recurring premiums are received. The potential impact on shareholders' economic value, arising from this acquired business, as a result of an immediate and permanent one per cent increase in interest rates at all maturities as at December 31, 2004 was an increase of $150 million. The potential impact on shareholders' economic value arising from this business as a result of an immediate and permanent one per cent decrease in interest rates at all maturities as at December 31, 2004 was a decrease of $423 million. The potential impact on shareholders' economic value arising from this business as a result of an immediate ten per cent decline in equity and real estate market values as at December 31, 2004 was a decrease of $4 million.

MFC also acquired long-term care business upon the merger with John Hancock. Investment return risk arises on this business primarily due to the uncertainty related to returns achievable on investments to be made in the future when recurring premiums are received. Premiums are expected to exceed claim payments for approximately twenty years into the future and no surrender payments are made on policy lapse. MFC has established a target investment strategy consisting of a blend of long maturity bonds and a material component of non-fixed income assets to support the significant long-dated obligations inherent in this business. Management is in the process of repositioning current assets towards this target investment strategy, including replacing fixed income assets with non-fixed income assets. Management intends to invest future net cash flows pursuant to this target investment strategy and intends to proactively manage investment allocations between fixed income and non-fixed income assets. Given the current low level of interest rates, management has chosen not to lock in the currently available yields on future fixed income investments. As a result, economic losses could arise should the investment returns earned in the future on the portfolio of assets supporting this business be less than the six to seven per cent assumed in the pricing of this business. Actuarial reserves established as at December 31, 2004, as prescribed by the Canadian Asset Liability Method, were sufficient to provide for these liabilities, assuming future interest rates decline gradually from the current levels stabilizing at five per cent.

The potential impact on shareholders' economic value arising from the acquired long-term care business, as a result of an immediate and permanent one per cent increase in interest rates at all maturities as at December 31, 2004 was an increase of $552 million. The potential impact on shareholders' economic value arising from this business as a result of an immediate and permanent one per cent decrease in interest rates at all maturities as at December 31, 2004 was a decrease of $889 million. The potential impact on shareholders' economic value arising from this business as a result of an immediate ten per cent decline in equity and real estate market values as at December 31, 2004 was a decrease of $20 million.

Exposures for Variable Products and Other Managed Assets The following table shows the potential impact on shareholders' economic value, arising from variable products and mutual funds, as well as institutional asset management operations, as a result of an immediate ten per cent decline in the market value of equity and bond funds.

Impact on Shareholders' Economic Value of a Ten Per Cent Decline in Market Values of Variable Product and Other Managed Assets

As at December 31 (Canadian $ in millions)	2004	2003
Market-based fees	**$ (411)**	$ (213)
Variable product guarantees	**$ (204)**	$ (99)

Additional information related to investment related guarantees on variable annuities and segregated funds is shown in the table below.

Variable Annuity and Segregated Fund Investment-Related Guarantees

	2004			2003		
As at December 31 (Canadian $ in millions)	Fund value[2]	Amount at risk[2]	Expected guarantee cost[3]	Fund value[2]	Amount at risk[2]	Expected guarantee cost[3]
Maturity/income benefits	**$ 18,798**	$ 915		**$ 9,306**	$ 745	
Death benefits[1]	**16,866**	2,047		**6,811**	1,851	
Total	**$ 35,664**	$ 2,962	$ (475)	**$ 16,117**	$ 2,596	$ (166)

(1) Death benefits include stand-alone guarantees and guarantees in excess of maturity or income guarantees where both are provided on a policy.
(2) Amount at risk is the excess of guaranteed values over fund values on all policies where the guaranteed value exceeds the fund value. Fund value and amount at risk are net of amounts reinsured.
(3) Expected guarantee cost is net of reinsurance and fee income allocated to support the guarantees.

The reported amount at risk represents a theoretical value only as it is not currently payable. Guaranteed benefits are contingent and only payable upon death, maturity, withdrawal or annuitization, if fund values remain below guaranteed values. The Company calculates the present value of projected future guaranteed benefit payments, net of reinsurance and net of fee income allocated to support the guarantees, based on a set of stochastic investment return scenarios, and considering future mortality, policy termination, and annuitization rates. The expected guarantee cost represents the average of this present value across all investment return scenarios modeled, and was negative as at December 31, 2004 and December 31, 2003, meaning that fee income allocated is expected to exceed claims costs.

The Company holds actuarial liabilities for guaranteed benefit payments related to variable annuities and segregated funds calculated as the present value of the projected guaranteed benefit payments, net of reinsurance and net of fee income allocated to support the guarantees, based on the same set of stochastic investment return scenarios, as described above for the expected guarantee cost. The actuarial liabilities held must fall in a confidence range defined by the most adverse forty per cent to the most adverse twenty per cent of the stochastic investment return scenarios. As at December 31, 2004 and December 31, 2003, actuarial liabilities held for these guaranteed benefit payments were $600 million and $532 million respectively, exceeding both the minimum requirement and the expected guarantee cost. While determined based on stochastic scenarios, in aggregate, the actuarial liabilities held as at December 31, 2004 were adequate to fund the projected guaranteed benefit payments across all businesses as long as future long term equity returns, including dividends, average at least three per cent across all businesses with such guarantees.

Foreign Currency Risk Adverse movements in foreign exchange rates may result in losses if assets and liabilities are not matched by currency. MFC has a policy of matching the currency of its assets with the currency of the liabilities they support to mitigate this exposure. To limit the impact of changes in foreign exchange rates on regulatory capital ratios, shareholders' equity is also generally currency matched to the liabilities it supports, up to target capital levels. MFC's reported Canadian dollar income and shareholders' equity may be exposed to losses resulting from adverse movements in foreign exchange rates due to the fact that it manages operations globally in many currencies, most notably U.S. dollars. A significant portion of shareholders' equity in excess of target capital levels is held in Canadian dollars to mitigate the impact of changes in foreign exchange rates on shareholders' equity.

Value at Risk exposure relative to the policy position of matching the currency of its equity, up to target capital levels, with the currency of its liabilities is monitored regularly against established limits. The Value at Risk model is based on the industry-accepted J.P. Morgan Risk Metrics methodology. The sensitivity of net income and shareholders' equity to changes in foreign exchange rates is monitored regularly and reported to the Global Asset Liability Committee, Corporate Risk Management Committee and Audit and Risk Management Committee quarterly. A one per cent increase in the Canadian dollar relative to the U.S. dollar would have reduced shareholders' equity by $157 million as at December 31, 2004 and $49 million as at December 31, 2003. As at December 31, 2004 and December 31, 2003 the same change in foreign exchange rates would reduce net income over the next year by $20 million and $9 million, respectively.

