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, 2005

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 02210-2805
(617) 663-3000

(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:

Common Shares	792,057,203
Class A Shares, Series 1	14,000,000
Class A Shares, Series 2	14,000,000

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, 2006, for the fiscal year ended December 31, 2005;

(b) Management's Discussion and Analysis for the fiscal year ended December 31, 2005; and

(c) Consolidated Financial Statements for the fiscal year ended December 31, 2005 *(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, 2005, 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 control over financial reporting (as defined in Rule 13a-15(e) of the Exchange Act) 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 the Company has determined that each of Messrs. 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 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" in the Company's Renewal Annual Information Form, filed as Exhibit 99.1 hereto, is incorporated by reference herein. The Board's determination does not make these directors "experts" for any purposes or impose greater duties, obligations or liabilities on them nor does it affect duties, obligations or liabilities of other members of the Board.

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 at:

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

Principal Accountant Fees and Services.

The following table represents the fees billed by Ernst & Young LLP to the Manulife Financial group of companies in 2005 and 2004.

(Canadian $ in millions)	Year ended December 31, 2005	Year ended December 31, 2004
Audit fees	$ 18.8	$ 23.9
Audit-related fees	0.6	1.1
Tax fees	0.6	0.9
All other fees	0.1	0.4
	$ 20.1	$ 26.3

Audit Fees

Fees for audit services totaled approximately Canadian $18.8 million in 2005 and approximately Canadian $23.9 million in 2004, 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 $0.6 million in 2005 and approximately Canadian $1.1 million in 2004. Audit-related services include consultations concerning financial accounting and reporting standards, due diligence in connection with mergers and acquisitions and audits in connection with proposed or consummated acquisitions.

Tax Fees

Fees for tax services totaled approximately Canadian $0.6 million in 2005 and approximately Canadian $0.9 million in 2004. 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 $0.1 million in 2005 and Canadian $0.4 million in 2004.

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 (the "Protocol"). Under the Protocol, the Audit Committee annually reviews and pre-approves recurring audit and non-audit services that are identifiable for the coming year. The 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 and acting on its behalf.

All audit and non-audit services provided to the Company by Ernst & Young LLP have been pre-approved by the Audit Committee pursuant to the Protocol. 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:

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

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 is not independent because he is the Company's President and Chief Executive Officer. 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 of 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/Public/corporategovernance.html

The Company's corporate governance practices comply with 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 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 23, 2006.

Manulife Financial Corporation

By: /s/ Angela K. Shaffer
Name: Angela K. Shaffer
Title: Vice President and Corporate Secretary

EXHIBIT INDEX

Exhibit	Description
99.1	Renewal Annual Information Form, dated March 21, 2006, for the fiscal year ended December 31, 2005
99.2	Management's Discussion and Analysis for the fiscal year ended December 31, 2005
99.3	Consolidated Financial Statements for the fiscal year ended December 31, 2005 *(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 Proxy Circular and 2005 Annual Report entitled "Business of the Annual Meeting", "Board of Directors", "Statement of Corporate Governance Practices", and "Principal Subsidiaries" (*Incorporated by reference into the Renewal Annual Information Form, dated March 21, 2006, for the fiscal year ended December 31, 2005*)

MANULIFE FINANCIAL CORPORATION

RENEWAL ANNUAL INFORMATION FORM

March 21, 2006

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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 life 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

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		
	2005	2004	2003
U.S. dollar			
Balance sheet	1.1659	1.2036	1.2924
Statement of operations	1.2111	1.3015	1.4015
Japanese yen			
Balance sheet	0.009886	0.011718	0.012066
Statement of operations	0.011022	0.012035	0.012088

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 is based on the rates in each quarter's Statement of Operations. The annual rate is approximated as the average of the quarterly rates weighted by the number of days in each quarter.

(2) Rates are based upon noon rates of exchange published by the Bank of Canada.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements within the meaning of the "safe harbour" provisions of Canadian provincial securities laws and the U.S. *Private Securities Litigation Reform Act of 1995* . These forward-looking statements relate to, among other things, the Company's objectives, goals, strategies, intentions, plans, beliefs, expectations and estimates, and can generally be identified by the use of words such as "may", "will", "could", "should", "would", "suspect", "outlook", "expect", "intend", "estimate", "anticipate", "believe", "plan", "forecast", "objective" and "continue" (or the negative thereof) and words and expressions of similar import. Forward-looking statements include the information concerning possible or assumed future results of the Company set out under "Corporate Strategy" and "Business Operations". Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements, and actual results may differ materially from those expressed or implied in such statements. Information about material factors or assumptions applied in making forward-looking statements, as well as important factors that could cause actual results to differ materially from expectations, may be found in this document under "Risk Factors" as well as under "Risk Management" and "Critical Accounting and Actuarial Policies" in MFC's Management's Discussion and Analysis for the year ended December 31, 2005 and elsewhere in MFC's filings with Canadian and U.S. securities regulators. The Company does not undertake to update any forward-looking statements.

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 in the section entitled "Principal Subsidiaries" of MFC's 2005 Annual Report filed on SEDAR, which section is 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 Asia. 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, MFC completed a 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 Financial opened the first foreign joint venture life insurance company in China and by the end of 2005, had operations in nine cities throughout the country. 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 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 merger with John Hancock expanded the breadth and depth of the Company's product range, adding the long-term care business, expertise in fixed annuities 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. 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 North America, 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 continued to build on its successful multiple channel and strategic alliance partnership strategy for the distribution of individual wealth management and insurance products. The integration of Maritime Life distribution operations has added new valuable managing general agents and advisors as well as Equinox Financial Services ("Equinox") to the corporate account channel. Equinox is now a wholly-owned, national

distribution subsidiary of Manufacturers Life. In the United States, the John Hancock merger significantly broadened the Company's distribution capabilities, adding the John Hancock Financial Network ("JHFN") and access to the M-Financial Group and to bank distribution via Essex Corporation ("Essex"). The expanded distribution contributed to the record level of sales in 2005 in both variable annuities and individual insurance in the United States. In Asia and Japan, the Company sells its products and services through an exclusive agency force numbering approximately 24,000 agents. In addition, Manulife Financial has expanded its distribution reach by adding new agreements with a number of banks and stockbrokers. In early 2004, Manulife Japan entered into a strategic alliance with the Mitsubishi UFJ Financial Group, Inc. ("MUFJ") for individual variable annuity product development and sales. In 2005, Manulife Financial entered into a strategic alliance with CITIC Ka Wah Bank, whereby the Company's financial protection, retirement savings and wealth management solutions are offered to banking customers in Hong Kong. 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 Savings and Retirement Solutions 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. To help the Company deliver improved customer service, realize significant expense management opportunities and provide strategic flexibility to integrate new businesses, Manulife Financial has outsourced some of its information technology requirements including the management of its information technology infrastructure and operations and the provisioning and management of Internet Protocol based infrastructure.

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 2005, the Company successfully completed the integration of Manulife Financial and John Hancock. The Company is positioned as "One Company", operating under the brand name John Hancock in the United States and Manulife in Canada, Asia and Japan. The focus for the Company in 2006 is to build upon its strength as a well capitalized and well diversified organization focused on the protection and wealth management businesses.

In 2004, MFC completed a 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.

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 increased its ownership interest in Manulife Insurance (Thailand) Public Company Limited (formerly Interlife John Hancock Assurance Public Company Limited) to roughly 95% of the outstanding common shares.

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.

BUSINESS OPERATIONS

The Company 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 individual and group customers in the United States, Canada and Asia. Manulife Financial also provides investment management services with respect to the Company's general fund assets, segregated fund assets, mutual funds, and to institutional customers. The Company also offers reinsurance services, specializing in life retrocession and property and casualty reinsurance.

As at December 31, 2005, the Company had approximately 20,000 employees and operated in 19 countries and territories worldwide. The Company's business is organized into four operating divisions: U.S. Division, Canadian Division, Asia and Japan Division and Reinsurance Division. In addition, asset management services are provided by the Company's Investment Division, operating as MFC Global Investment Management ("MFC Global"). 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. The U.S. Division is comprised of three reporting segments: U.S. Protection, U.S. Wealth Management and Guaranteed and Structured Financial Products ("G&SFP"). The Investment Division forms part of the Corporate and Other reporting segment.

SELECTED FINANCIAL STATISTICS BY DIVISION/REPORTING SEGMENT

The following chart provides a breakdown by operating division and reporting segment of the Company's total shareholders' net income, premiums and deposits and funds under management as at and for the year ended December 31, 2005.

Division/Reporting Segment	Shareholders' Net Income	Premiums and Deposits	Funds Under Management
U.S. Protection	19%	11%	16%
U.S. Wealth Management	18%	46%	38%
G&SFP	9%	3%	10%
U.S. Division	46%	60%	64%
Canadian Division	24%	22%	18%
Asia and Japan Division	22%	15%	8%
Reinsurance Division	-3%	2%	1%
Corporate and Other	11%	1%	9%

U.S. DIVISION

U.S. Division includes the operations of U.S. Protection, U.S. Wealth Management and G&SFP reporting segments. U.S. Protection, consisting of Individual Insurance and Long Term Care, offers life and health insurance solutions for individuals and families. U.S. Wealth Management, which consists of Annuities, Retirement Plan Services and Mutual Funds businesses, provides clients with a wide selection of wealth management solutions for their personal, family and business needs. G&SFP offers a variety of specialized products and services to provide funding solutions for qualified defined benefit and defined contribution retirement plans, and other domestic and international investors.

U.S. Division 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. Division 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. Division also operates

through mutual fund subsidiaries, The Berkley Financial Group, LLC, John Hancock Funds LLC ("John Hancock Funds") and Sovereign Asset Management, LLC ("Sovereign"), and through three distribution-only subsidiaries, John Hancock Distributors LLC ("John Hancock Distributors"), Signator Investors, Inc. ("Signator Investors") and Signator Insurance Agency, Inc. ("Signator Insurance").

John Hancock USA offers individual insurance, 401(k) group annuity pension, individual annuity products and College Saving Plans ("529 Plans") in all states except New York, and John Hancock New York offers all of these products, except 529 Plans, 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 in the long-term care industry and 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 products sold in prior years and the Manulife-branded retail long-term care business, while JHVT offers trust-owned health insurance to third parties through G&SFP. Both MIC and JHVT also reinsure long-term care business from niche providers.

John Hancock Advisers, LLC ("John Hancock Advisers") is an investment advisor, principally for separate account and mutual fund operations. John Hancock Funds, a registered broker-dealer wholly owned by John Hancock Advisers , distributes retail mutual funds and privately managed accounts. Sovereign is an investment advisor and, effective in 2006, is managed by MFC Global.

John Hancock Distributors, a registered broker-dealer and registered investment advisor wholly owned by John Hancock USA, is the distributor of 529 Plans. 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 distributes individual insurance and annuity products.

Investment Platforms

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

The Common Investment Platform

As a result of the merger between MFC and John Hancock, previous trusts of each entity, the John Hancock Investment Trust (known as Manufacturers Investment Trust prior to January 1, 2005) and the John Hancock Variable Series Trust, were merged into the John Hancock Trust on April 29, 2005, 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. In addition, a single platform makes it easier for customers to assemble personalized solutions across the wide array of individual insurance, annuity and 401(k) products.

Management believes that clients consider investment performance a key criterion in selecting a segregated fund. The Division's common investment platform provides a broad spectrum of diversified domestic and international equity and fixed income funds that are managed by a distinctive selection of leading investment companies. In order to ensure that the platform remains comprehensive and competitive, the Division draws on a variety of internal and external experts who continually review and adjust the investment selections. These experts actively "manage the managers" in an institutional fashion across a wide spectrum of investment and risk criteria. This includes monitoring performance, evaluating the managers' investment processes, reviewing organizational changes and assessing risk controls.

For those customers who want a simplified approach to investing, the Division also provides a suite of five Lifestyle Portfolios, which are pre-packaged, fully diversified funds-of-funds. Each portfolio has been designed to match the needs and risk tolerance of a wide range of customers, from conservative to aggressive. Lifestyles are constructed using a highly sophisticated, multi-step process that draws on the expertise of several groups of asset allocation professionals. In an effort to broaden distribution, a version of these portfolios was spun out of the common investment platform in October of 2005, creating a new set of retail Lifestyle funds that are being distributed by both the Retirement Plan Services and Mutual Funds businesses.

Other Investment Platforms

In addition to the common investment platform and the retail Lifestyle funds, U.S. Division also offers its Retirement Plan Services customers a retail platform. This platform enables 401(k) pension plan sponsors access well-known

investment funds through the Division's separate accounts and is subject to the same rigorous selection and review process as the common investment platform.

For clients of the Mutual Funds business, U.S. Division offers the mutual fund platform. This platform provides clients with equity, fixed income, international and sector solutions managed by affiliated 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. Included in these funds are the new retail Lifestyle funds that were spun out of the common investment platform, as described above.

The Long Term Care business of U.S. Protection 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.

G&SFP'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 Network

In addition to a wide variety of distribution channels and networks, U.S. Division offers its products and services through a highly recognized and established proprietary retail network, JHFN. 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.

U.S. Protection

U.S. Protection provides life and long-term care insurance products and services to select markets. The Individual Insurance business 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 business 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, as well as long-term care expertise and reinsurance solutions to niche long-term care providers. U.S. Protection uses a multi-channel distribution network, including JHFN. In 2005, Individual Insurance and Long Term Care accounted for 86% and 14% respectively, of U.S. Protection's total funds under management, and 77% and 23% respectively of its total premiums and deposits.

In 2006, U.S. Protection will continue to capitalize on its leading market positions in both the individual insurance and long-term care markets, and will remain focused on strengthening distribution capabilities across multiple channels, maintaining excellent service levels and offering innovative and competitive products.

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 life and variable universal life products, as well as specialized COLI products. The rate of investment return on universal life 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 initiatives in 2005 continued to focus on reorganizing the portfolio and updating key Universal Life and Variable Universal Life products. Product development in 2006 will focus on launching new cash accumulation focused and market leading guaranteed Universal Life products. The Individual Insurance business will also complete

streamlining its product portfolio in order to have a single, competitive product clearly identified in each market segment.

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 17 years. Currently, John Hancock is the number three provider of long-term care insurance in the U.S. market, measured by sales results and based on 2005 third quarter year-to-date data published by LIMRA. The business has expertise in all aspects of long-term care operations from marketing and sales to claims processing. Many products meet tax-qualified regulatory requirements.

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 business 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 business 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. In addition, the Long Term Care business acts as a reinsurer to niche long-term care providers.

In 2006, Long Term Care will continue with the rollout of products launched in the fourth quarter of 2005, including the new Corporate Choice product aimed at entering the high-growth, small employer market segment, and the Manulife-branded product focused on driving incremental sales through affinity marketing niche distribution channels. In addition, the business is currently developing new and innovative long-term care products for launch in the second half of 2006, affirming its commitment to be a product leader in the industry.

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 business offers variable annuity and fixed annuity products primarily to middle and upper-income individuals. The Retirement Plan Services business provides 401(k) solutions to small and medium-sized businesses. The Mutual Funds business provides a variety of mutual funds and privately managed accounts to individuals and institutional investors. Effective in 2006, the Mutual Funds business has assumed management of 529 Plan products previously managed by the Annuities business. At December 31, 2005, Annuities, Retirement Plan Services and Mutual Funds accounted for 45%, 30% and 25% respectively, of U.S. Wealth Management's total funds under management. These businesses contributed approximately U.S.$9 billion, U.S.$9 billion, and U.S.$5 billion, respectively, to U.S. Wealth Management's total premiums and deposits.

Annuities

The Annuities business offers a variety of products that help customers achieve their personal and family financial goals. The range of variable and fixed annuity products is designed to assist individuals with their retirement needs.

U.S. Annuity products are principally sold through JHFN, and through the wholesale operations, Essex and Wood Logan. Distribution will be a major strategic focus in 2006 as variable and fixed annuities are wholesaled to independent broker-dealer firms and banks through Wood Logan and Essex. Maintaining a competitive product design, leveraging the John Hancock brand and further developing the bank channel are all anticipated to successfully grow the business in the coming year.

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, 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. The strategy is to continue to develop the technical expertise and professionalism of staff, and 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.

Throughout 2005, Annuities continued to develop its variable annuity portfolio with a clear focus on both meeting the needs of customers, maintaining competitiveness within the market and managing the risk profile of the business. In May 2005, the business launched its second generation guaranteed withdrawal benefit, Principal Plus For Life, which was very well received in the marketplace. Principal Plus For Life provides guaranteed returns through lifetime periodic withdrawals of amounts invested. Management's strategy for continued growth in the variable annuities business line focuses on product innovation, strong customer service and excellence in wholesaling.

The Fixed Annuity Product Line

Similar to the variable annuities portfolio, the 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 assistance required should the contract owner become unable to perform certain activities of daily living.

The Annuities business also offers immediate annuities designed to meet the needs of corporate-sponsored and individual retirement plans. These products shift investment and longevity risk from retirees to the Company.

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. Management's strategy is to continue leveraging existing distribution outlets for fixed products, while seeking out specific market sectors which are capable of delivering suitable rates of return on capital.

Retirement Plan Services

The Retirement Plan Services business unit offers small and medium-sized businesses, consisting of companies with five to 500 employees, primarily 401(k) group annuity contracts designed for tax-qualified pension plans. Based on 2005 third quarter LIMRA/Cerulli's pension survey results, Retirement Plan Services continues to be ranked as the top seller of 401(k) plan products in its target market, as measured by premiums and deposits, new cases and new participants.

Retirement Plan Services' 401(k) group annuity product includes investment, communication and record-keeping services with plan administration provided through third party administrators ("TPAs"). Retirement Plan Services recently introduced an investment services only product that includes investments and communication without record keeping services.

Management is committed to delivering quality investment alternatives, participant education and communications, and superior service. In recognition of its commitment in these areas, Retirement Plan Services has been honoured with various awards from such prominent organizations as Plan Sponsor Magazine and The League of American Communication Professionals.

Retirement Plan Services 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 business 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 on product development and marketing strategies. As part of its commitment to the growing broker-dealer channel, Retirement Plan Services offers on-line marketing, educational and client/broker-dealer administrative support through its broker web site.

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. Its growing 529 Plan product line helps clients save for post-secondary education.

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 external sub-advisors and affiliated sub-advisors. Nearly 80% 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 suite of five Lifestyle funds, a number of closed-end funds and a wide range of separate account strategies.

The Mutual Funds business is structured around five business lines covering key components of the asset management industry: Retail, Private Client Group, Investment Only, the 529 Plan market 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 Investment Only business line markets and distributes institutional (open-end) mutual funds to pension consultants, corporate and public pension plans, Union/Taft-Hartley plans, endowments and foundations and alternative distribution organizations. Offered by the Educational Trust of Alaska and administered by T. Rowe Price, 529 Plans offers middle-income and high net-worth 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 529 Plan business works with its partner, T. Rowe Price, to oversee and evaluate the performance of these investment managers.

The Asset Management product line, serviced by Sovereign, is the internal investment arm of the business unit. A network of wholesalers distributes the Retail, Private Client Group and 529 Plan offerings. These wholesalers meet directly with broker-dealers and financial planners and are supported by an extensive home office sales and marketing staff. Investment Only services are distributed directly to plan sponsors and are marketed to pension consultants nationwide who provide advisory services to plan sponsors. Dedicated client relationship officers who keep clients updated on portfolio performance information support marketing efforts.

Guaranteed & Structured Financial Products

G&SFP 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. Single premium and separate account annuities are typically limited to qualified and non-qualified corporate retirement plans.

G&SFP distributes its products through a variety of channels. SignatureNotes are distributed through a retail brokerage network. Annuities are sold through pension consultants who represent corporate retirement plan sponsors or through brokers who receive a commission for sales of its products. Structured settlement annuities are offered through broker companies specializing in dispute resolution.

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 corporate retirement plans, including both defined benefit and defined contribution plans. 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 business also provides structured settlements, which provide a 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.

Fee-Based Products

G&SFP'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 business 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 that 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 business may liquidate assets equal to the annuity reserve and apply the assets to purchase a fully guaranteed annuity.

Separate Investment Accounts (Third Party Investment Management segment within the Investment Division)

These are non-guaranteed group annuity contracts under which assets are held in a separate account. G&SFP 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 Company's Investment Division. Existing agreements, however, continue to be reported in and serviced by G&SFP for customer relationships reasons.

Competition

Each of the markets in which U.S. Division operates is highly competitive.

In U.S. Wealth Management, the Annuities business environment is characterized by strong competition from both insurance and mutual fund companies, on aspects such as fund performance, investment/interest rates, product offerings, customer service, and financial strength. Competitors for Retirement Plan Services are insurance companies, payroll organizations, and mutual fund firms that compete primarily on price and the ability to add value for customers. Competition for the Mutual Funds business includes mutual fund and insurance companies that compete based on fund performance and distribution capability. U.S. Wealth Management's competitive strengths include innovation, multiple distribution channels, high quality customer service and wholesaling excellence. G&SFP operates in a variety of institutional and retail markets. Although a large number of companies offer these products, the market is concentrated because it demands issuers of high financial quality, particularly in the institutional market where competition has become restricted to insurance companies with superior financial ratings. While current spread levels and adherence to pricing disciplines make sales in the institutional markets difficult, G&SFP will continue to concentrate on the less price-sensitive retail markets. G&SFP believes that it will be able to compete successfully in its chosen markets as a result of the brand name, investment management expertise, national distribution, flexible product design and competitive pricing.

Competitors in U.S. Protection's 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 product innovation, underwriting expertise, multiple distribution channels, and high quality customer service. Its competitive position is also improved due to scale from leading sales positions in both the individual and long-term care insurance markets.

In addition, the Division's strategy of offering a common investment platform across most of its businesses and the Company's financial strength and credit ratings further enhance the competitive position of its various product lines.

CANADIAN DIVISION

Canadian Division is one of the leading financial services organizations in Canada. Its individual wealth management product offerings include variable and fixed annuities, banking products and services, 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 and health insurance 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 Savings and Retirement Solutions ("GSRS"), which in 2005 accounted for 34%, 39%, 15% and 12% 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") products and 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 segregated fund offerings 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, death benefit options, an investment line-up that includes 109 funds and the ability to hold a combination of fixed and segregated fund assets within the same contract. 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 2005, the Company was the number one provider of individual fixed and variable annuities in Canada from a sales survey of major companies and as measured by total premiums and deposits, 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 6,000 independent advisors, 18,000 general agency brokers and more than 13,900 stockbrokers with investment dealer firms as at December 31, 2005.

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 savings and chequing accounts, GICs, RRSPs, RRSP loans, leverage loans, mortgages and other specialized loan programs. Manulife Bank is the thirteenth largest bank in Canada as at November 30, 2005 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 all channels supported by Manulife Bank's proprietary sales force of banking consultants.

Manulife Mutual Funds is a family of 53 mutual funds managed by Elliott & Page, with assets under management of $7.8 billion as at December 31, 2005. Elliott & Page is the sixteenth largest mutual fund company in Canada as ranked by the Investment Funds Institute of Canada, and was the fastest growing fund company in 2005.

Through licensed independent mutual fund representatives, MSIL distributes mutual funds for both the Company and third party mutual fund companies. The products distributed by MSIL complement the other investment products within the Individual Wealth Management portfolio. The Company and third party mutual funds are distributed by approximately 850 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 8 million Canadians, offering traditional and flexible benefits programs that include features such as 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 2004 Fraser Group Universe Report. In 2005, premiums and deposits generated by Group Benefits exceeded $5.2 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 provide local service to clients. Marketing, product and distribution focus on four market segments, including: large (Corporate), medium-sized (Signature), and small (Alpha) businesses, as determined by the number of employees. In 2004, a fourth segment was added with the addition of Maritime Life's Trusteed business. 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. In 2005, Group Benefits implemented a strategy to further grow its market share of small group business through Managing General Accounts.

Group Benefits focuses on delivering benefit solutions to meet the needs of its customers. For many employers, this means balancing the need to manage benefit costs with their objective of providing their employees with health protection. This is achieved by providing flexible, customized solutions that address employer concerns while improving the health and productivity of employees. For example, the Company's Absence and Disability services offer plan sponsors an integrated approach to managing the costs associated with disability while providing employees with the support they need to be able to return to work as soon as possible.

Individual Insurance

Individual Insurance offers a range of products including universal life insurance, term life insurance, whole life insurance and living benefits insurance. Individual Insurance focuses on offering a combination of superior products, the best professional advice and quality 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 6,000 independent advisors, 18,000 general agency brokers and more than 13,900 stockbrokers. The Company's producers are independent contractors, paid on 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. Management's strategy for Individual Insurance is to continue to differentiate itself from its competition by providing superior products, after-sales service tools and programs and the best value-added advice to distributors.

Affinity Markets

The Company is a 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. 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, response advertising, the 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 strong market position and provide growth and profitability by expertly servicing and cross selling to its block of long standing in-force clients, expanding its growing specialized products and distribution channels, testing new ideas, building on winning results and being opportunistic.

Group Savings and Retirement Solutions

Products provided by GSRS include defined contribution pension plans, group RRSPs, deferred profit-sharing plans, employee share ownership plans, non-registered group savings plans and a group retirement income plan. GSRS offers two types of services to the Canadian marketplace. The first is a comprehensive suite of services for defined contribution plans including a series of product options, a range of investment choices and plan member administration services. The second is an investment management only service for group clients that offers a multi-manager approach to meeting the clients' investment objectives.

GSRS provides group retirement plans to more than 4,200 employers across 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 working through external employee benefit consulting firms, brokers, independent producers and certain strategic alliance partners.

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, the major competitors are large insurance companies. Regional carriers are also extremely competitive in some parts of the country, and small carriers that specialize in a particular niche product or segment have also become an increasingly competitive element of the marketplace. 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 AND JAPAN DIVISION

Manulife Financial has operated in Asia since 1897, beginning in Hong Kong and the Philippines, expanding into Singapore, Indonesia, Taiwan, Macau, China, Japan and Vietnam, and into Malaysia and Thailand as a result of the John Hancock merger in 2004. The Division provides protection and wealth management products throughout the region. Protection products include life insurance, group life and health, and hospital coverage. Wealth management products include Mutual Funds, pensions, variable annuities and segregated 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, Indonesia, Taiwan, Macau, Japan, Vietnam and Thailand. 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 21,000 active 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

In Hong Kong, the 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 2005, the Company was the fifth largest provider of individual life and health insurance products in Hong Kong as at September 30, 2005, 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, 2005, the Company had nearly 3,100 active agents in Hong Kong. In this market, management believes that an exclusive agency force should remain the primary distribution channel for the Company to serve its target markets. However, management also intends to continue to expand its distribution through other distribution channels such as brokers and bank retail outlets, and in 2005 entered a distribution relationship with Citi Ka Wah Bank to sell its life insurance products.

During 2005, 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 life insurance business is expected to be completed in 2006.

Group Operations

Hong Kong's Group Operations provide 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 2000 and the Company continued to expand its MPF customer base during 2005 by leveraging its large exclusive agency force and reputable service standards. Enhancements to systems and procedures continued in 2005 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, 2005, MAM had $891 million of mutual funds under management. Management believes that MAM 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.

Japan

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 2005. The rate of decline of in-force policies slowed, as in-force policies declined 1.0% in 2005 compared to 4.7% in 2004. Funds under management increased by $1.6 billion to $13.3 billion as at December 31, 2005, from $11.7 billion as at December 31, 2004. Full year net earnings increased 112% in 2005 from 2004. Positive net policyholder cash flows from sales of variable annuity and universal life insurance products were partially 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, contributed about one-third of Manulife Japan's regular insurance sales in both 2005 and 2004. ManuFlex, another universal life insurance product, achieved modest growth during 2005. The introduction of the Universal Change Plan, a program to convert traditional life insurance policies to universal life insurance and ManuStep, products which provide clients with a well balanced combination of current protection and retirement coverage, is expected to increase sales in 2006.

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. In October 2005, MTFG merged with UFJ Holdings, Inc., the parent company of UFJ Bank and formed MUFJ, thereby expanding the distribution network further. The Premiere product, which is distributed by MUFJ's affiliates under the terms of the alliance, achieved a 9% growth in sales in 2005. The launch of Two Surprise, a product with guaranteed minimum withdrawal benefit, in the last quarter of 2005 further boosted total variable annuity sales to 72% over 2004. Early in 2006, Manulife Japan entered into selling agreements with Nomura Securities, the largest securities firm in Japan, and with Resona Bank and Saitama Resona Bank. There are also plans to develop distribution relationships with other regional banks as well as launching new and innovative variable annuity products in 2006.

In 2005, Manulife Japan has implemented a range of initiatives, called PlanRight Advisor ("PA"), to strengthen the performance of sales representatives. The PA program holds recruitment seminars nationwide to enhance the quality of recruits, creates new training programs to facilitate professional development of PAs, and establishes special incentives and exclusive training to motivate and enhance the abilities of the highest performing PAs. As at December 31, 2005, Manulife Japan had 3,849 PAs located in 121 sales offices nationwide.

In September 2004, Manulife Japan engaged in a review of its sales offices and insurance operations at the head office to determine key areas of opportunity for sustainable profit improvement. The project, Growth Through Productivity ("GTP"), proved very successful and resulted in significant improvement in operational efficiency and cost savings by reducing non-value added activities, recapturing lost time and rationalizing of business processes. As a result, a second phase of GTP on other internal operations was carried out in 2005, which also yielded substantial efficiency gains and cost savings to Manulife Japan. As at December 31, 2005, Manulife Japan had 978 full time employees, down from 1,025 at the end of 2004.

Other Markets

In the Philippines, Singapore, Indonesia, 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. However, bank distribution represents a material portion of insurance sales in Singapore and Malaysia and is a significant distribution channel for mutual funds in Indonesia.

Singapore, Malaysia and Indonesia currently represent the Division's largest businesses outside of Hong Kong and Japan in terms of funds under management, and together contributed approximately 15% of the Division's premiums and deposits in 2005. Sales in Singapore benefited from a new distribution agreement with United Overseas Bank. Sales in Indonesia were below prior year levels, as the number of agents declined and the economic environment was quite unstable. In Taiwan, business growth in 2005 was driven by agent productivity gains and the strength of the universal variable product. In Malaysia, the Company operates through a publicly listed company as a result of the merger with John Hancock during 2004.

In China, Manulife-Sinochem Life Insurance Co. Ltd. ("MSL") markets personal accident insurance, whole life insurance, term and endowment insurance and annuities in Shanghai, Guangzhou, Beijing, and in six additional cities, as MSL opened two branches and four sales offices in 2005. With a growing economy and a low penetration rate for insurance products, management believes that the Chinese market offers significant long-term potential. In addition, the Company received approval to open new sales offices in Shaoxing and Shenzhen and a branch in Chendu, with business operations expected to commence in 2006. In the Philippines, the Company continues to focus on improving the quality of its exclusive agency force and introduced a range of products in response to the changing market needs and its desire to maintain profitability. Funds under management increased by more than 50% in Vietnam driven by product initiatives, a commitment to service and a focus on continuous improvement of the agency force.

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 2005, six 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.

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.

One of the fastest growing segments of the life insurance market in Japan is the sale of variable annuities, particularly through bank branches. Partly as a result of strong variable sales through MUFG since April 2004, Manulife Japan placed fifth amongst its competitors with a 6.5% in-force market share for the first half of the 2005 financial year, an increase from the 4.8% share in the first half of the 2004 financial year. New business market share for the 2004 financial year was 10.4%. The top three companies currently control over 56% of the in-force market in the first half of the 2005 financial year and 64% of new business in the 2004 financial year. Foreign multi-national insurance

companies dominate this market, holding 56.8% of variable annuity assets under management in the first half of the 2005 financial year.

In April 2004, the Financial Services Agency ("FSA") announced that by 2007 banks will be able to sell a full range of insurance products including whole life, medical and automobile insurance. Deregulation has accelerated during the last two years with the latest deregulation of single premium endowment and single premium whole life products in December 2005. The deregulation in December 2005 is not expected to materially impact Manulife Japan. Further product deregulation is targeted for April 2007.

Another competitor that continues to operate with important advantages is the Post Office Savings and Life Insurance organization ("Japan Post"). Japan Post does not pay income tax, offers an implicit government guarantee, has an extensive distribution network throughout Japan and does not have to satisfy FSA 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, but has faced considerable political opposition. In September 2005, the government was re-elected with a strong mandate to drive changes at Japan Post. Under the current privatization plan, Japan Post will be split into four units in April 2007. It is expected that the change will impact the life insurance market given that Japan Post has a significant life insurance presence. The nature of the impact for the industry and for Manulife Japan is as yet unknown, but should create certain opportunities in the market.

REINSURANCE DIVISION

Established in 1984, Reinsurance Division has grown to be 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, Japan and Barbados, Reinsurance Division provides customer-focused solutions in the following lines of business: Life (offering retrocession of traditional life mortality risk and non-traditional solutions); Property and Casualty (offering retrocession of traditional property, catastrophe and aviation risks and select non-traditional 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 continues to pursue opportunities to expand relationships both with key business partners and promising sources of new business. Reinsurance Division's key priority is risk management, with emphasis on sound pricing of new business and effective performance monitoring and management of in-force business. Reinsurance Division continues to leverage its technical expertise in providing innovative solutions to 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, primarily in North America and Europe, leveraging long standing relationships with many of these companies. Life reinsurance also provides structured reinsurance solutions assisting client life insurance and reinsurance companies with capital and surplus management. Consolidation and increased client capacity in Life reinsurance's traditional mortality risk market and lower demand for conventional structured reinsurance solutions continue to temper growth expectations. Management's strategy continues to focus on maintaining Reinsurance Division's leadership position in the life retrocession market by continually strengthening relationships with key business partners and selectively pursuing new opportunities possessing appropriate return and risk profiles.

Property and Casualty

Through 2005, the Property and Casualty reinsurance business line focused on writing increasing volumes of traditional property and casualty retrocession as market demand for non traditional solutions diminished. Reinsurance Division remains a niche competitor in a property and casualty reinsurance market dominated by a small number of large reinsurers. Management's strategy is to develop the Reinsurance Division as a traditional Property and Casualty risk capacity provider to key clients, while continuing to selectively write non-traditional retrocession solutions. This includes strengthening existing client relationships and pursuing opportunities possessing appropriate return and risk profiles. This line of business continues to market directly to reinsurance companies and through select reinsurance brokers. Management expects reasonable premium growth in the traditional Property and Casualty reinsurance business, having increased risk aggregates and the capacity available to clients, while market terms and rates harden in response to 2005 industry losses.

International Group Program

International Group Program ("IGP") is the reinsurance of employee group insurance and pension coverages provided to multinational corporations by a global network of participating direct insurance companies. IGP assists multinational corporations in managing employee benefits costs through a reinsurance pooling of the corporation's

worldwide employee benefits experience and related economies of scale. IGP is marketed to multinational corporations and their affiliates through representatives from the participating direct insurers, with support from IGP staff. Management's strategy is to maintain IGP's strong position in the North American market, and continue to grow market share in Europe and Asia.

Accident

Reinsurance Division actively manages the run off of the Company's terminated Accident reinsurance business (including that written previously by John Hancock Life), focusing on the accurate quantification of exposures, monitoring and liability management.

Competition

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

INVESTMENT DIVISION

The Company's Investment Division, operating as 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

	December 31, 2005		December 31, 2004	
($ millions)	Carrying Value	% of Total	Carrying Value	% of Total
Bonds	103,315	61.8	106,073	62.7
Mortgages Commercial (1)	22,279	13.3	23,378	13.8
Residential	2,553	1.5	1,795	1.1
Agricultural	3,176	1.9	3,511	2.1
Stocks	8,896	5.3	8,344	4.9
Real estate	5,279	3.1	4,669	2.8
Policy loans	6,120	3.7	6,743	4.0
Cash and short-term investments	9,360	5.6	8,517	5.0
Bank loans	1,806	1.1	1,391	0.8
Other investments	4,448	2.7	4,721	2.8
Total invested assets (2)	167,232	100.0	169,142	100.0

(1) Including multi-unit residential.

(2) For additional information on invested assets, see note 6(a) to MFC's Audited Annual Financial Statements for the year ended December 31, 2005 filed on SEDAR.

The consolidated general fund invested assets were denominated 67% in U.S. dollars, 26% in Canadian dollars, 4% in Japanese yen and 3% in other currencies as at December 31, 2005. 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, market, 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, 2005, the bond portfolio was $103.3 billion, representing 62% of the carrying value of consolidated general fund invested assets, with 68% 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 3,000 different issuers, with no corporate issuer representing more than 0.5% of such bonds. Below investment grade bonds include the securities of more than 400 different issuers, with no issuer representing more than 2.6% of such bonds. Net impaired bonds had a carrying value of $339 million. The following table summarizes the Company's bond portfolio credit quality.

Bond Portfolio Credit Quality

($ millions)		December 31, 2005		December 31, 2004	
NAIC Designation[1]	Rating Agency Designation[2]	Carrying Value	% of Total	Carrying Value	% of Total
1	AAA	24,143	23.4	23,632	22.3
1	AA	17,599	17.0	16,867	15.9
1	A	28,588	27.7	26,138	24.6
2	BBB	27,199	26.3	32,985	31.1
3 & below	BB & lower and unrated	5,786	5.6	6,451	6.1
Total		103,315	100.0	106,073	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, 27% was invested in government-related securities as at December 31, 2005. The remainder was primarily composed of corporate bonds. As at December 31, 2005, the bond portfolio was 72% denominated in U.S. dollars, 21% 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 $32.7 billion of bonds acquired through private placements and commercial loans as at December 31, 2005, constituting 31.7% of the Company's total bond portfolio. Of these, 49% were rated "A" or higher and 92% 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 $37.9 billion, or 36.7% 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 Company's bond portfolio.