Liquidity Risk Global liquidity management policies and procedures are designed to ensure that adequate liquidity is available to MFC and all its local operations. Products are designed taking into account the risk related to unexpected liquidity demands as a result of policyholder termination features. Investment strategies are established and implemented to ensure adequate levels of marketable investments are held. Access is maintained to other sources of liquidity such as commercial paper funding and committed standby bank credit facilities. Operating liquidity is monitored in local operations as well as centrally, with daily forecasting and monitoring of actual cash movements to ensure liquidity is available and cash is employed optimally.

Global operating and strategic liquidity are managed against established minimum levels. Minimum operating liquidity is set as the level of one month's operating cash outflows. Strategic liquidity is measured using an industry-accepted model under both immediate (within one month) and ongoing (within one year) stress scenarios. Under this model, adjusted liquid assets include cash and short-term investments, and marketable bonds and stocks discounted to reflect convertibility to cash, net of maturing debt obligations. Under the model, actuarial liabilities are adjusted to reflect their potential for withdrawal. MFC's policy is to maintain adjusted liquid assets at a level well above adjusted actuarial liabilities.

Strategic Liquidity

		2004		2003
As at December 31 (Canadian $ in millions unless otherwise stated)	**Immediate scenario**	**Ongoing scenario**	Immediate scenario	Ongoing scenario
Adjusted liquid assets	**$ 88,444**	**$ 87,035**	$ 47,723	$ 48,414
Adjusted actuarial liabilities	**$ 23,927**	**$ 29,216**	$ 8,596	$ 11,641
Liquidity ratio	**370%**	**298%**	555%	416%

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, systems failures, human performance failures or from external events.

Operational risk is naturally present in all of MFC's business activities and incorporates exposures relating to fiduciary breaches, regulatory compliance failures, legal disputes, business disruption, technology failures, processing errors, business integration, theft and fraud, damage to physical assets and employee safety. Exposures can take the form of financial losses, regulatory sanctions or damage to reputation. Effectively managing operational risk is essential to shareholder value growth, delivering on commitments to

customers and safeguarding reputation. While operational risk management has always been viewed as a fundamental activity at MFC, risk management practices for the different components of operational risk are at varying stages of development. Refinements and enhancements in policies and practices are being made as the operational risk environment shifts.

MFC's reputation is one of its most valuable assets and, in today's environment of increased scrutiny by stakeholders, it is vital that it be safeguarded. A loss of reputation is usually a consequence of some other risk control failure and cannot be managed in isolation, but as a by-product of integrated risk management programs. While the CEO and senior executive management are ultimately responsible for the Company's reputation, it is the responsibility of every Company employee and representative to conduct their business activities in a manner that protects and enhances the Company's reputation. This responsibility is clearly detailed and communicated to every executive, officer and employee through the Company's Code of Business Conduct and Ethics.

MFC's strong corporate governance, clearly communicated corporate values emphasizing integrity and ethical conduct as core values to be reflected in every business decision and activity, and integrated approach to managing risk set the foundation for mitigating operational risk. This base is fortified by ensuring appropriate internal controls and systems, together with trained and competent people, are in place throughout the organization. Within established corporate standards that emphasize proactive management practices and define minimum policy and process requirements, business unit general managers are accountable for day-to-day management of operational risk inherent in their operations. Business units and functional areas perform comprehensive risk control self-assessments to identify, document and assess inherent operational risks and effectiveness of internal controls. They regularly monitor key risk indicators that provide early warnings of emerging control issues and proactively modify procedures. Material operational risk exposures and risk management activities are reported to the Corporate Risk Management Committee and Audit and Risk Management Committee quarterly.

Internal Audit independently assesses the effectiveness of risk management policies and internal controls, and oversees the risk control self-assessment program globally. External auditors review the effectiveness of internal controls to the extent necessary to conduct an audit of the Company's financial statements. Both the internal and external auditors report independently to the Audit and Risk Management Committee on the findings of their audits.

Global Compliance oversees the regulatory compliance program, supported by designated compliance officers in every business unit and functional area. The program is designed to ensure compliance with regulatory obligations worldwide, ensuring awareness of the laws and regulations that affect the Company and the risks associated with failing to comply. Global Compliance also independently assesses and monitors the effectiveness of a broad range of regulatory compliance processes and business practices against potential legal, regulatory and reputation risks, and ensures significant issues are escalated and proactively mitigated. The processes and practices include product design, sales and marketing practices, sales compensation practices, asset management practices, fiduciary responsibilities, employment practices, underwriting and claims processing and regulatory filings. With the introduction of Sarbanes-Oxley 404 requirements, new processes are being established to assess and monitor the internal controls related to financial reporting and disclosures.

Technology-related risks are managed through a rigorous systems development protocol and global information security programs. Outsourcing arrangements, whereby a service provider performs a service activity on behalf of the Company, are subject to rigorous review procedures prior to their approval. Comprehensive policies and procedures are in place to monitor the ongoing results and contractual compliance of such arrangements. Global business continuity policies and standards are in place to ensure key business functions can continue and normal operations can resume effectively and efficiently in the event of a major disruption. The program incorporates periodic scenario analysis to validate the assessment of both critical and non-critical units, and the establishment and testing of appropriate business continuity plans for all critical units. Off-site backup facilities are available to minimize recovery time.

MFC's environmental policy reflects the Company's commitment to conducting all of its business activities in a manner that recognizes the need to preserve the quality of the environment, as well as the requirement to be compliant with all applicable environmental laws and regulations. In providing credit to borrowers, or making equity investments in private firms, reasonable steps are taken to ensure counterparties are environmentally responsible. In natural resource management operations, specific policies and procedures are in place to mitigate environmental risks and operate in an environmentally responsible manner. Programs are also in place across the real estate holdings to conserve energy and reduce waste.

Operational risk related to a variety of loss events is further mitigated through the purchase of appropriate amounts of insurance covers, to provide protection against unexpected material losses or to satisfy legal requirements and contractual obligations.

Principal Subsidiaries

The following is a list of the directly and indirectly held major operating subsidiaries of Manulife Financial Corporation.

As at December 31, 2004 (Unaudited, Canadian $ in millions)	**Ownership Percentage**	**Equity Interest**	**Address**	**Description**
MANULIFE FINANCIAL CORPORATION			**Toronto, Canada**	**Publicly traded stock life insurance company**
The Manufacturers Life Insurance Company	100	$ 11,177	Toronto, Canada	Leading Canadian-based financial services company that offers a diverse range of financial protection products and wealth management services
Manulife Holdings (Alberta) Limited	100		Calgary, Canada	Holding company
Manulife Holdings (Delaware) LLC	100			Holding company
The Manufacturers Investment Corporation	100			Holding company
John Hancock Life Insurance Company (U.S.A.) (formerly The Manufacturers Life Insurance Company (U.S.A.))	100			U.S.-based life insurance company that provides individual life insurance, annuities, and group pension products in all states in the U.S. except New York
John Hancock Life Insurance Company of New York (formerly The Manufacturers Life Insurance Company of New York)	100			Provides group pension, individual annuities and life insurance products in the State of New York
John Hancock Investment Management Services, LLC (formerly Manufacturers Securities Services, LLC)	100			Investment advisor
Manulife Reinsurance Limited	100			Provides financial reinsurance
Manulife Holdings (Bermuda) Limited	100		Hamilton, Bermuda	Holding company
Manufacturers P&C Limited	100			Provides property and casualty and financial reinsurance
Manulife International Holdings Limited	100		Hamilton, Bermuda	Holding company
Manulife (International) Limited	100			Life insurance company serving Hong Kong
Manulife-Sinochem Life Insurance Co. Ltd.	51			Chinese life insurance company
Manulife Asset Management (Asia) Limited	100			Holding company
Manulife Asset Management (Hong Kong) Limited	100			Hong Kong investment management and advisory company marketing mutual funds
P.T. Manulife Aset Manajemen Indonesia	85			Indonesian investment management and advisory company marketing mutual funds
Manulife Bank of Canada	100		Waterloo, Canada	Provides integrated banking products and service options not available from an insurance company
Manulife Canada Ltd.	100		Waterloo, Canada	Canadian life insurance company
FNA Financial Inc.	100		Toronto, Canada	Holding company
Elliott & Page Limited	100			Investment counseling, portfolio and mutual fund management in Canada
First North American Insurance Company	100		Toronto, Canada	Canadian property and casualty insurance company

NAL Resources Management Limited	100	Calgary, Canada	Management company for oil and gas properties
Manulife Securities International Ltd.	100	Waterloo, Canada	Mutual fund dealer for Canadian operations
Regional Power Inc.	83.5	Montreal, Canada	Operator of hydro-electric power projects
MLI Resources Inc.	100	Calgary, Canada	Holding company for oil and gas assets and Japanese operations
Manulife Life Insurance Company	100		Japanese life insurance company
P.T. Asuransi Jiwa Manulife Indonesia	71	Jakarta, Indonesia	Indonesian life insurance company
The Manufacturers Life Insurance Co. (Phils.), Inc.	100	Manila, Philippines	Filipino life insurance company
Manulife (Singapore) Pte. Ltd.	100	Singapore	Singaporean life insurance company
Manulife (Vietnam) Limited	100	Ho Chi Minh City, Vietnam	Vietnamese life insurance company
Interlife John Hancock Assurance Public Company Limited	95	Bangkok, Thailand	Thai life insurance company
Manulife Europe Ruckversicherungs-Aktiengesellschaft	100	Cologne, Germany	European property and casualty reinsurance company
MFC Global Fund Management (Europe) Limited	100	London, England	Investment management company for Manulife Financial's international funds
Manulife Alberta Limited	100	Calgary, Canada	Holding company for European financing subsidiary
MREFCP Trust	100	Toronto, Canada	Real estate trust

As at December 31, 2004 (Unaudited, Canadian $ in millions)	Ownership Percentage	Equity Interest	Address	Description
MANULIFE FINANCIAL CORPORATION			**Toronto, Canada**	**Publicly traded stock life insurance company**
John Hancock Holdings (Delaware) LLC	100	$12,803	Wilmington, Delaware, U.S.A.	Holding company
John Hancock Financial Services, Inc.	100		Boston, Massachusetts, U.S.A.	Holding company
John Hancock Life Insurance Company	100		Boston, Massachusetts, U.S.A.	Leading U.S.-based financial services company that offers a diverse range of financial protection products and wealth management services
John Hancock Variable Life Insurance Company	100			U.S.-based life insurance company that provides variable and universal life insurance policies, and annuity products in all states in the U.S. except New York
P.T. Asuransi Jiwa John Hancock Indonesia	100			Indonesian life insurance company
Independence Declaration Holdings LLC	100			Holding company
Declaration Management & Research LLC	100			Provides institutional investment advisory services
John Hancock Subsidiaries LLC	100			Holding company
John Hancock Financial Network, Inc.	100			Financial services distribution organization
The Berkeley Financial Group, LLC	100			Holding company
John Hancock Funds LLC	100			Mutual fund company
Hancock Natural Resource Group, Inc.	100			Manager of globally diversified timberland portfolios for public and corporate pension plans, high net-worth individuals, foundations and endowments
Independence Management Holdings LLC	100			Holding company
Independence Investment LLC	100			Provides institutional investment advisory services
First Signature Bank & Trust Company	100		Portsmouth, New Hampshire, U.S.A.	New Hampshire bank
John Hancock International, Inc.	100		Boston, Massachusetts, U.S.A.	Holding company
John Hancock TiAnan Life Insurance Company	50			Chinese life insurance company
John Hancock Canadian Holdings Limited	100		Halifax, Canada	Holding company
Old Maritime Corporation	100			Holding company

Manulife Financial
Code of Business Conduct and Ethics

As amended to February 10, 2005

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OVERVIEW

The Manulife Financial Code of Business Conduct and Ethics (the “Code”) reaffirms the Company’s commitment to ethical conduct and its practice of complying with all applicable laws and avoiding potential or actual conflicts of interest. We should all be thoroughly familiar with its provisions and conduct ourselves according to both the letter and the spirit of the Code. With a long tradition of uncompromising dedication to the highest standards of business conduct, Manulife enjoys a reputation of unquestioned integrity and honesty. That reputation is among our most valuable assets and we must protect it.

The Code is organized into eight main sections:

I. Why Ethics Matter

This section outlines the Code’s purpose, its application and the way to handle specific questions and concerns under the Code including those relating to accounting and auditing matters.

II. Living Manulife Financial’s Values

This section spells out Manulife’s corporate values. As these values guide every aspect of the Company’s life, it is the obligation of every Manulife employee, officer, director, agent and representative to be familiar with, and vigilant about, the application of the Code to our day-to-day operations.

III. Ethics in the Workplace

Principles of fairness, professionalism and safety in the workplace are articulated in this section.

IV. Ethics in Your Business Relationships

The critical issues addressed in this section include fairness and honesty in our interactions with customers, compliance with applicable laws, and the special concerns that can arise when giving gifts to government officials. In addition, lobbying and campaign finance issues, certain antitrust concerns and the manner in which media inquiries should be handled are also discussed.

V. Conflicts of Interest

One of the main issues dealt with in the Code is how to avoid conflicts of interest. This section addresses conflicts which may arise in a variety of situations, including the giving and receiving of gifts; participating in Company transactions that could potentially benefit an employee, officer, director, agent or representative; hiring family members; and outside employment. The section also addresses the treatment of inside information, the prohibition on insider trading, the protection of Company opportunities and the proper use of the Company name.