Bond Portfolio Scheduled Maturities

	December 31, 2005		December 31, 2004	
($ millions)	Carrying Value	Fair Value	Carrying Value	Fair Value
Due in one year or less	4,107	4,127	4,473	4,501
Due after one year through five years	21,093	21,086	22,017	22,401
Due after five years through ten years	27,515	27,609	27,317	28,131
Due after ten years	38,248	41,366	40,321	43,252
Mortgage-backed securities	12,352	12,242	11,945	12,044
Total	103,315	106,430	106,073	110,329

Mortgages

As at December 31, 2005, 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 43% located in Canada and 57% located in the United States. Commercial mortgages constituted 80% 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, 2005 Carrying Value	December 31, 2005 % of Total	December 31, 2004 Carrying Value	December 31, 2004 % of Total
Consolidated Company				
Multi-unit residential (1)	4,315	15	4,580	16
Retail	6,888	25	6,611	23
Office	5,217	19	5,963	21
Industrial	3,678	13	3,887	14
Other Commercial	2,181	8	2,337	8
Other Residential	2,553	9	1,795	6
Agricultural	3,176	11	3,511	12
Total	28,008	100	28,684	100
Canada				
Multi-unit residential (1)	2,148	7	2,246	8
Retail	2,748	10	2,637	9
Office	1,787	6	1,748	6
Industrial	1,861	7	1,863	7
Other Commercial	999	4	826	3
Other Residential	2,546	9	1,775	6
Agricultural	0	0	0	0
Total	12,089	43	11,095	39
United States				
Multi-unit residential (1)	2,167	8	2,334	8
Retail	4,140	15	3,974	14
Office	3,420	13	4,215	15
Industrial	1,817	6	2,024	7
Other Commercial	1,175	4	1,510	5
Other Residential	0	0	0	0
Agricultural	3,176	11	3,511	12
Total	15,895	57	17,568	61
Other Countries				
Office	10	0	0	0
Other Commercial	7	0	1	0
Other Residential	7	0	20	0
Total	24	0	21	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, 2005 Carrying Value	December 31, 2005 % of Total	December 31, 2004 Carrying Value	December 31, 2004 % of Total
Canada				
Ontario	6,309	22	5,876	20
Western Canada	4,111	15	3,875	14
Quebec	932	3	723	3
Other Canada	737	3	621	2
	12,089	43	11,095	39
United States				
Pacific	3,879	14	4,029	14
Mid-Atlantic	2,186	8	2,378	8
New England	1,295	5	1,245	4
Central Northeast	1,764	6	1,925	7
South Atlantic	3,045	11	3,817	13
Other	3,726	13	4,174	15
	15,895	57	17,568	61
Other Countries	24	0	21	0
Total	28,008	100	28,684	100

Mortgages are originated through a network of 16 branches across Canada and the United States. In 2005, the Company originated more than one-half of its business directly, with mortgage broker referrals representing the balance. While the Company does not have any exclusive arrangements with brokers, there are non-exclusive origination and servicing arrangements with certain mortgage bankers in the United States. 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 12% of the total mortgage portfolio as at December 31, 2005. The Company also had privately insured mortgages representing 1.1% of the total mortgage portfolio as at December 31, 2005. 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, 2005, 0.09% of the Company's Canadian mortgage portfolio and 0.06% of the U.S. mortgage portfolio were considered delinquent.

Stocks

As at December 31, 2005, stocks represented 5% of the consolidated general fund invested assets. The Company's stock portfolio is diversified by industry sector and issuer, and is 92% comprised of publicly listed common shares. The stock portfolio was invested 38% in Canadian issuers, 34% in U.S. issuers, 21% 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, 2005. As at December 31, 2005, the real estate carrying value was $5.3 billion, with 60% located in the United States, 33% in Canada and 7% 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 68% of the portfolio as at December 31, 2005, with the remainder split among timber, agricultural, residential, retail, industrial and other property types. The overall occupancy rate for all commercial real estate investments as at December 31, 2005 was over 95%.

The real estate portfolio, as at December 31, 2005, had a market value surplus of $914 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. The Company's commercial 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 2005, approximately 60% of the commercial real estate portfolio was appraised, the majority of which were performed 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 of any such commercial properties.

Policy Loans

Policy loans represented 4% of invested assets as at December 31, 2005. 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 include $3.2 billion of unconsolidated joint ventures, partnerships, funds, limited liability corporations, leases, subordinated debt of life insurance companies and $526 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, 2005, impaired assets net of allowances were $643 million, representing 0.38% 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 $276 million as at December 31, 2005.

Segregated Funds

As at December 31, 2005, the Company's segregated funds had net assets held by policyholders of $139.7 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 25% were managed internally by MFC Global as at December 31, 2005.

Mutual Funds

As at December 31, 2005, the Company's mutual funds had net assets of $34.6 billion. Over 80% of these funds were managed by 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, 2005, $27.4 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 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 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; 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, and the accounting and actuarial assumptions and estimated used by Manulife Financial in the preparation of its financial statements, can be found in the sections under "Risk Management" and "Critical Accounting and Actuarial Policies" in MFC's Management's Discussion and Analysis for the year ended December 31, 2005, which sections are incorporated herein by reference.

As noted under "Cautionary Statement Concerning Forward-Looking Statements", forward-looking statements involve risks and uncertainties and actual results may differ materially from those expressed or implied in such statements. Strategic risk, product risk, credit risk, asset liability and market risk and operational risk are the major categories of risk described in the sections of MFC's Management's Discussion and Analysis referred to above. In addition, the following have been identified by management as risk factors that could cause actual performance and results to differ from Manulife Financial's estimates and expectations. These risk factors should be considered in conjunction with the other information in this Annual Information Form and the documents incorporated by reference herein.

Competition

Manulife Financial operates in highly competitive markets in Canada, the United States and Asia. In these markets, Manulife Financial competes not only with other insurance companies, but also, depending upon the market, with non-insurance financial services companies, including banks, stock brokerage firms, investment advisors and mutual fund companies. The level of competition may increase further as a result of the continuing consolidation of the financial services industry. Mergers and acquisitions involving financial services companies have increased significantly, as these companies attempt to improve their competitive position through increased market share, economies of scale and diversification of products and services. Increased competition may reduce Manulife Financial's market share with respect to core product offerings and may lower profits.

Ratings

Ratings with respect to claims paying ability and financial strength are important factors in establishing the

competitive position of life insurance companies and also impact the cost and availability of capital to an insurance company. Manulife Financial competes with other insurance companies, financial intermediaries and other financial institutions on the basis of a number of factors, including the ratings assigned by internationally recognized rating organizations. Any ratings downgrades, or the potential for ratings downgrades could increase the surrender levels of annuity and insurance products and adversely affect the Company's ability to market and distribute products and services, which could have an adverse effect on the Company's business, financial condition and results of operations.

Stock Market, Real Estate Market and General Economic Conditions

The surplus and earnings of the Company are affected by, among other things, the prevailing performance of the stock markets and economic conditions which influence demand for the Company's products and performance of the Company's investment portfolio.

Sales of variable insurance, annuity, mutual fund and pension products are substantially affected by stock market performance and demand for products that allow customers to participate in that performance. A pronounced and sustained decline in the Canadian or U.S. stock markets or poor investment performance by Manulife Financial's segregated funds or mutual funds may reduce demand for or increase surrenders of these products, which may not be offset by increased demand for Manulife Financial's fixed-rate products. If this occurs, it may have an adverse effect on Manulife Financial's business, financial condition and results of operations. A stock market decline could also increase the cost of guarantees associated with variable products issued or reinsured by the Company. A pronounced and sustained decline in the Canadian or U.S. stock markets would also reduce the market value of Manulife Financial's general account equity portfolio. In addition, a pronounced and sustained decline in the Canadian or U.S. real estate markets would reduce the market value of the Company's general fund real estate portfolio.

Further discussion of risks facing Manulife Financial relating to the Stock Market, Real Estate Market and General Economic Conditions, and Manulife Financial's approach to management of these risks, can be found under "Risk Management – Market and Asset Liability Risk and Liquidity Risk" in MFC's Management's Discussion and Analysis for the year ended December 31, 2005.

Changes in Interest Rates

Interest rate volatility creates the risk of reduction in interest spread or profit margins and risk of policyholder surrenders or transfers of funds from lower-yielding fixed-rate products to higher-yielding investments. These risks will arise because a substantial portion of Manulife Financial's general fund assets consist of fixed-rate bonds and commercial mortgages and a substantial portion of Manulife Financial's liabilities consist of fixed-rate insurance and annuity products. If interest rates increase, Manulife Financial may experience an increase in surrenders or transfers to variable and other products. There can be no assurance that the results of operations of Manulife Financial would not be adversely affected by losses if Manulife Financial were required to sell invested assets to fund these surrenders or transfers.

Interest rate volatility may also create an asset and liability mismatch within Manulife Financial, which may arise when a change in interest rates reduces the return on invested assets earmarked to support particular liabilities or increases the amount payable on a future liability without increasing the return on the asset designated to support that liability. A mismatch between a particular liability of the Company and the return on the assets designated to support that liability could adversely affect Manulife Financial's profit margin. In addition, interest rate changes may cause a narrowing of Manulife Financial's net spread between interest earned on its invested asset portfolio and interest credited on its fixed-rate products. Any such narrowing of the net spread on fixed-rate products would adversely affect Manulife Financial's business, financial condition and results of operations.

Further discussion of interest rate risks facing Manulife Financial and Manulife Financial's approach to interest rate risk management can be found under "Risk Management – Market and Asset Liability Risk and Liquidity Risk" in MFC's Management's Discussion and Analysis for the year ended December 31, 2005.

Foreign Currency Fluctuations

A substantial portion of Manulife Financial's revenues are earned in currencies other than Canadian dollars, primarily U.S. and Hong Kong dollars and Japanese yen. For purposes of financial reporting under Canadian GAAP, revenues and expenses denominated in non-Canadian currencies are translated into Canadian dollars at the average exchange rates prevailing during the year. If the Canadian dollar were to strengthen relative to these non-Canadian currencies, the amount of net income reported in MFC's consolidated statement of operations from non-Canadian dollar denominated business would decrease. Further discussion of foreign currency risks and Manulife Financial's approach to foreign currency risk management can be found under "Risk Management – Market and Asset Risk and Liquidity Risk" in MFC's Management's Discussion and Analysis for the year ended December 31, 2005.

Credit Risk

Manulife Financial is exposed to credit risk resulting from the inability or unwillingness of a borrower or counterparty to fulfill its payment obligations. The assets in the Company's general fund are invested primarily in investment grade bonds and commercial mortgages, predominantly first mortgages. Even though investment grade assets are thought to be more secure against issuer defaults, these ratings only provide an independent measure of credit quality and not a guarantee of performance. A pronounced and sustained economic downturn could result in issuer defaults, potentially leading to increased provisions for losses and adversely affecting Manulife Financial's financial condition and results of operations. Credit risk also arises in the context of reinsurance and derivatives transactions entered into by the Company to the extent that the counterparties to those agreements are unable or unwilling to meet their obligations to the Company. Further discussion of credit risks facing Manulife Financial and Manulife Financial's approach to credit risk management can be found under "Risk Management – Credit Risk" in MFC's Management's Discussion and Analysis for the year ended December 31, 2005.

Future Claims, Losses and Liabilities

A life insurance company's earnings depend, in part, on the claims paid and incurred under its insurance policies. Manulife Financial uses both its own and the industry's experience to develop estimates of future claims that are used in pricing its insurance products and establishing the related actuarial liabilities. However, there can be no assurance that actual experience will match these estimates. Manulife Financial's results of operations will vary from period to period as actual claims experience differs from the estimates made. Moreover, if actual experience during a period is materially worse than the assumptions made in pricing products and establishing actuarial liabilities, this may have an adverse effect on Manulife Financial's financial condition and results of operations for the period.

As part of the prudent management of insured risks, Manulife Financial may reinsure blocks of its business, thereby ceding a portion of the risk associated with the reinsured policies. If any of the providers of reinsurance were to be unable or unwilling to pay the liabilities assumed through this reinsurance, Manulife Financial, as primary insurer, would still be obligated to pay benefit entitlements under the original policy. A significant failure by one or more reinsurers could adversely affect the business, financial condition and results of operations of Manulife Financial.

Regulatory Regime and Legal Proceedings

Manulife Financial is subject to extensive regulatory oversight by insurance and/or financial services regulators in the jurisdictions in which it does business. These regulations are primarily intended to protect policyholders and beneficiaries, not shareholders. Manulife Financial's business could be adversely affected by changes in applicable law or regulation or the interpretation or enforcement thereof. In addition, failure to comply with applicable statutes or regulations could result in financial penalties or sanctions, adversely affecting the Company's reputation, business, financial condition and results of operations. The Company is also regularly involved in litigation, both as plaintiff and defendant. The unfavourable resolution of any litigation could have an adverse impact on the Company's, business, financial condition and results of operations. For further information about regulatory matters and legal proceedings, see "Government Regulation" and "Legal Proceedings" in this Annual Information Form.

Holding Company Structure; Restrictions on Dividends

MFC is a holding company and owns all of the outstanding common equity of Manufacturers Life and John Hancock. As a holding company, MFC's ability to meet its cash requirements depends upon the receipt of dividends, distributions and other payments from Manufacturers Life, John Hancock and its other operating subsidiaries. These subsidiaries are generally required to maintain solvency and capital standards imposed by their local regulators and as a result there are restrictions on payments which may be made to MFC by them. For further information about restrictions on shareholder dividends and capital requirements see "Government Regulation" in this Annual Information Form.

Tax Treatment

The attractiveness to customers of some of Manulife Financial's products is due, in part, to favourable tax treatment. Changes to tax laws may affect the attractiveness of these products. From time to time, governments in the jurisdictions in which Manulife Financial operates will have considered proposals for tax law changes that could adversely affect Manulife Financial's products.

Acquisitions and Joint Ventures

Although the Company regularly explores opportunities for strategic acquisitions of or joint ventures with companies in similar lines of business, there is no assurance that the Company will be able to complete acquisitions or joint ventures on terms and conditions that satisfy its investment criteria. There is also no assurance that the Company will promptly or successfully achieve anticipated synergies following acquisitions or joint ventures. Company performance is contingent on retaining the clients and key employees of acquired companies, and there can be no assurance that the Company will always succeed in doing so after an acquisition or establishment of a joint venture.

Customer and Third Party Relationships

In issuing insurance policies or other products to customers or entering into transactions with third parties, Manulife Financial may rely on information, including representations as to the accuracy of such information, provided by such customers or third parties. In the event any such information is materially misleading, Manulife Financial's business, financial condition, results of operations and reputation could be adversely affected.

Manulife Financial distributes its products through a variety of distribution channels in addition to its own sales force, including through broker-dealers, banks and wholesalers. In addition, Manulife Financial outsources certain of its administrative functions to third parties. The inability of these third parties to fulfill their contractual obligations to or otherwise perform services to or on behalf of Manulife Financial could have a material adverse affect on Manulife Financial's ability to market or service its products. Additional information on outsourcing and other operational risks can be found under "Risk Management — Operational Risk" in MFC's Management's Discussion and Analysis for the year ended December 31, 2005.

Other Factors

Other factors that may affect future results include changes in government trade policy; political conditions and developments in or affecting the countries in which Manulife Financial operates; the timely development and introduction of new products and services in receptive markets; technological changes; operational and infrastructure risks; unexpected changes in consumer spending and saving habits; natural disasters such as hurricanes or tsunamis; the possible impact on Manulife Financial's business from public health emergencies, such as an influenza pandemic; international conflicts and other developments including those relating to terrorist activities; and Manulife Financial's success in anticipating and managing the risks associated with those events. Although Manulife Financial takes steps to anticipate and minimize risks in general, there can be no assurance that unforeseen future events will not have a negative impact on the business, financial condition and results of operations of the Company.

We caution that the preceding discussion of factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to Manulife Financial, investors and others should carefully consider the foregoing factors, as well as other uncertainties and potential events, and other external and Company specific factors that may adversely effect the future business, financial condition or results of operations of Manulife Financial. The Company does not undertake to update any forward-looking statements.

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 counseling 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 February 2006, 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 non-operating insurance companies, such as MFC, to maintain, at all times, adequate levels of capital which is assessed by comparing capital available to a risk metric in accordance with the Capital Regime for Regulated Insurance Holding Companies and Non-Operating Life Companies. There are no minimum or target requirements; however, OSFI expects holding companies to manage their capital in a manner commensurate with the group risk profile and control environment. MFC must also maintain minimum levels of capital for its subsidiaries. Such amounts of capital are based on the local statutory accounting basis in each jurisdiction. The most significant of these are MCCSR for MFC's Canadian life insurance subsidiaries and the Risk Based Capital ("RBC") requirements for MFC's U.S. life insurance subsidiaries. The Company maintains capital well in excess of the minimum required in all foreign jurisdictions in which the Company does business.

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 province and territory 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. The Company is licensed to transact business in all provinces and territories of Canada.

Provincial/Territorial Securities Laws

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

Assuris

Assuris (formerly called CompCorp) was created by the life and health insurance industry in Canada in 1990 to provide Canadian policyholders with protection in the event of the insolvency of their insurance company. Assuris is

funded by its member insurance companies, including Manufacturers Life. Member companies of Assuris are assessed to build and maintain a liquidity fund at a minimum 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 initially certified by IMSA on March 31, 1998. It was most recently recertified on March 31, 2005.

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.

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 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, 2005.

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 and John Hancock Funds 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 Assuris 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 AND JAPAN

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, 2005, MFC had approximately 792 million Common Shares, 14 million Class A Shares Series 1 and 14 million Class A Shares Series 2 issued and outstanding. On January 3, 2006, MFC issued 12 million Class A Shares Series 3 pursuant to a prospectus supplement dated December 12, 2005 ("Prospectus Supplement") filed on SEDAR.

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 and Class A Shares Series 2 can be found at Notes 13 and 15, respectively, of MFC's Audited Annual Financial Statements for the year ended December 31, 2005 filed on SEDAR. The terms of the Class A Shares Series 3 are described in the Prospectus Supplement, which may be accessed on SEDAR.

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, 2003 and December 31, 2005:

I. On the Common Shares, (i) a dividend of $0.18 per share was paid on March 19, 2003 and June 19, 2003, (ii) a dividend of $0.21 per share was paid on September 19, 2003, December 19, 2003, March 19, 2004 and June 21, 2004, (iii) a dividend of $0.26 per share was paid on September 20, 2004, December 17, 2004 and March 21, 2005, and (iv) a dividend of $0.30 per share was paid on June 20, 2005, September 19, 2005 and December 19, 2005;

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

III. On the Class A Shares, Series 2, (i) a dividend of $0.09365 per share was paid on March 21, 2005, and (ii) a dividend of $0.29063 per share was paid on the 19th day, or the first business day thereafter, of June, September and December of 2005.

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	Pfd-1(low)n Stable	A+ / Stable	P-1(low) / A
Class A Series 2	Pfd-1(low)n Stable	A+ / Stable	P-1(low) / A
Class A Series 3	Pfd-1(low)n Stable	A+ / Stable	P-1(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, Series 2 and Series 3 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, Series 2 and Series 3 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 "P-1" 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, Series 2 and Series 3 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 and Class A Preferred Shares, Series 2 are listed for trading on the TSX under the symbol "MFC.PR.A" and "MFC.PR.B" respectively. The Class A Preferred Shares, Series 3 were listed for trading on the TSX under the symbol "MFC.PR.C" as of January 3, 2006.

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		
2005	High (C$)	Low (C$)	Volume (in 000s)	High (U.S.$)	Low (U.S.$)	Volume (000s)
January	56.38	53.30	25,739	46.15	43.38	5,880
February	58.66	58.07	36,886	47.48	47.08	7,866
March	58.21	56.61	33,890	48.44	45.61	8,953
April	59.63	55.76	29,443	48.19	45.21	6,272
May	58.95	56.72	33,975	47.30	44.84	6,035
June	60.70	56.60	34,803	49.25	45.37	6,479
July	62.91	58.35	23,778	51.17	46.91	6,825
August	63.75	58.65	32,769	52.53	49.17	7,536
September	63.00	59.40	32,392	53.71	50.45	5,677
October	62.46	59.16	30,180	53.55	49.90	6,141
November	69.36	61.30	38,492	58.31	51.80	10,441
December	70.00	67.10	24,948	59.98	57.48	7,803

The following table sets out the closing price range and trading volume of the Class A Shares, Series 1 and Series 2 on the TSX for the period indicated.

	TSX – Series 1			TSX – Series 2		
2005	High (C$)	Low (C$)	Volume (in 000s)	High (C$)	Low (C$)	Volume (in 000s)
January	26.80	26.20	159	N/a	N/a	1,524
February	26.74	25.40	430	24.88	23.80	1,201
March	26.20	25.35	277	24.40	23.80	1,235
April	26.25	25.75	302	24.50	23.25	991
May	26.35	25.61	386	24.75	24.25	712
June	26.60	26.20	534	25.00	24.60	2,563
July	26.75	26.34	123	24.85	24.26	332
August	26.75	26.21	3,904	24.85	24.15	914
September	26.84	26.55	472	25.00	24.65	676
October	26.75	26.40	980	24.85	24.25	333
November	27.74	26.20	3,710	25.50	24.40	1,930
December	27.55	27.05	516	25.75	25.00	1,035

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, the United States and Asia, 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. Management of the Company believes 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. The Management of 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.

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, 2006. Additional information on each Director can be found at the sections entitled “Board of Directors” in MFC’s Management Information Circular dated March 15, 2006 filed on SEDAR, which section is incorporated herein by reference. Michael H. Wilson resigned as a director effective February 28, 2006.

Each director is elected for a term of one year, expiring at the next annual meeting of the Company. The next annual meeting will occur on May 4, 2006.

Name and Residence	Position with Manulife Financial	Principal Occupation
Arthur R. Sawchuk Ontario, Canada	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
John M. Cassaday Ontario, Canada	Director	President and Chief Executive Officer, Corus Entertainment Inc. (broadcasting company)
Lino J. Celeste New Brunswick, Canada	Director	Corporate Director (1)
Dr. Gail C.A. Cook-Bennett Ontario, Canada	Director	Chair, Canada Pension Plan Investment Board (Canada Pension Plan funds management)
Thomas P. d’Aquino Ontario, Canada	Director	Chief Executive and President, Canadian Council of Chief Executives (research and advocacy group)
Richard B. DeWolfe Massachusetts, United States	Director	Managing Partner, DeWolfe & Company LLC (consulting firm) (2)
Robert E. Dineen, Jr. New York, United States	Director	Of Counsel, Shearman & Sterling (law firm)
Pierre Y. Ducros Quebec, Canada	Director	President, P. Ducros & Associates, Inc. (investment firm)
Allister P. Graham Ontario, Canada	Director	Chairman and interim Chief Executive Officer, Nash Finch Company (food retail and distribution company) (3)
Thomas E. Kierans Ontario, Canada	Director	Chair, The Canadian Journalism Foundation (not-for-profit organization) (4)
Dr. Lorna R. Marsden Ontario, Canada	Director	President and Vice Chancellor, York University
Hugh W. Sloan, Jr. Michigan, United States	Director	Deputy Chairman, Woodbridge Foam Corporation (manufacturer of automobile parts)
Gordon G. Thiessen Ontario, Canada	Director	Chair, Canadian Public Accountability Board (5)

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

(2) Prior to September, 2002, Richard DeWolfe was Chairman and Chief Executive Officer of The DeWolfe Companies, Inc.

(3) Prior to February 14, 2006, Allister Graham was Chairman of Nash Finch Company.

(4) Prior to December 1, 2005, Thomas Kierans was Chairman, CSI Global Education Inc., and prior to November 2004, Mr. Kierans was Chairman, The Canadian Institute for Advanced Research

(5) Prior to October 31, 2002, Gordon Thiessen was a Corporate Director.

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, 2006.

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
Jean-Paul Bisnaire Ontario, Canada	Senior Executive Vice President, Business Development and General Counsel (1)
Geoffrey G. Crickmay Tokyo, Japan	Executive Vice President and General Manager, Japan (2)
John D. DesPrez III Massachusetts, United States	Senior Executive Vice President, John Hancock
Bruce Gordon Ontario, Canada	Senior Executive Vice President and General Manager, Canadian Operations (3)
Donald A. Guloien Ontario, Canada	Senior Executive Vice President and Chief Investment Officer
John C. Mather Ontario, Canada	Senior Executive Vice President and Chief Administrative Officer (4)
Peter H. Rubenovitch Ontario, Canada	Senior Executive Vice President and Chief Financial Officer

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

(2) From April 2004 to July 2004, Geoffrey Crickmay was Executive Vice President and Deputy General Manager, Japan. From January 2004 to April 2004 Mr. Crickmay was Senior Vice President, Sales and Marketing, Japan. 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.

(3) Prior to April 2001, Bruce Gordon was Senior Vice President, Group Business, Canadian Operations.

(4) From May 2001 to December 2002, John Mather was Executive Vice President and Chief Information Officer. Prior to May 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 Executive Officers of MFC as at December 31, 2005 was 652,548, which represented less than one per cent of the outstanding Common Shares.

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 3338, South Hackensack New Jersey, U.S.A. 07606-1938 Toll Free: 1-800-249-7702

MATERIAL CONTRACTS

MFC entered into a trust indenture dated May 19, 2005 with CIBC Mellon (the "Trust Indenture") setting out the terms of debentures that may be issued by MFC under a prospectus supplement to a short form base shelf prospectus, as filed with applicable securities regulators from time to time. MFC has also entered into a supplemental indenture to the above Trust Indenture dated May 19, 2005 with CIBC Mellon (the "Supplemental Indenture") setting out the terms of Medium Term Notes that may be issued by MFC under a Medium Term Note Program Prospectus Supplement, as filed with applicable securities regulators from time to time. Under the terms of the Supplemental Indenture, an aggregate maximum of $1.5 billion of Medium Term Notes are currently issuable. No Medium Term Notes are currently issued under the Supplemental Indenture.

On July 8, 2005, the SEC declared effective a joint registration statement filed in the United States by MFC and John Hancock Life relating to medium term notes sold by John Hancock Life to retail investors under the SignatureNotes program on or after June 29, 2005, the payment of which is fully and unconditionally guaranteed by MFC. MFC has also fully and unconditionally guaranteed the SignatureNotes sold by John Hancock Life prior to July 8, 2005.

MFC's guarantees of the SignatureNotes are unsecured obligations of MFC, and are subordinated in right of payment to the prior payment in full of all other obligations of MFC, except for other guarantees or obligations of MFC which by their terms are designated as ranking equally in right of payment with or subordinate to MFC's guarantees of the SignatureNotes. John Hancock Life had approximately U.S. $2.46 billion principal amount of SignatureNotes outstanding as at December 31, 2005, with capacity to issue a further U.S. $2.225 billion principal amount under the terms of issuance program governing the SignatureNotes as at that date. More information about MFC's guarantee of the SignatureNotes can be found at Note 23(e) of MFC's Audited Annual Financial Statements for the year ended December 31, 2005 filed on SEDAR.

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. Simon Curtis, Executive Vice President and Appointed Actuary of MFC, provided a valuation of policy liabilities of the Company for its consolidated balance sheets as at December 31, 2005 and 2004. At the time such experts prepared the applicable report and at the date hereof, the listed experts and the designated professionals of 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, Lino J. Celeste, Richard B. DeWolfe, Robert E. Dineen Jr., Allister P. Graham and Arthur R. Sawchuk are the members of MFC's Audit and Risk Management Committee ("Audit Committee"). Mr. Kierans is the chair of the Audit Committee and has held that post for 7 years. The Board of Directors of MFC 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 former member of the board of directors of BCE Inc. Mr. Celeste is an electrical engineer, is the past Chairman of Aliant Inc. and was the President and Chief Executive Officer of New Brunswick Telephone Company Limited. 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 and interim Chief Executive Officer 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 Schedule A of MFC's Management Information Circular dated March 15, 2006 filed on SEDAR, which Schedule is 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 the section entitled "Business of the Annual Meeting" in MFC's Management Information Circular dated March 15, 2006 filed on SEDAR, which section is incorporated herein by reference.

ADDITIONAL INFORMATION

Additional information with respect to the Company, 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 Management Information 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 (the "Company")

Audit & Risk Management Committee Charter (2006)

1. Overall Role and Responsibility

1.1 The Audit & Risk Management Committee ("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 Committee required to be included in the Proxy Circular in accordance with applicable laws or the rules of applicable securities regulatory authorities.

2. Structure and Composition

2.1 The Committee shall consist of three or more Directors appointed by the Board of Directors on the recommendation of the Corporate Governance and Nominating Committee.

2.2 No member of the Committee shall be an officer or employee of the Company, its subsidiaries or affiliates. Members of the Committee will not be affiliated with the Company as such term is defined in the *Insurance Companies Act* (Canada).

2.3 Each member of the 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.

2.4 The Board of Directors shall designate one member of the Committee as the Committee Chair.

2.5 Members of the Committee shall serve at the pleasure of the Board of Directors for such term or terms as the Board of Directors may determine.

2.6 Each member of the Committee shall be financially literate as such qualification is interpreted by the Board of Directors in its business judgment.

2.7 The Board of Directors shall determine whether and how many members of the Committee qualify as a financial expert as defined by applicable law.

2.8 The 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 Committee members fall into this category, the Committee shall consider the ability of such members to effectively serve on the Committee and, if it is determined that such members are able to continue serving, the Committee shall record the reasons for such a decision.

3. Structure, Operations and Assessment

3.1 The Committee shall meet quarterly or more frequently as the Committee may determine. The Committee shall report to the Board of Directors on its activities after each of its meetings.

3.2 The affirmative vote of a majority of the members of the Committee participating in any meeting of the Committee is necessary for the adoption of any resolution.

3.3 The 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.

3.4 The Committee shall, on an annual basis:

(a) review and assess the adequacy of this Charter and, where necessary, recommend changes to the Board of Directors for its approval;

(b) undertake a performance evaluation of the Committee comparing the performance of the Committee with the requirements of this Charter; and

(c) report the results of the performance evaluation to the Board of Directors.

The performance evaluation by the Committee shall be conducted in such manner as the Committee deems appropriate. The report to the Board of Directors may take the form of an oral report by the chair of the Committee or any other member of the Committee designated by the Committee to make this report.

3.5 The 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.

4. Specific Duties

The Committee will carry out the following specific duties:

4.1 Oversight of the Independent Auditor

(a) Appoint or replace the independent auditor (subject to shareholder ratification) and set the compensation for the independent auditor.

(b) Provide the 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 Committee.

(c) 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.

(d) When appropriate, the Committee may delegate to one or more members the authority to grant preapprovals of audit and permitted non-audit services.

(e) Annually review any delegation of authority to grant preapprovals of audit and permitted non-audit services.

(f) Review the decisions of such delegates under subsection (e) above, which shall be presented to the full Committee at its next scheduled meeting.

(g) 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 are compatible with maintaining the auditor's independence.

(h) Present its conclusions with respect to the independent auditor to the Board of Directors and, if so determined by the Committee, recommend that the Board of Directors take additional action to satisfy itself of the qualifications, performance and independence of the independent auditor.

(i) Obtain and review a report from the independent auditor at least annually regarding:

(i) the independent auditor's internal quality-control procedures;

(ii) 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;

(iii) any steps taken to deal with any such issues; and

(iv) all relationships between the independent auditor and the Company.

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

(k) 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.

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

4.2 Financial Reporting

(a) Review and discuss with management and the independent auditor the annual audited financial statements and report to the Board of Directors prior to approval by the Board of Directors and the publication of earnings.

(b) Review such returns of the Company as the Superintendent of Financial Institutions may specify.

(c) Review and discuss with management and the independent auditor the Company's annual and quarterly disclosures made in management's discussion and analysis. The 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.

(d) Require management to implement and maintain appropriate internal control procedures.

(e) 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.

(f) Review, evaluate and approve the procedures established under s. 4.2(d).

(g) Review such investments and transactions that could adversely affect the well-being of the Company as the auditor or any officer of the Company may bring to the attention of the Committee.

(h) Review and discuss with management and the independent auditor the Company's quarterly financial statements prior to the publication of earnings, including:

(i) the results of the independent auditor's review of the quarterly financial statements; and

(ii) any matters required to be communicated by the independent auditor under applicable review standards.

(i) 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:

(i) any significant changes in the Company's selection or application of accounting principles;

(ii) any major issues as to the adequacy of the Company's internal controls; and

(iii) any special steps adopted in light of material control deficiencies.

(j) Review and discuss with management and the independent auditor at least annually reports from the independent auditor on:

(i) critical accounting policies and practices to be used;

(ii) significant financial reporting issues, estimates and judgments made in connection with the preparation of the financial statements;

(iii) 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

(iv) other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.

(k) Meet with the independent auditor to discuss the annual financial statements and any investments or transactions that may adversely affect the well-being of the Company.

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

(q) 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.

(r) 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.

(s) 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), including the parts of the annual financial statement and the annual return filed under s. 665, prepared by the actuary, and such other matters as the Committee may direct.

(t) 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.

(u) Meet with the Chief Internal Auditor and with Management to discuss the effectiveness of the internal control procedure established pursuant to s.4.2(d).

4.3 Oversight of the Company's Internal Audit Function

(a) 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.

(b) Review the periodic reports of the internal audit department on internal audit activities and the results of its audits.

4.4 Oversight of Risk Management

(a) Review and approve periodically:

(i) management's risk philosophy; and

(ii) risk management policies.

(b) Review with management at least annually reports demonstrating compliance with risk management policies.

(c) Review reports at least annually relating to the adequacy of the Company's risk management practices together with management's responses from the:

(i) independent auditor; and

(ii) the internal auditor.

(d) 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.

4.5 Oversight of Regulatory Compliance

(a) 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.

(b) 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.

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

(d) Meet with the Company's regulators, according to applicable law.

(e) 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 Committee by the Board of Directors.

4.6 Proxy Circular

(a) The Committee shall prepare a report on its activities on an annual basis to be included in the Proxy Circular, as may be required by applicable laws or rules of applicable securities regulatory authorities.

5. Funding for the Independent Auditor and Retention of Independent Advisors

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

MANULIFE FINANCIAL CORPORATION

Management's Discussion and Analysis

For the year ended December 31, 2005

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This document includes forward-looking statements within the meaning of the “safe harbour” provisions of Canadian provincial securities laws and the U.S. *Private Securities Litigation Reform Act of 1995* . These forward-looking statements relate to, among other things, the Company’s objectives, goals, strategies, intentions, plans, beliefs, expectations and estimates, and generally can be identified by the use of words such as “may”, “will”, “could”, “would”, “suspect”, “outlook”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “plan”, “forecast” and “continue” (or the negative thereof) and words and expressions of similar import, and include statements concerning possible or assumed future results of the Company. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve inherent risks and uncertainties, and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements, and actual results may differ materially from those expressed or implied in such statements. Important factors that could cause actual results to differ materially from expectations include, but are not limited to: business competition; maintenance of financial ratings; general economic conditions and market factors including stock market and real estate market performance and fluctuations in interest rates and currency values; the variation between actual claims experience under insurance policies and initial claims estimates; changes in government regulations or in tax laws; unfavourable resolution of litigation involving the Company; the Company’s ability to complete strategic acquisitions and to integrate acquisitions; reliance on third parties that may be unable to fulfill obligations or perform services; political conditions and developments; the timely development and introduction of new products and services; unexpected changes in consumer spending and saving habits; natural disasters such as hurricanes or tsunamis; public health emergencies, such as an influenza pandemic; international conflicts and other developments including those relating to terrorist activities; and the Company’s success in anticipating and managing the risks associated with those events. Additional information about factors that may cause actual results to differ materially from expectations, and about material factors or assumptions applied in making forward-looking statements, may be found under “Risk Management” and “Critical Accounting and Actuarial Policies” in Management’s Discussion and Analysis for the year ended December 31, 2005 and elsewhere in the Company’s filings with Canadian and U.S. securities regulators. The Company does not undertake to update any forward-looking statements.

Management's Discussion and Analysis
Financial Performance

Manulife Financial 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. Manulife Financial also provides investment management services with respect to the Company's general fund assets, segregated fund assets, and mutual funds, and to institutional customers. The Company also offers reinsurance services, specializing in life retrocession and property and casualty reinsurance.

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

In this document, the terms "Company" and "Manulife Financial" mean Manulife Financial Corporation ("MFC") and its subsidiaries.