VI. Handling Information

This section discusses the need to avoid inappropriate disclosure of information received by the Company to ensure that the privacy of our applicants, policyholders, claimants, borrowers, employees, representatives and investors is protected. The section also addresses our duty to maintain accurate records and to comply with disclosure and intellectual property laws. Finally, there is a discussion on the use of Company communications systems, including email, telephone, and Internet access, as well as the prohibition on the unauthorized disclosure of Company information via Internet chat rooms, blogs (weblogs used to express personal opinions) and other electronic means.

VII. Ethics and the Law

The need to know and comply with all applicable laws, rules and regulations, including the obligation to cooperate with internal and external investigations is discussed in this section. As well, the duty to report fraud, theft and other dishonest conduct is also stressed.

VIII. Code of Business Conduct and Ethics Certification and Conflict of Interest Disclosure Statement

This section contains the certification form through which all employees, officers and directors must certify that they have read, reviewed and are in compliance with the terms of the Code.

I — Why Ethics Matter

At Manulife Financial we value our good name and strive to maintain high standards of integrity in everything we do.

WHY ETHICS MATTER TO YOU AND THE COMPANY

Operating in an ethical manner is essential to our success. Our customers, investors and other stakeholders rely on us to be honest and fair. We must behave ethically in the communities where we operate in order to maintain the confidence of all of our stakeholders and ultimately to keep their business. It is in our best interest to set high standards for ourselves at all times and to align ourselves with agents and representatives, suppliers and business associates who have similar high standards of business conduct.

THE PURPOSE OF THIS CODE

This Code provides standards for ethical behaviour when representing the Company and when dealing with employees, field representatives, customers, investors, external suppliers, competitors, government authorities and the public.

APPLICATION OF THE CODE

Manulife Financial's Code of Business Conduct and Ethics applies to directors, officers and employees of Manulife Financial Corporation ("MFC"), its subsidiaries and controlled affiliates. Sales representatives and third party business associates are also expected to abide by all applicable provisions of the Code and adhere to the principles and values set out in the Code when representing Manulife to the public or performing services for or on behalf of Manulife. For purposes of this Code, "Manulife Financial," "Manulife" or the "Company" means MFC and its subsidiaries and controlled affiliates, including the John Hancock group of companies. This Code is available on the Company's web site and on MFCentral, and is also available in print upon request.

Any waiver of the Code will be granted only in very exceptional circumstances. Any waiver for executive officers and directors of MFC will be granted only upon approval by the MFC Board of Directors or Board Committee and will be disclosed promptly as required by law or stock exchange regulation. Any waiver for officers, employees, representatives or other associates of Manulife Financial will be granted only upon appropriate management or senior management level approval.

At the end of each section is a list of related Company policies you should refer to for more information. These Company policies should be consulted to determine their applicability to any given division, subsidiary or affiliate. There is also a list of these policies in section VIII of this Code, in addition to a copy of the Company's Code of Business Conduct and Ethics Certification and Conflict of Interest Disclosure Statement.

What if someone violates this Code?

All our activities must be able to withstand close scrutiny. To protect Manulife Financial's good name, the Company may discipline and/or terminate its relationship or affiliation with any director, officer, employee, representative, associate or supplier who breaches this Code or any related Company policy. If violating the Code also violates the law, you will be subject to prosecution.

Where to go for help

It is critical that all of us who represent Manulife Financial, its subsidiaries and controlled affiliates use good judgment and common sense. It is the best way to ensure that our Company continues to meet high standards of business conduct. Since we cannot anticipate every situation that will arise, it is important that we have a way to approach questions and concerns. Always ask first, act later. If you are unsure of what to do in any situation, seek guidance before you act.

Speak to your manager, a member of the Human Resources Department or Law Department or your divisional compliance officer if you have:

- Doubts about a particular situation;
- Questions or concerns about a business practice; or
- Questions about potential conflicts of interest

You may report suspected or potential illegal or unethical behaviour without fear of retaliation. The Company does not permit retaliation of any kind for good faith reports of illegal or unethical behaviour.

Concerns about potential or suspected illegal or unethical behaviour should be referred to a member of the Human Resources or Law Department. The appropriate contact persons are identified on MFCentral.

In Canada and the U.S., unethical, unprofessional, illegal, fraudulent or other questionable behaviour may also be reported by calling a confidential toll free Ethics Line at 800-333-9229.

If you feel that your questions or concerns have not been appropriately addressed, you should direct your complaint to the Global Chief of Compliance or the General Counsel, whose contact information is on MFCentral.

Members of MFC's Board of Directors should direct any questions or concerns about this Code, its scope or applicability, to the General Counsel. In addition, to maintain the independence of MFC's Board of Directors, the Board of Directors and its Committees may retain outside advisors as they deem necessary. Individual directors may also retain outside advisors, at the Company's expense, to provide advice on any matter before the Board or a Board Committee with the prior approval of the Corporate Governance & Nominating Committee.

Where to go for help — Reporting Accounting and Auditing Complaints/Concerns

Concerns Submitted By Directors, Officers, Employees, Representatives And Other Associates:

Directors, officers, employees, representatives and other associates who have accounting and auditing concerns that they believe have not been properly addressed, should forward these concerns to MFC's Corporate Secretary in a sealed envelope addressed to the Chair of the Audit Committee care of the Corporate Secretary through interoffice mail or at the Company's head office. These concerns may be forwarded on an anonymous basis. The envelope should be marked "Confidential Internal Manulife Concern." The Corporate Secretary will then forward the sealed envelope to the Audit Committee Chair. In addition, accounting and auditing concerns may be reported to MFC's Corporate Secretary on a named basis by emailing the Corporate Secretary. As with the paper submissions, the Corporate Secretary will refer all such reports to the Chair of the Audit Committee.

In Canada and the U.S., accounting and auditing concerns may also be reported by calling the confidential toll free Ethics Line at 800-333-9229. Concerns related to auditing and accounting matters will be forwarded to MFC's Audit Committee by the Corporate Secretary.

Complaints Submitted By the Public:

All complaints or submissions by the public regarding accounting, accounting controls and auditing matters should be sent to MFC's Corporate Secretary at the Company's head office. The Corporate Secretary will then forward the complaint or submission to the Chair of the Audit Committee.

Following a review of the complaint or concern, the Audit Committee Chair, where appropriate, will take steps to have the matter investigated and, if warranted, will request that the Board and management implement corrective measures.

The Company will periodically review these procedures and may amend them as appropriate.