Consolidated Net Income
The Company reported shareholders' net income of $3,294 million for the year ended December 31, 2005, an increase of 29 per cent from $2,550 million reported in 2004. The 2005 earnings include a full twelve months earnings of John Hancock Financial Services, Inc. ("John Hancock") compared to eight months (post-acquisition) in 2004. The increase in earnings was fueled by business growth, particularly in the wealth management business, favourable investment returns, merger related expense synergies and the positive impact of equity markets partially offset by the $204 million negative impact of the strengthening Canadian dollar. Current year changes to actuarial methods and assumptions increased earnings by $64 million compared to an $8 million increase in 2004. Included in the 2005 results were a number of non-recurring items that reduced earnings by $153 million. These items were: Property and Casualty reinsurance losses related to Hurricanes Katrina and Wilma of $281 million; costs to cover guarantees made to clients referred to Portus Alternative Asset Management Inc. of $40 million; a $26 million reduction in income related to the finalization of the John Hancock purchase equation; partially offset by an $85 million net gain related to the recognition of future tax assets in Japan; a $57 million gain related to cash received from the estate of Daihyaku Mutual Life Insurance Company related to the Japan business acquired in 2001; and $52 million of income resulting from a move to a less risky asset profile in the Japan Daihyaku block of business.

Summary Statements of Operations

For the years ended December 31 (Canadian $ in millions, unless otherwise stated)	**2005**	2004	2003
Premium income	**$18,587**	$16,287	$10,540
Net investment income	**9,618**	7,823	4,419
Other revenue	**3,842**	2,857	1,547
Total revenue	**$32,047**	$26,967	$16,506
Policy benefits	**$19,862**	$17,026	$10,478
General expenses	**3,576**	3,050	2,011
Commissions	**3,253**	2,609	1,678
Interest expense	**788**	629	385
Premium taxes	**244**	208	119
Non-controlling interest in subsidiaries	**2**	20	(10)
Total policy benefits and expenses	**$27,725**	$23,542	$14,661
Income before income taxes	**$ 4,322**	$ 3,425	$ 1,845
Income taxes	**(1,031)**	(874)	(316)
Net income	**$ 3,291**	$ 2,551	$ 1,529
Less: net income (loss) attributed to participating policyholders	**(3)**	1	(10)
Net income attributed to shareholders	**$ 3,294**	$ 2,550	$ 1,539
Preferred share dividends	**(14)**	–	–
Net income available to common shareholders	**$ 3,280**	$ 2,550	$ 1,539
Diluted earnings per share	**$ 4.07**	$ 3.62	$ 3.31

Earnings per Common Share and Return on Common Shareholders' Equity
Diluted earnings per common share grew by 12 per cent to $4.07 from $3.62 in 2004 and the return on common shareholders' equity for the year ended December 31, 2005 was 14.1 per cent compared to 13.7 per cent for 2004.

Premiums and Deposits
Premiums and deposits for 2005 were $61.5 billion compared to $50.4 billion in 2004. This includes a full twelve months of premiums and deposits for John Hancock businesses in 2005, compared to eight months (post-acquisition) in 2004.

General fund premiums increased to $18.6 billion in 2005 from $16.3 billion in 2004. Increases in general fund premiums were due to the acquisition of John Hancock, growth in Asia in-force business through acquisition and organic growth partially offset by lower premiums in Canadian Individual Wealth Management fixed interest products due to a consumer shift toward equity-based investments in segregated funds and the impact of a stronger Canadian dollar.

Segregated fund deposits increased by 27 per cent to $31.8 billion in 2005 from $25.1 billion in 2004. 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 UFJ Financial Group in Japan. Record deposits in John Hancock Retirement Plan Services ("RPS", formerly Group Pensions), as well as growth in Canadian and Hong Kong wealth management businesses, also contributed to the increase. The growth in segregated fund deposits was dampened by the impact of the strengthening Canadian dollar.

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

Premiums and Deposits

For the years ended December 31 (Canadian $ in millions)	**2005**	2004	2003
General fund premiums	**$18,587**	$16,287	$10,540
Segregated fund deposits	**31,786**	25,104	17,687
Mutual fund deposits	**7,408**	5,809	1,576
ASO premium equivalents	**2,150**	1,710	883
Other fund deposits	**1,536**	1,534	350
Total premiums and deposits	**$61,467**	$50,444	$31,036

Investment Income

Net investment income of $9.6 billion in 2005 increased by $1.8 billion from 2004. The 2005 net investment income reflects a full twelve months for John Hancock businesses in 2005, compared to eight months (post-acquisition) in 2004. The increases in interest rates and improved equity performance were partially offset by the impact of the strengthening Canadian dollar. Provisions against impaired assets of $140 million in 2005 were higher by $25 million than 2004 but continue to be favourable compared to the long-term actuarial assumptions.

Net Investment Income

For the years ended December 31 (Canadian $ in millions)	**2005**	2004	2003
Gross investment income	**$ 9,112**	$ 7,439	$ 3,990
Net provision for impaired assets	**(140)**	(115)	(5)
Amortization of net realized and unrealized gains	**964**	779	575
Investment expenses	**(318)**	(280)	(141)
Net investment income	**$ 9,618**	$ 7,823	$ 4,419
Yield	**5.94%**	5.68%	6.34%

Other Revenue

Other revenue increased to $3.8 billion in 2005 from $2.9 billion in 2004. The increase was due to a full twelve months for John Hancock businesses in 2005, compared to eight months (post-acquisition) in 2004 and growth in fee income from equity market appreciation and wealth management sales.

Policy Benefits and Expenses

Policy benefits increased to $19.9 billion in 2005 from $17.0 billion in 2004, primarily due to a full twelve months of John Hancock businesses in 2005, compared to eight months (post-acquisition) in 2004. Policy benefits also increased due to Hurricane Katrina and Wilma claims partially offset by reduced fixed interest deposits in Canadian Individual Wealth Management.

General expenses increased by $0.5 billion in 2005, primarily due to a full twelve months of John Hancock businesses in 2005, compared to eight months (post-acquisition) in 2004. Growth in expenses due to higher variable expenses from strong sales growth in 2005 has been offset by synergies realized as a result of increased scale from the merger. Included in the general expenses were $145 million of restructuring and integration costs incurred in the year relating to the consolidation of systems, people, and infrastructure resulting from the merger compared to $139 million in 2004. Integration initiatives were substantially completed in 2005.

Commissions of $3.3 billion in 2005 were $0.6 billion higher than 2004 primarily due to a full twelve months of John Hancock businesses in 2005, compared to eight months (post-acquisition) in 2004, and to increased new business volumes in the wealth management operations.

Interest expense increased to $788 million in 2005 from $629 million in 2004. The increase was attributable to a full twelve months of 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 $1,031 million in 2005 from $874 million in 2004. The Company's 2005 provision for income taxes is comprised of $313 million of current taxes and $718 million of future taxes. The increase in the income tax expense is consistent with the increase in earnings offset by the tax benefit realized in Japan. Income taxes reflect the differing income tax rates and regulations prevailing in the various jurisdictions where the Company does business.

Funds Under Management

Funds under management increased by $24.9 billion to $372.3 billion as at December 31, 2005 from $347.4 billion as at December 31, 2004. General fund assets declined by $1.9 billion, primarily due to the impact of the strengthening Canadian dollar and scheduled maturities of institutional annuities in G&SFP. Segregated fund assets increased by 19 per cent to $139.7 billion from $117.6 billion in 2004 reflecting net sales of $16.9 billion and market value appreciation, partially offset by the $4.5 billion impact of the strengthening Canadian dollar.

Funds Under Management

As at December 31 (Canadian $ in millions)	**2005**	2004	2003
General fund	**$167,232**	$169,142	$ 74,465
Segregated funds held by policyholders[1]	**139,695**	117,570	71,173
Mutual and other funds[1]	**65,346**	60,645	8,598
Total funds under management	**$372,273**	$347,357	$154,236

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.

Fourth Quarter Results

Net Income

Shareholders' net income of $908 million for the fourth quarter ended December 31, 2005, increased 20 per cent from $756 million in 2004. The increase in net income was driven primarily by a 19 per cent growth in segregated fund assets as a result of strong variable annuity sales in the U.S. and Japan and improvements in margins in Long Term Care and Hong Kong. Also contributing to earnings were $52 million related to a release of reserves resulting from a move to a less risky asset profile in the Japan Daihyaku block and $49 million from the annual review of changes in actuarial methods and assumptions. Partially offsetting these increases were property and casualty reinsurance losses of $83 million, primarily related to Hurricane Wilma and a $42 million impact of the stronger Canadian dollar.

Premiums and Deposits

Premiums and deposits increased by 14 per cent to $16.3 billion in the fourth quarter of 2005 from $14.3 billion in 2004, primarily driven by increased sales in the variable annuity businesses in the U.S. and Japan. These increases were partially offset by the impact of the strengthening Canadian dollar.

Financial Highlights

For the quarter ended December 31 (Canadian $ in millions)	**2005**	2004
Shareholders' net income	**$ 908**	$ 756
Premiums and deposits	**$16,271**	$14,288

Moving Forward

In 2005, the Company successfully completed the integration of Manulife and John Hancock. The Company is positioned as "One Company", operating under the brand name John Hancock in the United States and Manulife in Canada, Asia and Japan. The focus for the Company in 2006 is to build upon its strength as a well capitalized and well diversified organization focused on the protection and wealth management businesses.

U.S. Protection

U.S. Protection 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. Products are distributed through a multi-channel network, including John Hancock Financial Network ("JHFN"), a career agency system that offers innovative protection and wealth management solutions to individuals, families and businesses.

In 2005, U.S. Protection contributed 19 per cent of the Company's shareholders' net income, 11 per cent of premiums and deposits and as at December 31, 2005, accounted for 16 per cent of the Company's funds under management.

Financial Performance

U.S. Protection's net income was $614 million in 2005 compared to $467 million in 2004. The increase in net income reflects a full year's impact of the John Hancock merger in 2005 compared to eight months in 2004. Earnings within the Long Term Care business were driven by higher margins and improved claims experience. Individual Insurance growth was fuelled by increased sales and mortality gains, as well as merger-related cost savings. Both businesses benefited from in-force business growth and favourable investment results during 2005. Earnings growth was partially offset by higher new business strain resulting from less favourable reinsurance rates in the Individual Insurance business and the negative impact of the stronger Canadian dollar.

Summary Statements of Operations

For the years ended December 31	Canadian $			U.S. $		
(In $ millions)	**2005**	2004	2003	**2005**	2004	2003
Premium income	**$5,382**	$4,710	$2,100	**$4,450**	$3,644	$1,506
Net investment income	**2,800**	2,321	1,261	**2,312**	1,793	901
Other revenue	**589**	442	129	**486**	342	93
Total revenue	**$8,771**	$7,473	$3,490	**$7,248**	$5,779	$2,500
Policyholder benefits	**$6,090**	$5,387	$2,465	**$5,030**	$4,166	$1,764
General expenses and commissions	**1,615**	1,267	563	**1,337**	980	406
Other	**139**	119	58	**114**	92	41
Total policy benefits and expenses	**$7,844**	$6,773	$3,086	**$6,481**	$5,238	$2,211
Income before income taxes	**$ 927**	$ 700	$ 404	**$ 767**	$ 541	$ 289
Income taxes	**(313)**	(233)	(129)	**(259)**	(180)	(93)
Net income attributed to shareholders	**$ 614**	$ 467	$ 275	**$ 508**	$ 361	$ 196

Premiums and Deposits

Premiums and deposits of $6.7 billion in 2005 increased from $5.8 billion in 2004, primarily due to a full year's impact of the John Hancock merger in 2005 compared to only eight months in 2004. The increase is supported by in-force growth in Long Term Care and higher universal life premiums. Growth in premiums and deposits was partially offset by lower Long Term Care sales, as well as lower Closed Individual Insurance Participating block premiums and variable universal life deposits. After facing market challenges in the first half of 2005, product enhancement initiatives resulted in strong universal life product sales and premium growth in the second half of the year.

Premiums and Deposits

For the years ended December 31	Canadian $			U.S. $		
(In $ millions)	**2005**	2004	2003	**2005**	2004	2003
Premium income	**$5,382**	$4,710	$2,100	**$4,450**	$3,644	$1,506
Segregated fund deposits	**1,284**	1,106	360	**1,060**	857	256
Total premiums and deposits	**$6,666**	$5,816	$2,460	**$5,510**	$4,501	$1,762

Funds Under Management

Funds under management of $57.9 billion were higher than the $57.1 billion reported in 2004. The increase attributable to growth from in-force business and improved equity markets was largely offset by the negative impact of a stronger Canadian dollar and a large surrender in the Closed Individual Insurance Participating block during the third quarter of 2005.

Funds Under Management

As at December 31 (In $ millions)	Canadian $			U.S. $		
	2005	2004	2003	**2005**	2004	2003
General fund	**$46,507**	$46,148	$15,747	**$39,889**	$38,342	$12,184
Segregated funds	**11,374**	10,953	1,997	**9,755**	9,100	1,545
Total funds under management	**$57,881**	$57,101	$17,744	**$49,644**	$47,442	$13,729

Moving Forward

In 2006, U.S. Protection will continue to capitalize on its leading market position in both the individual insurance and long-term care markets. The focus will be on strengthening distribution capability across multiple channels, maintaining excellent service levels, and offering innovative and competitive products.

A key distribution initiative for U.S. Protection is continuing to build on the JHFN career agency and sales infrastructure. JHFN is the leading distributor of proprietary Individual Insurance and Long Term Care products and is one of the top sellers of proprietary wealth management products. JHFN will grow its share of sales in each of these businesses by partnering with the businesses on sales initiatives tailored for their respective markets. Higher agent recruiting and programs to promote sales activity such as increased training and support are expected to further enhance sales growth. In addition to the JHFN initiatives, Individual Insurance will focus on expanding capacity to reach additional distributors, as well as enhancing already strong relationships with existing distribution partners. The Long Term Care operation will introduce customized sales and service solutions to solidify relationships with key distributors and will utilize its industry scale and expertise to attract new distributors, including those affected by carriers that exited the industry during 2005.

Service initiatives in Individual Insurance will look to capitalize on efficiencies realized from increased scale, while providing both policyholders and distributors with enhanced levels of support and service. Long Term Care will focus on improving service for both distributors and consumers; for distributors through continued simplification of the selling and underwriting process, and for consumers, through the completion of 2005 initiatives to improve service to claimants.

Product developments in the Individual Insurance business will focus on the launch of new cash focused and market leading guaranteed universal life products. In addition, the business will also complete streamlining its product portfolio in order to have a single competitive product clearly identified in each market segment. Long Term Care will continue with the rollout of products launched in the fourth quarter of 2005, including the new Corporate Choice product aimed at the high-growth, small employer market segment, and the Manulife-branded product focused on driving incremental sales through affinity marketing niche distribution channels. In addition, the business is currently developing new and innovative long-term care products for launch in the second half of 2006, affirming its commitment to be a product leader in the industry.

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. John Hancock Retirement Plan Services ("RPS", formerly Group Pensions) provides 401(k) plans to small and medium-sized businesses. Variable annuity, fixed annuity and College Savings 529 plan products are offered primarily to middle- and upper-income individuals. The Mutual Funds operation provides a variety of mutual funds, privately managed accounts and institutional services.

In 2005, U.S. Wealth Management contributed 18 per cent of the Company's shareholders' net income, 46 per cent of total premiums and deposits, and as at December 31, 2005, accounted for 38 per cent of the Company's funds under management.

Financial Performance

U.S. Wealth Management's net income was $585 million in 2005 compared to $397 million in 2004. The substantially higher earnings were due to continued business growth in the variable annuity and RPS business units, driven by strong net sales and strong in-force growth. As well, earnings included a full year of income from the John Hancock annuities and mutual funds operations, compared to eight months of earnings in the prior year. Improved equity market performance also contributed favourably to earnings from segregated fund guarantees and fee income. Partially offsetting this was the impact of the strengthened Canadian dollar.

Summary Statements of Operations

For the years ended December 31	Canadian $			U.S. $		
(In $ millions)	**2005**	2004	2003	**2005**	2004	2003
Premium income	**$2,149**	$1,344	$1,373	**$1,783**	$1,035	$ 966
Net investment income	**1,134**	930	442	**937**	719	314
Other revenue	**1,869**	1,479	891	**1,544**	1,141	640
Total revenue	**$5,152**	$3,753	$2,706	**$4,264**	$2,895	$1,920
Policyholder benefits	**$2,590**	$1,797	$1,529	**$2,145**	$1,386	$1,077
General expenses and commissions	**1,743**	1,398	946	**1,442**	1,078	676
Other	**10**	4	4	**8**	3	3
Total policy benefits and expenses	**$4,343**	$3,199	$2,479	**$3,595**	$2,467	$1,756
Income before income taxes	**$ 809**	$ 554	$ 227	**$ 669**	$ 428	$ 164
Income taxes	**(224)**	(157)	(47)	**(185)**	(122)	(34)
Net income attributed to shareholders	**$ 585**	$ 397	$ 180	**$ 484**	$ 306	$ 130

Premiums and Deposits

Premiums and deposits of $28.4 billion in 2005 were 23 per cent higher than the $23.1 billion reported in 2004, reflecting strong growth of segregated fund deposits in the variable annuity and RPS businesses. Premiums and deposits on a U.S. dollar basis posted an even more significant increase, up 32 per cent over 2004. Premiums are mostly attributable to the fixed annuity block of business and a guaranteed fund option on the 401(k) and variable annuity products. On the deposits side, segregated fund deposit growth was driven by record deposit levels from the RPS and variable annuity businesses in 2005. RPS segregated fund deposits of $10.9 billion grew by seven per cent primarily as a result of higher recurring deposits from a growing block of in-force participants. As well, variable annuity segregated fund deposits of $8.9 billion increased by 27 per cent mainly due to higher sales, led by strong market acceptance of the Principal Plus For Life benefit rider launched in early 2005. Both mutual fund deposits and other fund deposits growth were primarily attributable to the inclusion of twelve full months of John Hancock in 2005 versus eight months in the prior year. Included in other fund deposits are deposits from institutional clients of the Mutual Fund operations and deposits into the College Savings products.

Premiums and Deposits

For the years ended December 31	Canadian $			U.S. $		
(In $ millions)	**2005**	2004	2003	**2005**	2004	2003
Premium income	**$ 2,149**	$ 1,344	$ 1,373	**$ 1,783**	$ 1,035	$ 966
Segregated fund deposits	**19,803**	17,145	13,654	**16,380**	13,182	9,769
Mutual fund deposits	**5,384**	3,622	–	**4,449**	2,813	–
Other fund deposits	**1,097**	980	350	**907**	759	252
Total premiums and deposits	**$28,433**	$23,091	$15,377	**$23,519**	$17,789	$10,987

Funds Under Management

Funds under management of $142.1 billion were ten per cent higher compared to $129.0 billion reported in 2004. On a U.S. dollar basis, general fund invested assets of $17.6 billion have increased from the $17.3 billion reported in 2004, with most of the growth attributable to fixed annuity asset growth from higher sales. On a U.S. dollar basis, segregated funds under management grew by

22 per cent due to strong variable annuity and RPS net policyholder cash flows and the favourable influence of improved equity markets during the year. Mutual and other fund assets also increased.

Funds Under Management

As at December 31 (In $ millions)	Canadian $			U.S. $		
	2005	2004	2003	**2005**	2004	2003
General fund	**$ 20,552**	$ 20,836	$ 6,418	**$ 17,627**	$ 17,312	$ 4,966
Segregated funds	**84,980**	72,186	54,245	**72,888**	59,975	41,973
Mutual funds	**30,248**	30,140	–	**25,944**	25,042	–
Other funds	**6,322**	5,874	903	**5,422**	4,880	699
Total funds under management	**$142,102**	$129,036	$61,566	**$121,881**	$107,209	$47,638

Moving Forward

U.S. Wealth Management strives to provide excellent customer service, innovative and attractive product offerings, and to develop and maintain strong distribution relationships. The division will continue to emphasize these factors in the execution of its strategic plan in 2006.

The division's overall strategy is to develop both product and distribution excellence, leading to top-line and bottom-line growth. Key product and distribution initiatives in the coming year impact a number of businesses. Variable Annuities seeks to increase market share by strengthening penetration across all channels, in particular, bank channel intermediaries and with JHFN, our career agency network. Since the merger, JHFN has been instrumental in driving variable annuities sales growth, particularly in the Venture annuity suite of products. JHFN sales as a percentage of total variable annuities sales have increased each consecutive quarter and this trend is expected to continue into 2006. RPS is looking to boost revenues by expanding its share of the $3 – $20 million market through a broader intermediary relationship with producers in this market. RPS will expand its product portfolio through the launch of Investment Only offerings. Mutual Funds has two significant initiatives aimed at increasing core business scale and breadth of product offerings. The current year launch of the Lifestyle retail funds appeals directly to large numbers of customers spread across the investment risk spectrum. The Grantham Mayo Otterloo ("GMO") fund launch scheduled for early 2006 will further complement the array of highly rated fund offerings for the unit.

Going forward, the Division will continue to respond to the needs of the ever-changing marketplace. Earlier in 2005, a single common investment platform was created from the merger of the John Hancock Investment Trust (formerly called the Manufacturers Investment Trust) and the John Hancock Variable Series Trust. The combined platform enables customers to retain their existing investment selections when transferring between or purchasing new 401(k) group annuity pension, variable annuity or variable insurance products (which are sold through the U.S. Protection segment). Customers need be familiar with only one set of investment funds. Customers also find it easier to assemble personalized solutions across the wide array of individual insurance, annuity and 401(k) products. Providing excellent customer service is critical to success in the $3-$20 million target market, and RPS will continue to make improvements to its customer support infrastructure. The recently launched John Hancock Fiduciary Standards Warranty also demonstrates RPS's commitment to identifying and addressing key client concerns. The Variable Annuities business unit is faced with new product launches from increasingly aggressive competitors, but will continue to closely monitor such developments and respond with next-generation offerings accordingly. Mutual Funds' successful execution of the infrastructure build-out in support of both the Lifestyles and GMO initiatives will be critical to these offerings. Finally, management of the Fixed Annuity business will be aligned with the G&SFP business in 2006, and will further focus on cultivating its retail distribution channels.

Guaranteed and Structured Financial Products

Guaranteed and Structured Financial Products ("G&SFP") was aligned with the U.S. Wealth Management organization in 2005. This organizational change reflects G&SFP's new business focus on retail-oriented products as well as fee-based institutional products. G&SFP product offerings include a variety of specialized products and services to U.S. based qualified defined benefit and defined contribution retirement plans, as well as other retail and institutional investors. The in-force business is predominantly from institutional markets, whereas the focus for new business in 2005 was in retail markets with such products as *Signature* Notes, structured settlements, terminal funding and immediate fixed annuities. This shift in product mix was made as G&SFP saw favourable business opportunities in the retail markets where the Company's strong brand and consumer awareness can be leveraged to offer products with the desired risk/return characteristics. Product offerings in the institutional market where tight spreads persist will continue to be on an opportunistic basis.

Manulife Financial acquired the G&SFP business during 2004 as part of the merger with John Hancock. In 2005, G&SFP contributed nine per cent of the Company's shareholders' net income, three per cent of total premiums and deposits and as at December 31, 2005, accounted for ten per cent of the Company's funds under management.

Financial Performance

G&SFP's net income was $283 million for the full year in 2005 compared to $212 million for the eight month period from acquisition to December 31, 2004. Compared to 2004 annualized net income of $318 million, 2005 net income is lower due primarily to the declining in-force block of fund assets.

Summary Statements of Operations

For the years ended December 31	Canadian $		U.S. $	
(In $ millions)	**2005**	2004	**2005**	2004
Premium income	**$1,116**	$1,056	**$ 921**	$ 819
Net investment income	**1,801**	1,276	**1,487**	991
Other revenue	**20**	17	**17**	13
Total revenue	**$2,937**	$2,349	**$2,425**	$1,823
Policyholder benefits	**$2,277**	$1,887	**$1,880**	$1,464
General expenses and commissions	**93**	56	**77**	43
Other	**165**	100	**138**	78
Total policy benefits and expenses	**$2,535**	$2,043	**$2,095**	$1,585
Income before income taxes	**$ 402**	$ 306	**$ 330**	$ 238
Income taxes	**(119)**	(94)	**(98)**	(73)
Net income attributed to shareholders	**$ 283**	$ 212	**$ 232**	$ 165

Premiums and Deposits

Premiums and deposits of $2.0 billion are primarily attributable to sales of retail products. A large institutional sale, as well as additional deposits on existing institutional contracts, contributed $0.3 billion to the year over year increase.

Premiums and Deposits

For the years ended December 31	Canadian $		U.S. $	
(In $ millions)	**2005**	2004	**2005**	2004
Premium income	**$1,116**	$1,056	**$ 921**	$ 819
Segregated fund deposits	**405**	31	**335**	26
Signature Notes	**439**	554	**363**	425
Total premiums and deposits	**$1,960**	$1,641	**$1,619**	$1,270

Funds Under Management

Funds under management declined at an average rate of $0.9 billion per quarter in 2005 as scheduled maturities of institutional funds outpaced sales during the period. As a result of continued tight market spreads in the last few years, G&SFP discontinued sales of some institutional products and dramatically reduced sales of other products. Funds under management of $36.5 billion as at December 31, 2005 are down $3.8 billion, or nine per cent, from a year ago.

Funds Under Management

As at December 31 (In $ millions)	Canadian $		U.S. $	
	2005	2004	**2005**	2004
General fund	**$31,499**	$35,302	**$27,017**	$29,330
Segregated funds	**5,016**	4,965	**4,303**	4,125
Total funds under management	**$36,515**	$40,267	**$31,320**	$33,455

Moving Forward

G&SFP will continue to focus on retail-oriented products in 2006, leveraging the strong distribution relationships of U.S. Wealth Management with G&SFP's strong product development, risk management and immediate annuity servicing capabilities. G&SFP's 2006 product development strategy reflects a shift to a retail focus of fee based products and annuities and towards increasing sales of institutional products designed to mitigate risks associated with employee benefit plans.

In an effort to streamline the Company's fixed product offerings, achieve consistency in pricing and risk management practices, and expand its distribution channels, the G&SFP and Fixed Annuities business units will be managed on a combined basis in 2006.

Canadian Division

Canadian Division is one of the leading life insurance-based financial services organizations in Canada. Its individual wealth management product offerings include segregated funds 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 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 2005, 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, 2005, accounted for 18 per cent of the Company's funds under management.

Financial Performance

Canadian Division's shareholders' net income increased by 32 per cent to $809 million in 2005 from the $614 million reported in 2004. The increase is attributable to continued growth in earnings from in-force business and from expense synergies realized as a result of combining the Maritime Life and Manulife entities. The results of the Maritime Life acquisition in April 2004 are included for a full year in 2005 compared to eight months in 2004. Higher equity markets had a positive impact on asset based fee revenue in Individual Wealth Management and on investment returns across the Division. Improved claims experience in Group Benefits and Affinity Markets more than offset a deterioration in claims experience in the Individual Insurance business compared to the previous year.

Summary Statements of Operations

For the years ended December 31 (Canadian $ in millions)	**2005**	2004	2003
Premium income	**$5,761**	$5,259	$3,516
Net investment income	**2,686**	2,271	1,842
Other revenue	**647**	480	284
Total revenue	**$9,094**	$8,010	$5,642
Policyholder benefits	**$6,126**	$5,590	$3,863
General expenses and commissions	**1,636**	1,402	979
Other	**287**	207	147
Total policy benefits and expenses	**$8,049**	$7,199	$4,989
Income before income taxes	**$1,045**	$ 811	$ 653
Income taxes	**(248)**	(194)	(158)
Net income attributed to shareholders	**$ 797**	$ 617	$ 495
Less: net income (loss) attributed to participating policyholders	**(12)**	3	(2)
Net income attributed to shareholders	**$ 809**	$ 614	$ 497

Premiums and Deposits

Premiums and deposits were $13.5 billion, up $2.4 billion or 22 per cent from $11.1 billion in 2004. Contributing to the increase is the inclusion of twelve months of premiums and deposits from the Maritime Life business in 2005 compared to eight months in 2004. The increase in premiums and deposits was most significant in the Individual Wealth Management segregated and mutual fund businesses. Additionally, Administrative Services Only ("ASO") premium equivalents in Group Benefits grew as a result of higher new and in-force business volumes. Premiums for fixed interest products in 2005 were lower than 2004 due to a consumer preference for equity based investments in the current low interest rate environment. Partially offsetting the total increase in premiums was the non-recurrence of a large one-time premium received last year.

Premiums and Deposits

For the years ended December 31 (Canadian $ in millions)	**2005**	2004	2003
Premiums	**$ 5,761**	$ 5,259	$3,516
Segregated fund deposits	**4,514**	3,116	1,993
Mutual fund deposits	**1,107**	973	748
ASO premium equivalents	**2,150**	1,710	883
Total premiums and deposits	**$13,532**	$11,058	$7,140

Funds Under Management

Funds under management as at December 31, 2005 were $69.0 billion, an increase of $8.5 billion or 14 per cent over 2004. The 22 per cent increase in segregated, mutual and other funds was primarily from positive net policyholder cashflows and investment returns. Manulife Bank's continued sales success in its lending products was the main driver of the increase in general fund assets. Also contributing to the increase in general funds were new and renewal premiums from the Individual Insurance and Group Benefits businesses.

Funds Under Management

As at December 31 (Canadian $ in millions)	**2005**	2004	2003
General fund	**$42,424**	$38,787	$26,904
Segregated funds	**23,443**	19,422	10,702
Mutual and other funds	**3,152**	2,348	1,739
Total funds under management	**$69,019**	$60,557	$39,345

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.

The Division has multiple distribution channels in place to deliver a diverse range of products to its customers. For individual life and wealth management businesses, the goal is to provide the best professional value-added services to independent advisors, Managing General Agents ("MGAs"), and investment dealers, by matching services to their changing needs. Key initiatives in 2006 include strengthening the Living Benefit Wholesaler Team to accelerate the growth of Living Benefit products, including critical illness, long-term care and disability income. In the National Account Channel the objective will be to grow sales through a New Beginnings program designed to assist the Investment Advisors in building and protecting their business. Affinity Markets will continue to strengthen its relationships with sponsor organizations, provide innovative direct response vehicles and look for new specialty channels. Group Benefits will reinforce and enhance strong relationships with brokers, consultants, and customers and will expand relationships within traditional channels. Group Savings and Retirement Solutions' dedicated sales support representatives will partner with their consultant and brokerage channels to provide value-added products to customers using industry leading tools and training.

Canadian Division focuses on product innovation and providing excellent service to meet the needs of customers, advisors, consultants, and plan sponsors. Individual Insurance will focus on growing its critical illness and long-term care business within a growing market. In addition, the process for new business will be streamlined to provide shorter wait times for underwriting decisions and contract issuance. Affinity Markets' goal is to provide attractive products that are both easy to understand and buy, and to provide flexible services and solutions to plan sponsors. A focus for Group Benefits will be to continue to educate plan sponsors and members on healthy living and effective cost containment. Individual Wealth Management will introduce and launch new and flexible products in 2006 to complement its broad suite of existing products. A key strength for Individual Wealth Management is Manulife's Investment Watch (i-Watch) program, a value-added tool that helps customers with investment risk management decisions. The program incorporates a best practices approach to select fund managers and ensures that they adhere to their investment mandates. Group Savings and Retirement Solutions launched several new products in 2005 and by carefully reviewing market trends and listening to client needs will continue to look for innovations in 2006.

All of the Canadian Division businesses continue to make investments in upgrading technology. An area of particular focus is the expansion of services that are offered over the internet. This includes providing timely information as well as services to our distribution partners, customers and employees. In response to increased regulatory and consumer protection requirements and complexity in the business, the Division will continue to review and enhance its risk management, governance and compliance practices.

Asia and Japan Division

Manulife Financial has operated in Asia since 1897, beginning in Hong Kong and the Philippines, expanding into Singapore, Indonesia, Taiwan, China, Japan, Vietnam, and into Malaysia and Thailand as a result of the 2004 John Hancock merger. The Division provides protection and wealth management products in select markets throughout the region. Protection products include life insurance, group life and health, and hospital coverage. Wealth management products include mutual funds, pensions, variable annuities and segregated funds.

In 2005, Asia and Japan Division contributed 22 per cent of the Company's shareholders' net income, 15 per cent of total premiums and deposits and as at December 31, 2005, accounted for eight per cent of the Company's funds under management.

Financial Performance

Asia and Japan Division's shareholders' net income increased to $732 million in 2005 from $489 million in 2004. On a U.S. dollar basis, shareholders' net income increased 61 per cent. Japan, Hong Kong, and Other Asia all contributed to the growth in net income. Net income increased from the impact of $85 million of net tax benefits in Japan, as the Division now anticipates being able to utilize these tax loss carryforwards and deferred tax timing differences. Without this tax benefit, earnings would have been $647 million, a 32 per cent increase from 2004. Japan earnings also increased from the favourable impact of strong equity markets, a release of reserves resulting from a move to a less risky asset profile within the Daihyaku block of business and growth in the in-force variable annuity and universal life businesses. These positives were partially offset by less favourable lapse experience. Hong Kong's results benefited from growth in business volumes, the launch of a new Hospital rider and improved investment income partly offset by higher expenses. Outside Hong Kong and Japan, earnings grew as the operations worked to achieve greater economies of scale. The year-on-year growth also reflects the impact of the provision established last year for losses/claims due to the tsunami in South-east Asia and its partial release this year, a full year impact of previous mergers, and improved claims experience.

Summary Statements of Operations

For the years ended December 31	Canadian $			U.S. $		
(in $ millions)	**2005**	2004	2003	**2005**	2004	2003
Premium income	**$2,962**	$2,936	$2,815	**$2,448**	$2,261	$2,013
Net investment income	**689**	586	478	**569**	450	343
Other revenue	**337**	224	168	**280**	173	121
Total revenue	**$3,988**	$3,746	$3,461	**$3,297**	$2,884	$2,477
Policyholder benefits	**$1,899**	$1,999	$1,898	**$1,567**	$1,538	$1,358
General expenses and commissions	**1,198**	1,117	1,042	**991**	860	745
Other	**81**	69	64	**67**	54	45
Total policy benefits and expenses	**$3,178**	$3,185	$3,004	**$2,625**	$2,452	$2,148
Income before income taxes	**$ 810**	$ 561	$ 457	**$ 672**	$ 432	$ 329
Income taxes	**(69)**	(74)	(40)	**(57)**	(57)	(29)
Net income	**$ 741**	$ 487	$ 417	**$ 615**	$ 375	$ 300
Less: net income (loss) attributed to participating policyholders	**9**	(2)	(8)	**7**	(2)	(6)
Net income attributed to shareholders	**$ 732**	$ 489	$ 425	**$ 608**	$ 377	$ 306

Premiums and Deposits

Premiums and deposits were $9.1 billion in 2005, up 18 per cent from $7.7 billion in 2004. On a U.S. dollar basis, premiums and deposits grew by 26 per cent. This increase was driven by variable annuity sales in Japan, which accelerated following the alliance with Mitsubishi UFJ Financial Group ("MUFG") in April 2004, combined with increased Provident Fund and Individual Wealth Management deposits, the latter driven by the introduction of new single premium products, in Hong Kong. Growth in the insurance businesses and various acquisitions across the Division also contributed to the higher level of premiums and deposits.

Premiums and Deposits

For the years ended December 31	Canadian $			U.S. $		
(in $ millions)	**2005**	2004	2003	**2005**	2004	2003
Premium income	**$2,962**	$2,936	$2,815	**$2,448**	$2,261	$2,013
Segregated fund deposits	**5,226**	3,591	1,680	**4,323**	2,776	1,205
Mutual fund deposits	**917**	1,214	828	**751**	945	598
Total premiums and deposits	**$9,105**	$7,741	$5,323	**$7,522**	$5,982	$3,816

Funds Under Management

Funds under management increased by 13 per cent to $31.7 billion in 2005 from $28.1 billion in 2004. On a U.S. dollar basis, funds under management increased by 16 per cent. Growth was fueled by variable annuity sales in Japan, combined with increased business volumes in pension and wealth management products in Hong Kong which included sales of newly launched products in the second half of the year. The growth also reflects the impact of equity market value appreciation. These increases were partially offset by redemptions of mutual funds in Indonesia, consistent with the experience across the industry, as interest rates spiked mid-year.

Funds Under Management

As at December 31	Canadian $			U.S. $		
(in $ millions)	**2005**	2004	2003	**2005**	2004	2003
General fund	**$16,111**	$16,135	$15,926	**$13,819**	$13,406	$12,321
Segregated funds	**12,282**	7,910	4,521	**10,533**	6,572	3,497
Mutual and other funds	**3,303**	4,064	3,568	**2,834**	3,377	2,760
Total funds under management	**$31,696**	$28,109	$24,015	**$27,186**	$23,355	$18,578

Moving Forward

While Hong Kong and Japan continued to be the largest contributors to earnings for the Division, the other operations within Asia are becoming more significant following rapid growth and business expansion over recent years. The Division will continue to develop these other operations in order to further diversify its profile.

The Division will continue to expand the career agency force, which remains 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 continued implementation of Agency Best Practices. In addition, the Division will develop products suitable for sale through the bank distribution network and work to enhance existing relationships and to develop new ones. In Japan, the focus will be on building the business' position in the variable annuity market to establish the Company as a market leader through new product offerings and expanded distribution relationships.

In 2005, variable annuity sales in Japan and pension and wealth management deposits in Hong Kong were key contributors to the business growth. In 2006, the Division will leverage this success and continue to develop new and enhanced Wealth Management products across the region. The Division plans to launch new, competitive variable annuity products in Japan that will support the distribution partnership with MUFG and other distributors and will continue to focus on developing new variable annuity distribution relationships.

In 1996, Manulife, together with its partner Sinochem, created Manulife-Sinochem Life Insurance Co. Ltd. ("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 2005 and is now operating in more than ten major cities. MSL's 2006 plans include the opening of new branches in Shandong and Fujian and continued development of its existing operations.