Quick ethics quiz

While a code of conduct can provide the general rules, it cannot cover every situation. Ethics sometimes comes down to a personal decision. To help you make the right choice, ask yourself the following questions:

- Is this legal? Is it fair?
- Would I want other people to know I did it?
- How would I feel if I read about it in the newspaper?
- How will I feel about myself if I do it?
- What would I tell my child or a close friend to do in a similar situation?

II — Living Manulife Financial's Values

At Manulife Financial, our values guide everything we do, whether it's strategic planning, day-to-day decision making or the way we treat customers and others with a stake in the Company. These values are embodied in P.R.I.D.E.:

Professionalism

We will be recognized as having the highest professional standards. Our employees and representatives will possess superior knowledge and skills for the benefit of our customers, investors and other stakeholders. Our professionalism will show in every aspect of our business conduct, including behaviour, language, appearance and attire.

Real value to our customers

We are here to satisfy our customers. By providing the highest quality products, services, advice and sustainable value, we will ensure our customers receive excellent solutions to meet their individual needs.

Integrity

All of our dealings are characterized by the highest levels of honesty and fairness. We develop trust by maintaining the highest ethical practices.

Demonstrated financial strength

Our customers, investors and other stakeholders depend on us to be here in the future to meet our financial promises. We earn this faith by maintaining uncompromised claims paying ability, a healthy earnings stream, and superior investment performance results, consistent with a prudent investment management philosophy.

Employer of choice

Our employees will determine our future success. In order to attract and retain the best and brightest employees, we will invest in the development of our human resources and reward superior performance.

III — Ethics in the Workplace

We cannot have a positive and productive workplace unless we treat each other with respect and trust. Each of us has to help create and maintain a healthy, secure environment that values employee contributions and encourages learning.

REWARD PERFORMANCE AND ABILITY

At Manulife Financial, we value diversity and treat all individuals with dignity. We hire and promote employees on the basis of ability and reward them on the basis of performance. We respect individual rights to privacy and comply with employment laws at all times.

TREAT OTHERS WITH RESPECT

We must give co-workers the same respect and service we give customers. When we communicate with each other within the organization, we need to be open and honest. It's one way to ensure quality in everything we do. The Company will not tolerate discrimination or harassment in the workplace. Furthermore, abusive, threatening and violent behaviour are strictly prohibited.

KEEP YOUR WORKPLACE SAFE

Manulife Financial must provide a safe and healthy work environment for all employees. Protection of employees from injury or occupational illness is a significant ongoing commitment on the part of the Company. This commitment to health and safety involves co-operation and support of every manager and employee of the Company. You have a responsibility to help ensure the Company is complying with health, safety and environmental laws and regulations by reporting accidents, potential hazards and other concerns immediately to your manager or the facilities management in your area.

KEEP YOUR WORKPLACE SECURE

It is critical that we protect both individual and Company property and assets. While Manulife Financial takes security measures, we must all be part of the process. If you know of any situation or incident that could lead to the loss, misuse or theft of Company or individual property, report it immediately to a manager or security personnel.

BEHAVE PROFESSIONALLY AT ALL TIMES

It is important to behave responsibly when representing Manulife Financial or attending Company events. You must represent the Company in a positive manner when dealing with clients and potential clients, and in all business activities. It is expected that those who choose to drink alcohol at Company or employee-sponsored events will do so in moderation.

For more guidance

See the following related policies:

- Accommodation Policy
- Diversity and Harassment Policies
- Alcohol Consumption Policy
- Occupational Health and Safety Policy

IV — Ethics in Your Business Relationships

Our business depends on sound relationships with customers, the community, other organizations and our stakeholders. We maintain these relationships by taking extra care when giving or receiving gifts, when producing materials for customers and others and when sharing information with outside individuals and organizations.

TREAT OTHERS HONESTLY AND FAIRLY

We must treat customers with high standards of honesty, fairness and courtesy. Customers must be able to voice their concerns easily and we must deal with complaints and disputes fairly and quickly.

We seek to outperform our competitors fairly and honestly. We seek competitive advantage through superior performance, never through unethical or illegal business practices.

The materials we provide to customers, investors and other stakeholders must meet high standards of professionalism. Advertising and sales materials must be factual, easy to understand and based on the principles of fair dealing and good faith. All promotional efforts, illustrations of products and marketing concepts must be factual.

All directors, officers, employees, representatives and other associates of the Company must be careful not to mislead customers, investors or other stakeholders about the financial status, products or services of the Company or its competitors. We must never make statements about competitors that are untrue. We must never make promises the Company cannot keep. No director, officer, employee, representative or other associate of the Company should take unfair advantage of anyone, including customers, investors, other stakeholders, suppliers or competitors. Taking unfair advantage includes manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair-dealing practice.

Also, no officer or employee may condition the sale of one product or service on the purchase or sale of a separate product or service or otherwise force the buyer into accepting the purchase of both products or services. These so-called “tie-in” sales are illegal in many jurisdictions and are best avoided by offering distinct products separately and marketing each on its own merits.

COMPLY WITH LOCAL LAWS

To be professional, we must follow our corporate standards of ethical business conduct while appreciating the cultures and business customs of the countries and communities in which we operate. We must ensure compliance with applicable laws, rules and regulations in the jurisdictions where we do business.

TAKE CARE IN GOVERNMENT AND POLITICAL DEALINGS

We must take special care to use our corporate positions responsibly when dealing with government agencies and representatives. This is especially true in relation to the political process. It is important that we comply with all laws and regulations that apply when offering to provide entertainment, meals, gifts, gratuities and other items of value to any employee or representative of federal, provincial, state, or local governments or when accepting such items of value from any employee or representative of federal, provincial, state or local governments.

While the Company expresses views on local and national issues that affect its operations, we cannot represent ourselves as Company spokespeople without proper authorization. Questions in this regard should be referred to the Global Chief of Compliance.

The Company respects and supports the right of every individual to participate in the political process. However, the Company will not provide reimbursement for any political contributions made by any individual. The Company's general policy is that it will not make any political contributions. No officer or employee may make or authorize any payment by or on behalf of the Company to any political party, organization, committee, candidate or public official or in connection with any political caucus, convention or election, except as permitted by law and approved by the divisional government relations chief and the Law Department. Under applicable laws, prohibited Company contributions and expenditures include the donation of Company funds, the use of Company facilities, including office space and equipment, as well as the donation of the services of Company employees to the campaign committee of a candidate.

The giving of gifts to, or the payment of expenses for, or on behalf of, public officials is governed by a complicated array of regulations, which vary from jurisdiction to jurisdiction. Before making any expenditures for, or on behalf of, public officials you must contact your divisional government relations chief for clearance unless the expenditure conforms to written guidance received from Government Relations or the Law Department.

You must not engage in any lobbying activities on behalf of the Company unless you first obtain specific authorization from your divisional government relations chief.