During 2006, in addition to continuing the branch expansion in China, the Division will seek to grow and diversify its business by expanding the geographical scope of its employee benefit and asset management operations and identifying and implementing best practices and products across the region.

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, Singapore and Japan, 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 in 2004.**

Financial Performance
Reinsurance Division reported a net loss of $108 million in 2005 compared to net income of $230 million in 2004. The large decrease is primarily attributable to Property and Casualty Reinsurance net losses related to Hurricanes Katrina and Wilma. In addition, Life Reinsurance reported unfavourable claims results compared to favourable claims experience in 2004.

Summary Statements of Operations

For the years ended December 31	Canadian $			U.S. $		
(in $ millions)	**2005**	2004	2003	**2005**	2004	2003
Premium income	**$1,217**	$ 982	$736	**$1,005**	$756	$527
Net investment income	**185**	180	218	**153**	138	156
Other revenue	**27**	35	45	**22**	28	32
Total revenue	**$1,429**	$1,197	$999	**$1,180**	$922	$715
Policyholder benefits	**$1,453**	$ 810	$642	**$1,202**	$624	$459
General expenses and commissions	**67**	65	68	**57**	50	49
Other	**(2)**	10	10	**(2)**	8	7
Total policy benefits and expenses	**$1,518**	$ 885	$720	**$1,257**	$682	$515
Income before income taxes	**$ (89)**	$ 312	$279	**$ (77)**	$240	$200
Income taxes	**(19)**	(82)	(63)	**(15)**	(63)	(45)
Net income (loss) attributed to shareholders	**$ (108)**	$ 230	$216	**$ (92)**	$177	$155

Premium Income
Premium income increased by 24 per cent to $1,217 million in 2005 from $982 million in 2004. On a U.S. dollar basis, premiums increased by 33 per cent to $1,005 million in 2005 from $756 million in 2004. This increase was largely due to Property and Casualty reinstatement premiums earned on contracts impacted by Hurricane Katrina as well as the inclusion of a full year of premiums for IGP in 2005. In addition, Life Reinsurance premiums on a U. S. dollar basis increased over 2004, primarily driven by higher new business volumes.

Premiums

For the years ended December 31	Canadian $			U.S. $		
(in $ millions)	**2005**	2004	2003	**2005**	2004	2003
Life reinsurance	**$ 452**	$466	$454	**$ 374**	$357	$325
Property and Casualty reinsurance	**310**	180	282	**257**	138	202
International Group Program reinsurance	**455**	336	–	**374**	261	–
Total premiums	**$1,217**	$982	$736	**$1,005**	$756	$527

Moving Forward

The Reinsurance Division continues to remain focused on maintaining its leadership position within its markets.

Further consolidation and lack of capacity in a hardening life reinsurance market is leading to better margins for life reinsurance customers but is also resulting in direct writers retaining a greater share of new business. While this may present a potential threat to the Division's traditional excess retention business, it concurrently provides an opportunity to increase volumes in the short term by capitalizing on in-force transactions. In addition, the hardening market lessens the price differential between the life reinsurance and life retrocession markets thus making the Company's valuable per life capacity relatively less expensive to life reinsurance clients. This large per life capacity continues to be the Division's most potent competitive advantage.

Property and Casualty Reinsurance has established a recognized market position as a leader in providing property catastrophe coverage to the professional reinsurers of the world. In 2005, traditional business volumes were increased while providing non-traditional solutions in only a few select cases. The Division expects the marketplace to continue shifting from non-traditional to traditional covers. As a result of this year's Hurricane Katrina, by far the costliest insured loss in history, the Company anticipates substantial market hardening of property and casualty reinsurance rates, especially for U.S. catastrophe coverage. Reinsurance Division will take this opportunity to very selectively increase business by meeting the existing and increasing needs of its core clients.

IGP's strategic objectives are to maintain a dominant position in the North American market while continuing to grow market share in Europe and Asia. A focus will be to aggressively market IGP in its newest markets, China and India, and explore expansion within the European Union.

Supplemental Information Regarding Non-Traditional Reinsurance

Non-Traditional Life Reinsurance

Reinsurance Division provides non-traditional reinsurance and retrocessional coverage to life and annuity insurers and reinsurers. This type of non-traditional life cover has been classified as financial reinsurance.

The non-traditional coverage is primarily coinsurance and modified coinsurance coverage of a share of specified blocks of life insurance or annuity contracts issued or reinsured by the cedant. It may also include the reinsurance of large blocks of life insurance on a yearly renewable term basis. All of the non-traditional coverage receives deposit accounting treatment for Canadian generally accepted accounting principles ("Canadian GAAP") or United States generally accepted accounting principles ("U.S. GAAP") purposes, but meets the requirements for reinsurance accounting under statutory rules. Under Canadian GAAP and U.S. GAAP deposit accounting, Reinsurance Division's income related to these transactions is recorded as fee income, reported in other revenue on the income statement, and liabilities, if any, are recorded as deposit liabilities.

The main differences between traditional and non-traditional coinsurance and modified coinsurance for life and annuity reinsurance include that in a non-traditional reinsurance agreement, the reinsurer pays a lower ceding commission for its share of a block of business than would otherwise be paid under a traditional reinsurance contract. Non-traditional transactions often involve the payment of experience refunds to the ceding insurer covering a substantial portion of the earnings accruing to the business reinsured during the early years of the contract. In addition, the contracts contain recapture rights (that is, rights of the ceding company to reassume future obligations for the reinsured contracts) that are often more flexible than those found in traditional coverage. These more flexible recapture rights are coupled with terms that create an incentive for the ceding insurer to recapture if the block is profitable on a statutory accounting basis.

All of the non-traditional life and annuity treaties written by the Company provide prospective coverage, covering liabilities extending out over the life of the underlying policyholder life and annuity contracts.

Non-Traditional Property Reinsurance

Manufacturers P&C Limited ("MPCL"), a subsidiary of the Company, currently offers non-traditional retrocessional coverage to large international reinsurers. The non-traditional product currently offered by MPCL is known as a spread loss cover. This type of non-traditional cover has been referred to in the industry as "finite risk reinsurance" or "finite reinsurance."

All spread loss covers currently offered by MPCL are prospective property catastrophe excess of loss covers, with the exception of one cover which is a marine and aviation catastrophe excess of loss cover.

The most significant differences between a typical traditional treaty and a typical non-traditional contract (spread loss cover) are provisions relating to non-renewal premium and provisions relating to a notional experience account balance ("EAB"). The covers are generally 12 months in duration, with no obligation for either party to renew. An EAB tracks the performance of the treaty. The EAB is basically the premiums paid less claims incurred less MPCL's margin. Positive amounts may be returned to the cedant. Negative amounts are carried forward in the EAB if the contract renews. Unlike traditional covers, with non-traditional covers, a non-renewal premium provision requires the cedant to pay an additional premium if the cedant does not renew the treaty and the EAB is negative. This non-renewal premium is typically less than 80% of the negative EAB, so that sufficient risk transfer is provided to qualify for reinsurance accounting.

Corporate and Other

Corporate and Other is comprised of the Investment Division's external asset management business, earnings on excess capital, the transfer of credit risk from operating divisions, integration expenses, changes in actuarial methods and assumptions and other non-operating events. Also included in Corporate and Other is the John Hancock Accident and Health operations, which are primarily contracts in dispute.

In 2005, Corporate and Other contributed 11 per cent of the Company's shareholders' net income and accounted for nine per cent of the Company's funds under management.

Financial Performance

Corporate and Other's net income increased by 169 per cent to $379 million in 2005 from $141 million in 2004. 2005 includes 12 months of John Hancock's Corporate segment while 2004 includes eight months from the date of acquisition. Other significant factors in year-over-year earnings growth were the impact of changes in actuarial methods and assumptions, strong investment results, increased fees from the Investment Division's external asset management business and favourable claims experience in the John Hancock Accident and Health operations. Non-recurring items reported in 2005 include income of $57 million from the wind-up of the estate of Daihyaku, a business acquired in 2001, and a charge of $40 million to cover guarantees made to clients that were referred to Portus Alternative Asset Management Inc.

Summary Statements of Operations

For the years ended December 31 (Canadian $ in millions)	**2005**	2004	2003
Net investment income	**$ 322**	$ 260	$ 178
Other revenue	**354**	179	31
Total revenue	**$ 676**	$ 439	$ 209
Policyholder benefits	**$(573)**	$(444)	$ 81
General expenses	**473**	350	91
Other	**358**	352	205
Total policy benefits and expenses	**$ 258**	$ 258	$ 377
Income before income taxes	**$ 418**	$ 181	$(168)
Income taxes	**(39)**	(40)	121
Net income attributed to shareholders	**$ 379**	$ 141	$ (47)

Growth in revenue and benefits/expenses was largely driven by the inclusion in 2005 of 12 months results from John Hancock's Corporate segment and growth in the Investment Division's external asset management business. In 2005, other revenue includes the income from the Daihyaku wind-up and general expenses includes the Portus charge.

Funds Under Management

Funds under management as at December 31, 2005 were $32.4 billion, an increase of $2.8 billion, or ten per cent, over 2004. The increase reflected the growth in the Investment Division's external asset management business partially offset by the decline in the general fund assets due to the repurchase of 21 million common shares over the last 12 months and the negative impact of the strengthening Canadian dollar.

Funds Under Management

As at December 31 (Canadian $ in millions)	**2005**	2004	2003
General fund	**$ 7,452**	$ 9,187	$6,258
Segregated funds	**2,600**	2,134	–
Other funds	**22,321**	18,219	2,388
Total funds under management	**$32,373**	$29,540	$8,646

Investments

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.

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 South-east Asia.

General Fund Assets
The Company's general fund invested assets decreased to $167.2 billion as at December 31, 2005 from $169.1 billion as at December 31, 2004 as business growth was more than offset by the impact of the strengthening Canadian dollar. The goal in investing in these assets is to maximize total returns while operating within the Company's investment, risk management and asset liability matching policies. The following table shows the composition of the Company's general fund invested assets.

General Fund Assets

		2005		2004
As at December 31 (Canadian $ in millions)	Carrying value	% of total	Carrying value	% of total
Bonds	**$103,315**	**61**	$106,073	63
Mortgages	**28,008**	**17**	28,684	17
Stocks	**8,896**	**5**	8,344	4
Real estate	**5,279**	**3**	4,669	3
Policy loans	**6,120**	**4**	6,743	4
Cash and short-term investments	**9,360**	**6**	8,517	5
Bank loans	**1,806**	**1**	1,391	1
Other investments	**4,448**	**3**	4,721	3
Total invested assets	**$167,232**	**100**	$169,142	100

Bonds
The Company's bond portfolio represented 61 per cent of invested assets as at December 31, 2005. This portfolio invests in a combination of public bonds and private debt and is diversified by sector as well as by industry, duration and issuer. There was no significant change in sector distribution over the year. As at December 31, 2005, 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

			2005			2004
(Canadian $ in millions)	Carrying value	% of total	% Investment Grade	Carrying value	% of total	% Investment Grade
Government and agency	**$ 27,200**	**27**	**98**	$ 25,750	24	99
Financial	**19,558**	**19**	**98**	19,622	18	97
Telecommunications	**3,447**	**3**	**91**	3,769	4	90
Utilities	**13,449**	**13**	**90**	14,577	14	87
Energy	**6,028**	**6**	**92**	6,768	6	90
Industrial	**6,101**	**6**	**90**	7,010	7	89
Securitized (ABS/MBS)	**12,352**	**12**	**99**	11,945	11	99
Consumer (non-cyclical)	**5,781**	**6**	**93**	6,003	6	93
Consumer (cyclical)	**3,037**	**3**	**80**	3,685	4	85
Basic materials	**3,584**	**3**	**84**	4,048	4	84
Technology	**316**	**–**	**98**	299	–	93
Media and internet	**2,094**	**2**	**91**	2,201	2	89
Diversified and miscellaneous	**368**	**–**	**98**	396	–	97
Total bonds	**$103,315**	**100**	**94**	$106,073	100	94

Mortgages and Real Estate
As at December 31, 2005, mortgages represented 17 per cent of invested assets with 43 per cent of the mortgage portfolio in Canada and 57 per cent in the United States. Commercial mortgages accounted for 80 per cent of total mortgages with the rest being agricultural and residential mortgages. Predominantly composed of first mortgages, the portfolio is diversified by geographic region, property type and mortgagor. Government-insured loans represented 12 per cent of the total mortgage portfolio, offering an excellent risk-adjusted return. All mortgages are secured by real properties.

As at December 31, 2005, 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 60 per cent located in the United States, 33 per cent in Canada and seven per cent in Asia. Commercial office properties represented 68 per cent of the portfolio, with the remainder shared between industrial, retail, residential and other property types.

Stocks
As at December 31, 2005, stocks represented five 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, 2005, the stock portfolio was invested 34 per cent in U.S. issuers, 38 per cent in Canadian issuers, 21 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)	**2005**	2004	**Change** $	**Change** %
Managed on behalf of:				
Operating Division Clients	**$37,808**	$31,729	$ 6,079	19
Institutional Clients	**24,953**	20,353	4,600	23
Total third party assets	**$62,761**	$52,082	$10,679	21

Assets under management increased by $10.7 billion or 21 per cent during the year ended December 31, 2005, due to positive cash flows from the Company's segregated and mutual funds, new mandates acquired and strong investment returns.

Moving Forward
Consistently achieving superior investment returns and significantly growing the investment management business remain the two primary goals of Investment Division. The challenge ahead will be maintaining high returns in investment grade assets in an environment which continues to be characterized by tight spreads, low interest rates and highly priced assets. MFC Global's unique portfolio of non-traditional assets results in enhanced yields, diversifies risk and provides a competitive advantage. Going forward, the Division will continue to leverage the strong distribution network, expanded expertise and significant scale to aggressively grow the business.

Risk Management

Overview
Manulife Financial 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 the Company'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.

The Company'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 the 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.

The 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:

Corporate Risk Management Committee

- Approves risk management policies
- Reviews risk exposures
- Provides oversight and strategic direction

Product Risk Committee	Credit Committee	Global Asset Liability Committee
• Establishes product design, pricing and underwriting risk policies • Oversees risk management processes • Reviews product risk exposures • Sub-committee approves product offerings	• Establishes credit risk policies • Oversees risk management processes • Reviews credit exposures • Approves large individual credits	• Establishes asset mix, interest rate, liquidity, foreign exchange and market risk policies • Oversees risk management processes • Reviews risk exposures • Approves target investment strategies

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 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. The Company'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. Each global risk management program is also reviewed with these committees periodically. 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

Manulife Financial 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, market and asset liability risks, and 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 and earnings at risk. Strong controls are in place over the development, implementation and application of the stochastic scenario models employed. Currently, the Company evaluates its consolidated internal risk-based capital using a combination of the Canadian-based Minimum Continuing Capital and Surplus Requirements (“MCCSR”), 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 Manulife Financial’s financial strength ratings. The application of economic capital as a decision support tool continues to be expanded throughout the organization. The Company allocates capital to its businesses based on a blend of its internally developed economic capital and MCCSR, subject to local regulatory requirements at the entity level in jurisdictions outside of Canada. Risk-adjusted performance is monitored in relation to allocated capital.

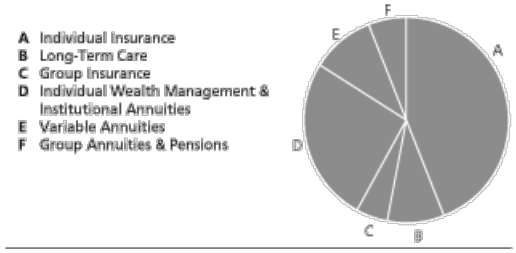
Risk Limit Management

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 key operating subsidiaries and the consolidated ratio of available capital to internal risk-based allocated capital. The Company targets an MCCSR ratio of 180 to 220 per cent for The Manufacturers Life Insurance Company (“MLI”), the Company’s primary Canadian operating subsidiary, and a ratio of 275 to 325 per cent under the Risk Based Capital (“RBC”) Requirements of the National Association of Insurance Commissioners (“NAIC”) for its U.S. operating subsidiaries. In addition, to manage its risk profile and limit exposure to specific risks, the Company manages risk exposures against enterprise-wide limits established for various financial risks, based on risk-specific exposure measures, including economic capital. Manulife Financial’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



Allocated Capital by Product



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 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
- internal risk-based capital allocations
- target profit objectives
- pricing methods and assumption setting
- stochastic and stress scenario testing
- 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, and related reinsurance treaties with third parties, ensuring corporate standards are met. Corporate Actuarial approves all valuation methods and assumptions and approves reinsurance treaties related to business in force, as well as all related party reinsurance treaties. 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 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, 2005 and 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 $113 million and $102 million respectively. 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. The Company's catastrophe reinsurance covers losses in excess of U.S. $100 million, up to U.S. $225 million (U.S. $150 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. The Company'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.

Manulife Financial'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. Each investment is assigned an internal risk rating based on a detailed examination of the borrower, 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, the Company 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, 2005 and 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 $60 million and $53 million respectively.

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)	**2005**	2004
Net impaired assets	**$ 643**	$ 476
Net impaired assets as a per cent of total invested assets	**0.38%**	0.28%
Allowance for impairment	**$ 276**	$ 214
Provision for future credit losses included in actuarial liabilities[1]	**$ 2,906**	$ 3,531

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 $1,231 million as at December 31, 2005 and $1,076 million as at December 31, 2004.

Market and Asset Liability Risk and Liquidity Risk

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

Manulife Financial'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, foreign exchange rate changes, and price volatility of non-fixed income investments, such as equities, commercial real estate, oil and gas and timberland. The committee also oversees the management of liquidity.

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, setting 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 investment 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.

Several products, such as payout annuities and insurance, have obligations extending well beyond terms for which returns can generally be locked in with certainty, typically about 25 to 30 years in North America. Product benefit and expense obligations, and any recurring premium inflows, are split into those falling within this period for which returns can be locked in, and those falling beyond that period. The Company's strategy is to back the portion of liabilities falling within the period that returns can be locked in with certainty primarily with fixed income assets that have a cash flow profile generally set to closely match the profile of the liabilities being supported. The remaining liabilities present systemic investment return risk and are supported by asset portfolios managed to achieve a total return sufficient to support the obligations over their long-term investment horizon. The total return asset portfolios incorporate an amount of non-fixed income assets considered prudent in relation to the liabilities they support, with the balance invested in fixed income portfolios. Incorporating a diversified basket of non-fixed income assets in these portfolios is intended to enhance long-term investment returns and reduce aggregate risk through diversification.

Wealth management products that are primarily short to medium term obligations and offer interest rate guarantees for specified terms on single premiums are backed 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 obligations supported.

Other products such as participating insurance, universal life insurance and U.S. fixed annuities, largely pass the investment performance of assets supporting the liabilities through to policyholders as changes in the amounts of dividends declared or rates of interest credited. These products are backed by total return asset portfolios designed to maximize dividends or credited rates, subject to limiting the risk arising from embedded minimum guarantees and policyholder options.

The target investment strategy for each segment is established using sophisticated portfolio analysis techniques to optimize long-term investment returns while considering volatility of returns and 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 extreme event risk exposure.

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 and equity risks. The risks associated with the use of derivatives are mitigated by established risk management policies and processes including limits on the notional volume 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.

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 embedded product guarantees and policyholder options. The systemic investment return risk within the Company's general account principally arises from the uncertainty of returns achievable on investments to be made in the future as recurring premiums are received, and on existing asset portfolios being managed for total return supporting long-dated liabilities, and due to minimum rate guarantees on products where investment returns are generally passed through to policyholders. Investment return risk within the general fund may also arise from tactical mismatch positions taken between the timing and amount of cash flows on fixed income assets and liabilities generally targeted to be matched, to the extent they exist. Target investment strategies and market and asset liability risk management programs established for each product segment, including interest rate risk exposure limits approved by the Audit and Risk Management Committee, are designed to keep potential losses from interest rate changes within acceptable limits.

Interest rate risk management policies and procedures, including delegated trading authorities and accountabilities for managing and monitoring interest rate risk, are clearly defined. Asset duration and cash flow targets are reviewed and modified with a frequency ranging from daily to annually, 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 to within established interest rate risk exposure limits with a frequency ranging from daily to quarterly, depending on the potential exposure to changes in the profile of assets and liabilities. Assets invested for total return are managed against established benchmarks and portfolio managers maintain interest rate risk exposure positions within prescribed limits.

Non-fixed income asset price volatility risk is driven by fluctuations in market values of equity and commercial real estate holdings, and to a lesser extent, oil and gas and timberland holdings. Price volatility risk related to general fund holdings is mitigated by investing in a diversified basket of non-fixed income assets consisting of public and private equities, commercial real estate, timberlands, agricultural lands and oil and gas. Total non-fixed income asset holdings are managed against an established aggregate limit, representing a small proportion of total assets, and against aggregate limits for each asset category. These aggregate limits are allocated to asset segments with target asset mixes incorporating non-fixed income assets. Public and private 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 and geography. Timber and agricultural land holdings are diversified and managed against limits by geography. Allocations to non-fixed income assets are managed proactively, reflecting management's risk preferences.

The investment return risk arising from the Company's off-balance sheet products is principally due to the uncertainty of future levels of asset-based fees, as well as death and living benefit guarantees provided on variable annuity and insurance products. Guarantees

include death, maturity, income and withdrawal guarantees on variable products and segregated funds. Off-balance sheet product investment return risk is mitigated through benefit guarantee design, limitations on fund offerings and the use of reinsurance. New product benefit guarantees and fund offerings are designed to meet established extreme event risk exposure limits, based on economic capital at risk. Reinsurance is in place on existing business that transfers investment return related benefit guarantee risk where appropriate, subject to established counterparty risk management policies.

The Company's aggregate exposure to public equity market price risk is managed against enterprise-wide limits approved by the Corporate Risk Management Committee and Board of Directors. These limits cover the combined public equity market price risk arising from variable product death and living benefit guarantees, market-based fees and general fund investments.

Interest rate and equity market price risk exposures are evaluated using a variety of techniques and measures that depend on the nature of the assets and liabilities, primarily based on projecting cash flows under a variety of future interest rate and market growth scenarios. These measures include durations, key-rate durations, convexity, cash flow gaps, shareholders' economic value at risk based on specific stress scenarios, earnings at risk and economic capital at risk. Exposures are monitored and reported quarterly to the Global Asset Liability Committee, the Corporate Risk Management Committee and the Audit and Risk Management Committee. The following tables show the shareholders' economic value at risk under sample stress scenarios, each one a shock that reflects a confidence level of approximately 87 per cent over a one-year horizon, according to internal stochastic models. Shareholders' economic value is calculated as the net present value of future cash flows related to current assets, recurring premiums to be received and product benefit and expenses to be paid, all discounted at market yields and adjusted for tax. The stress scenarios are: an immediate and permanent parallel increase of one per cent in interest rates for all maturities across all markets; an immediate and permanent parallel decrease of one per cent in interest rates for all maturities across all markets, subject to a minimum rate of 0.25%; and an immediate ten per cent decline in the market value of non-fixed income assets. Exposures are shown separately for segments supported with asset liability matching mandates and segments supported with total return mandates.

Exposures Arising in Segments Supported with Asset Liability Matching Mandates Segments supported with asset liability matching mandates encompass non-adjustable product benefit and expense obligations, and any recurring premium inflows, falling within a period for which returns can generally be locked in, typically 25 to 30 years. These segments represented approximately half of product liabilities as at December 31, 2005. The Company's strategy is to back these liabilities with fixed income assets that have a cash flow profile generally set to closely match the profile of the liabilities being supported.

The following table shows the shareholders' economic values at risk arising from segments supported with asset liability matching mandates under the interest rate stress scenarios described above.

Shareholders' Economic Value at Risk Arising from Segments Supported with Asset Liability Matching Mandates

	1% change in interest rates	
As at December 31 (Canadian $ in millions)	Increase	Decrease
2005		
Wealth management	**$ (11)**	**$ 16**
Insurance	**227**	**(314)**
Total	**$ 216**	**$ (298)**
2004		
Wealth management	$ 78	$ (100)
Insurance	234	(340)
Total	$ 312	$ (440)

As at December 31, 2005, the Company's wealth management business supported with asset liability matching mandates had virtually no sensitivity to parallel interest rate changes. The decrease in exposure from December 31, 2004 primarily resulted from reducing exposures in the G&SFP line, as a result of portfolio repositioning.

Within the insurance segments supported with asset liability matching mandates, the Company remains positioned to benefit from increases in interest rates in its U.S. long-term care, Canadian insurance and Japan insurance segments, and consequently remains exposed to potential permanent declines in interest rates.

Exposures Arising in Segments Supported with Total Return Mandates Segments supported with total return mandates encompass non-adjustable product benefit and expense obligations, and any recurring premium inflows, falling beyond the period for which returns can generally be locked in, typically 25 to 30 years, as well as all liabilities with benefits that can generally be adjusted. These segments represented approximately half of product liabilities as at December 31, 2005. Total return mandate segments also include the shareholders' equity account.

Asset portfolios incorporate a diversified basket of non-fixed income assets considered prudent in relation to the liabilities they support, with the balance invested in fixed income portfolios. For long-dated non-adjustable product benefit segments, the underlying economic risk exposure is the potential failure to achieve the assumed returns over the entirety of the long investment horizon. For adjustable product benefit segments, the embedded economic risk arises primarily from embedded minimum guarantees.

The following table shows the shareholders' economic values at risk arising from segments supported by total return mandates under the three stress scenarios described above.

Shareholders' Economic Value at Risk Arising from Segments Supported by Total Return Mandates

As at December 31 (Canadian $ in millions)	1% change in interest rates		10% decline in market values		
	Increase	Decrease	Equities	Real estate	Other*
2005					
Wealth management	**$ (36)**	**$ 30**	**$ (63)**	**$ (6)**	**$ (6)**
Insurance	**500**	**(999)**	**(150)**	**(172)**	**(47)**
Shareholders' equity account	**(304)**	**340**	**(244)**	**(11)**	**(48)**
Total	**$ 160**	**$ (629)**	**$ (457)**	**$ (189)**	**$ (101)**
2004					
Wealth management	$ (18)	$ 33	$ (66)	$ (5)	$ (3)
Insurance	604	(1,268)	(136)	(154)	(7)
Shareholders' equity account	(316)	374	(204)	(20)	(39)
Total	$ 270	$ (861)	$ (406)	$ (179)	$ (49)

* Other assets include timberland, agricultural lands and oil and gas holdings.

Within insurance segments supported by total return mandates, exposure to a permanent decline in interest rates primarily arises in long-dated non-adjustable product benefit segments, due to fixed income asset portfolios with maturity profiles shorter than the benefits, as well as exposure to minimum rate guarantees on adjustable benefit segments. The reduction in exposure from December 31, 2004 was driven by the U.S. Long Term Care and U.S. Universal Life segments.

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 funds.

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

As at December 31 (Canadian $ in millions)	2005	2004
Market-based fees	**$(472)**	$(411)
Variable product guarantees	**$(207)**	$(204)

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

Variable Annuity and Segregated Fund Benefit Guarantees

	2005			2004		
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	**$36,553**	**$ 613**		$22,634	$ 915	
Death benefits[1]	**12,543**	**1,578**		13,030	2,047	
Total	**$49,096**	**$2,191**	**$ (1,252)**	$35,664	$2,962	$ (584)

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 is not currently payable and represents a theoretical value only. 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, 2005 and December 31, 2004, meaning that fee income supporting guarantees is expected to exceed claims costs. The reduction in the amount at risk and the improved expected cost of guarantees as compared to December 31, 2004 was driven by favourable equity market performance. The improvement in the expected guarantee cost also reflects sales of higher margin products, particularly in the United States and Japan.

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 supporting 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, 2005 and December 31, 2004, actuarial liabilities held for these guaranteed benefit payments were $547 million and $600 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 Decem-

ber 31, 2005 were adequate to defease the projected guaranteed benefit payments across all businesses as long as future equity fund returns, including dividends, would average at least three per cent.

Foreign Currency Risk Adverse movements in foreign exchange rates may result in losses if assets and liabilities are not matched by currency. The Company 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. Manulife Financial 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 $151 million as at December 31, 2005 and $157 million as at December 31, 2004. As at December 31, 2005 and December 31, 2004 the same change in foreign exchange rates would reduce net income over the next year by $21 million and $20 million, respectively.

Liquidity Risk Global liquidity management policies and procedures are designed to ensure that adequate liquidity is available to Manulife Financial 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. Other sources of liquidity include centralized cash pools, as well as repurchase funding agreements and highly liquid marketable securities in principal operating entities. 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, policy liabilities are adjusted to reflect their potential for withdrawal. The Company's policy is to maintain adjusted liquid assets at a level well above adjusted policy liabilities.

Strategic Liquidity

	2005		**2004**	
As at December 31 (Canadian $ in millions unless otherwise stated)	Immediate scenario	Ongoing scenario	Immediate scenario	Ongoing scenario
Adjusted liquid assets	**$ 87,721**	**$88,561**	$ 88,444	$87,035
Adjusted policy liabilities	**$ 24,915**	**$30,648**	$ 23,927	$29,216
Liquidity ratio	**352%**	**289%**	370%	298%

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 the Company's business activities and encompasses a broad range of risks, including fiduciary breaches, regulatory compliance failures, legal disputes, business disruption, technology failures, processing errors, business integration, theft and fraud, damage to physical assets, employment practices and workplace safety. Exposures can take the form of financial losses, regulatory sanctions, loss of competitive positioning, poor customer service or damage to reputation.

The Company's strong corporate governance, clearly communicated corporate values, and integrated approach to managing risk set the foundation for mitigating all operational risks. This base is fortified by efforts to ensure appropriate internal controls and systems, together with trained and competent people, are in place throughout the organization. Within established corporate standards, business unit general managers are accountable for the 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 quarterly to the Corporate Risk Management Committee and Audit and Risk Management Committee.

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. However, the external auditors have not been engaged to audit the Company's internal controls over financial reporting. 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 chief compliance officers in every division. The program is designed to promote compliance with regulatory obligations worldwide and to help ensure awareness of the laws and regulations that affect the Company, and the risks associated with failing to comply. Divisional compliance groups monitor emerging legal and regulatory issues as well as proposed regulatory changes and take an active role in attempting to influence these where

appropriate, and in preparing the Company to address new requirements. 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 helps to ensure significant issues are escalated and proactively mitigated. Among these processes and practices are product design, sales and marketing practices, sales compensation practices, asset management practices, fiduciary responsibilities, employment practices, underwriting and claims processing and regulatory filings.

Technology-related risks are managed through a rigorous systems development protocol and global information security programs. A global business continuity policy 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. Each business unit maintains its own business continuity plans and processes and the global 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. Outsourcing arrangements, whereby a service provider performs a service activity on behalf of the Company, are subject to review procedures prior to their approval. Comprehensive policies and procedures are in place to monitor the ongoing results and contractual compliance of such arrangements.

Manulife Financial'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 help ensure that 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.

Reputation Risk Manulife Financial's reputation is one of its most valuable assets and it is vital that it be safeguarded. Reputation risk is the risk that the Company's corporate image may be eroded by adverse publicity, whether true or not, as a result of business practices of the Company or its representatives and business partners, potentially causing damage to the Company's franchise value. A loss of reputation is often a consequence of some other risk control failure whether associated with complex financial transactions or relatively routine operational activities. As such, reputation risk cannot be managed in isolation from other risks.

The Company has established an enterprise-wide Reputation Risk Policy approved by the Audit and Risk Management Committee which delineates the responsibilities of the Board and executive management in managing reputation risk. The Company applies a set of guiding principles in conducting all its business activities to protect and enhance its reputation, and requires documented reputation risk assessments, while also placing a priority on employee communication and education. While the CEO and executive management are ultimately responsible for the Company's reputation, it is the responsibility of every employee and Company representative to conduct their business activities in a manner that upholds the Company's reputation. This responsibility is clearly detailed and communicated to every director, officer and employee through the Company's Code of Business Conduct and Ethics.

In 2005, the Company's response to the failure of Portus Alternative Asset Management ("Portus") in Canada, an investment counsel and portfolio manager to which Manulife Financial-related advisors had referred prospective clients, reflected the principles set forth in the policy and exemplified the "tone from the top" at Manulife Financial. While the Company had no legal obligation or direct relationship with Portus or its clients, the Company quickly returned the entire principal invested in Portus to the investors referred by the Company and assumed the ongoing ownership and risks related to their Portus investment.

Capital Management and Capital Adequacy

Policies and Procedures
The objectives of the Company's capital management policy and related procedures are:
(1) to maintain adequate capital to ensure the safety and stability of the Company as well as retaining the confidence of regulators, policyholders and other creditors in the Company, and;
(2) to manage capital levels in order to optimize return on capital.

Management of Capital
The Company maintains high quality capital and limits the amount of financial leverage incorporated in the capital structure. The Company monitors and rebalances its capital mix through opportunistic capital issuances, capital repurchases and redemptions.

In 2005, the Company undertook the following capital management initiatives to optimize its capital mix:

Common Shareholder Dividend and Target Dividend Payout Ratio
The common shareholder dividend payout is a range of 25 per cent to 35 per cent of Canadian GAAP earnings. The Company's common share dividend payout ratio was 29 per cent for the full year ended December 31, 2005 and represented an increase in the quarterly common shareholder dividend of $0.04/share to $0.30/share in 2005. Common shareholder dividends are declared at the discretion of the Board of Directors.

Capital Issuances
In order to optimize the Company's capital structure, on February 10, 2005 the Company took advantage of historically low long-term interest rates by issuing 14 million Class A Series 2 non-cumulative perpetual preferred shares for an aggregate amount of $350 million. The Series 2 Preferred Shares are entitled to non-cumulative preferential cash dividends payable quarterly, if and when declared, at a per annum rate of 4.65%.

Subsequent to the year-end, on January 3, 2006, following an announcement by the Federal Government regarding changes to dividend taxation, the Company took advantage of a favourable market environment by issuing 12 million Class A, Series 3 non-cumulative perpetual preferred shares for an aggregate amount of $300 million. The Series 3 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 4.50%.

Common Share Repurchase Program
During the year ended December 31, 2005, MFC purchased and subsequently cancelled 21 million of its common shares pursuant to all normal course issuer bids at a total cost of $1,238 million. The current normal course issuer bid allows for the repurchase of an additional 49.3 million common shares at prevailing market prices.

Debt Redemptions and Maturities
MLI repaid, at maturity, all of the outstanding U.S. $209 million 7.875% subordinated notes on April 15, 2005.

As a subsequent event, on January 11, 2006, MLI exercised its right to redeem on February 16, 2006 all the outstanding $250 million 5.70% Subordinated Debentures due February 16, 2011 at par plus accrued and unpaid interest to the date of redemption.

Capital Adequacy
The Company monitors and manages its consolidated capital in compliance with the Office of the Superintendent of Financial Institutions ("OSFI") Guideline A2 – Capital Regime for Regulated Insurance Holding Companies and Non-Operating Life Companies, issued July 5, 2005. Consolidated available capital is measured against the risk capital metric contained in the guideline and internally established risk capital metrics. Regulatory capital adequacy is primarily managed at the insurance operating company level, rather than at the level of the ultimate holding company. MFC has two principal operating insurance companies: MLI and John Hancock Life Insurance Company ("JHLICO").

The Company's principal Canadian operating company, MLI, is regulated by OSFI and is subject to MCCSR. MLI's MCCSR ratio as at December 31, 2005 was 213 per cent, well in excess of OSFI's minimum level of 120 per cent and the same level as at December 31, 2004. The key drivers affecting the ratio over the course of 2005, were strong earnings offset by business growth and asset mix changes. An upstream dividend was paid to MFC as per the Company's plan, which also reduced MLI's MCCSR ratio.

MLI's foreign operations and subsidiaries all maintained capital levels in excess of minimum local requirements as at December 31, 2005.

JHLICO is domiciled in the State of Massachusetts and is subject to the RBC Requirements of the NAIC. JHLICO's RBC ratio is reported annually, as per the NAIC requirements. JHLICO's RBC ratio increased from 351 per cent as at December 31, 2004 to 359 per cent as at December 31, 2005, well in excess of the minimum regulatory level of 100 per cent. The key drivers affecting the movement in the ratio were significant improvements in the quality of the asset portfolio, offset by normal business growth. JHLICO's foreign operations and subsidiaries all maintained capital levels in excess of minimum local requirements as at December 31, 2005.

Critical Accounting and Actuarial Policies

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes. These estimates and assumptions are based on historical experience, management's assessment of current events and conditions and activities that the Company may undertake in the future as well as possible future economic events. Actual results could differ from these estimates. The estimates and assumptions described in this section depend upon subjective or complex judgments about matters that may be uncertain and changes in these estimates and assumptions could materially impact the consolidated financial statements.

The Company's significant accounting policies are described in note 1 to the consolidated financial statements. The most significant estimation processes of the Company relate to the provisioning for asset impairment, the determination of policy liabilities, assessment of variable interest entities, determination of pension and other post-employment benefit obligations and expense, income taxes and impairment testing of goodwill and intangible assets as described below.

Allowance for Asset Impairment
The allowance for credit losses adjusts the value of fixed-income assets to reflect their estimated realizable value. In assessing the estimated realizable value, 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 76.

Policy Liabilities
Policy liabilities for Canadian GAAP are valued under standards established by the Canadian Institute of Actuaries. These standards are designed to ensure the Company establishes an appropriate liability on the balance sheet to cover the future obligations to all of its policyholders. Under Canadian GAAP, the assumptions underlying the calculation of policy liabilities are required to be reviewed and updated on an ongoing basis to reflect recent and emerging trends in experience and changes in risk profile of the business. In conjunction with prudent business practices to manage both product and asset related risks, the selection and monitoring of appropriate valuation assumptions are designed to minimize the Company's exposure to measurement uncertainty related to policy liabilities.

Determination of Policy Liabilities
Policy liabilities have two major components: a best estimate amount and a provision for adverse deviation. The best estimate amount represents the estimated value of future policy benefit and settlement obligations to be paid over the term remaining on in-force policies, including the costs of servicing the policies. The best estimate amount is reduced by the future expected policy revenues and future expected investment income on assets supporting the policies, and adjusted for the impact of any reinsurance ceded associated with the policies. To determine the best estimate amount, assumptions must be made for a number of key factors. These include future mortality and morbidity rates, investment returns, rates of policy termination, operating expenses and certain taxes, and foreign currency.

To recognize the uncertainty involved in determining the best estimate actuarial liability assumptions, a provision for adverse deviation ("PfAD") is established. The PfAD is determined by including a margin of conservatism for each assumption to allow for any possible deterioration in experience and to provide greater comfort that the policy liabilities will be adequate to pay future benefits. The effect of these margins is to increase policy liabilities. The Canadian Institute of Actuaries establishes ranges for the permissible level of margins for adverse deviation based on the risk profile of the business. The Company uses assumptions at the conservative end of the permissible ranges, taking into account the risk profile of the business.

The margins for adverse deviation decrease the income that is recognized when a new policy is sold and increase the income recognized in later periods, with the margins releasing as the policy risks reduce.

Best Estimate Assumptions
The Company follows established processes to determine the assumptions used in the valuation of policy liabilities. The nature of each risk factor, and the process for setting the assumptions used in the valuation, are discussed below.

Mortality: Mortality relates to the occurrence of death. Mortality assumptions are based on past and emerging Company and industry experience. The assumptions are differentiated by sex, underwriting class, policy type and geographic market. Actual mortality experience is monitored against these assumptions separately for each business. The Company reinsures (cedes) mortality risk on in-force policies to other insurers in order to offset some of this risk. The impact of the reinsurance is directly reflected in the policy valuation. Overall 2005 experience was favourable when compared with the Company's assumptions.

Morbidity: Morbidity relates to the occurrence of accidents and sickness for the insured risks. Morbidity assumptions are based on past and emerging Company and industry experience. The assumptions are established for each type of morbidity risk and geographic

market. Actual morbidity experience is monitored against these assumptions separately for each business. Overall 2005 experience was favourable when compared with the Company's assumptions.

Policy Termination and Premium Persistency: Lapses represent the termination of policies due to non-payment of premiums. Surrenders represent the voluntary termination of policies by policyholders. Premium persistency represents the level of ongoing deposits on contracts where there is policyholder discretion as to the amount and timing of deposits. Policy termination and premium persistency assumptions are primarily based on the Company's recent experience adjusted for expected future conditions. Assumptions reflect differences by type of contract within geographic market. Actual experience is monitored against these assumptions separately for each business. Overall 2005 experience was unfavourable when compared to the Company's assumptions.

Expenses and Taxes: Operating expense assumptions reflect the projected costs of maintaining and servicing in-force policies, including associated overhead expenses. The expenses are derived from the Company's internal cost studies. The expenses are projected into the future with an allowance for inflation. For some developing businesses, there is an expectation that unit costs will decline as these businesses mature. Actual expenses are monitored against assumptions separately for each business. Overall maintenance expenses for 2005 were favourable when compared with the Company's assumptions. Taxes reflect assumptions for future premium taxes and other non-income related taxes. For income taxes, policy liabilities are adjusted only for temporary tax timing and permanent tax rate differences on the cash flows available to satisfy policy obligations.

Investment Returns: The Company segments assets to support liabilities by business segment and geographic market and establishes investment strategies appropriate to each liability segment. The projected cash flows from these assets are combined with projected cash flows from future asset purchases/sales to determine expected rates of return for all future years. The re-investment strategies are based on the Company's target investment policies for each segment, and are derived from current market rates for fixed interest investments and the Company's projected outlook for non-fixed interest assets. Investment return assumptions include expected future credit losses on fixed income assets. Credit losses are projected based on both Company and industry experience, and specific reviews of the current investment portfolio. In 2005, credit loss experience on both bonds and mortgages continued to be favourable when compared to the Company's assumptions. Investment return assumptions for each asset class also incorporate expected investment management expenses. The expenses are derived from internal cost studies. Overall 2005 investment management expense experience was favourable when compared to the Company's assumptions.

Foreign Currency: Foreign currency risk results from a mismatch of the currency of the policy liabilities and the currency of the assets designated to support these obligations. Because the Company has a policy of matching the currency of its assets with the currency of the liabilities they support, there is little exposure related to adverse movements in foreign exchange rates in the valuation. Where a currency mismatch exists, the assumed rate of return on the assets supporting the liabilities is reduced to reflect the potential for adverse movements in exchange rates.

Where policies have features that allow the impact of changes in experience to be passed on to policyholders through policy dividends, experienced rating refunds, credited rates, or other adjustable features, the projected policyholder benefits are adjusted to reflect the projected experience.

Sensitivity of Policy Liabilities to Changes in Assumptions

When assumptions are updated to reflect recent and emerging experience or change in outlook, the result is a change in the value of the policy liabilities. The sensitivity of the value of policy liabilities to changes in assumptions is shown below, assuming that there is a simultaneous change in the assumption across all business units. For policy related assumptions, the adverse sensitivity assumes experience moves in the direction that generates an adverse result for each key business separately.

In practice, experience for each assumption will frequently vary by geographic market and business and assumption updates are made on a business/geographic specific basis.

Sensitivity of Policy Liabilities to Changes in Assumptions
As at December 31, 2005

(Canadian $ in millions)	Increase (Decrease) in Policy Liabilities	
	10% adverse change	
Policy Related Assumptions		
Future mortality rates	$2,402	
Future morbidity rates	914	
Future termination rates	684	
Future expense levels	670	
	10 basis point change	
Asset Related Assumptions	Increase	Decrease
Level of future market interest rates*	$(98)	$117
Level of future equity returns	(57)	42

* Changes in market interest rates reflect a change to the initial market interest rates, but assume that ultimate long-term fixed income re-investment rates ("URRs") for new investments made 20 or more years into the future are unchanged. If the URRs were to be changed by a similar amount to the initial market interest rates, so that the valuation reflected a permanent shift in market interest rates available for all future re-investments, the policy liability increase would be $254 million for a 10 basis point decrease in interest rates and $201 million decrease for a 10 basis point increase in interest rates.

Review of Methods and Assumptions

The Appointed Actuary follows the practice of conducting a formal annual review of the methods and assumptions underlying the determination of the Company's Canadian GAAP policy liabilities. Where appropriate, the methods and assumptions are updated to reflect changes in the risk profile, improvements to the models and methods used to quantify risks, and current and projected experience of the business.

The 2005 review of the actuarial methods and assumptions underlying the policy liabilities produced a net reduction in the policy liabilities of $50 million. Net of the impacts on participating surplus and minority interest, this resulted in an increase in 2005 shareholders' income of pre-tax $74 million. The statement of operations impact of the review of actuarial methods and assumptions is reported in the Corporate and Other segment.

Impact of 2005 Review By Category of Change

(Canadian $ in millions)

Credit loss assumptions	$ (96)	Release of remaining corporate cyclical credit loss provision partially offset by impact of revisions to long-term credit loss rate assumptions.
Long-term interest rate assumptions	338	Increase in liabilities due to adoption of more conservative ultimate long-term interest rates in North America as well as increase due to decreasing long-term interest assumption in Taiwan to a level consistent with current very low interest environment.
Other investment return assumption impacts	52	Comprises the following items: (i) increase from updating the investment return assumptions for 2005 investment market movements, driven by impact of lower interest rates on long duration individual life contracts in Canada, offset by strong 2005 equity markets in Japan, and (ii) release related to refinements to the asset mix and re-investment assumptions used in valuation of John Hancock segments to reflect target investment strategies being implemented (see note below).
Regular review of non-economic assumptions	(275)	Comprises the following items: (i) release from lower investment expense and general maintenance expense assumptions reflecting John Hancock acquisition synergies (ii) release from improved mortality assumptions, primarily in Reinsurance, Canada and Singapore with some offset in Japan, and (iii) increase from strengthening related to policy persistency, primarily on insurance lines in the U.S. and Canada.
Model enhancements	(69)	Includes a number of enhancements for modeling of taxes, investment risks and policy benefits.
Total	**$ (50)**	

Note:
For all segregated fund insurance and wealth management policies, as well as certain general account wealth management policies in North America, the policy liabilities are updated quarterly to reflect the impact of market interest rates and non-fixed income market values. The impact of the update is reflected directly in each reporting segment's earnings.

The 2004 review of the actuarial methods and assumptions underlying the policy liabilities produced a net reduction in the policy liabilities of $38 million. Net of the impacts on participating surplus and minority interest, this resulted in an increase in 2004 shareholders' income of pre-tax $17 million. The statement of operations impact of the review of actuarial methods and assumptions is reported in the Corporate and Other segment. The review in 2004 focused only on the business of MLI as the methods and assumptions related to the business of the acquired John Hancock companies were reviewed and reflected on purchase in April 2004.

Impact of 2004 Review Category of Change:

(Canadian $ in millions)

Credit loss assumptions	$(246)	Release of approximately one half of the corporate cyclical credit loss provisions following a review of the credit exposure in the assets supporting liabilities.
Recapture risk on life retrocession business	137	Increase reserve for recapture to approximately 75% of contractual recapture exposure based on recent recapture trends.
Segregated fund guarantee reserves	103	Strengthening to reflect incorporation of dynamic lapses in all models and other refinements.
Investment return assumptions	(70)	Increase from updating the investment return assumptions and models for 2004 movements in investment markets (see note below).
Regular review of non-economic assumptions	21	Comprises the following items: (i) increase from strengthening related to policy persistency, primarily on insurance lines in Canada and the U.S., (ii) release from improved mortality assumptions, primarily in Canada, and (iii) release from improved expenses, primarily in Canada.
Model enhancements	17	Reflects a number of modeling enhancements, with offsetting releases from previously established data and model uncertainty reserves.
Total	**$ (38)**	

Note:
For all segregated fund insurance and wealth management policies, as well as certain general account wealth management policies in North America, the policy liabilities are updated quarterly to reflect the impact of market interest rates and non-fixed income market value markets. The impact of the update is reflected directly in each reporting segment's earnings.

2005 Change In Policy Liabilities

The change in policy liabilities can be attributed to several sources: new business, acquisitions, in-force movement and currency impact. Changes in policy liabilities are substantially offset in the financial statements by premiums, investment income, policy benefits, and other policy related cash flows. The changes in policy liabilities by business segment are shown below:

Policy Liability Movement Analysis

(Canadian $ in millions)

	U.S. Protection	U.S. Wealth Mgmt.	G&SFP	Canadian Division	Asia and Japan Division	Reinsurance Division	Corporate and Other	Total
Balance, January 1, 2005	$42,246	$ 18,752	$30,635	$30,046	$13,835	$ 1,936	$ (40)	$137,410
New business	497	816	410	351	(131)	17	–	1,960
Acquisitions	(425)	(24)	(217)	110	525	–	472	441
In-force movement	809	(1,070)	(4,682)	784	358	304	(229)	(3,726)
Currency impact	(1,168)	(597)	(765)	–	(1,421)	(26)	(59)	(4,036)
Total net changes	(287)	(875)	(5,254)	1,245	(669)	295	184	(5,361)
Balance, December 31, 2005	$41,959	$ 17,877	$25,381	$31,291	$13,166	$ 2,231	$ 144	$132,049

For new business, the segments with large positive general account premium revenue at contract inception show increases in policy liabilities. For segments where new business deposits are primarily into segregated funds, the increase in policy liabilities related to new business is small since the increase measures only general account liabilities.

The increase of $441 million for acquisitions relates to adjustments to the 2004 John Hancock acquisition. There is an increase in policy liabilities of $318 million that was recorded as the result of the purchase equation adjustments, as well as an increase of $518 million in Asia relating to the consolidation of the operations of Malaysia onto the balance sheet. Offsetting these increases, was a reduction of $395 million in G&SFP from a reclassification of certain policy liabilities as off balance sheet.

The large reduction of $4,682 million for in-force movements on the G&SFP substantially represents net maturity benefits on institutional contracts in this line of business, which are being intentionally de-emphasized. The reduction in U.S. Wealth Management is consistent with the general shift in business from on balance sheet to segregated funds and other off balance sheet business. The $(229) million in Corporate and Other includes the release of the cyclical credit loss provision in the 2005 valuation review of methods and assumptions.

The total in-force movement of $(3,726) million includes a reduction of $50 million from changes in Methods and Assumptions, as described above. This reduction results in an increase in pre-tax earnings.

Variable Interest Entities
In June 2003, the Canadian Institute of Chartered Accountants ("CICA") issued Accounting Guideline 15, "Consolidation of Variable Interest Entities" ("AcG15"), which was effective for the Company on January 1, 2005. AcG15 sets out the application of consolidation principles to variable interest entities ("VIEs") that are subject to consolidation on the basis of beneficial financial interest as opposed to ownership of voting interests. Where an entity is considered a VIE, the primary beneficiary is required to consolidate the assets, liabilities and results of operations of the VIE. The primary beneficiary is the entity that is exposed, through variable interests, to a majority of the VIE's expected losses and/or is entitled to a majority of the VIE's expected residual returns, as defined in AcG15. The Company has determined that no variable interest entity is required to be consolidated on the general fund accounts of the Company. However, as outlined in note 18 to the consolidated financial statements, certain VIEs have been consolidated on the Segregated Funds Statements of Net Assets. Segregated funds net assets attributable to other contract holders increased by $133 million. The Company uses a variety of complex estimation processes involving both qualitative and quantitative factors to determine whether an entity is a VIE, and to analyze and calculate its expected losses and its expected residual returns. These processes involve estimating the future cash flows and performance of the VIE, analyzing the variability in those cash flows, and allocating the losses and returns among the identified parties holding variable interests to then determine who is the primary beneficiary. In addition, there is a significant amount of judgment exercised in interpreting the provisions of AcG15 and applying them to specific transactions. For further details on the Company's involvement with VIEs, see note 18 to the consolidated financial statements.

Pensions and Other Post-employment Benefits
The Company maintains a number of defined benefit and defined contribution plans providing pension and other benefits to eligible employees and agents after retirement. These plans include registered/qualified pension plans, supplemental pension plans and health, dental and life insurance plans. The defined benefit pension plans provide benefits based on years of service, contributions and average earnings at retirement. Due to the long-term nature of these plans and the non-pension post retirement benefit plans, the calculation of benefit expenses and obligations depends on various assumptions such as discount rates, expected rates of return on plan assets, health care cost trend rates, projected compensation increases, retirement age, mortality and termination rates. These assumptions are determined by management and are reviewed annually. Actual experience that differs from the assumed experience will affect the amounts of benefit obligation and expense. The weighted average assumptions used are presented in note 17 to the consolidated financial statements.

Income Taxes
The Company is subject to income tax laws in various jurisdictions. These complex tax laws are potentially subject to different interpretations by the taxpayer and the relevant tax authority. The provision for income taxes represents management's interpretation of the relevant tax laws and its estimate of current and future income tax implications of the transactions and events during the period. A future income tax asset or liability is determined for each timing difference based on the future tax rates that are expected to be in effect and management's assumptions regarding the expected timing of the reversal of such temporary differences.

Goodwill and Intangible Assets
Goodwill and intangible assets with indefinite lives are tested at least annually for impairment. The test is at the reporting unit level for goodwill and at the total company level for intangible assets with indefinite lives. Any potential impairment of goodwill is identified by comparing the fair value of a reporting unit to its carrying value, and of a non-amortizing intangible asset by comparing its fair value to its carrying value. An impairment loss would be recognized and the asset written down to the extent that the carrying value of the asset exceeds the implied fair value. Fair values are determined using valuation techniques such as market multiples and discounted cash flow models. The process of determining these fair values requires management to make estimates and assumptions including, but not limited to, projected future sales, earnings and capital investment, discount rates and terminal growth rates. Projected future sales, earnings and capital investment are consistent with plans presented to the Board of Directors. These estimates and assumptions may change in the future due to uncertain competitive and economic market conditions or changes in business strategies. The tests performed in 2005 demonstrated that there was no impairment of goodwill or intangible assets with indefinite lives.

Changes in Accounting Policies
a) 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 have been 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 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 the consolidated financial statements.

b) Consolidation of variable interest entities In June 2003, the CICA issued AcG15, which was effective for the Company on January 1, 2005. AcG15 sets out the application of consolidation principles to VIEs that are subject to consolidation on the basis of beneficial financial interest as opposed to ownership of voting interests. The Company has determined that no VIE is required to be consolidated under the new guidance. The Company also determined that Manulife Financial Capital Trust (the "Trust") is a VIE and that the Company is not the primary beneficial interest holder. As a result, the Trust, which issued the Manulife Financial Capital Securities ("MaCS"), has been deconsolidated and the senior debentures issued to the Trust have been reported in liabilities for preferred shares and capital instruments (see note 13 to the consolidated financial statements). For the year ended December 31,

2005, this reclassification increased interest expense and decreased non-controlling interest in subsidiaries by $67 million (2004 – $67 million). Prior periods' consolidated financial statements have been restated to be consistent with the new presentation. The MaCS, totaling $1 billion, continue to form part of the Company's Tier 1 regulatory capital.

c) Financial instruments – disclosure and presentation In January 2004, the Accounting Standards Board approved a revision to CICA Handbook Section 3860, "Financial Instruments – Disclosure and Presentation," that changed the accounting for certain obligations having characteristics of both a liability and equity. The amendments require MFC's Class A Shares, Series 1 ("Series 1 Preferred Shares") to be presented as a liability as they can be converted into a variable number of MFC common shares with the corresponding preferred share dividends reported in earnings as interest expense. The revision is effective for fiscal years beginning on or after November 1, 2004. As a result, the Company reclassified as a liability $344 million of Series 1 Preferred Shares previously included in shareholders' equity. For the year ended December 31, 2005, the reclassification of Series 1 Preferred Share dividends increased interest expense by $14 million (2004 – $14 million). This change did not impact earnings per share or net income available to common shareholders because preferred share dividends are deducted from net income in determining those measures. Prior periods' consolidated financial statements have been restated to be consistent with the new presentation.

d) Financial instruments – recognition and measurement, hedges, comprehensive income and equity In January 2005, the CICA issued new accounting standards comprising handbook sections 3855 "Financial Instruments – Recognition and Measurement," 3865 "Hedges", 1530 "Comprehensive Income," and 3251 "Equity," all of which will become effective for the Company beginning January 1, 2007. The standards will increase harmonization with U.S. and international accounting standards. As well, the CICA reissued accounting standard section 4210 "Life Insurance Enterprises – Specific Items" as section 4211, which will become effective for the Company beginning January 1, 2007, and will require life insurance enterprises to account for financial assets and freestanding and embedded derivatives in accordance with the new financial instruments section.

The standards require that all financial assets be classified as trading, available for sale, held to maturity, or loans and receivables. In addition, the standards require that all financial assets, including all derivatives, be measured at fair value with the exception of loans, receivables, and investments intended to be, and classified as, held to maturity, which should be measured at amortized cost.

Changes in the fair value of trading securities will be reported in earnings, while changes in the fair value of available-for-sale securities will be reported within other comprehensive income, until the financial asset is disposed of or becomes impaired, at which time it will be recognized in income.

Similarly, the standards require that all financial liabilities, other than actuarial liabilities, be measured at fair value when they are classified as held for trading or are derivatives. Other financial liabilities should be measured at cost.

The standards permit an entity to designate certain financial instruments, on initial recognition, as ones that will be measured at fair value with gains and losses recognized in net income in the period in which they arise.

Derivatives will be classified as trading, unless they are specifically designated within an effective hedging relationship. The standards permit three types of hedge relationships: fair value hedges, cash flow hedges, and hedges of net investments in self-sustaining foreign operations. For fair value hedges, the effective portion of changes in the fair value of derivative instruments is offset in earnings by the changes in fair value, attributed to the risk being hedged in the underlying asset, liability or firm commitment. For cash flow hedges and hedges of net investments in self-sustaining foreign operations, the effective portion of changes in fair value of derivative instruments is offset through other comprehensive income, until the variability in cash flows being hedged is recognized in earnings in a future accounting period or upon derecognition of the net investment. Where a derivative instrument is designated as a hedge and meets the criteria for hedge effectiveness, earnings offset is available, but only to the extent that the hedge is effective. Any ineffectiveness in a hedging relationship will be recognized in current earnings.

Accumulated other comprehensive income will be included on the consolidated balance sheets as a separate component of shareholders' equity (net of tax), and will include net unrealized gains on available-for-sale securities, net unrealized gains on derivative instruments designated within an effective cash flow hedge, and unrealized foreign currency translation gains and losses and offsetting hedges on self-sustaining foreign operations.

The Company is currently evaluating the impact of adopting these standards.

Differences between Canadian and U.S. GAAP
The consolidated financial statements of Manulife Financial 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 policy 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 Manulife Financial are presented in accordance with Canadian GAAP. Canadian GAAP differs in certain respects from Hong Kong generally accepted accounting principles ("Hong Kong GAAP").

Under Hong Kong GAAP, stocks are carried at market value as compared to Canadian GAAP where stocks are carried on a move to market value basis. Bonds are considered to be available for sale and are carried at market value for Hong Kong GAAP as compared

to amortized cost of Canadian GAAP. Under Hong Kong GAAP, real estate classified as investment properties can be carried at either appraised value, with changes being reported as income, or at cost less accumulated depreciation, as compared to Canadian GAAP where real estate is carried on a move to market value basis. 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.

Canadian GAAP and Hong Kong Regulatory Practices
The Hong Kong Insurance Authority requires that insurance companies have minimum "net assets" for solvency purposes and stipulates minimum criteria for the calculation of actuarial liabilities in arriving at regulatory basis "net assets". Each year, the Company compares the amount of net assets prepared in accordance with Canadian GAAP, as reported in the Company's annual return, with the minimum solvency margin required in Hong Kong as described above. As at December 31, 2005, the Company's net assets determined in accordance with Canadian GAAP exceeded the minimum solvency margin required by Hong Kong insurance regulations.

Controls and Procedures
As of December 31, 2005, an evaluation was carried out, under the supervision of and with the participation of management, including the President and Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures as defined in Rule 13a-15 of the *U.S. Securities and Exchange Act of 1934* and under Multilateral Instrument 52-109. Based on that evaluation, the President and Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective. In addition, no changes were made in the Company's internal controls over financial reporting during the year ended December 31, 2005, that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

Additional Disclosures

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, 2005, the Company's contractual obligations and commitments are as follows:

Payments due by period (Canadian $ in millions)	Total	Less than 1 year	1 – 3 years	3 – 5 years	After 5 years
Long-term debt[1]	$ 3,698	$ 170	$ 884	$ 223	$ 2,421
Senior debentures issued to Manulife Financial Capital Trust[1]	4,090	67	134	134	3,755
Capital Trust Securities[1]	1,578	47	94	94	1,343
Purchase obligations	896	163	300	236	197
Capital leases	257	21	41	38	157
Operating leases	689	145	212	142	190
General fund policyholder liabilities[2]	381,400	15,507	19,267	16,371	330,255
Bank deposits and consumer notes[1]	9,376	4,385	2,523	1,430	1,038
Other	645	168	149	84	244
Total contractual obligations	**$402,629**	**$ 20,673**	**$23,604**	**$18,752**	**$339,600**

1 The contractual payments include principal, interest and distributions. The contractual payments reflect the amounts payable from January 1, 2006 to and including the final contractual maturity date. In the case of floating rate obligations, the floating rate index is based on the interest rates as at December 31, 2005 and is assumed to remain constant to the final contractual maturity date. The Company may have the contractual right to redeem or repay obligations prior to maturity and if such right is exercised, total contractual obligations paid and the timing of payment could vary materially from the amounts and timing included in the table.

2 General fund policyholder liability cash flows include estimates related to the timing and payment of death and disability claims, policy surrenders, policy maturities, annuity payments, minimum guarantees on segregated fund products, policyholder dividends, commissions and premium taxes offset by contractual future premiums on in-force contracts. These estimated cash flows are based on the best estimate assumptions used in the determination of policy liabilities. These amounts are undiscounted and do not reflect recoveries from reinsurance agreements. Due to the use of assumptions, actual cash flows will differ from these estimates (see "Policy Liabilities").

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, 2005, there were $2,492 million of investment commitments (2004 – $2,346 million), of which $1,933 million matures within one year (2004 – $2,254 million), and $486 million matures within one to three years (2004 – $92 million), $33 million matures within three to five years (2004 – nil) and $39 million matures after five years (2004 – nil).

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, the United States and Asia, 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-dealer practices. As with many other companies in the financial services industry, subsidiaries of MFC 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 consolidated 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, 2005	Sept. 30, 2005	June 30, 2005	Mar. 31, 2005	Dec. 31, 2004	Sept. 30, 2004	June 30, 2004	Mar. 31, 2004
Revenue								
Premium income								
Life and health insurance	$ 3,739	$ 3,812	$ 3,670	$ 3,466	$ 3,714	$ 3,847	$ 3,262	$ 2,111
Annuities and pensions	1,065	1,117	913	805	985	1,041	905	422
Total premium income	$ 4,804	$ 4,929	$ 4,583	$ 4,271	$ 4,699	$ 4,888	$ 4,167	$ 2,533
Net investment income	2,419	2,461	2,425	2,313	2,378	2,263	2,023	1,159
Other revenue	977	941	936	988	840	828	741	448
Total revenue	$ 8,200	$ 8,331	$ 7,944	$ 7,572	$ 7,917	$ 7,979	$ 6,931	$ 4,140
Income before income taxes	$ 1,202	$ 941	$ 1,153	$ 1,026	$ 1,025	$ 992	$ 868	$ 540
Income taxes	(302)	(194)	(309)	(226)	(264)	(279)	(214)	(117)
Net income	$ 900	$ 747	$ 844	$ 800	$ 761	$ 713	$ 654	$ 423
Basic earnings per common share	$ 1.14	$ 0.93	$ 1.05	$ 0.99	$ 0.93	$ 0.88	$ 0.93	$ 0.92
Diluted earnings per common share	$ 1.13	$ 0.92	$ 1.04	$ 0.98	$ 0.92	$ 0.87	$ 0.92	$ 0.91
Segregated fund deposits	$ 8,844	$ 8,224	$ 7,285	$ 7,433	$ 6,477	$ 6,451	$ 6,474	$ 5,702
Total assets	$181,810	$179,315	$185,835	$183,868	$184,246	$190,569	$197,727	$78,972
Segregated funds net assets	$140,361	$132,124	$128,730	$120,814	$117,890	$111,182	$113,850	$77,797

Other Disclosures

Selected Annual Financial Information

As at and for the years ended December 31 (Canadian $ in millions, except per share amounts)	2005	2004	2003
Total assets	**$181,810**	$184,246	$ 77,516
Long-term financial liabilities:			
Long-term debt	**$ 2,457**	$ 2,948	$ 1,123
Non-controlling interest in subsidiaries	**187**	136	37
Liabilities for preferred shares and capital instruments	**1,922**	1,950	1,994
	$ 4,566	$ 5,034	$ 3,154
Cash dividend per common share	**$ 1.16**	$ 0.94	$ 0.78
Cash dividend per Class A Share, Series 1	**$ 1.025**	$ 1.025	$0.76875
Cash dividend per Class A Share, Series 2	**$0.96554**	$ –	$ –

Additional Information Available

Additional information relating to Manulife Financial, including MFC's 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, 2006, MFC had 790,890,916 common shares outstanding.

MANULIFE FINANCIAL CORPORATION

Consolidated Financial Statements

For the year ended December 31, 2005

Responsibility for Financial Reporting

The accompanying consolidated financial statements of Manulife Financial Corporation are the responsibility of management and have been approved by the Board of Directors. It is also the responsibility of management to ensure that all information in the annual report to shareholders is consistent with these consolidated financial statements.

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and the accounting requirements of the Office of the Superintendent of Financial Institutions, Canada. Appropriate accounting policies and estimates are also used in the determination of the information prepared in accordance with United States generally accepted accounting principles. When alternative accounting methods exist, or when estimates and judgment are required, management has selected those amounts that present the Company's financial position and results of operations in a manner most appropriate to the circumstances.

Appropriate systems of internal control, policies and procedures have been maintained to ensure that financial information is both relevant and reliable. The systems of internal control are assessed on an ongoing basis by the Company's internal audit department.

The actuary appointed by the Board of Directors (the "Appointed Actuary") is responsible for ensuring that assumptions and methods used in the determination of policy liabilities are appropriate to the circumstances and that reserves will be adequate to meet the Company's future obligations under insurance and annuity contracts.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. These responsibilities are carried out primarily through an Audit and Risk Management Committee of unrelated and independent directors appointed by the Board of Directors.

The Audit and Risk Management Committee meets periodically with management, the internal auditors, the external auditors and the Appointed Actuary to discuss internal control over the financial reporting process, auditing matters and financial reporting issues. The Audit and Risk Management Committee reviews the consolidated financial statements prepared by management, and then recommends them to the Board of Directors for approval. The Audit and Risk Management Committee also recommends to the Board of Directors and shareholders the appointment of external auditors and approval of their fees.

The consolidated financial statements have been audited by the Company's external auditors, Ernst & Young LLP, in accordance with Canadian generally accepted auditing standards. Ernst & Young LLP has full and free access to management and the Audit and Risk Management Committee.



Dominic D'Alessandro
President and Chief Executive Officer



Peter H. Rubenovitch
Senior Executive Vice President and Chief Financial Officer

Toronto, Canada
February 9, 2006

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, 2005 and 2004 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

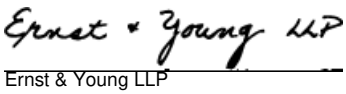
Toronto, Canada
February 9, 2006

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, 2005 and 2004 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, 2005 and 2004 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 9, 2006

Consolidated Statements of Operations

For the years ended December 31 (Canadian $ in millions except per share amounts)	**2005**	2004
Revenue		
Premium income	**$18,587**	$16,287
Net investment income (note 6)	**9,618**	7,823
Other revenue	**3,842**	2,857
Total revenue	**$32,047**	$26,967
Policy benefits and expenses		
To policyholders and beneficiaries		
Death and disability benefits	**$ 6,440**	$ 4,778
Maturity and surrender benefits	**10,398**	8,659
Annuity payments	**3,366**	2,828
Policyholder dividends and experience rating refunds	**1,569**	1,391
Net transfers to segregated funds	**465**	507
Change in actuarial liabilities	**(2,376)**	(1,137)
General expenses	**3,576**	3,050
Commissions	**3,253**	2,609
Interest expense	**788**	629
Premium taxes	**244**	208
Non-controlling interest in subsidiaries	**2**	20
Total policy benefits and expenses	**$27,725**	$23,542
Income before income taxes	**$ 4,322**	$ 3,425
Income taxes (note 9)	**(1,031)**	(874)
Net income	**$ 3,291**	$ 2,551
Net income (loss) attributed to participating policyholders	**$ (3)**	$ 1
Net income attributed to shareholders	**$ 3,294**	$ 2,550
Preferred share dividends	**(14)**	–
Net income available to common shareholders	**$ 3,280**	$ 2,550
Weighted average number of common shares outstanding (in millions)	**799**	698
Weighted average number of diluted common shares outstanding (in millions)	**806**	704
Basic earnings per common share	**$ 4.11**	$ 3.65
Diluted earnings per common share (note 16)	**$ 4.07**	$ 3.62

Certain comparative amounts have been restated. See note 2 to the consolidated financial statements.

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)	2005	2004
Assets		
Invested assets (note 6)		
Bonds	**$103,315**	$106,073
Mortgages	**28,008**	28,684
Stocks	**8,896**	8,344
Real estate	**5,279**	4,669
Policy loans	**6,120**	6,743
Cash and short-term investments	**9,360**	8,517
Bank loans	**1,806**	1,391
Other investments	**4,448**	4,721
Total invested assets	**$167,232**	$169,142
Other assets		
Accrued investment income	**$ 1,334**	$ 1,777
Outstanding premiums	**735**	549
Goodwill	**7,501**	7,332
Intangible assets (note 5)	**1,742**	1,806
Miscellaneous	**3,266**	3,640
Total other assets	**$ 14,578**	$ 15,104
Total assets	**$181,810**	$184,246
Segregated funds net assets	**$140,361**	$117,890
Liabilities and Equity		
Policy liabilities (note 7)	**$132,049**	$137,410
Deferred realized net gains (note 6)	**4,476**	3,667
Bank deposits	**5,911**	4,373
Consumer notes (note 10)	**2,900**	2,881
Future income tax liability (note 9)	**1,337**	980
Other liabilities	**6,784**	6,800
	$153,457	$156,111
Long-term debt (note 12)	**2,457**	2,948
Liabilities for preferred shares and capital instruments (note 13)	**1,922**	1,950
Non-controlling interest in subsidiaries (note 14)	**187**	136
Equity		
Participating policyholders' equity	**157**	150
Shareholders' equity		
Preferred shares	**344**	–
Common shares	**14,490**	14,646
Contributed surplus	**93**	102
Retained earnings and currency translation account	**8,703**	8,203
Total equity	**$ 23,787**	$ 23,101
Total liabilities and equity	**$181,810**	$184,246
Segregated funds net liabilities	**$140,361**	$117,890

Certain comparative amounts have been restated. See note 2 to the consolidated financial statements.

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	**2005**	2004
Preferred shares				
Preferred shares issued (note 15)	$ –	$ 350	**$ 350**	$ –
Issuance costs, net of tax	–	(6)	**(6)**	–
Balance, December 31	$ –	$ 344	**$ 344**	$ –
Common shares				
Balance, January 1	$ –	$ 14,646	**$14,646**	$ 599
Issued on acquisition of a subsidiary (notes 3 and 15)	–	–	**–**	13,510
Issued on exercise of stock options and deferred share units (note 16)	–	228	**228**	712
Purchase and cancellation (note 15)	–	(384)	**(384)**	(175)
Balance, December 31	$ –	$ 14,490	**$14,490**	$14,646
Contributed surplus				
Balance, January 1	$ –	$ 102	**$ 102**	$ 14
Issuance of options on acquisition of a subsidiary (notes 3 and 16)	–	–	**–**	215
Loss on exchange of preferred shares issued by a subsidiary (note 14)	–	–	**–**	(10)
Exercise of stock options	–	(42)	**(42)**	(144)
Stock option expense (note 16)	–	33	**33**	27
Balance, December 31	$ –	$ 93	**$ 93**	$ 102
Retained earnings				
Balance, January 1	$ 150	$ 10,418	**$10,568**	$ 8,974
Net income (loss)	(3)	3,294	**3,291**	2,551
Preferred share dividends	–	(14)	**(14)**	–
Common share dividends	–	(926)	**(926)**	(690)
Purchase and cancellation of common shares (note 15)	–	(854)	**(854)**	(334)
Transfer of participating policyholders' retained earnings from acquisition (note 3)	10	–	**10**	67
Balance, December 31	$ 157	$ 11,918	**$12,075**	$10,568
Currency translation account				
Balance, January 1	$ –	$ (2,215)	**$ (2,215)**	$ (673)
Change during the year, net of tax	–	(1,000)	**(1,000)**	(1,542)
Balance, December 31	$ –	$ (3,215)	**$ (3,215)**	$ (2,215)
Total retained earnings and currency translation account	$ 157	$ 8,703	**$ 8,860**	$ 8,353
Total equity	$ 157	$ 23,630	**$23,787**	$23,101

Certain comparative amounts have been restated. See note 2 to the consolidated financial statements.

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)	2005	2004
Operating activities		
Net income	**$ 3,291**	$ 2,551
Adjustments for non-cash items in net income:		
Increase in actuarial liabilities, excluding Guaranteed and Structured Financial Products	**2,671**	2,723
Amortization of net realized and unrealized gains on investments	**(964)**	(779)
Amortization of premium/discount and mark-to-market adjustments	**397**	401
Other amortization	**215**	171
Future income tax expense	**718**	633
Provisions on investments	**140**	115
Stock-based compensation expense	**33**	27
Non-controlling interest in subsidiaries	**(3)**	11
Net income adjusted for non-cash items	**$ 6,498**	$ 5,853
Changes in policy related and operating receivables and payables	**1,701**	(378)
Cash provided by operating activities	**$ 8,199**	$ 5,475
Investing activities		
Purchases and mortgage advances	**$(59,187)**	$(47,955)
Disposals and repayments	**57,722**	45,101
Cash received as part of acquisition of John Hancock Financial Services, Inc.	**–**	2,594
Cash used in investing activities	**$ (1,465)**	$ (260)
Financing activities		
(Decrease) increase in repurchase agreements and securities sold but not yet purchased	**$ (115)**	$ 61
Issue of long-term debt	**4**	94
Repayment of long-term debt	**(308)**	(58)
Repayment of trust preferred securities	**(9)**	–
Net redemptions in Guaranteed and Structured Financial Products' institutional products	**(5,047)**	(3,860)
Bank deposits, net	**1,558**	1,333
Consumer notes issued, net	**137**	532
Sale of preferred shares of a subsidiary	**–**	62
Redemption of preferred shares issued by a subsidiary (note 14)	**–**	(150)
Preferred share dividends	**(14)**	–
Common share dividends	**(926)**	(690)
Borrowed funds (repaid), net	**(380)**	262
Purchase and cancellation of common shares	**(1,238)**	(509)
Common shares issued on exercise of options	**186**	568
Preferred shares issued, net	**344**	–
Cash used in financing activities	**$ (5,808)**	$ (2,355)
Cash and short-term investments		
Increase during the year	**$ 926**	$ 2,860
Currency impact on cash and short-term investments	**(208)**	(233)
Balance, January 1	**8,181**	5,554
Balance, December 31	**$ 8,899**	$ 8,181
Cash and short-term investments		
Beginning 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, January 1	**$ 8,181**	$ 5,554
End of year		
Gross cash and short-term investments	**$ 9,360**	$ 8,517
Net payments in transit, included in other liabilities	**(461)**	(336)
Net cash and short-term investments, December 31	**$ 8,899**	$ 8,181

Certain comparative amounts have been restated. See note 2 to the consolidated financial statements.