In addition, no officer or employee may make or authorize any payment or transfer of anything of value to any foreign public official except as may be permitted by applicable law and approved by the Law Department.

SHARE INFORMATION RESPONSIBLY WITH INDUSTRY GROUPS AND OTHERS

Memberships in business organizations can increase the effectiveness of individuals, the Company and our industry. The Company encourages membership in such organizations, especially those that strive to improve the industry.

It is a normal part of these memberships to share aggregated, statistical and policy information. However, we need to ensure that we do not exchange confidential corporate information that could jeopardize the Company's competitive position. We must also take care not to violate the confidentiality or privacy that customers, investors, employees, representatives, distributors, suppliers and others legitimately expect.

In addition, the Company is subject to antitrust and trade regulation laws in many jurisdictions. Generally, these laws prohibit discussions, agreements or understandings with any competitor that relate to pricing, customers, products, services, territory allocation or a boycott or refusal to deal with any third party. Company representatives whose duties bring them in contact with representatives of competing companies must be especially cautious. If sensitive information is raised by a competitor in the presence of a Company representative, every reasonable effort must be made to terminate the conversation and the Company representative should promptly report the incident to the Law Department. When participating in any exchange of information with competitors, including any statistical survey, advice from the Law Department should be sought.

REFER MEDIA QUESTIONS TO COMMUNICATIONS DEPARTMENTS

The media play an important role in helping inform the public about Manulife Financial, its products and services. Communications departments within each division or geographic location are responsible for communicating official Company positions to the media. You must direct all media inquiries to these departments.

CHOOSE SUPPLIERS THROUGH FAIR COMPETITION

Manulife Financial is committed to fair competition in all its dealings with suppliers. It is important to communicate the Company's requirements clearly and uniformly to all potential suppliers. Choose suppliers on the basis of merit, competitiveness, price, reliability and reputation.

If a supplier asks you to endorse a product or service using the Company name or your position as a Company representative, direct the request to the Executive Vice President or Senior Vice President of your division or geographic location.

You must not suggest or imply to a supplier that the Company's patronage depends on the supplier becoming a customer or on the supplier continuing to make purchases from the Company.

For more guidance

See the following sections in this Code:

- Conflicts of Interest
- Handling Information
- Ethics and the Law

V — Conflicts of Interest

A “conflict of interest” occurs when your private interest interferes in any way with the interests of the Company. A conflict situation can arise when you take actions or have interests that make it difficult to perform Company work objectively and effectively. It is also a conflict if outside activities affect your judgment to act in the best interest of customers, investors and other stakeholders.

Conflicts of interest damage the trust between you, the public and the Company. Moreover, even the appearance of a conflict may be harmful to the Company. We must all be vigilant in this regard, and all interactions, relationships or situations that could reasonably give rise to the appearance of a conflict should be avoided.

To help prevent conflicts, you must complete the Code of Business Conduct and Ethics Certification and Conflict of Interest Disclosure Statement. You are responsible for updating the statement as your circumstances change. Directors and officers of MFC are required by law to disclose conflicts of interests in material agreements and transactions entered into by the Company. For further guidance, MFC directors and corporate officers should review the MFC Conflict of Interest Rules for Directors and Officers.

If a conflict of interest or a potential conflict arises, report it immediately. If you need advice, consult the procedures described in the section of this Code titled “Where to go for help”. The following are some of the most common areas of potential conflict, but the most reliable guideline is your own common sense.

DEAL AT ARM’S LENGTH WITH SUPPLIERS

You must not be associated in any way with agreements between the Company and suppliers in which you or a member of your immediate family have an interest or which might result in your or your family member’s personal gain.

BRIBERY AND KICKBACKS ARE PROHIBITED

Manulife Financial does not allow unfair business practices such as rebating, bribery or kickbacks. These practices are against Company policy in all places where we conduct business.

BE CAREFUL ABOUT GIFTS

Offers of gifts and entertainment are courtesies common among business partners. However, offering or accepting gifts, entertainment or other benefits can be mistaken for improper payments. For this reason, the guidelines below must be followed.

Officers and employees or their family members must not receive money or any item of value from any third party in connection with the officer’s or employee’s participation in any Company transaction. Officer compensation, other than Company wages, bonus, pension or benefits, may be regulated by law and requires approval by a Division Head.

Company officers may not have any interest in commissions or other compensation based on premiums or consideration payable to the Company on any policy or contract of insurance unless the policy or contract was written and effective prior to the officer’s appointment.

In addition to the rules noted below, directors, officers and employees must not receive from, or give any gift or form of entertainment to, anyone with whom the Company has or is likely to have any business dealings, if the gift or entertainment could reasonably be perceived as an attempt to influence the recipients' judgment in carrying out their duties to the Company or their employer. If the suitability of a gift or entertainment is questionable, employees should consult with their Division Head or the Law Department, while MFC directors should forward inquiries to the General Counsel.

Public Officials: Please note that gifts or entertainment provided to public officials are covered in the section titled "Take Care In Government and Political Dealings."

Insurance Customers or Prospects: Gifts or entertainment, including promotional items, are subject to insurance anti-rebating and inducement laws governing the sale of insurance and annuity products. Questions regarding the application of these laws should be directed to your divisional compliance officer.

Sales and Related Activities: Specialized rules and regulations apply to sales activities. In the U.S. NASD rules govern the receipt and giving of gifts involving registered representatives or broker-dealers. Questions regarding the applicability of these sales-related rules and regulations should be directed to your divisional compliance officer.

BE CAREFUL ABOUT PERSONAL BENEFITS

Conflicts of interest may arise if you receive, or a member of your family receives, a personal benefit as a result of your position in the Company. All such personal benefits, including loans and guarantees of obligations from the Company, must be disclosed on the Company's Code of Business Conduct and Ethics Certification and Conflict of Interest Disclosure Statement and approved by the Company. Personal loans to executive officers are prohibited unless specifically permitted by law.

Involvement in Investment Decisions Requiring Disclosure: Manulife Financial directors, officers and employees shall not recommend or participate in any Company investment decision involving an entity in which they or any of their family members have a financial interest, unless the existence of such interest has been properly disclosed to their superiors and to those involved in all stages of the approval process. Individual divisions and business units may determine a minimum threshold below which disclosure is not required, with the approval of the divisional compliance officer. MFC directors and corporate officers should also review MFC's Conflict of Interest Rules for Directors and Officers.

FOLLOW COMPANY POLICY ABOUT HIRING FAMILY

In some situations, hiring or managing family members can lead to conflicts of interest, unethical employment practices and the appearance of special treatment. Family members must not be in positions that put them under or give them direct or indirect supervisory authority of another family member. Family members include spouse (as defined for benefit purposes), children, grandchildren, siblings, parents, grandparents, aunts, uncles, nieces, nephews, and in-law relationships. This applies to all employment, including full-time and part-time regular status, contract and summer student hiring. All hiring within Manulife must be conducted by Divisional Staffing areas.