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)	2005	2004
Investments, at market values		
Cash and short-term investments	**$ 2,661**	$ 2,139
Bonds	**11,651**	7,478
Stocks	**123,060**	106,304
Other investments	**3,816**	2,193
Accrued investment income	**96**	106
Other liabilities, net (note 1(f))	**(923)**	(330)
Total segregated funds net assets	**$140,361**	$117,890
Composition of segregated funds net assets:		
Held by policyholders	**$139,695**	$117,570
Held by the Company	**361**	320
Held by other contract holders (note 1(f))	**305**	—
Total segregated funds net assets	**$140,361**	$117,890

Segregated Funds Consolidated Statements of Changes in Net Assets

For the years ended December 31 (Canadian $ in millions)	2005	2004
Additions		
Deposits from policyholders	**$ 31,786**	$ 25,104
Net realized and unrealized investment gains	**6,708**	8,936
Interest and dividends	**4,241**	2,583
Net transfers from general fund	**465**	507
Other contracts consolidated with segregated funds (note 1(f))	**305**	—
Funds assumed on acquisition of a subsidiary (note 3)	**395**	31,020
Total additions	**$ 43,900**	$ 68,150
Deductions		
Payments to policyholders	**$ 14,885**	$ 11,840
Management and administrative fees	**2,005**	1,562
Currency revaluation	**4,539**	8,322
Total deductions	**$ 21,429**	$ 21,724
Net additions for the year	**$ 22,471**	$ 46,426
Segregated funds net assets, January 1	**117,890**	71,464
Segregated funds net assets, December 31	**$140,361**	$117,890

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 ("MLI"), a Canadian life insurance company, and John Hancock Financial Services, Inc. ("JHF"), the holding company of a United States financial services group (note 3). MFC 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, Asia and Japan. 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 incorporated 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 Canadian GAAP, requires that management make 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 through a charge to income, 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 estimated 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 intangible 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 10 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.

Where the Company or the segregated funds control partnership interests, the partnership is consolidated onto the accounts of the segregated funds if the segregated funds own a greater share than the general account. The share of net assets not owned by the Company or the segregated funds policyholders is reported as held by other contract holders.

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.

The Company's accounting policy for stock options granted to employees is the fair value method for awards granted on or after January 1, 2002. The fair value of these awards is recognized over the applicable vesting period as an increase in compensation expense and contributed surplus. The intrinsic value method is used to account for awards granted prior to January 1, 2002.

For restricted share units, a liability is accrued based on the market value of the Company's shares and compensation expense is recognized over the vesting period. The vested portion of changes in the value of restricted share units is 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 that exceed 10% of the greater of the accrued benefit obligation or the market-related value of the plan assets are amortized to income on a straight-line basis 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 market-related value of plan assets is determined using a methodology where the difference between the actual and expected market value of plan assets is recognized over five years.

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 as well as anticipated transactions. 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) Hedging relationships Effective January 1, 2004, the Company adopted the Canadian Institute of Chartered Accountants ("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.

b) Consolidation of variable interest entities In June 2003, the CICA issued Accounting Guideline 15, "Consolidation of Variable Interest Entities" ("AcG15"), which was effective for the Company on January 1, 2005. AcG15 sets out the application of consolidation principles to variable interest entities ("VIEs") that are subject to consolidation on the basis of beneficial financial interest as opposed to ownership of voting interests. The Company has determined that no VIE is required to be consolidated in the general fund accounts of the Company under the new guidance. However, as outlined in note 18, the consolidation of certain VIEs increased segregated fund net assets and amounts attributable to other contract holders by $133. The Company also determined that Manulife Financial Capital Trust (the "Trust") is a VIE and that the Company is not the primary beneficial interest holder. As a result, the Trust, which issued the Manulife Financial Capital Securities ("MaCS"), has been deconsolidated and the senior debentures issued to the Trust have been reported in liabilities for preferred shares and capital instruments (see note 13). For the year ended December 31, 2005, this reclassification increased interest expense and decreased non-controlling interest in subsidiaries by $67 (2004 – $67). Prior periods' consolidated financial statements have been restated to be consistent with the new presentation. The MaCS, totaling $1,000, continue to form part of the Company's Tier 1 regulatory capital.

c) Financial instruments – disclosure and presentation In January 2004, the Accounting Standards Board approved a revision to CICA Handbook Section 3860, "Financial Instruments – Disclosure and Presentation," that changed the accounting for certain obligations having characteristics of both a liability and equity. The amendments require MFC's Class A Shares, Series 1 ("Series 1 Preferred Shares") to be presented as a liability as they can be converted into a variable number of MFC common shares with the corresponding preferred share dividends reported in earnings as interest expense. The revision is effective for fiscal years beginning on or after November 1, 2004. As a result, the Company reclassified as a liability $344 of Series 1 Preferred Shares previously included in shareholders' equity. For the year ended December 31, 2005, the reclassification of Series 1 Preferred Share dividends increased interest expense by $14 (2004 – $14). This change did not impact earnings per share or net income available to common shareholders because preferred share dividends are deducted from net income in determining those measures. Prior periods' consolidated financial statements have been restated to be consistent with the new presentation.

d) Financial instruments – recognition and measurement, hedges, comprehensive income and equity In January 2005, the CICA issued new accounting standards comprising CICA Handbook sections 3855 "Financial Instruments – Recognition and Measurement," 3865 "Hedges," 1530 "Comprehensive Income," and 3251 "Equity," all of which will become effective for the Company beginning January 1, 2007. The standards will increase harmonization with U.S. and international accounting standards. As well, the CICA reissued accounting standard section 4210 "Life Insurance Enterprises – Specific Items" as section 4211, which will become effective for the Company beginning January 1, 2007, and will require life insurance enterprises to account for financial assets and liabilities and freestanding and embedded derivatives in accordance with the new financial instruments section.

The standards require that all financial assets be classified as trading, available for sale, held to maturity, or loans and receivables. In addition, the standards require that all financial assets, including all derivatives, be measured at fair value with the exception of loans, receivables, and investments intended to be, and classified as, held to maturity, which should be measured at amortized cost.

Changes in the fair value of trading securities will be reported in earnings, while changes in the fair value of available-for-sale securities will be reported within other comprehensive income, until the financial asset is disposed of or becomes impaired, at which time it will be recognized in income.

Similarly, the standards require that all financial liabilities, other than actuarial liabilities, be measured at fair value when they are classified as held for trading or are derivatives. Other financial liabilities should be measured at cost.

The standards permit an entity to designate certain financial instruments, on initial recognition, as ones that will be measured at fair value with gains and losses recognized in net income in the period in which they arise.

Derivatives will be classified as trading, unless they are specifically designated within an effective hedging relationship. The standards permit three types of hedging relationships: fair value hedges, cash flow hedges, and hedges of net investments in self-sustaining foreign operations. For fair value hedges, the effective portion of changes in the fair value of derivative instruments is offset in earnings by the changes in fair value, attributed to the risk being hedged in the underlying asset, liability or firm commitment. For cash flow hedges and hedges of net investments in self-sustaining foreign operations, the effective portion of changes in fair value of derivative instruments is offset through other comprehensive income, until the variability in cash flows being hedged is recognized in earnings in a future accounting period or upon derecognition of the net investment. Where a derivative instrument is designated as a hedge and meets the criteria for hedge effectiveness, earnings offset is available, but only to the extent that the hedge is effective. Any ineffectiveness in a hedging relationship will be recognized in current earnings.

Accumulated other comprehensive income will be included on the consolidated balance sheets as a separate component of shareholders' equity (net of tax) and will include net unrealized gains on available-for-sale securities, net unrealized gains on derivative instruments designated within an effective cash flow hedge, and unrealized foreign currency translation gains and losses and offsetting hedges on self-sustaining foreign operations.

The Company is currently evaluating the impact of adopting these standards.

Note 3 ₀ 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. 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 results of JHF's operations have been included in these consolidated financial statements since the date of merger.

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 purchase equation with respect to the JHF acquisition was adjusted and finalized during the second quarter of 2005 to reflect various items impacting goodwill. The adjustments have increased goodwill under Canadian GAAP by $407 to $7,848. The adjustments made to goodwill are comprised of:

- Refinement of policy liability valuation models;
- Other refinement of fair values; and
- Additional restructuring accruals.

Refinement of policy liability valuation models include refinements to models and the investment strategies reflected in those models, harmonization of assumptions and assumption changes as a result of further analysis of pre-acquisition experience. In addition, balance sheet reclassifications, which do not affect goodwill, relating to purchase accounting for leveraged lease assets and a product line now classified as a segregated fund, were made in the second quarter of 2005.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed as at the date of acquisition and has been updated for the finalization of the purchase equation in the second quarter of 2005.

As at April 28, 2004	As reported June 2004	Fair value adjustments	Classification differences	**Final purchase equation**
Assets				
Invested assets	$ 106,647	$ (189)	$ (80)	**$106,378**
Intangible assets (note 5)	2,041	–	–	**2,041**
Goodwill	7,441	407	–	**7,848**
Other assets	4,542	(36)	(395)	**4,111**
Total assets acquired	$ 120,671	$ 182	$ (475)	**$120,378**
Liabilities				
Policy-related liabilities	$ 95,850	$ 318	$ (395)	**$ 95,773**
Restructuring costs accrued (note 4)	184	34	–	**218**
Other liabilities	10,500	(180)	(80)	**10,240**
Participating policyholders' retained earnings	67	10	–	**77**
Total liabilities assumed	$ 106,601	$ 182	$ (475)	**$106,308**
Net assets acquired	$ 14,070	$ –	$ –	**$ 14,070**
Segregated funds net assets acquired	$ 31,020	$ –	$ 395	**$ 31,415**
Total purchase consideration				
MFC common shares	$ 13,510			**$ 13,510**
Cash consideration for partial shares	15			**15**
Fair value of JHF stock options exchanged for MFC stock options	215			**215**
Carrying value of JHF common stock beneficially owned by MFC, prior to acquisition	296			**296**
Transaction costs, net of tax	34			**34**
Total	$ 14,070			**$ 14,070**

Note 4 ◦ 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. As at December 31, 2005, the restructuring is substantially complete. Costs 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 as a general expense.

Costs of $475 were originally expected to be incurred and consisted of approximately $184 that was recognized as part of the purchase equation for the JHF acquisition and costs of $291 that would have been charged to income as incurred. As part of the finalization of the purchase equation in the second quarter of 2005, the total cost was adjusted to $509, consisting of approximately $218 that was recognized as part of the purchase equation and costs of $291 that will be charged to income as incurred.

Restructuring costs of $412 have been incurred since the acquisition of JHF. Of this amount, $128 was applied to the restructuring accrual established in the purchase equation, $139 ($90 after tax) was recorded in general expenses in 2004 and $145 ($94 after tax) was recorded in general expenses in 2005.

The following details the amount and status of restructuring costs:

	Expected total cost			Amount utilized in 2004			Amount utilized in 2005			Balance as at December 31, 2005		
Type of cost	Accrued on acquisition (revised)	Expense as incurred (revised)	Total	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	$ 24	$ 253	$277	$ 6	$ 134	$140	$ 6	$ 124	$130	$ 12	$ (5)	$ 7
Severance	96	21	117	29	3	32	35	12	47	32	6	38
Facilities	98	17	115	10	2	12	42	9	51	46	6	52
Total before currency	$ 218	$ 291	$509	$ 45	$ 139	$184	$ 83	$ 145	$228	$ 90	$ 7	$ 97
Change in foreign exchange rates										(20)	(17)	(37)
Total										**$ 70**	**$ (10)**	**$ 60**
By geographic location												
Canada	$ 56	$ 163	$219	$ 25	$ 70	$ 95	$ 25	$ 70	$ 95	$ 6	$ 23	$ 29
United States	157	121	278	18	67	85	57	74	131	82	(20)	62
Other	5	7	12	2	2	4	1	1	2	2	4	6
Total before currency	$ 218	$ 291	$509	$ 45	$ 139	$184	$ 83	$ 145	$228	$ 90	$ 7	$ 97
Change in foreign exchange rates										(20)	(17)	(37)
Total										**$ 70**	**$ (10)**	**$ 60**

Note 5 ◦ Intangible Assets

The acquired intangible assets include the JHF brand name, distribution networks, fund management contracts, and contractual rights. Of the total intangible assets, a portion 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. Additions in 2005 are investments in fund management contracts with finite lives.

For the year ended December 31, 2005	**Balance January 1, 2005**	**Additions**	**Amortization**	**Change in foreign exchange rates**	**Balance December 31, 2005**
Indefinite life					
Brand	**$ 725**	**$ –**	**$ –**	**$ (25)**	**$ 700**
Fund management contracts	**353**	**–**	**–**	**(11)**	**342**
	$ 1,078	**$ –**	**$ –**	**$ (36)**	**$ 1,042**
Finite life					
Distribution networks	**$ 557**	**$ –**	**$ (10)**	**$ (12)**	**$ 535**
Other intangible assets	**171**	**10**	**(16)**	**–**	**165**
	$ 728	**$ 10**	**$ (26)**	**$ (12)**	**$ 700**
Total	**$ 1,806**	**$ 10**	**$ (26)**	**$ (48)**	**$ 1,742**

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 ₀ Invested Assets and Net Investment Income

a) Invested assets

As at December 31 2005	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	**$ 10,750**	**$ 12,374**	**$ 1,641**	**$ (17)**	**$ 530**	**$ 2,154**
U.S. government and agency	**10,643**	**10,716**	**192**	**(119)**	**431**	**504**
Other government and agency	**5,807**	**5,887**	**93**	**(13)**	**178**	**258**
Corporate	**63,763**	**65,211**	**2,229**	**(781)**	**1,464**	**2,912**
Mortgage/asset-backed securities	**12,352**	**12,242**	**69**	**(179)**	**104**	**(6)**
Mortgages	**28,008**	**28,338**	**639**	**(309)**	**101**	**431**
Stocks	**8,896**	**10,115**	**2,024**	**(805)**	**1,294**	**2,513**
Real estate	**5,279**	**6,080**	**869**	**(68)**	**113**	**914**
Policy loans	**6,120**	**6,120**	**–**	**–**	**–**	**–**
Cash and short-term investments	**9,360**	**9,436**	**79**	**(3)**	**–**	**76**
Bank loans	**1,806**	**1,841**	**35**	**–**	**–**	**35**
Other investments	**4,448**	**4,714**	**436**	**(170)**	**261**	**527**
Total invested assets	**$167,232**	**$173,074**	**$ 8,306**	**$ (2,464)**	**$ 4,476**	**$ 10,318**

As at December 31 2004						
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	68,378	71,079	2,836	(135)	1,225	3,926
Mortgage/asset-backed securities	11,945	12,044	162	(63)	52	151
Mortgages	28,684	29,474	975	(185)	68	858
Stocks	8,344	8,861	1,298	(781)	1,289	1,806
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	4,570	389	(540)	7	(144)
Total invested assets	$169,142	$174,964	$7,671	$(1,849)	$3,667	$9,489

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 $14 are included in real estate as at December 31, 2005 (2004 – $12). Carrying values of policy loans and cash and short-term investments approximate their fair values. 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. Carrying values for these investments also approximate their fair values, with the exception of oil and gas holdings and derivatives. Fair value of oil and gas holdings is determined by external appraisals. 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 the underlying securities or indices.

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

Bonds	2005		2004	
As at December 31	Carrying value	Fair value	Carrying value	Fair value
Maturity				
Due in one year or less	**$ 4,107**	**$ 4,127**	$ 4,473	$ 4,501
Due after one year through five years	**21,093**	**21,086**	22,017	22,401
Due after five years through 10 years	**27,515**	**27,609**	27,317	28,131
Due after 10 years	**38,248**	**41,366**	40,321	43,252
Mortgage/asset-backed securities	**12,352**	**12,242**	11,945	12,044
Total	**$ 103,315**	**$106,430**	$ 106,073	$110,329

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

Mortgages	2005		2004	
As at December 31	Carrying value	Fair value	Carrying value	Fair value
Residential	**$ 6,868**	**$ 6,930**	$ 6,375	$ 6,507
Office	**5,217**	**5,324**	5,963	6,184
Retail	**6,888**	**7,008**	6,611	6,891
Industrial	**3,678**	**3,798**	3,887	4,069
Other	**5,357**	**5,278**	5,848	5,823
Total	**$ 28,008**	**$ 28,338**	$ 28,684	$ 29,474

The carrying value of government-insured mortgages was 12% of the total carrying value of the mortgage portfolio as at December 31, 2005 (2004 – 9%) and the carrying value of privately-insured mortgages was 1.1% of the total mortgage portfolio as at December 31, 2005 (2004 – 1.1%).

b) Net investment income

For the year ended December 31 2005	Gross investment income (loss)	Provision for impairment, net (note 6(e))	Amortization of net realized and unrealized gains (losses)	Net investment income	Yield (%)
Bonds	**$ 5,654**	**$ (92)**	**$ 378**	**$ 5,940**	**5.81**
Mortgages	**1,616**	**(27)**	**28**	**1,617**	**5.76**
Stocks	**403**	**–**	**445**	**848**	**11.88**
Real estate	**334**	**–**	**104**	**438**	**9.82**
Policy loans	**460**	**–**	**–**	**460**	**6.88**
Cash and short-term investments	**219**	**–**	**(1)**	**218**	**n/a**
Bank loans	**92**	**–**	**–**	**92**	**5.80**
Other investments	**334**	**(21)**	**10**	**323**	**n/a**
Investment expenses	**(318)**	**–**	**–**	**(318)**	**n/a**
Total	**$ 8,794**	**$ (140)**	**$ 964**	**$ 9,618**	**5.94**

For the year ended December 31 2004					
Bonds	$4,745	$ (35)	$354	$5,064	5.92
Mortgages	1,331	(49)	15	1,297	5.70
Stocks	271	–	355	626	11.23
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

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, 2005, the Company had loaned securities (which are included in invested assets) with a carrying value and market value of approximately $5,827 and $5,928, respectively (2004 – $5,958 and $6,099, respectively).

d) Mortgage securitization The Company from time to time originates commercial mortgages and sells them to Commercial Mortgage Backed Securities Trusts and, in certain cases, retains servicing rights to the mortgages sold. During 2005, no such mortgages have been sold. During 2004, the Company sold $48 of commercial mortgage loans in securitization transactions for which it received net proceeds of $47.

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 risk 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(d)).

The carrying value of impaired assets was as follows:

As at December 31 **2005**	Gross amount	Allowance	Carrying value
Bonds	**$ 482**	**$ 143**	**$ 339**
Mortgages	**343**	**91**	**252**
Other	**94**	**42**	**52**
Total	**$ 919**	**$ 276**	**$ 643**
2004			
Bonds	$303	$ 94	$209
Mortgages	282	77	205
Other	105	43	62
Total	$690	$214	$476

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

Allowance for impairment	**2005**	2004
Balance, January 1	**$214**	$ 230
Net provisions during the year	**140**	115
Write-offs, disposals and currency translation	**(78)**	(131)
Balance, December 31	**$276**	$ 214

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, 2005, 94% of bonds (2004 – 94%) were rated at investment grade "BBB" or higher, and 68% (2004 – 63%) were rated "A" or higher. Government bonds represented 27% (2004 – 24%) of the bond portfolio. The Company's highest exposure to a single non-government issuer was $464 (2004 – $431). 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 $7,636 (2004 – $7,166) of the total portfolio. Income-producing commercial office properties were the largest concentration in the real estate portfolio with $3,607 (2004 – $3,401). As at December 31, 2005, 92% (2004 – 96%) of the stock portfolio was comprised of publicly listed corporations. The largest single issuer represented 2% (2004 – 2%) 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, 2005, 79% (2004 – 74%) of the exposed amount was with counterparties rated "AA" or higher. The largest single counterparty exposure as at December 31, 2005 was $175 (2004 – $137).

Note 7 ₀ Policy Liabilities

a) Policy liabilities Policy liabilities are reported in the consolidated financial statements net of reinsurance ceded. The policy liabilities, before and after reinsurance ceded, are shown below.

As at December 31	**2005**	2004
Gross policy liabilities	**$139,359**	$143,653
Impact of reinsurance ceded	**(7,310)**	(6,243)
Net policy liabilities	**$132,049**	$137,410

Policy liabilities include actuarial liabilities as well as policy benefits payable, provision for unreported policy claims, and policyholder amounts on deposit. The components of policy liabilities are shown below.

As at December 31	2005	2004
Actuarial liabilities	**$124,364**	$130,608
Benefits payable and provision for unreported claims	**3,012**	1,933
Policyholder amounts on deposit	**4,673**	4,869
Net policy liabilities	**$132,049**	$137,410

Policy liabilities represent the amount which, together with estimated future premiums and net investment income, will be sufficient to pay estimated future benefits, policyholder dividends and experience rating refunds, taxes (other than income taxes) and expenses on policies in-force. Under Canadian GAAP, the determination of policy liabilities is based on an explicit projection of cash flows using current 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. Scenario testing is generally done on a deterministic basis testing a range of prescribed and company-developed scenarios, but is done stochastically for minimum guarantees on segregated fund products and for long-term care. For other assumptions, this margin is established by directly adjusting the best estimate assumption.

The cash flows used in the actuarial valuation adjust the gross policy cash flows to reflect the projected cash flows from ceded reinsurance.

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 the 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.

b) Composition The composition of policy liabilities by line of business and reporting segment is shown in the table below on a net of reinsurance ceded basis. Policy liability totals before the impact of reinsurance ceded are also shown. The net of reinsurance ceded numbers are used throughout the consolidated financial statements.

	Individual life insurance					
As at December 31 2005	Participating	Non-participating	Annuities and pensions	Other[1] policy liabilities	**Total, net of reinsurance ceded**	Total before reinsurance ceded
U.S. Protection	**$ 23,863**	**$ 10,229**	**$ 34**	**$ 7,831**	**$ 41,957**	$ 44,197
U.S. Wealth Management	**–**	**–**	**17,820**	**57**	**17,877**	18,860
G&SFP	**–**	**–**	**25,382**	**–**	**25,382**	25,382
Canadian Division	**5,098**	**8,468**	**12,495**	**5,230**	**31,291**	33,958
Asia and Japan Division	**10,261**	**1,645**	**1,060**	**200**	**13,166**	13,486
Reinsurance Division	**–**	**1,025**	**–**	**1,206**	**2,231**	2,413
Corporate and Other	**–**	**–**	**–**	**145**	**145**	1,063
Total, net of reinsurance ceded	**$ 39,222**	**$ 21,367**	**$ 56,791**	**$14,669**	**$132,049**	$139,359
Total before reinsurance ceded	$ 39,952	$ 24,699	$ 57,774	$16,934	$139,359	

2004						
U.S. Protection	$24,731	$ 8,887	$ 40	$ 8,588	$ 42,246	$ 44,541
U.S. Wealth Management	–	13	18,689	50	18,752	19,277
G&SFP	–	–	30,291	344	30,635	30,635
Canadian Division	4,720	7,343	12,951	5,032	30,046	32,513
Asia and Japan Division	11,119	1,485	1,085	146	13,835	14,134
Reinsurance Division	–	1,111	–	825	1,936	2,119
Corporate and Other	36	93	104	(273)	(40)	434
Total, net of reinsurance ceded	$40,606	$18,932	$63,160	$14,712	$137,410	$143,653
Total before reinsurance ceded	$41,400	$21,962	$63,685	$16,606	$143,653	

1 Other includes group insurance, and individual and group health including long-term care insurance.

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, 2005,

$26,156 (2004 – $27,817) of both assets and policy liabilities related to the participating policyholders' account were included in the closed blocks.

c) Assets backing policy liabilities, other liabilities and capital Assets are segmented and matched to liabilities with similar underlying characteristics by product line and major currency. The Company has established target investment strategies and asset mixes for each asset segment supporting policy liabilities, which take into account the risk attributes of the liabilities supported by the assets and expectations of market performance. 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 invested in a range of debt and equity investments, both public and private.

Changes in the fair value of assets backing policy liabilities would have a limited impact on the Company's equity wherever there is an effective matching of the assets and liabilities, as it would be substantially offset by a corresponding change in the fair value of the actuarial liabilities. The fair value of assets backing policy liabilities as at December 31, 2005 was estimated at $136,467 (2004 – $142,130).

The fair value of assets backing capital and other liabilities as at December 31, 2005 was estimated at $51,185 (2004 – $48,206).

The deferred realized net gains taken into account in the computation of policy liabilities as at December 31, 2005 were $2,942 (2004 – $2,305).

The carrying value of total assets backing net policy liabilities, other liabilities and capital was as follows:

As at December 31, 2005	Individual life insurance						
	Participating	Non-participating	Annuities and pensions	Other policy liabilities[1]	Other liabilities[2]	Capital[3]	Total
Assets							
Bonds	**$ 23,284**	**$ 12,866**	**$ 39,097**	**$ 7,771**	**$11,584**	**$ 8,713**	**$103,315**
Mortgages	**4,645**	**3,036**	**12,099**	**2,664**	**3,892**	**1,672**	**28,008**
Stocks	**2,996**	**1,563**	**458**	**266**	**322**	**3,291**	**8,896**
Real estate	**2,077**	**1,308**	**217**	**1,017**	**312**	**348**	**5,279**
Other	**6,220**	**2,594**	**4,920**	**2,951**	**5,298**	**14,329**	**36,312**
Total	**$ 39,222**	**$ 21,367**	**$ 56,791**	**$14,669**	**$21,408**	**$28,353**	**$181,810**
2004							
Assets							
Bonds	$23,184	$11,395	$44,526	$ 8,064	$11,670	$ 7,234	$106,073
Mortgages	5,141	2,646	13,101	2,460	3,218	2,118	28,684
Stocks	3,053	1,476	593	299	271	2,652	8,344
Real estate	2,001	1,059	141	711	306	451	4,669
Other	7,227	2,356	4,799	3,178	3,236	15,680	36,476
Total	$40,606	$18,932	$63,160	$14,712	$18,701	$28,135	$184,246

1 Other policy liabilities include group insurance, and individual and group health including long-term care insurance.
2 Other liabilities include non-insurance liabilities.
3 Capital represents total equity, long-term debt, liabilities for preferred shares and capital instruments and non-controlling interest in subsidiaries.

d) Significant policy liability valuation assumptions The preparation of consolidated financial statements involves the use of estimates and assumptions; however, actual results may differ from those estimates.

Policy 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 assumptions In the computation of policy liabilities, best estimate 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 2005 experience was favourable when compared with the Company's assumptions. Morbidity is also monitored monthly and 2005 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. Investment return assumptions include expected future asset credit losses. Asset credit losses are projected based on both past Company and industry experience and specific reviews of the current investment portfolio. Investment return assumptions also include expected expense assumptions for the costs of managing the invested assets. The costs are attributed to each asset class to develop unitized assumptions per dollar of asset for each asset class.	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. The exposure to asset credit losses is managed by policies and procedures, which limit concentrations by issuer, connections, ratings, sectors and geographic regions. On participating policies and some non-participating policies asset credit loss experience is passed back to policyholders through the investment return crediting formula. For other policies, the premiums and benefits reflect the Company's assumed level of future credit losses at contract inception or most recent contract adjustment date. The Company holds explicit provisions in actuarial liabilities for asset credit risk which, including provisions for adverse deviation, totaled $2,906 as at December 31, 2005 (2004 – $3,531). In 2005, 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 and real estate are also used to support long-dated obligations in the Company's Annuity and Pensions businesses and for long-dated insurance obligations on contracts where the investment return risk is borne by the Company. In 2005, investment expense experience was favourable when compared to the Company's assumptions.

	Nature of factor and assumption methodology	Risk management
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 lapse and surrender experience monthly. In aggregate, 2005 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 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 2005 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.
Policyholder dividends, experience rating refunds, and other adjustable policy elements	The best estimate projections for policyholder dividends and experience rating refunds, and other adjustable elements of policy benefits are determined to be consistent with management's expectation of how these elements will be managed should experience emerge consistently with the best estimate assumptions used for mortality and morbidity, investment returns, rates of policy termination, operating expenses and taxes.	The Company monitors policy experience closely and adjusts policy benefits and other adjustable elements to reflect this experience. Policyholder dividends are reviewed annually for all businesses under a framework of board approved dividend policies.
Foreign currency	Foreign currency risk results from a mismatch of the currency of liabilities and the currency of the assets designated to support liabilities. Where a currency mismatch exists, the assumed rates of return on the assets supporting the liabilities is reduced to reflect the potential for adverse movements in exchange rates.	The Company has a policy of matching the currency of its assets with the currency of the liabilities they support to mitigate exposure related to adverse movements in foreign exchange rates.

The Company's practice is to review actuarial assumptions on an annual basis as part of its review of methods and assumptions (note 7(f)), with the exception of the impact of market interest rates and non-fixed income market values for all segregated fund policies and for most fixed account wealth management products, which are reported directly in each reporting segment's earnings.

Provision for adverse deviation assumptions The basic assumptions made in establishing policy liabilities are best estimates for a range of possible outcomes. To recognize the uncertainty in establishing these best estimate assumptions, to allow for possible deterioration in experience and to provide greater comfort that the policy liabilities 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 policy 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.

e) Change in policy liabilities Change in policy liabilities during the year was a result of the following business activities and changes in actuarial estimates:

For the years ended December 31 **2005**	Change in actuarial liabilities	Change in other policy liabilities	Total
Balance, January 1	**$130,608**	**$ 6,802**	**$137,410**
New policies	**1,960**	**–**	**1,960**
Normal in-force movement	**(4,246)**	**570**	**(3,676)**
Changes in methods and assumptions	**(90)**	**40**	**(50)**
Changes due to acquisition and assumption transactions	**(198)**	**639**	**441**
Currency impact	**(3,670)**	**(366)**	**(4,036)**
Balance, December 31	**$124,364**	**$ 7,685**	**$132,049**

2004			
Balance, January 1	$ 51,647	$ 4,582	$ 56,229
New policies	2,046	–	2,046
Normal in-force movement	(3,133)	(1,125)	(4,258)
Changes in methods and assumptions	(50)	12	(38)
Changes due to acquisition and assumption transactions	91,965	3,959	95,924
Currency impact	(11,867)	(626)	(12,493)
Balance, December 31	$130,608	$ 6,802	$137,410

f) Changes in actuarial methods and assumptions The Company examines the assumptions used in determining policy 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 liabilities for policy benefits in the course of settlement.

In 2005, changes in methods and assumptions used in the determination of policy liabilities resulted in a net reduction of $50 (2004 – reduction of $38) in policy liabilities. The net reduction includes an increase of $19 (2004 – decrease of $2) to policy liabilities impacting non-controlling interests in subsidiaries, an increase of $5 (2004 – decrease of $19) to participating policyholders' reserves, and a net reduction of $74 (2004 – $17) to reserves that impact the shareholders' account. As a result of the actuarial changes in methods and assumptions, shareholders' pre-tax income increased by $74 (2004 – $17) and is reported in the "Corporate and Other" segment.

The changes in methods and assumptions in 2005 include a net reduction of $96 from review of credit loss assumptions and methodology, a net reduction of $275 from regular review of non-economic assumptions, consisting of releases from favourable changes in expense and mortality/morbidity offset by strengthening from unfavourable changes in policy persistency, and a net reduction of $69 from other refinements to cash flow models and methods. Offsetting these reductions was a $338 increase related to adoption of more conservative investment scenario assumptions, primarily related to assumed levels of long-term interest rates in North America and adopting a more conservative investment return outlook in Taiwan, and a $52 increase from other investment return assumption updates.

The changes in methods and assumptions in 2004 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 ₀ Risk Management

In addition to risks related to reserve assumptions, the Company is 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	2005	2004
1% increase in interest rates	**$(47)**	$ 60
1% decrease in interest rates	**$ 46**	$(67)

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	2005	2004
Direct premium income	**$18,881**	$16,284
Reinsurance assumed	**1,364**	1,318
Reinsurance ceded	**(1,658)**	(1,315)
Total premium income	**$18,587**	$16,287

Note 9 ₀ Income Taxes

The effective income tax rate for the provision for income taxes reported in the Consolidated Statements of Operations varies from the income taxes computed at the Canadian statutory tax rate of 34% for the year ended December 31, 2005 (2004 – 34%) for the following reasons:

Reconciliation of income tax expense

For the years ended December 31	2005	2004
Income tax at Canadian statutory tax rate	**$1,470**	$1,164
Increase (decrease) in income taxes due to:		
Tax-exempt investment income	**(117)**	(85)
Differences in tax rates on income not subject to tax in Canada	**(149)**	(228)
Recognition of tax benefit from prior years	**(19)**	(5)
Release of valuation allowance	**(105)**	–
Other	**(49)**	28
Income tax expense	**$1,031**	$ 874

Components of income tax expense included in the Consolidated Statements of Operations are as follows:

For the years ended December 31	2005	2004
Canadian income tax expense:		
Current	**$ 198**	$106
Future	**53**	139
	$ 251	$245
Foreign income tax expense:		
Current	**$ 115**	$135
Future	**665**	494
	$ 780	$629
Income tax expense	**$1,031**	$874

The amount of income taxes paid in cash during the year ended December 31, 2005 was $327 (2004 – $386).

Income taxes are included in the consolidated financial statements as follows:

For the years ended December 31	2005	2004
Consolidated Statements of Operations		
Income taxes	**$1,031**	$874
Consolidated Statements of Equity		
Preferred shares	**(4)**	–
Currency translation account	**44**	28
Income taxes	**$1,071**	$902

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 charged against earnings as at December 31, 2005 are estimated to be $267 (2004 – $238).

The following table presents future income taxes in total, and the principal components:

As at December 31	2005	2004
Future income tax asset:		
Actuarial liabilities	**$ 716**	$ 1,556
Gain on sale of invested assets	**377**	243
Other	**1,782**	1,818
	$ 2,875	$ 3,617
Valuation allowance	**(41)**	(156)
Future income tax asset	**$ 2,834**	$ 3,461
Future income tax liability:		
Real estate	**$ (331)**	$ (349)
Securities and other investments	**(3,232)**	(3,460)
Intangible assets	**(608)**	(632)
Future income tax liability	**$(4,171)**	$(4,441)
Net future income tax liability	**$(1,337)**	$ (980)

As at December 31, 2005, the Company has approximately $2,458 (2004 – $1,525) of tax loss carry forwards available, which expire between the years 2006 and 2020. A benefit has been recognized in the amount of $824 (2004 – $379) in future income taxes. A benefit in the amount of $38 (2004 – $156) 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, 2005, interest rates ranged from 1.75% to 6.45% (2004 – from 1.75% to 6.25%) with maturities until 2034. The fair value of consumer notes as at December 31, 2005 was $2,814 (2004 – $2,865).

Note 11 o Commercial Paper

At December 31, 2004, other liabilities included $349 of commercial paper issued by JHF that was primarily used to meet working capital needs. 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. These amounts were repaid in 2005.

Note 12 o Long-Term Debt

As at December 31	2005	2004
Senior debt		
5.625% Notes payable U.S. dollar	**$ 607**	$ 635
Other notes payable	**471**	639
Subordinated notes		
7.875% U.S. dollar	**–**	252
5.70% Canadian dollar	**250**	250
6.24% Canadian dollar	**550**	550
Surplus notes U.S. dollar	**579**	622
Total long-term debt	**$2,457**	$2,948
Fair value	**$2,561**	$3,050

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, 2005 was $170 (2004 – $168).

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 6.54% 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, MLI 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. MLI repaid the remaining U.S. $209 ($260) balance at maturity on April 15, 2005.

d) Canadian dollar subordinated debt On February 16, 2001, MLI issued, in two tranches, $800 in unsecured subordinated debentures, redeemable in whole or in part by MLI 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 MLI, 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. $93 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	2005	2004
Less than one year	**$ 23**	$ 417
One to two years	**13**	19
Two to three years	**609**	14
Three to four years	**1**	638
Four to five years	**2**	1
Greater than five years	**1,809**	1,859
Total	**$2,457**	$2,948

Note 13 o Liabilities for Preferred Shares and Capital Instruments

As at December 31	2005	2004
Preferred shares – Class A Shares, Series 1 (note 2)	**$ 344**	$ 344
Senior debentures issued to Manulife Financial Capital Trust (note 2)		
6.7% debentures	**940**	940
7.0% debentures	**60**	60
Trust preferred securities	**578**	606
Total	**$1,922**	$1,950
Fair value	**$2,085**	$2,128

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.