INVEST IN AN ETHICAL MANNER

Directors, officers and employees must strictly follow all laws and regulations affecting investment. It is unethical and illegal for directors, officers and employees to buy or sell Manulife Financial securities with the benefit of material information that has not been publicly disclosed about the Company or its affiliates or to inform another person, except as permitted by law, of material information that has not been publicly disclosed. In addition, it is unethical and may be illegal to buy or sell securities of another company with the benefit of your knowledge of the Company's investment intentions or any material information that has not been publicly disclosed about that company.

Directors, officers and employees must also be cautious of potentially being in a conflict of interest where they wish to make an investment in a business entity which they know transacts business with Manulife or in which Manulife has made an investment.

For questions relating to the handling of inside information and/or the trading of Company securities or derivatives you should refer to MFC's Insider Trading and Reporting Policy.

WORKING FOR COMPETITORS MAY JEOPARDIZE THE COMPANY

Unless your superior or the Board of Directors has given prior written approval, no Manulife Financial director, officer or employee may work for any organization that competes with the Company or that has a business relationship with the Company. That includes serving as a director, officer, trustee, partner, employee, consultant or agent. In addition, no officer or employee may serve as a director of any enterprise with publicly traded securities without first obtaining written approval from the Law Department.

USE CAUTION REGARDING OUTSIDE POSITIONS

Outside work or financial involvement in external organizations can lead to conflicts of interest. Such involvement could interfere with your ability to give objective, full-time attention to your work with Manulife Financial or could damage the Company's image. You must not engage in any other employment or take any civic, government or political position that would hamper your performance or your judgment to act in the Company's best interest. You may sell merchandise on Company property only with the authorization of your manager or a Human Resources representative.

PROTECT CORPORATE OPPORTUNITIES

Directors, officers, employees, representatives and other associates are prohibited from (a) benefiting from opportunities that are discovered through the use of Company property, information or position; (b) using Company property, information or position for personal gain; and (c) competing with the Company. You owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises.

PROTECT THE COMPANY'S NAME AND ASSETS

The name Manulife Financial must be used only for authorized Company business and never for personal activities. Do not identify yourself with the Company while pursuing personal, political or not-for-profit activities, unless you obtain the Company's authorization first.

Each director, officer, employee, representative or other associate entrusted with access to or control over Company transactions and assets must ensure that each use, acquisition or disposition of an asset by a person on behalf of the Company is undertaken with the general or specific authorization of management and is accurately and fairly recorded in reasonable detail in the Company's books of account and record.

We all share a responsibility to protect Company assets. Company time, property and services, including assets such as stationery, computers and mail services, may not be used for personal activities, except as permitted by Company policies, unless you have your manager's specific approval. Personal activities include political and charitable causes. You may not remove or borrow Company property without permission. Report any misuse of Company assets to your manager or the Audit Services Department.

For more guidance

See the following related policies:

- Real Estate Division Code of Conduct and Compliance
- Code of Ethics for Personal Investing
- Staffing Policy
- MFC's Insider Trading and Reporting Policy
- Subsidiary or divisional Codes of Ethics and insider trading policies

VI — Handling Information

Information is one of the Company's most vital assets. Confidential information includes all non-public information that might be of use to competitors or harmful to the Company or our customers and other stakeholders if disclosed. It is important that you understand how sensitive this information is and how significant it is for competitiveness and individual privacy.

PROTECT PERSONAL AND CONFIDENTIAL INFORMATION

In the course of regular business, we collect a substantial amount of information about our applicants, policyholders, claimants, borrowers, employees, representatives and investors. We must handle this information with the greatest care to merit their confidence and protect their privacy.

Personal information must be kept secure, in confidence and used only for the purposes for which it was collected. It may be disclosed to those who have a right to the information or when the law requires disclosure.

Confidential information about the Company itself must also be protected. Information about the Company is confidential if it is not generally available to the public. Examples are financial results before they are announced, business plans, business forecasts, strategic initiatives, proposed acquisitions or divestitures and current or proposed products. If you have access to confidential information as a result of your job, you must use every precaution to keep it confidential. It is important to use discretion when discussing Company business in public places such as restaurants and airplanes, or when using public or cellular phones, the Internet and fax machines. If you are required for legitimate business purposes to disclose confidential information to any person outside the Company, authorization must be obtained from your manager.

You have a duty to protect both personal and confidential information even after you leave your employment with the Company. In this regard, you must not take any Manulife files with you when you leave the Company.

FOLLOW DISCLOSURE REQUIREMENTS

Manulife is required to make disclosures on a timely and broadly disseminated basis and without being unduly optimistic on prospects for future company performance. The key principles of disclosure are:

- All materials must be broadly disseminated in a timely manner.
- Disclosure must be full, fair, understandable and accurate and avoid any misrepresentation of the Company and its finances.
- Disclosure must be accomplished consistently during both good times and bad.
- All legitimate requests for information should be treated equally.

Employees must refer all inquiries from the financial community, shareholders and media to an authorized spokesperson.

RESPECT COPYRIGHTED MATERIALS

Copyright laws protect many materials you use in the course of your work as an employee or representative of Manulife Financial. A few examples are computer software, books, audio and videotapes, trade journals and magazines. There may also be a copyright on presentation slides, training materials, management models and problem-solving frameworks produced by outside consultants. It is illegal to reproduce, distribute or alter copyrighted material without the permission of the copyright owner or authorized agent.

You must also comply with the copyrights on software installed on your office computer and on network computer storage areas you control. You may not copy, install or otherwise use software in a manner that violates the license agreement for that software.

KEEP FULL AND ACCURATE RECORDS

The Company needs full and accurate records to meet its legal and financial obligations and to manage its business properly. All Company books, financial reports, expense accounts, time sheets, administrative records and other similar documents must be completed accurately, honestly and in accordance with Company procedures. Making false, fictitious or inappropriate entries with respect to any transaction of the Company or the disposition of any of the Company's assets is prohibited, and no director, officer, employee, representative or other associate may engage in any transaction that requires or contemplates the making of false, fictitious or inappropriate entries. You are responsible for the accuracy and completeness of any reports or records you create or maintain. Undisclosed or unrecorded assets, liabilities, revenues or expenses are prohibited.

Furthermore, all directors, officers, employees, representatives and other associates must comply with the Company's records management policies. These policies describe how long documents and records (whether in print or electronic form) must be maintained in order to facilitate the Company's ongoing operations and to satisfy financial, legal and regulatory retention requirements. These policies also provide directions for the proper disposal of records that have been kept for the required periods. In accordance with these policies, in the event of litigation or governmental investigation, please consult the Law Department.