Senior debentures The senior debentures issued to the Trust mature on December 31, 2051 with interest payable semi-annually on June 30 and December 31. With regulatory approval, upon certain tax or regulatory capital changes, or on December 31, 2006 and on any interest payment date thereafter, the Company may redeem the debentures for the amount of principal, unpaid interest and, if applicable, a premium calculated with reference to the Government of Canada yield.

At the option of the Trust, the 7.0% debentures are convertible into MLI Class A Shares Series 2 and the 6.7% debentures are convertible into MLI Class A Shares Series 4. Under certain circumstances, the 7.0% debentures will be automatically converted into MLI Class A Shares Series 3 and the 6.7% debentures will be automatically converted into MLI Class A Shares Series 5.

Trust preferred securities 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.

The Company has repurchased a total of U.S. $15 of trust preferred securities as of December 31, 2005 (2004 – U.S. $8).

Note 14 o Non-Controlling Interest in Subsidiaries

As at December 31	2005	2004
Non-controlling interest in common equity of subsidiaries	**$ 94**	$ 43
Preferred shares issued by MLI – MLI Class A, Series 6	**93**	93
Total	**$187**	$136

MLI's Class A, Series 6 Preferred Shares ("Series 6 Shares") are non-voting, bear non-cumulative dividends and are redeemable at the election of MLI at $26.00 per share during the 12 months commencing December 31, 2007, or $25.75 per share during the 12 months commencing December 31, 2008, or $25.50 per share during the 12 months commencing December 31, 2009, or $25.25 per share during the 12 months commencing December 31, 2010, or $25.00 per share during the 12 months commencing December 31, 2011.

The Maritime Life Assurance Company ("MLAC") First Preferred Shares, Series A ("Series A Shares") with a carrying value of $35 were redeemable by MLAC, non-voting and bore cumulative dividends. All of the outstanding Series A Shares were redeemed on October 15, 2004.

MLAC Second Preferred Shares, Series 1 ("Series 1 Shares") with a carrying value of $97 were redeemable by MLAC, non-voting and bore non-cumulative dividends. All of the outstanding Series 1 Shares were redeemed on December 31, 2004.

MLAC Second Preferred Shares, Series 3 ("Series 3 Shares") with a carrying value of $97 were redeemable by MLAC, non-voting and bore non-cumulative dividends. On October 20, 2004, MLI completed an offer made to holders of MLAC's Series 3 Shares to exchange each Series 3 Share for one MLI 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. MLI 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 15 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 February 18, 2005, MFC issued 14 million Class A Shares, Series 2 ("Series 2 Preferred Shares") at a price of $25.00 per share, for an aggregate amount of $350. The Series 2 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 4.65% per Series 2 Preferred Share. With regulatory approval, the Series 2 Preferred Shares may be redeemed by MFC on or after March 19, 2010, in whole or in part, at declining premiums that range from $1.00 to nil per Series 2 Preferred Share, by payment of cash.

Common shares

On November 4, 2004, the Toronto Stock Exchange (the "Exchange") accepted MFC's filing of notice of intention to make a normal course issuer bid during the 12-month period commencing November 9, 2004 to repurchase up to 55 million of its common shares, representing approximately 6.8% of common shares then outstanding. During the year ended December 31, 2005, MFC purchased and subsequently cancelled 20 million (2004 – six million) of its common shares pursuant to this normal course issuer bid at a total cost of $1,189 (2004 – $306). A previous normal course issuer bid program terminated on November 3, 2004.

On November 3, 2005, the Exchange accepted MFC's filing of notice to make a normal course issuer bid during the 12-month period commencing November 9, 2005. Under this bid, MFC may repurchase up to 50 million of its common shares, representing approximately 6.3% of common shares outstanding. MFC 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, 2005, MFC purchased and subsequently cancelled 0.7 million of its common shares pursuant to this normal course issuer bid at a total cost of $49.

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 bid will be cancelled.

In total, during the year ended December 31, 2005, MFC purchased and subsequently cancelled 21 million (2004 – 10 million) of its common shares pursuant to all normal course issuer bids at a total cost of $1,238 (2004 – $509).

Pursuant to the merger with JHF in 2004 (described in note 3), 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.

	2005		2004	
For the years ended December 31	Number of shares (in millions)	Amount	Number of shares (in millions)	Amount
Common shares				
Balance, January 1	**808**	**$14,646**	462	$ 599
Issued on acquisition of a subsidiary (note 3)	**–**	**–**	342	13,510
Issued on exercise of stock options and deferred share units (note 16)	**5**	**228**	14	712
Normal course issuer bids – purchased for cancellation	**(21)**	**(384)**	(10)	(175)
Balance, December 31	**792**	**$14,490**	808	$14,646

Note 16 o Stock-Based Awards

Under MFC'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, MFC 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. In 2005, 91,000 DSUs were issued to certain employees who elected to defer their annual bonus, in part or otherwise, under the ESOP. These DSUs vested immediately upon grant and entitle the holder to receive payment equal to the value of the same number of common shares plus credited dividends on retirement or termination. No DSUs were granted during 2004. The number of DSUs outstanding was 1.8 million as at December 31, 2005 (2004 – two million).

Effective January 1, 2001, MFC established the Global Share Ownership Plan ("GSOP") for its eligible employees and the Stock Plan for Non-Employee Directors. Under the 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, MFC will match a percentage of the

employee's eligible contributions to certain maximums. MFC's contributions vest immediately. All contributions will be used by the plan's trustee to purchase common shares in the open market.

Under the Stock Plan for Non-Employee Directors, each eligible director may elect to receive DSUs or common shares of MFC 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 of MFC have been reserved for issuance under the Stock Plan for Non-Employee Directors.

MFC 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 and 2005, 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 of MFC have been reserved for issuance under the DEIP.

In 2003, MFC established a new Restricted Share Unit ("RSU") plan. For the year ended December 31, 2005, 0.9 million (2004 – 1.3 million) 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 at the end of three years, subject to performance conditions, and the related compensation expense is recognized over this period. Compensation expense related to RSUs was $99 for the year ended December 31, 2005 (2004 – $42).

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.

	2005		2004	
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	**21**	**$ 38.96**	12	$ 37.87
Issued on acquisition (note 3)	**–**	**$ –**	23	$ 37.00
Granted	**2**	**$ 58.00**	2	$ 48.53
Exercised	**(5)**	**$ 37.59**	(14)	$ 39.47
Forfeited	**(1)**	**$ 45.29**	(2)	$ 42.77
Outstanding as at December 31	**17**	**$ 41.28**	21	$ 38.96
Exercisable as at December 31	**12**	**$ 37.91**	13	$ 36.71

Options outstanding

	Options outstanding			Options exercisable	
As at December 31, 2005 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
$26.45 – $39.03	6	$ 32.77	4.2 years	5	$ 32.35
$40.51 – $50.90	9	$ 42.85	5.0 years	7	$ 42.11
$54.05 – $66.45	2	$ 57.88	9.1 years	–	$ 54.14
Total	17	$ 41.28	5.2 years	12	$ 37.91

The weighted average fair value of each option granted in 2005 has been estimated at $12.21 (2004 – $11.33) 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% (2004 – 3.7%), dividend yield of 1.9% (2004 – 1.8%), expected volatility of 20% (2004 – 22.5%) and expected life of six (2004 – six) years.

The Company recorded compensation expense for stock options granted after January 1, 2002, with an offsetting increase to contributed surplus, of $33 during the year ended December 31, 2005 (2004 – $27).

In aggregate, the Company recorded stock-based compensation expense of $132 for the year ended December 31, 2005 (2004 – $69).

Diluted earnings per share

For the years ended December 31	2005	2004
Net income available to common shareholders	**$3,280**	$2,550
Weighted average number of common shares (in millions)	**799**	698
Stock-based awards[1] (in millions)	**7**	6
Weighted average number of diluted common shares (in millions)	**806**	704

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 17 o Employee Future Benefits

The Company maintains a number of pension and benefit plans, both defined benefit and defined contribution, for its eligible employees and agents. These plans include broad-based pension plans for all employees that are generally funded, supplemental pension plans for executives that are generally not funded, and other non-pension post-retirement benefit plans that are also generally not funded.

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 post-retirement plans. There were no significant gains or losses as a result of plan amendments made to these plans from the acquisition.

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, 2004. Pension plans based in the United States require annual valuations, with the most recent valuations performed as at January 1, 2005.

Pension and Non-Pension Post-Retirement Benefit Plans

	Pension benefits		Post-retirement benefits	
For the years ended December 31	**2005**	2004	**2005**	2004
Changes in accrued benefit obligation:				
Balance, January 1	**$3,885**	$ 963	**$ 966**	$ 157
JHF accrued benefit obligation at date of acquisition	**–**	3,196	**–**	881
Service cost	**62**	51	**10**	8
Interest cost	**213**	169	**54**	42
Plan participants' contributions	**1**	1	**8**	–
Amendments	**–**	4	**4**	(2)
Actuarial losses	**295**	109	**34**	40
Benefits paid	**(352)**	(224)	**(75)**	(49)
Currency impact	**(115)**	(384)	**(24)**	(111)
Balance, December 31	**$3,989**	$3,885	**$ 977**	$ 966

	Pension benefits		Post-retirement benefits	
For the years ended December 31	**2005**	2004	**2005**	2004
Changes in plan assets:				
Fair value of plan assets, January 1	**$3,505**	$ 647	**$ 312**	$ –
JHF plan assets at date of acquisition	**–**	2,983	**–**	327
Actual return on plan assets	**292**	379	**12**	27
Employer contributions	**131**	83	**68**	49
Plan participants' contributions	**1**	1	**8**	–
Benefits paid	**(352)**	(224)	**(75)**	(49)
Currency impact	**(98)**	(364)	**(11)**	(42)
Fair value of plan assets, December 31	**$3,479**	$3,505	**$ 314**	$ 312

	Pension benefits		Post-retirement benefits	
As at December 31	**2005**	2004	**2005**	2004
Excess of plan liabilities over fair value of plan assets, end of year	**$ (510)**	$ (380)	**$ (663)**	$ (654)
Unrecognized net actuarial loss	**335**	108	**52**	5
Unrecognized prior service cost	**27**	29	**(10)**	(13)
Net accrued benefit liability, December 31	**$ (148)**	$ (243)	**$ (621)**	$ (662)

Amounts recognized in the Consolidated Balance Sheets:

	Pension benefits		Post-retirement benefits	
As at December 31	**2005**	2004	**2005**	2004
Prepaid benefit cost	**$ 451**	$ 403	**$ –**	$ –
Accrued benefit liability	**(599)**	(646)	**(621)**	(662)
Net accrued benefit liability, December 31	**$ (148)**	$ (243)	**$ (621)**	$ (662)

As at December 31, 2005, pension plans subject to regulatory required contributions consisted of assets of $3,454 (2004 – $3,486) and pension benefit obligations of $3,254 (2004 – $3,137).

Of the $510 pension benefit deficit amount as at December 31, 2005 (2004 – $380), $663 (2004 – $683) relates to the Company's executive supplementary pension plans of which $534 (2004 – $578) has been charged to earnings to date. Charges for other unfunded pension plans amounted to $46 as at December 31, 2005 (2004 – $47) of which $44 (2004 – $45) has been charged to earnings or otherwise accrued for in the Company's accounts. The assets supporting the pension obligations that are not funded, and those supporting the non-pension post-retirement benefit plans that are similarly not funded, are not separately segregated and form part of the general fund assets of the Company.

The weighted average asset allocation by asset category for the Company's pension plans that are funded was as follows:

		Actual allocation
As at December 31	**2005**	2004
Equity securities[1]	**59%**	62%
Debt securities	**30%**	30%
Real estate	**5%**	2%
Other	**6%**	6%
Total	**100%**	100%

1 Pension benefit plans include investments in MFC common shares of $3 (2004 – $3).

Components of the net benefit expense for the pension plans and other non-pension post-retirement benefit plans were as follows:

	Pension benefits		Post-retirement benefits	
For the years ended December 31	**2005**	2004	**2005**	2004
Defined benefit service cost	**$ 62**	$ 51	**$ 10**	$ 8
Defined contribution service cost	**61**	58	**–**	–
Interest cost	**213**	169	**54**	42
Actual positive return on plan assets	**(292)**	(379)	**(12)**	(27)
Actuarial losses	**295**	109	**34**	40
Plan amendments	**–**	4	**4**	(2)
Pension costs incurred before adjustments	**$ 339**	$ 12	**$ 90**	$ 61
Difference between costs arising in the year and cost recognized in respect of:				
Return on plan assets[1]	**21**	177	**(14)**	9
Actuarial (gains) losses[2]	**(281)**	(97)	**(34)**	(41)
Plan amendments[3]	**6**	(1)	**(8)**	(1)
Net benefit expense	**$ 85**	$ 91	**$ 34**	$ 28

1 Expected return on plan assets of $297 for the year ended December 31, 2005 (2004 – $220) less deferral of actual return on plan assets of $304 (2004 – $406).

2 Actuarial (gains) losses amortized in 2005 of $14 (2004 – $11) less actual actuarial losses incurred of $329 (2004 – $149).

3 Amortization of plan amendments/ prior service cost in 2005 of $2 (2004 – nil) less actual cost of plan amendments/ prior service cost of $4 (2004 – $2).

Key Weighted Average Assumptions

The weighted average assumptions used by the Company to determine the accrued benefit obligation and net benefit expense for all plans were as follows:

	Pension benefits		Post-retirement benefits[1]	
For the years ended December 31	**2005**	2004	**2005**	2004
To determine the accrued benefit obligation at end of year:				
Discount rate	**5.5%**	5.8%	**5.4%**	5.8%
Rate of compensation increase	**3.9%**	3.9%	**3.5%**	3.2%
To determine the net benefit expense for the year:				
Discount rate	**5.7%**	6.2%	**5.8%**	6.0%
Expected return on plan assets[2]	**8.0%**	8.2%	**8.5%**	8.75%
Rate of compensation increase	**3.8%**	3.1%	**3.3%**	3.4%

1 The health care cost trend rate used to measure the U.S.-based non-pension post-retirement obligation was 10.0% grading to 5.0% for 2016 and years thereafter (2004 – 10.5% grading to 5.0% in 2016) and to measure the expense was 10.5% grading to 5.0% for 2016 and years thereafter (2004 – 11.0% grading to 5.0% for 2016). In Canada, the rate used to measure the non-pension post-retirement benefit obligation was 8.5% grading to 5.0% for 2013 and years thereafter (2004 – 8.5% grading to 5.5% in 2008) and to measure the expense was 8.5% grading to 5.5% for 2008 and years thereafter (2004 – 9.5% grading to 5.5% in 2008).

2 The expected return on pension plan assets for U.S.-based plans ranged from 8.25% to 8.5% (2004 – 8.25% to 8.5%). Plans based in Canada had an expected return on plan assets of 6.9% (2004 – 7.0%). Other plans had an expected return of 4.25% (2004 – 4.25%).

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 trends have a significant effect on the amounts reported for the non-pension post-retirement benefit plans. 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, 2005	100 basis-point increase	100 basis-point decrease
Effect on post-retirement benefit obligation	**63**	**(55)**
Effect on post-retirement benefit expense	**7**	**(7)**

Cash Flows – Contributions
Total cash payments for all employee future benefits, comprised of cash contributed by the Company to its funded pension and non-pension post-retirement benefit plans, cash payments directly to beneficiaries for its unfunded pension and non-pension post-retirement benefit plans, and cash contributed to its defined contribution pension plans, were as follows:

	Pension benefits		Post-retirement benefits	
For the years ended December 31	**2005**	2004	**2005**	2004
Defined benefit	**$ 131**	$ 84	**$ 68**	$ 49
Defined contribution	**61**	58	**–**	–
Total	**$ 192**	$ 142	**$ 68**	$ 49

Note 18 o Variable Interest Entities

Variable interest entities that are consolidated with the Company's segregated funds In its capacities as an investor and as an investment manager, the Company has relationships with various types of entities, some of which are VIEs. The Company's segregated funds are considered the primary beneficiary of certain timberland VIEs. The consolidation of these VIEs in the segregated funds resulted in an increase in segregated fund assets of $206, an increase in segregated fund liabilities of $73 and an increase in amounts attributable to other contract holders of $133.

Variable interest entities that are not consolidated Except as previously noted, the Company has determined that it is not the primary beneficiary of any VIE in which it invests or manages, and accordingly, is not required to consolidate any of them (see note 2(b)).

The following is a discussion of the entities the Company has significant relationships with and certain summarized financial information for them.

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 has determined that most of the CDOs it manages are VIEs. 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. Any net losses in excess of the CDO equity are borne by the debt owners. 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.

The maximum exposure to losses from CDOs managed by the Company is $198 (2004 – $316). This consists of $150 (2004 – $269) of investments in tranches rated Aa1 or better, $20 (2004 – $22) in tranches rated below BBB and $28 (2004 – $25) in equity tranches.

Total size of Company-managed CDOs

As at December 31	2005	2004
Total assets	**$6,227**	$4,545
Total debt	**$6,100**	$4,463
Total other liabilities	**29**	11
Total liabilities	**$6,129**	$4,474
Total equity	**98**	71
Total liabilities and equity[1]	**$6,227**	$4,545

1 Includes the Company's investment in the debt and equity of Company-managed VIE and non-VIE CDOs.

Low-income housing partnerships The Company has investments that qualify for low-income housing and/or historic tax credits ("LIH Partnerships"). These investments are primarily through real estate limited partnerships. The Company is usually the sole limited partner or an investor member and it is not the general partner or managing member in any of the LIH Partnerships.

The Company's maximum exposure to losses from its investments in LIH Partnerships is $551 (2004 – $587). This consists of $415 (2004 – $396) of equity investments, $77 (2004 – $81) of mortgages, and outstanding equity capital and mortgage commitments to the partnerships of $58 (2004 – $109) and $1 (2004 – $1), respectively.

Total size of the LIH Partnerships[1]

As at December 31	2005	2004
Total assets	**$1,442**	$1,467
Total debt	**$ 869**	$ 891
Total other liabilities	**115**	136
Total liabilities	**$ 984**	$1,027
Total equity	**458**	440
Total liabilities and equity[2]	**$1,442**	$1,467

1 Certain data above is reported with a three-month lag due to the delayed availability of financial statements of the LIH Partnerships.

2 Includes the Company's investment in the debt and equity of these LIH Partnerships.

Timberland investments The Company acts as an investment manager of timberland properties with total assets of $6.1 billion, of which $2.5 billion relates to funds that the general fund and institutional segregated funds invest in (the "Timber Funds"). In its capacity as investment advisor to the Timber Funds, the Company earns investment advisory fees, and in the majority of cases earns forestry management fees and is eligible for performance advisory fees. The Company has determined that most of the Timber Funds are VIEs.

The Company's maximum exposure to losses from the Timber Funds is $140 (2004 – $122). This consists of $91 (2004 – $90) of equity investments, $33 (2004 – $32) of debt investments, and $16 (2004 – nil) of outstanding equity commitments to these funds.

Total size of Timber Funds

As at December 31	2005	2004
Total assets	**$2,512**	$1,954
Total debt	**$ 832**	$ 653
Total other liabilities	**65**	36
Total liabilities	**$ 897**	$ 689
Total equity	**1,615**	1,265
Total liabilities and equity[1]	**$2,512**	$1,954

1 Includes the Company's investment in the debt and equity of the Timber Funds.

Other entities The Company has investment relationships with other entities ("Other Entities"), which result from its 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. With the exception of its involvement with ArcLight Energy Partners Fund I, L.P. ("ArcLight") and Manulife Financial Capital Trust (the "Trust"), the Company believes that its relationships with the Other Entities are not significant, and accordingly, does not provide any summary financial data or 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.

ArcLight, a private equity fund, invests in the electric power, utility and energy industry sectors. The Company is a limited partner investor – owning approximately 55% of ArcLight's partners' capital as at December 31, 2005 and 2004. The Company's potential losses in relation to ArcLight are limited to its investment in ArcLight. As at September 30, 2005, ArcLight had total assets of $972, liabilities of $50, and partners' capital of $922. As at December 31, 2004, ArcLight had total assets of $981, liabilities of $2, and partners' capital of $979. Due to delayed availability of ArcLight's financial statements, balance sheet data for ArcLight as at December 31, 2005 was not available.

The Trust, a wholly owned open-end trust, is deemed to be a VIE; however, because the Company is not the primary beneficiary, the Trust has been deconsolidated (see note 2(b)). Securities issued by the Trust are, at the option of their holders, exchangeable into newly issued Class A Shares Series 2 or Class A Shares Series 4 of MLI. Under certain circumstances and without the consent of the holders, the MaCS will be automatically exchanged into MLI Class A Shares Series 3 or MLI Class A Shares Series 5. The exchange of the MaCS will be effected through the conversion by the Trust of the corresponding principal amount of debentures issued by the Company, which corresponds to the series of the MaCS being exchanged, into Class A Shares of MLI.

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, the United States and Asia 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. 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) Proceeds Pursuant to agreements with the administrators of Daihyaku Mutual Life Insurance Company ("Daihyaku") with respect to the April 2, 2001 purchase of a closed block of business in Japan, the Company was entitled to a contingent receivable

related to the proceeds from the wind-up of the insolvent estate of Daihyaku. On March 29, 2005, the Company received the contingent receivable of $89 ($57 after tax). This amount has been recorded in other revenue in the Corporate and Other segment.

c) Accident reinsurance disputes The Company entered into a number of reinsurance arrangements in respect of personal accident insurance and the occupational accident component of workers compensation insurance. Under these arrangements, the Company both assumed risks as a reinsurer, and also passed substantial portions of these risks on to other companies. The Company is engaged in disputes, including a number of legal proceedings, in respect of this business and has provided adequately for the exposure.

d) Investment commitments In the normal course of business, various investment commitments are outstanding which are not reflected in the consolidated financial statements. There were $2,494 of outstanding investment commitments as at December 31, 2005, of which $402 mature in 30 days, $1,531 mature in 31 to 365 days and $561 mature in 2007 or later. There were $2,346 of outstanding investment commitments as at December 31, 2004, of which $520 matured in 30 days, $1,205 matured in 31 to 365 days and $621 mature in 2006 or later.

e) 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, 2005, letters of credit, for which third parties are beneficiary, in the amount of $910 (2004 – $1,376) were outstanding. There were no assets pledged against these outstanding letters of credit as at December 31, 2005 and 2004.

f) 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:

	2005		2004	
As at December 31	Bonds	Other	Bonds	Other
In respect of:				
Derivatives	**$ 122**	**$ 77**	$ 122	$ 11
Regulatory requirements	**112**	**4**	126	–
Real estate	**–**	**75**	–	81
Other	**–**	**96**	–	110
Total	**$ 234**	**$252**	$ 248	$202

g) 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
2006	$ 21	$ 145	$166
2007	21	121	142
2008	20	91	111
2009	19	77	96
2010	19	65	84
Thereafter	157	190	347
Total minimum lease payments	**$ 257**	**$ 689**	**$946**

h) Capital requirements Dividends and capital distributions are restricted under the ICA. The ICA requires Canadian non-operating insurance companies to maintain, at all times, adequate levels of capital which is assessed by comparing capital available to a risk metric in accordance with Capital Regime for Regulated Insurance Holding Companies and Non-Operating Life Companies. There are no minimum or target requirements; however, OSFI expects holding companies to manage their capital in a manner commensurate with the group risk profile and control environment. MFC must also maintain minimum levels of capital for its subsidiaries. Such amounts of capital are based on the local statutory accounting basis in each jurisdiction. The most significant of these are the Minimum Continuing Capital and Surplus Requirements for MFC's Canadian insurance subsidiaries and 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.

i) 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 MLI'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, consumer notes, commercial paper, long-term debt, liabilities for preferred shares and capital instruments and derivative financial instruments are disclosed in notes 6, 7, 10, 11, 12, 13 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 $5,888 as at December 31, 2005 (2004 – $4,371) compared to a carrying value of $5,911 as at December 31, 2005 (2004 – $4,373). 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 current and anticipated exposures to changes in interest rate levels, foreign exchange rates, commodity prices, credit risk and equity market prices, and to replicate permissible investments.

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 and accrued interest receivable or payable. 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 2005	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	**$ 5,406**	**$11,702**	**$23,924**	**$41,032**	**$1,338**	**$ (843)**	**$ 495**	**$ 714**	**$ 233**
Future contracts	**246**	**–**	**–**	**246**	**–**	**–**	**–**	**–**	**–**
Options purchased	**173**	**2,816**	**211**	**3,200**	**48**	**–**	**48**	**36**	**14**
Options written	**–**	**13**	**–**	**13**	**–**	**–**	**–**	**–**	**–**
Sub-total	**$ 5,825**	**$14,531**	**$24,135**	**$44,491**	**$1,386**	**$ (843)**	**$ 543**	**$ 750**	**$ 247**
Foreign exchange:									
Swap contracts	**3,391**	**6,465**	**2,405**	**12,261**	**811**	**(956)**	**(145)**	**1,002**	**326**
Forward contracts	**3,409**	**–**	**15**	**3,424**	**17**	**(14)**	**3**	**81**	**26**
Other	**693**	**506**	**6**	**1,205**	**10**	**(4)**	**6**	**141**	**46**
Total	**$13,318**	**$21,502**	**$26,561**	**$61,381**	**$2,224**	**$(1,817)**	**$ 407**	**$ 1,974**	**$ 645**

As at December 31 2004									
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

Note 22 ₀ 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, Asia and Japan. 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 reporting segments are U.S. Protection, U.S. Wealth Management and Guaranteed & Structured Financial Products ("G&SFP"), which combine to form the U.S. Division, as well as the Canadian, Asia and Japan and Reinsurance 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. In the second quarter of 2005, the Company's Asia Division and Japan Division were combined to become the Asia and Japan Division. Information for prior periods has been restated accordingly.

Certain 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 changes in actuarial methods and assumptions (note 7(f)) 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 and its G&SFP reporting segment into the different geographic segments to which their businesses pertain.

By segment For the year ended December 31, 2005	U.S. Protection	U.S. Wealth Mgmt	G&SFP	Canadian Division	Asia and Japan Division	Reinsurance Division	Corporate and Other	Total
Revenue								
Premium income								
Life and health insurance	$ 5,382	$ –	$ –	$ 5,193	$ 2,895	$ 1,217	$ –	$ 14,687
Annuities and pensions	–	2,149	1,116	568	67	–	–	3,900
Total premium income	$ 5,382	$ 2,149	$ 1,116	$ 5,761	$ 2,962	$ 1,217	$ –	$ 18,587
Net investment income	2,800	1,135	1,801	2,686	689	185	322	9,618
Other revenue	589	1,868	20	647	337	27	354	3,842
Total revenue	$ 8,771	$ 5,152	$ 2,937	$ 9,094	$ 3,988	$ 1,429	$ 676	$ 32,047
Interest expense	$ 26	$ 9	$ 166	$ 175	$ 44	$ 1	$ 367	$ 788
Income (loss) before income taxes	$ 927	$ 809	$ 402	$ 1,045	$ 810	$ (89)	$ 418	$ 4,322
Income taxes	(313)	(224)	(119)	(248)	(69)	(19)	(39)	(1,031)
Net income (loss)	$ 614	$ 585	$ 283	$ 797	$ 741	$ (108)	$ 379	$ 3,291
Segregated funds deposits	$ 1,284	$19,803	$ 405	$ 4,514	$ 5,226	$ –	$ 554	$ 31,786
Goodwill								
Balance, January 1	$ 2,756	$ 1,934	$ –	$ 1,888	$ 563	$ 78	$ 113	$ 7,332
Purchase equation adjustment (note 3)	35	208	–	163	(2)	3	–	407
Change in foreign exchange rates	(87)	(89)	–	–	(62)	(3)	3	(238)
Balance, December 31	$ 2,704	$ 2,053	$ –	$ 2,051	$ 499	$ 78	$ 116	$ 7,501
As at December 31, 2005								
Policy liabilities	$41,959	$17,877	$25,381	$31,291	$ 13,166	$ 2,231	$ 144	$132,049
Total assets	$51,009	$23,677	$31,854	$45,388	$ 17,022	$ 3,146	$ 9,714	$181,810
Segregated funds net assets held by policyholders	$11,374	$84,980	$ 5,016	$23,443	$ 12,282	$ –	$ 2,600	$139,695

By geographic location For the year ended December 31, 2005	United States	Canada	Asia and Japan	Other	Total
Revenue					
Premium income					
Life and health insurance	$ 5,759	$5,259	$ 2,954	$715	$14,687
Annuities and pensions	3,265	568	67	–	3,900
Total premium income	$ 9,024	$5,827	$ 3,021	$715	$18,587
Net investment income	5,836	3,056	689	37	9,618
Other revenue	2,668	710	436	28	3,842
Total revenue	$ 17,528	$9,593	$ 4,146	$780	$32,047

By segment For the year ended December 31, 2004	U.S. Protection	U.S. Wealth Mgmt	G&SFP	Canadian Division	Asia and Japan Division	Reinsurance Division	Corporate and Other	Total
Revenue								
Premium income								
Life and health insurance	$ 4,710	$ –	$ –	$ 4,385	$ 2,857	$ 982	$ –	$ 12,934
Annuities and pensions	–	1,344	1,056	874	79	–	–	3,353
Total premium income	$ 4,710	$ 1,344	$ 1,056	$ 5,259	$ 2,936	$ 982	$ –	$ 16,287
Net investment income	2,321	930	1,276	2,271	586	179	260	7,823
Other revenue	442	1,479	17	480	224	36	179	2,857
Total revenue	$ 7,473	$ 3,753	$ 2,349	$ 8,010	$ 3,746	$ 1,197	$ 439	$ 26,967
Interest expense	$ 20	$ 5	$ 100	$ 118	$ 44	$ 4	$ 338	$ 629
Income before income taxes	$ 700	$ 554	$ 306	$ 811	$ 561	$ 312	$ 181	$ 3,425
Income taxes	(233)	(157)	(94)	(194)	(74)	(82)	(40)	(874)
Net income	$ 467	$ 397	$ 212	$ 617	$ 487	$ 230	$ 141	$ 2,551
Segregated funds deposits	$ 1,106	$17,145	$ 31	$ 3,116	$ 3,591	$ –	$ 115	$ 25,104
Goodwill								
Balance, January 1	$ –	$ 67	$ –	$ 72	$ 450	$ –	$ –	$ 589
JHF acquisition (note 3)	3,139	2,130	–	1,816	138	89	129	7,441
Change in foreign exchange rates	(383)	(263)	–	–	(25)	(11)	(16)	(698)
Balance, December 31	$ 2,756	$ 1,934	$ –	$ 1,888	$ 563	$ 78	$ 113	$ 7,332
As at December 31, 2004								
Policy liabilities	$42,246	$18,752	$30,635	$30,046	$ 13,835	$ 1,936	$ (40)	$137,410
Total assets	$50,593	$23,978	$36,229	$41,560	$ 17,184	$ 3,191	$11,511	$184,246
Segregated funds net assets held by policyholders	$10,953	$72,186	$ 4,965	$19,422	$ 7,910	$ –	$ 2,134	$117,570

By geographic location For the year ended December 31, 2004	United States	Canada	Asia and Japan	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	4,495	2,709	586	33	7,823
Other revenue	2,067	519	235	36	2,857
Total revenue	$ 14,055	$8,544	$ 3,757	$611	$26,967

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 United States generally accepted accounting principles (“U.S. GAAP”). The material differences between U.S. GAAP 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		2005		2004	
	Note 23 Reference	U.S. GAAP	Canadian GAAP	U.S. GAAP	Canadian GAAP
Assets					
Bonds	g (i)	**$108,966**	**$103,315**	$110,703	$106,073
Mortgages	g (ii)	**27,968**	**28,008**	28,699	28,684
Stocks	g (iii)	**13,114**	**8,896**	10,426	8,344
Real estate	g (iv)	**4,148**	**5,279**	3,671	4,669
Policy loans		**6,120**	**6,120**	6,743	6,743
Cash and short-term investments		**9,404**	**9,360**	8,559	8,517
Bank loans		**1,806**	**1,806**	1,391	1,391
Other investments	g (ix)	**4,279**	**4,448**	4,851	4,721
Total invested assets		**$175,805**	**$167,232**	$175,043	$169,142
Other assets					
Accrued investment income		**$ 1,336**	**$ 1,334**	$ 1,777	$ 1,777
Outstanding premiums		**735**	**735**	549	549
Deferred acquisition costs	g (vi)	**10,187**	**–**	8,196	–
Reinsurance deposits and amounts recoverable		**4,875**	**–**	3,845	–
Goodwill		**6,472**	**7,501**	6,070	7,332
Intangible assets		**1,742**	**1,742**	1,806	1,806
Value of business acquired	g (vii)	**4,283**	**–**	4,757	–
Miscellaneous		**5,339**	**3,266**	5,345	3,640
Total other assets		**$ 34,969**	**$ 14,578**	$ 32,345	$ 15,104
		$210,774	**$181,810**	$207,388	$184,246
Segregated funds net assets[1]	h (iv)	**133,662**	**–**	114,196	–
Total assets		**$344,436**	**$181,810**	$321,584	$184,246
Segregated funds net assets[1]	h (iv)	**$ –**	**$140,361**	$ –	$117,890
Liabilities and equity					
Policy liabilities	g (v), h (iii)	**$158,122**	**$132,049**	$157,793	$137,410
Deferred realized net gains	g (i) – g (iv)	**–**	**4,476**	–	3,667
Bank deposits		**5,911**	**5,911**	4,373	4,373
Consumer notes		**2,900**	**2,900**	2,881	2,881
Future income tax liability[2]		**2,392**	**1,337**	1,487	980
Other liabilities		**8,613**	**6,784**	8,537	6,800
		$177,938	**$153,457**	$175,071	$156,111
Long-term debt		**2,480**	**2,457**	2,976	2,948
Liabilities for preferred shares and capital instruments		**1,922**	**1,922**	1,950	1,950
Non-controlling interest in subsidiaries		**217**	**187**	134	136
Segregated funds net liabilities[1]	h (iv)	**133,662**	**–**	114,196	–
Common shares, preferred shares, retained earnings, contributed surplus and currency translation account		**25,206**	**23,787**	24,414	23,101
Accumulated effect of comprehensive income on equity		**3,011**	**–**	2,843	–
Total liabilities and equity		**$344,436**	**$181,810**	$321,584	$184,246
Segregated funds net liabilities[1]	h (iv)	**$ –**	**$140,361**	$ –	$117,890

1 U.S. GAAP terminology is separate accounts.
2 U.S. GAAP terminology is deferred income taxes.

b) Condensed Consolidated Statements of Operations

For the years ended December 31	2005		2004	
	U.S. GAAP	Canadian GAAP	U.S. GAAP	Canadian GAAP
Revenue				
Premium income	**$11,549**	**$ 18,587**	$ 9,987	$ 16,287
Net investment income	**11,239**	**9,618**	8,175	7,823
Fee income and other revenue	**5,245**	**3,842**	4,001	2,857
Total revenue	**$28,033**	**$ 32,047**	$22,163	$ 26,967
Policy benefits and expenses				
Policyholder benefits	**$16,928**	**$ 19,862**	$13,395	$ 17,026
Commissions and general expenses	**4,061**	**6,829**	3,408	5,659
Amortization of deferred acquisition costs and value of business acquired	**1,169**	**–**	1,085	–
Other	**1,041**	**1,034**	820	857
Total policy benefits and expenses	**$23,199**	**$ 27,725**	$18,708	$ 23,542
Income before income taxes and change in accounting policy	**$ 4,834**	**$ 4,322**	$ 3,455	$ 3,425
Income taxes	**(1,390)**	**(1,031)**	(860)	(874)
Change in accounting policy, net of income taxes	**–**	**–**	30	–
Net income	**$ 3,444**	**$ 3,291**	$ 2,625	$ 2,551
Weighted average number of common shares outstanding (in millions):				
Basic	**799**	**799**	698	698
Diluted	**806**	**806**	704	704
Earnings per share:				
Basic	**$ 4.31**	**$ 4.11**	$ 3.76	$ 3.65
Diluted	**$ 4.27**	**$ 4.07**	$ 3.73	$ 3.62

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	**2005**	2004	**2005**	2004
Net income and equity determined in accordance with Canadian GAAP		**$ 3,291**	$ 2,551	**$ 23,787**	$ 23,101
Bonds	g (i)	**593**	328	**4,438**	3,845
Mortgages	g (ii)	**51**	79	**132**	81
Stocks	g (iii)	**13**	115	**1,983**	1,970
Real estate	g (iv)	**(142)**	(78)	**(1,031)**	(889)
Other investments	g (ix)	**265**	(148)	**585**	320
Policy liabilities	g (v)	**(2,383)**	(1,779)	**(13,747)**	(11,364)
Value of business acquired	g (vii)	**(339)**	(287)	**(881)**	(542)
Deferred acquisition costs[1]	g (vi)	**2,179**	1,630	**10,796**	8,617
Deferred revenue	g (viii)	**169**	168	**(357)**	(526)
Other reconciling items	i	**3**	48	**(20)**	24
Future income taxes[2]		**(256)**	(32)	**(509)**	(253)
Change in accounting policy, net of income taxes		**–**	30	**30**	30
Net income and equity determined in accordance with U.S. GAAP		**$ 3,444**	$ 2,625	**$ 25,206**	$ 24,414
Effect of unrealized gains and losses on available-for-sale bonds and stocks:					
Bonds	g (i)	**(909)**	1,221	**3,215**	4,124
Stocks	g (iii)	**618**	272	**1,993**	1,375
Actuarial liabilities	g (iv)	**(127)**	(221)	**(1,558)**	(1,431)
Deferred acquisition costs	g (vi)	**141**	14	**(281)**	(422)
Deferred revenue	g (viii)	**(19)**	1	**4**	23
Value of business acquired	g (vii)	**96**	(53)	**43**	(53)
Other		**(141)**	(44)	**(191)**	(50)
Future income taxes[2]		**230**	(292)	**(756)**	(986)
SFAS 133 adjustments[4]		**279**	331	**542**	263
Foreign currency translation[3]		**(1,047)**	(1,542)	**–**	–
Comprehensive income and equity determined in accordance with U.S. GAAP[5]		**$ 2,565**	$ 2,312	**$ 28,217**	$ 27,257

1 Deferred acquisition costs consist of $3,009 (2004 – $2,428) of capitalized expenditures less $830 (2004 – $798) of amortization charged to income.