USE COMMUNICATIONS SYSTEMS FOR BUSINESS

Company communications systems are for Company business. This includes all computer, telecommunications and word processing equipment the Company owns or leases as well as all remote computing services used by the Company, including the Internet. Occasional, limited, appropriate personal use of Company communication systems is permitted when the use does not:

- interfere with the user's work performance;
- distract other individuals from their job responsibilities;
- unduly impact the operation of Company systems or processes; or
- violate any provisions of this Code or any other Company policy.

Manulife Financial prohibits employees from participating in Internet chat rooms, newsgroups or "blogs" (weblogs used to express personal opinions) that relate to the Company, its business or securities, using Company communication systems or otherwise.

All Manulife Financial electronic mail and voice mail systems (including data on these systems), Internet access and computers are the Company's property. Authorized employees may periodically check these systems to correct network problems and to ensure they are being properly used and secure. You cannot expect any personal privacy for communications that you send, receive or store on these systems.

For more guidance

See the following sections in this Code:

- Ethics in your Business Relationships
- Conflicts of Interest
- Ethics and the Law

See the following related policies:

- Disclosure Policy
- Electronic Communications Disclosure Guidelines
- the **Information Security Management Program database for:**
  - Information Security Program
  - Internet Use Policy & the Internet Use Policy FAQ
  - Information Classification & Handling Standards
- Privacy Code
- Records Management Policy

VII — Ethics and the Law

Manulife Financial is committed to operating within the laws and regulations of every jurisdiction in which it operates.

KNOW AND COMPLY WITH THE LAW

You should obtain an understanding of the laws that affect your work. Make sure your business conduct complies with those laws. Report violations quickly and manage them properly if they occur in an area you manage.

A formal compliance management program is in place at Manulife Financial. It is designed to promote consistent management and monitoring of compliance with laws and regulations in all Company operations. If you have a concern relating to compliance, consult the procedures described in the section of this Code titled “Where to go for help”.

If you belong to a professional association, you are also expected to abide by that association’s governing rules of professional responsibility and conduct.

MANAGE ASSETS PROPERLY

Customers expect that the money they entrust to the Company will be handled responsibly. If you have access to customer funds, you must make sure customer funds are handled in a trustworthy manner. Every division has procedures and standards to help protect and account for all funds under management and to prevent carelessness, fraud or dishonesty.

IDENTIFY AND REPORT FRAUD AND THEFT

As a provider of financial services, Manulife Financial is vulnerable to loss from dishonesty and fraud. Fraud can take many forms, such as mishandling of money, theft of cash or property, money laundering, terrorist financing, misrepresentation and falsification or forgery of documents.

Dishonesty, combining personal and business funds, and fraud are all illegal. It is management’s responsibility to ensure there are proper internal controls to deter and detect fraud and other dishonest activities, but everyone in the Company must help. If you are aware of any suspicious activity, you have a duty to report it immediately to your manager and the Audit Services Department or divisional Special Investigation Unit, where applicable. Furthermore, you have a duty to cooperate with any investigations pertaining to Company matters.

REPORTING ANY ILLEGAL OR UNETHICAL BEHAVIOUR

You are encouraged to talk to appropriate personnel about suspected or potential illegal or unethical behaviour or when you are in doubt about the best course of action in a particular situation. Consult the procedures described in the section of this Code titled “Where to go for help” on reporting any suspected or potential illegal or unethical behaviour. It is the policy of the Company not to allow retaliation for reports of misconduct by others made in good faith. Directors, officers, employees, representatives and other associates are expected to cooperate in internal investigations of misconduct.

For more guidance

See the following sections in this Code:

- Ethics in your Business Relationships
- Conflicts of Interest
- Handling Information

See the following related policies:

- Anti-Fraud Policy
- Regulatory Compliance Management Policy
- Anti-Money Laundering Policy

VIII — A Final Word

Manulife Financial's reputation is the result of more than 100 years of dedication, quality service and ethical dealings. Keeping our good reputation depends directly on the decisions you make every day.

This Code of Business Conduct and Ethics provides standards and sets high expectations for directors, officers, employees, representatives, suppliers and other associates. However, as emphasized in the Code, your own good judgment is most important in ensuring that Manulife Financial remains an ethical company.

OTHER POLICY DOCUMENTS

The Company has related policies to help you deal with ethical issues. The following policies are corporate in nature and are intended to apply worldwide, unless local laws and regulations mandate otherwise, or similar Company approved policies have been implemented:

- Anti-Fraud Policy
- Anti-Money Laundering Policy
- Regulatory Compliance Management Policy
- Disclosure Policy
- Diversity and Harassment Policies
- Electronic Communications Disclosure Guidelines
- the Information Security Management Program Database including:
  (i) Internet Use Policy & the Internet Use Policy FAQ
  (ii) Information Classification & Handling Standards
- MFC's Insider Trading and Reporting Policy
- Privacy Code
- Protocol for Receipt and Treatment of Complaints Regarding Accounting or Auditing Matters
- Records Management Policy
- Staffing Policy

Also, please refer to your division for divisional or subsidiary policies such as:

- Accommodation Policy
- Agent Code of Conduct
- Alcohol Consumption Policy
- Code of Ethics for Personal Investing
- Occupational Health and Safety Policy
- Real Estate Division Code of Conduct and Compliance
- Travel and Entertainment Policy
- Subsidiary or divisional Codes of Ethics and insider trading policies

In North America, you can access many of these policies on MFCentral. In addition, you may contact your Human Resources Department or your divisional compliance officer for copies of these policies.

MANULIFE FINANCIAL

CODE OF BUSINESS CONDUCT AND ETHICS CERTIFICATION
and
CONFLICT OF INTEREST DISCLOSURE STATEMENT

I. I am currently involved in the following outside activities (please list activities *or* indicate 'none'):

1. Charitable, civic, and trade association activities

2. Second jobs or other commercial activities

3. Outside Directorships

II. I certify that I have recently read and reviewed the Manulife Financial Code of Business Conduct and Ethics (the "Code"). I understand the Code and my responsibility to comply with it and the penalties for non-compliance.

I further certify that (please check if true *or* disclose exception details below):

- o I am in full compliance with the Code;
- o I have no actual or potential conflicts of interest;
  (for guidance on what is a "conflict of interest", please see section V — Conflicts of Interest)
- o I have fully and accurately completed this Certification; and
- o I understand that I have a continuing obligation to update the information in this Certification and Conflict of Interest Disclosure Statement as my circumstances change.

Exceptions:
(please describe fully any exceptions to the above)

Signature	Date (mmm/dd/yyyy)
Full Name	Business Title
Company	

SAMPLE