2 U.S. GAAP terminology is deferred income taxes.

3 Included a gain of $206 (2004 – gain of $146), 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 $293 in income taxes (2004 – $147).

5 Included in comprehensive equity was gross unrealized investment gains and gross unrealized investment losses of $6,398 and $1,191 (2004 – $5,867 and $368), 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 and has been updated for the finalization of the purchase equation in the second quarter of 2005.

As at April 28, 2004	As reported June 2004	Fair value adjustments	Classification differences	**Final purchase equation**
Assets				
Invested assets	$ 104,974	$ (189)	$ –	**$104,785**
Intangible assets	2,041	–	–	**2,041**
Goodwill	6,054	624	–	**6,678**
Value of business acquired	5,327	(147)	–	**5,180**
Reinsurance recoverable	3,010	–	–	**3,010**
Other assets	4,542	(36)	(395)	**4,111**
Total assets acquired	$ 125,948	$ 252	$ (395)	**$125,805**
Liabilities				
Policy liabilities	$ 102,132	$ 478	$ (395)	**$102,215**
Other liabilities	9,746	(226)	–	**9,520**
Total liabilities assumed	$ 111,878	$ 252	$ (395)	**$111,735**
Net assets acquired	$ 14,070	$ –	$ –	**$ 14,070**
Separate accounts net assets acquired	$ 31,020	$ –	$ 395	**$ 31,415**
Total purchase consideration	$ 14,070			**$ 14,070**

e) Information Provided in Connection with the Fixed Investment Option of the Deferred Annuity Contracts Issued by John Hancock Variable Life Insurance Company and the *Signature* Notes Issued by John Hancock Life Insurance Company The following condensed consolidating financial information, presented in accordance with U.S. GAAP, and the related disclosure have been included in these consolidated financial statements in compliance with Regulation S-X of the United States Securities and Exchange Commission (the "Commission") and in accordance with Rule12h-5 of the Commission, as these financial statements are incorporated by reference in the registration statements of MFC and its subsidiaries that are described below and which relate to MFC's guarantee of certain securities issued and to be issued by its subsidiaries.

Effective April 28, 2004, a newly formed wholly owned subsidiary of MFC merged with JHF with the result that MFC became the beneficial owner of all of the outstanding common stock of JHF, and JHF became a wholly owned subsidiary of MFC. See note 3. As a result of the merger, John Hancock Variable Life Insurance Company (the "Variable Company") and John Hancock Life Insurance Company (the "Life Company"), two wholly owned subsidiaries of JHF, became indirect wholly owned subsidiaries of MFC. The results of JHF's operations have not been included in these condensed consolidating financial statements for periods prior to the merger.

The Variable Company sells deferred annuity contracts that feature a market value adjustment that are registered with the Commission. The deferred annuity contracts contain variable investment options and fixed investment period options. The fixed investment period options enable the participant to invest fixed amounts of money for fixed terms at fixed interest rates, subject to a market value adjustment if the participant desires to terminate a fixed investment period before its maturity date. The annuity contract provides for the market value adjustment to keep the parties whole with respect to the fixed interest bargain for the entire fixed investment period. The Variable Company refers to these fixed investment period options that contain a market value adjustment feature as "MVAs."

On December 30, 2002, JHF fully and unconditionally guaranteed the Variable Company's obligation to pay amounts due under any MVA that was outstanding on or following such date on transfer, withdrawal, surrender, maturity or annuitization of such MVA. On June 29, 2005, the Commission declared effective a joint registration statement filed by MFC and the Variable Company relating to MVAs to be sold on or after June 29, 2005, the payment of which will be fully and unconditionally guaranteed by MFC. MFC also guaranteed the payment obligations of the Variable Company under then outstanding MVAs. JHF will continue to guarantee MVAs that were outstanding before June 29, 2005, and JHF and MFC will be jointly and severally liable under such guarantees. However, JHF will not guarantee MVAs issued on or after June 29, 2005.

The Life Company sells medium-term notes to retail investors under its *Signature* Notes program. The *Signature* Notes are also registered with the Commission. On July 8, 2005, the Commission declared effective a joint registration statement filed by MFC and the Life Company relating to *Signature* Notes to be issued by the Life Company on or after July 8, 2005, the payment of which will be fully and unconditionally guaranteed by MFC. MFC also guaranteed the payment obligations of the Life Company under then outstanding *Signature* Notes.

MFC's guarantees of the *Signature* Notes and MVAs are unsecured obligations of MFC, and are subordinated in right of payment to the prior payment in full of all other obligations of MFC, except for other guarantees or obligations of MFC which by their terms are designated as ranking equally in right of payment with or subordinate to MFC's guarantees of the *Signature* Notes and MVAs.

The laws of the State of New York and the Commonwealth of Massachusetts govern MFC's guarantees of the *Signature* Notes and MVAs, respectively, and MFC has consented to the jurisdiction of the courts of such jurisdictions. However, because a substantial portion of MFC's assets are located outside the United States, the assets of MFC located in the United States may not be sufficient to satisfy a judgment given by a federal or state court in the United States to enforce the subordinate guarantees. In general, the federal

laws of Canada and the laws of the Province of Ontario, where MFC's principal executive offices are located, permit an action to be brought in Ontario to enforce such a judgment provided that such judgment is subsisting and unsatisfied for a fixed sum of money and not void or voidable in the United States and a Canadian court will render a judgment against MFC in a certain dollar amount, expressed in Canadian dollars, subject to customary qualifications regarding fraud, violations of public policy, laws limiting the enforcement of creditor's rights and applicable statutes of limitations on judgments. There is currently no public policy in effect in the Province of Ontario that would support avoiding the recognition and enforcement in Ontario of a judgment of a New York or Massachusetts court on MFC's guarantees of the *Signature* Notes and MVAs, respectively.

Both MFC and JHF are insurance and bank holding companies. The assets of MFC and JHF consist primarily of the outstanding capital stock of their subsidiaries and investments in other international subsidiaries. Each company's cash flows primarily consist of dividends from its operating subsidiaries, offset by expenses and shareholder dividends and stock repurchases for MFC, and dividends to MFC and operating expenses for JHF. As a holding company, each company's ability to meet its cash requirements, including, but not limited to, paying any amounts due under its guarantees, substantially depends upon dividends from its operating subsidiaries.

These subsidiaries are subject to certain regulatory restrictions under laws in Canada, the United States and certain other countries, which may limit their ability to pay dividends or make contributions or loans to MFC or JHF, as applicable. For example, some of MFC's subsidiaries are subject to restrictions prescribed by the ICA on their ability to declare and pay dividends. The ICA prohibits the declaration or payment of any dividend on shares of an insurance company if there are reasonable grounds for believing the company is, or the payment of the dividend would cause the company to be, in contravention of any regulation under the ICA regarding the maintenance by life insurance companies of adequate capital and adequate and appropriate forms of liquidity or any direction to the company made by the Superintendent of Financial Institutions (Canada) (the "Superintendent") pursuant to subsection 515(3) of the ICA regarding its capital or liquidity. 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. There is currently no direction against paying a dividend that is applicable to any of MFC's subsidiaries that are subject to the ICA. 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.

In the United States, insurance laws in Michigan, Delaware, New York, Massachusetts and Vermont, the jurisdictions in which certain U.S. insurance company subsidiaries of MFC and JHF are domiciled, impose general limitations on the payment of dividends and other upstream distributions or loans by these insurance subsidiaries. These laws prohibit the payment of dividends or other distributions or loans to shareholders which may result in the failure to maintain adequate capital and liquidity levels, either by imposing specific financial tests that must be met in order for dividends or other distributions to be paid without regulatory consent or by giving the state insurance regulator broad discretion to disapprove any proposal to pay a dividend or other distribution.

In Asia, the insurance laws of the jurisdictions in which MFC and JHF operate either provide for specific restrictions on the payment of dividends or other distributions or loans by subsidiaries or impose solvency or other financial tests, which could affect the ability of subsidiaries to pay dividends in certain circumstances.

Generally, there can be no assurance that any current or future regulatory restrictions in Canada, the United States or Asia will not impair each of MFC's or JHF's ability to meet its cash requirements, including, but not limited to, paying any amounts due under its guarantee.

The following condensed consolidating financial information, presented in accordance with U.S. GAAP, is provided in compliance with Regulation S-X of the Commission and in accordance with Rule 12h-5 of the Commission.

Condensed Consolidating Balance Sheet

As at December 31, 2005	Manulife Financial Corporation (Guarantor)	John Hancock Financial Services, Inc.	John Hancock Life Insurance Company (Issuer)	John Hancock Variable Life Insurance Company (Issuer)	Other Subsidiaries	Consolidation Adjustments	Consolidated Manulife Financial Corporation
Assets							
Invested assets	**$ 12**	**$ 129**	**$ 67,854**	**$ 6,937**	**$100,895**	**$ (22)**	**$ 175,805**
Investments in unconsolidated subsidiaries	**30,111**	**14,878**	**3,831**	**162**	**–**	**(48,982)**	**–**
Other assets	**605**	**319**	**13,465**	**3,246**	**27,479**	**(10,145)**	**34,969**
Separate account assets	**–**	**–**	**13,018**	**8,741**	**111,903**	**–**	**133,662**
Total assets	**$ 30,728**	**$ 15,326**	**$ 98,168**	**$ 19,086**	**$240,277**	**$ (59,149)**	**$ 344,436**
Liabilities and equity							
Policy liabilities	**$ –**	**$ –**	**$ 64,414**	**$ 6,981**	**$ 89,777**	**$ (3,050)**	**$ 158,122**
Consumer notes	**–**	**–**	**2,900**	**–**	**–**	**–**	**2,900**
Other liabilities	**2,167**	**90**	**4,974**	**976**	**14,544**	**(5,835)**	**16,916**
Long-term debt	**–**	**1,335**	**602**	**–**	**1,976**	**(1,433)**	**2,480**
Liabilities for preferred shares and capital instruments	**344**	**–**	**–**	**–**	**1,578**	**–**	**1,922**
Non-controlling interest in subsidiaries	**–**	**–**	**–**	**–**	**211**	**6**	**217**
Separate account liabilities	**–**	**–**	**13,018**	**8,741**	**111,903**	**–**	**133,662**
Shareholders' equity	**28,217**	**13,901**	**12,260**	**2,388**	**20,288**	**(48,837)**	**28,217**
Total liabilities and shareholders' equity	**$ 30,728**	**$ 15,326**	**$ 98,168**	**$ 19,086**	**$240,277**	**$ (59,149)**	**$ 344,436**

As at December 31, 2004							
Assets							
Invested assets	$ –	$ 31	$ 72,727	$ 6,650	$ 95,756	$ (121)	$175,043
Investments in unconsolidated subsidiaries	29,631	14,988	4,202	163	–	(48,984)	–
Other assets	125	133	13,342	2,612	24,298	(8,165)	32,345
Separate account assets	–	–	13,334	8,831	92,031	–	114,196
Total assets	$29,756	$15,152	$103,605	$18,256	$212,085	$(57,270)	$321,584
Liabilities and equity							
Policy liabilities	$ –	$ –	$ 69,085	$ 6,518	$ 84,783	$ (2,611)	$157,775
Consumer notes	–	–	2,881	–	–	–	2,881
Other liabilities	2,155	521	5,268	458	11,399	(5,386)	14,415
Long-term debt	–	991	648	–	1,958	(621)	2,976
Liabilities for preferred shares and capital instruments	344	–	–	–	1,606	–	1,950
Non-controlling interest in subsidiaries	–	–	–	–	233	(99)	134
Separate account liabilities	–	–	13,334	8,831	92,031	–	114,196
Shareholders' equity	27,257	13,640	12,389	2,449	20,075	(48,553)	27,257
Total liabilities and shareholders' equity	$29,756	$15,152	$103,605	$18,256	$212,085	$(57,270)	$321,584

Condensed Consolidating Statement of Operations

For the year ended December 31, 2005	Manulife Financial Corporation (Guarantor)	John Hancock Financial Services, Inc.	John Hancock Life Insurance Company (Issuer)	John Hancock Variable Life Insurance Company (Issuer)	Other Subsidiaries	Consolidation Adjustments	Consolidated Manulife Financial Corporation
Revenue							
Premium income	$ –	$ –	$ 2,296	$ 97	$ 9,195	$ (39)	$ 11,549
Net investment income	5	4	4,419	369	6,534	(92)	11,239
Fee income and other revenue	62	–	401	467	4,734	(419)	5,245
Total revenue	$ 67	$ 4	$ 7,116	$ 933	$ 20,463	$ (550)	$ 28,033
Policy benefits and expenses							
Policyholder benefits	$ –	$ –	$ 4,579	$ 489	$ 12,282	$ (422)	$ 16,928
Commissions and general expenses	32	44	833	39	3,701	(588)	4,061
Amortization of deferred acquisition costs and value of business acquired	–	–	187	28	954	–	1,169
Other	40	49	300	34	679	(61)	1,041
Total policy benefits and expenses	$ 72	$ 93	$ 5,899	$ 590	$ 17,616	$ (1,071)	$ 23,199
Income (loss) before income taxes	$ (5)	$ (89)	$ 1,217	$ 343	$ 2,847	$ 521	$ 4,834
Income tax (expense) recovery	(4)	38	(442)	(112)	(683)	(187)	(1,390)
Income (loss) after income taxes	$ (9)	$ (51)	$ 775	$ 231	$ 2,164	$ 334	$ 3,444
Equity in net income of unconsolidated subsidiaries	3,453	1,090	288	4	–	(4,835)	–
Net income	$ 3,444	$ 1,039	$ 1,063	$ 235	$ 2,164	$ (4,501)	$ 3,444

For the year ended December 31, 2004							
Revenue							
Premium income	$ –	$ –	$1,661	$ 63	$ 8,261	$ 2	$ 9,987
Net investment income	–	–	2,452	199	5,563	(39)	8,175
Fee income and other revenue	62	–	204	319	3,655	(239)	4,001
Total revenue	$ 62	$ –	$4,317	$581	$17,479	$ (276)	$22,163
Policy benefits and expenses							
Policyholder benefits	$ –	$ –	$3,054	$289	$10,059	$ (7)	$13,395
Commissions and general expenses	40	75	529	76	2,943	(255)	3,408
Amortization of deferred acquisition costs and value of business acquired	–	–	155	15	892	23	1,085
Other	–	29	72	26	708	(15)	820
Total policy benefits and expenses	$ 40	$ 104	$3,810	$406	$14,602	$ (254)	$18,708
Income (loss) before income taxes and change in accounting policy	$ 22	$(104)	$ 507	$175	$ 2,877	$ (22)	$ 3,455
Income tax (expense) recovery	(16)	27	(122)	(59)	(706)	16	(860)
Change in accounting policy, net of income taxes	–	–	–	–	30	–	30
Income (loss) after income taxes and change in accounting policy	$ 6	$ (77)	$ 385	$116	$ 2,201	$ (6)	$ 2,625
Equity in net income of unconsolidated subsidiaries	2,619	683	164	2	–	(3,468)	–
Net income	$2,625	$ 606	$ 549	$118	$ 2,201	$(3,474)	$ 2,625

Condensed Consolidating Statement of Cash Flows

For the year ended December 31, 2005	Manulife Financial Corporation (Guarantor)	John Hancock Financial Services, Inc.	John Hancock Life Insurance Company (Issuer)	John Hancock Variable Life Insurance Company (Issuer)	Other Subsidiaries	Consolidation Adjustments	Consolidated Manulife Financial Corporation
Operating activities							
Net income	$ 3,444	$ 1,039	$ 1,063	$ 235	$ 2,164	$ (4,501)	$ 3,444
Adjustments for non-cash items in net income:							
Equity in net income of unconsolidated subsidiaries	(3,453)	(1,090)	(288)	(4)	–	4,835	–
Increase in policy-related liabilities	–	–	1,588	690	3,513	(429)	5,362
Net realized investment gains and other investment items	–	–	(601)	(15)	(1,936)	–	(2,552)
Amortization of deferred acquisition costs and value of business acquired, net of capitalized amounts	–	–	(79)	(203)	(1,558)	–	(1,840)
Amortization of premium/discount	–	–	650	58	87	–	795
Other amortization	–	(6)	29	3	189	–	215
Future income tax expense (recovery)	4	(34)	471	121	327	189	1,078
Stock-based compensation	–	–	6	–	27	–	33
Non-controlling interest in subsidiaries	–	–	6	–	6	(5)	7
Net income (loss) adjusted for non-cash items	$ (5)	$ (91)	$ 2,845	$ 885	$ 2,819	$ 89	$ 6,542
Change in other operating assets and liabilities	26	114	680	(42)	975	(94)	1,659
Cash provided by (used in) operating activities	$ 21	$ 23	$ 3,525	$ 843	$ 3,794	$ (5)	$ 8,201
Investing activities							
Purchase and mortgage advances	$ –	$ –	$ (16,164)	$ (1,863)	$ (41,160)	$ –	$ (59,187)
Disposals and repayments	–	21	18,763	1,351	37,587	–	57,722
Capital contribution to unconsolidated subsidiaries	–	(387)	–	–	–	387	–
Subscription of affiliate subordinated debt	(31)	(156)	–	–	187	–	–
Redemption of preferred shares issued by a subsidiary	1,100	–	–	–	–	(1,100)	–
Dividends from unconsolidated subsidiary	1,000	832	239	–	–	(2,071)	–
Cash provided by (used in) investing activities	$ 2,069	$ 310	$ 2,838	$ (512)	$ (3,386)	$ (2,784)	$ (1,465)

Condensed Consolidating Statement of Cash Flows (continued)

For the year ended December 31, 2005	Manulife Financial Corporation (Guarantor)	John Hancock Financial Services, Inc.	John Hancock Life Insurance Company (Issuer)	John Hancock Variable Life Insurance Company (Issuer)	Other Subsidiaries	Consolidation Adjustments	Consolidated Manulife Financial Corporation
Financing activities							
Increase in repurchase agreements and securities sold but not yet purchased	$ –	$ –	$ –	$ –	$ (115)	$ –	$ (115)
Dividends paid to parent	–	–	(832)	(204)	(1,035)	2,071	–
Capital contributions received from parent	–	–	387	–	–	(387)	–
Repayment of long-term debt	–	–	(4)	–	(300)	–	(304)
Repayment of trust preferred securities issued by subsidiaries	–	–	–	–	(9)	–	(9)
Net redemptions in Guaranteed and Structured Financial Products' institutional products	–	–	(5,047)	–	–	–	(5,047)
Bank deposits, net	–	–	–	–	1,635	(77)	1,558
Consumer notes issued, net	–	–	137	–	–	–	137
Preferred share dividends	(14)	–	–	–	(5)	5	(14)
Common share dividends	(926)	–	–	–	–	–	(926)
Increase in notes receivable from subsidiaries	(430)	–	–	–	–	430	–
Increase in notes payable to parent	–	–	–	–	430	(430)	–
Increase in notes receivable from affiliates	–	(319)	–	–	–	319	–
Increase (decrease) in notes payable to affiliates	–	387	–	–	(68)	(319)	–
Funds repaid, net	–	(281)	–	–	(99)	–	(380)
Purchase and cancellation of common shares	(1,238)	–	–	–	–	–	(1,238)
Common shares issued on exercise of options	186	–	–	–	–	–	186
Preferred shares redeemed by a subsidiary	–	–	–	–	(1,100)	1,100	–
Preferred shares issued, net	344	–	–	–	–	–	344
Cash (used in) provided by financing activities	$ (2,078)	$ (213)	$ (5,359)	$ (204)	$ (666)	$ 2,712	$ (5,808)
Cash and short-term investments							
Increase (decrease) during the year	$ 12	$ 120	$ 1,004	$ 127	$ (258)	$ (77)	$ 928
Currency impact on cash and short-term investments	–	–	(31)	(3)	(174)	–	(208)
Balance, January 1	–	9	977	104	7,133	–	8,223
Balance, December 31, 2005	$ 12	$ 129	$ 1,950	$ 228	$ 6,701	$ (77)	$ 8,943
Cash and short-term investments							
January 1, 2005							
Gross cash and short-term investments	$ –	$ 9	$ 977	$ 104	$ 7,469	$ –	$ 8,559
Net payments in transit, included in other liabilities	–	–	–	–	(336)	–	(336)
Net cash and short-term investments, January 1	$ –	$ 9	$ 977	$ 104	$ 7,133	$ –	$ 8,223
End of year							
Gross cash and short-term investments	$ 12	$ 129	$ 1,950	$ 228	$ 7,162	$ (77)	$ 9,404
Net payments in transit, included in other liabilities	–	–	–	–	(461)	–	(461)
Net cash and short-term investments, December 31, 2005	$ 12	$ 129	$ 1,950	$ 228	$ 6,701	$ (77)	$ 8,943

Condensed Consolidating Statement of Cash Flows (continued)

For the year ended December 31, 2004	Manulife Financial Corporation (Guarantor)	John Hancock Financial Services, Inc.	John Hancock Life Insurance Company (Issuer)	John Hancock Variable Life Insurance Company (Issuer)	Other Subsidiaries	Consolidation Adjustments	Consolidated Manulife Financial Corporation
Operating activities							
Net income	$ 2,625	$ 606	$ 549	$ 118	$ 2,201	$ (3,474)	$ 2,625
Adjustments for non-cash items in net income:							
Equity in net income of unconsolidated subsidiaries	(2,619)	(683)	(164)	(2)	–	3,468	–
Increase in policy-related liabilities	–	–	230	481	3,055	–	3,766
Net realized investment losses (gains) and other investment items	–	–	19	17	(1,167)	–	(1,131)
Amortization of deferred acquisition costs and value of business acquired, net of capitalized amounts	–	–	(24)	(126)	(1,193)	–	(1,343)
Amortization of premium/discount	–	–	271	62	68	–	401
Other amortization	–	13	5	2	84	–	104
Future income tax expense (recovery)	16	(28)	63	26	540	–	617
Stock-based compensation	–	–	3	1	23	–	27
Non-controlling interest in subsidiaries	–	–	–	–	20	–	20
Net income (loss) adjusted for non-cash items	$ 22	$ (92)	$ 952	$ 579	$ 3,631	$ (6)	$ 5,086
Change in other operating assets and liabilities	(110)	(636)	214	87	933	(124)	364
Cash provided by (used in) operating activities	$ (88)	$ (728)	$ 1,166	$ 666	$ 4,564	$ (130)	$ 5,450
Investing activities							
Purchase and mortgage advances	$ –	$ –	$ (6,581)	$ (1,035)	$ (40,273)	$ 1	$ (47,888)
Disposals and repayments	–	–	7,801	575	36,728	(3)	45,101
Purchase of preferred shares of an unconsolidated subsidiary	(10)	–	–	–	–	10	–
Capital contribution to unconsolidated subsidiaries	(3,150)	(39)	–	–	–	3,189	–
Cash received on sale of business	–	47	–	–	–	(47)	–
Cash received from acquisition of business, net of cash paid	–	–	–	–	(47)	2,641	2,594
Dividends from unconsolidated subsidiary	–	247	–	–	–	(247)	–
Cash provided by (used in) investing activities	$ (3,160)	$ 255	$ 1,220	$ (460)	$ (3,592)	$ 5,544	$ (193)
Financing activities							
Increase in repurchase agreements and securities sold but not yet purchased	$ –	$ –	$ –	$ –	$ 61	$ –	$ 61
Dividends paid to parent	–	–	(247)	–	–	247	–
Capital contributions received from parent	–	–	–	–	39	(39)	–
Issue (repayment) of long-term debt	–	–	–	(105)	36	105	36
Net redemptions in Guaranteed and Structured Financial Products' institutional products	–	–	(3,860)	–	–	–	(3,860)
Bank deposits, net	–	–	–	–	1,333	–	1,333
Consumer notes issued	–	–	532	–	–	–	532
Common share dividends	(690)	–	–	–	–	–	(690)
Increase in notes payable to subsidiary	2,050	–	–	–	–	(2,050)	–

Condensed Consolidating Statement of Cash Flows (continued)

For the year ended December 31, 2004	Manulife Financial Corporation (Guarantor)	John Hancock Financial Services, Inc.	John Hancock Life Insurance Company (Issuer)	John Hancock Variable Life Insurance Company (Issuer)	Other Subsidiaries	Consolidation Adjustments	Consolidated Manulife Financial Corporation
Decrease in notes receivable from subsidiary	$ 1,829	$ –	$ –	$ –	$ –	$ (1,829)	$ –
Decrease in notes payable to parent	–	–	–	–	(1,829)	1,829	–
Increase in notes receivable from parent	–	–	–	–	(2,050)	2,050	–
Increase in notes receivable from affiliates	–	–	–	–	(241)	241	–
Increase (decrease) in notes payable to affiliates	–	318	–	–	(77)	(241)	–
Funds borrowed (repaid), net	–	161	–	–	(15)	116	262
Purchase and cancellation of common shares	(509)	–	–	–	–	–	(509)
Common shares issued on exercise of options	568	–	–	–	2,050	(2,050)	568
Preferred shares issued by a subsidiary	–	–	–	–	960	(1,110)	(150)
Sale of preferred shares of a subsidiary	–	–	–	–	62	–	62
Cash provided by (used in) financing activities	$ 3,248	$ 479	$ (3,575)	$ (105)	$ 329	$ (2,731)	$ (2,355)
Cash and short-term investments							
Increase (decrease) during the year	$ –	$ 6	$ (1,189)	$ 101	$ 1,301	$ 2,683	$ 2,902
Currency impact on cash and short-term investments	–	–	–	–	(233)	–	(233)
Balance, January 1	–	3	2,166	3	6,065	(2,683)	5,554
Balance, December 31, 2004	$ –	$ 9	$ 977	$ 104	$ 7,133	$ –	$ 8,223
Cash and short-term investments							
January 1, 2004							
Gross cash and short-term investments	$ –	$ 3	$ 2,166	$ 3	$ 6,388	$ (2,683)	$ 5,877
Net payments in transit, included in other liabilities	–	–	–	–	(323)	–	(323)
Net cash and short-term investments, January 1	$ –	$ 3	$ 2,166	$ 3	$ 6,065	$ (2,683)	$ 5,554
End of year							
Gross cash and short-term investments	$ –	$ 9	$ 977	$ 104	$ 7,469	$ –	$ 8,559
Net payments in transit, included in other liabilities	–	–	–	–	(336)	–	(336)
Net cash and short-term investments							
December 31, 2004	$ –	$ 9	$ 977	$ 104	$ 7,133	$ –	$ 8,223

f) Additional information required to be reported under U.S. GAAP

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. For cash flow hedges, 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 loss of $10, included in other comprehensive income as at December 31, 2005 (2004 – $28), 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.

	Canadian GAAP	U.S. GAAP
(v) Policy 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 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 allowances for investment risks, other than fixed income credit risk, are established through scenario testing. The term of the liability used in the valuation may be shorter than the ultimate contractual maturity. Actuarial liabilities for guaranteed minimum death, withdrawal, annuitization and maturity benefits under segregated fund contracts are calculated using stochastic modelling techniques, with assumptions regarding the distribution of future segregated fund returns derived primarily from historical data.	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, 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 plus 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 recover the existing Deferred Acquisition Cost ("DAC") or Value of Business Acquired ("VOBA") asset, in which case the DAC or VOBA asset is reduced or written off and, to the extent necessary, actuarial liabilities are increased. The actuarial reserve basis may not subsequently be reduced even 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 limited-payment contracts (including payout annuities), universal life-type contracts and investment contracts. The actuarial liability for limited-payment contracts is determined using an approach similar to that applied under SFAS 60, except that the excess of gross premiums less net premiums is deferred and recognized over the lifetime of the policies. The actuarial liability for universal life-type contracts and investment contracts is equal to the policyholder account value or a similar amount. There is no provision for adverse deviation. If it is determined that expected future income for universal life-type contracts is no longer adequate to recover the existing DAC or VOBA, the DAC or VOBA asset is reduced or written off and, to the extent necessary, actuarial liabilities are increased. The actuarial reserve basis may not subsequently be reduced even 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.

	Canadian GAAP	U.S. GAAP
(v) Policy liabilities (continued)		In addition, Statement of Position 03-1, "Accounting and Reporting by Insurance Enterprises for Certain Non-traditional 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 dividend fund or non-forfeiture assumptions. There is no provision for adverse deviation. The assumptions are not changed unless it is determined that expected future income is no longer adequate to recover the existing DAC or VOBA, in which case the DAC or VOBA asset is reduced or written off and, to the extent necessary, actuarial liabilities increased. The actuarial reserve basis 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 on "available-for-sale" bonds and stocks had been realized. This adjustment to actuarial liabilities directly impacts shareholder equity and is not reflected in net income, consistent with the treatment of the corresponding adjustments to the carrying value of the assets. Actuarial liabilities for guaranteed minimum death and annuitization benefits under segregated fund contracts are valued under the rules of SOP 03-1, with fund return assumptions consistent with those used for Canadian GAAP. Guaranteed minimum withdrawal and maturity benefits under segregated fund contracts are considered to be embedded derivatives subject to the rules of SFAS 133. Liabilities for these guaranteed benefits are measured at fair value using stochastic modelling techniques, with assumptions regarding the distribution of future segregated fund returns derived from option pricing parameters observed in the market. These liabilities are excluded from "Actuarial liabilities" and included in "Other liabilities" on the Consolidated Balance Sheets.
(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.	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.

	Canadian GAAP	U.S. GAAP
(vi) Deferred acquisition costs (continued)		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 directly impacts shareholder equity and is not reflected in net 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) Reinsurance ceded	Under Canadian GAAP, actuarial liabilities are reported net of amounts expected to be recovered from reinsurers under reinsurance treaties. Cash flows expected to be paid to, and received from, reinsurers are included in the CALM valuation.	Statement of Financial Accounting Standards No. 113, "Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts" ("SFAS 113") applies to reinsurance ceded. Under SFAS 113 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. Amounts recoverable from reinsurers are estimated using methods and assumptions consistent with those used to estimate the actuarial liabilities for the reinsured policies. SFAS 113 requires that the estimated net profit or loss from long-duration reinsurance treaties be recognized over the lifetime of the reinsured policies. This treatment may create volatility in net income due to the difference in timing between recognition of claims paid to policyholders and recognition of claims reimbursement received from reinsurers.
(x) 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) Reinsurance	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 U.S. GAAP accounting statements *Emerging Issues Task Force Issue No. 04-5 — "Investor's Accounting for an Investment in a Limited Partnership When the Investor Is the Sole General Partner and the Limited Partners Have Certain Right" ("EITF 04-5")*

In July 2005, the Emerging Issues Task Force of the Financial Accounting Standards Board issued EITF 04-5. EITF 04-5 presumes that the general partner of a partnership (or managing member of a limited liability company) controls the partnership and should consolidate it, unless limited partners have either substantive kickout rights (defined as the ability to remove the general partner without cause) or have substantive participating rights (defined as the ability to be actively involved in managing the partnership) or the partnership is a VIE, in which case VIE consolidation accounting rules should instead be followed. EITF 04-5 was immediately effective for partnerships established or modified after June 29, 2005 and is effective January 1, 2006 for previously existing partnerships. No partnerships were consolidated as a result of EITF 04-5. The Company is evaluating the impact of adopting EITF04-5 for its previously existing partnerships.

Statement of Financial Accounting Standards No. 123(R) – "Share Based Payment" ("SFAS 123R")

In December 2004, the Financial Accounting Standards Board (the "FASB") issued SFAS No. 123 (revised 2004), "Share Based Payment" ("SFAS 123R"), which is a revision of SFAS No. 123, "Accounting for Stock-Based Compensation" and is effective January 1, 2006. Generally, the approach in SFAS 123R is similar to the approach described in Statement 123. However, SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative. The Company is evaluating the impact of adopting SFAS 123R, but does not expect it to be material.

Statement of Position 05-1- "Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection With Modifications or Exchanges of Insurance Contracts" ("SOP 05-1")

In September 2005, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued SOP 05-1. SOP 05-1 provides guidance on accounting for deferred acquisition costs of internal replacements of insurance and investment contracts. An internal replacement that is determined to result in a replacement contract that is substantially changed from the replaced contract should be accounted for as an extinguishment of the replaced contract. Unamortized deferred acquisition costs, unearned revenue liabilities, and deferred sales inducement assets from extinguished contracts should no longer be deferred and charged off to expense.

SOP 05-1 is effective for internal replacements occurring in fiscal years beginning after December 15, 2006. Retrospective adoption is not permitted. The Company is not able to estimate the impact on its consolidated financial position and results of operations of adopting SOP 05-1.

Statement of Position 03-1 – "Accounting and Reporting by Insurance Enterprises for Certain Non-traditional 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.

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, 2005 would have been reduced by $1 (2004 – $10). Basic and diluted earnings per common share for the year ended December 31, 2005 would have decreased by nil (2004 – $0.01).

Note 24 o Comparatives

Certain comparative amounts have been reclassified to conform with the current year's presentation.

Note 25 o Subsequent Events

a) Preferred shares On January 3, 2006, MFC issued 12 million Class A Shares, Series 3 ("Series 3 Preferred Shares") at a price of $25.00 per share, for an aggregate amount of $300. The Series 3 Preferred Shares are non-voting and entitled to non-cumulative preferential cash dividends payable quarterly, if and when declared, at a per annum rate of 4.50% per Series 3 Preferred Share. With regulatory approval, the Series 3 Preferred Shares may be redeemed by MFC on or after March 19, 2011, in whole or in part, at declining premiums that range from $1.00 to nil per Series 3 Preferred Share, by payment of cash.

b) Subordinated debentures On January 11, 2006, MLI exercised its right to redeem, on February 16, 2006, all of the outstanding $250 5.70% subordinated debentures due February 16, 2011 at par plus accrued and unpaid interest to the date of redemption (see note 12(d)).

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. 33-8618];
   (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 21, 2006

/s/ Dominic D'Alessandro

Dominic D'Alessandro
President and Chief Executive Officer

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. 33-8618];
   (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 21, 2006

/s/ Peter H. Rubenovitch

Peter H. Rubenovitch
Senior Executive Vice President and
Chief Financial Officer

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, 2005, 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.

Date: March 21, 2006

/s/ Dominic D'Alessandro

Name: Dominic D'Alessandro
Title: President and Chief Executive Officer

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, 2005, 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.

Date: March 21, 2006

/s/ Peter H. Rubenovitch

Name: Peter H. Rubenovitch
Title: Senior Executive Vice President and
Chief Financial Officer

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use of our report dated February 9, 2006, 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, 2005.

We consent to the incorporation by reference of our report referred to above in the following Registration Statements:

- 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;
- 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;
- Registration Statement (Form S-8 No. 333-129430) of Manulife Financial Corporation pertaining to the Deferred Compensation Plan for Certain Employees of John Hancock and the Deferred Compensation Plan of the John Hancock Financial Network;
- Registration Statement (Form F-3 Nos. 333-124224 and 333-124224-01) of Manulife Financial Corporation and John Hancock Variable Life Insurance Company pertaining to John Hancock Variable Life Insurance Company's market value adjustment interests under deferred annuity contracts and Manulife Financial Corporation's subordinated guarantee relating thereto; and
- Registration Statement (Form F-3 Nos. 333-124223 and 333-124223-01) of Manulife Financial Corporation and John Hancock Life Insurance Company pertaining to John Hancock Life Insurance Company's SignatureNotes and Manulife Financial Corporation's subordinated guarantee relating thereto.

/s/ Ernst & Young LLP
Toronto, Ontario
March 22, 2006

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, 2005 of my Appointed Actuary's Report to the Shareholders and Directors dated February 9, 2006 (the "Report"), relating to the valuation of the policy liabilities of the Company for its Consolidated Balance Sheets as at December 31, 2005 and 2004 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 23, 2006

Business of the Annual Meeting

1. Receipt of the Consolidated Financial Statements
The consolidated financial statements of Manulife Financial Corporation (the "Company") for the year ended December 31, 2005, together with the reports of the auditor and the actuary on those statements, are found on pages 93 to 145.

2. Election of the Board of Directors
The 14 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. Kevin E. Benson resigned as a Director effective September 30, 2005 as a result of increased time commitment in his role as President and CEO at Laidlaw International, Inc. Michael H. Wilson resigned as a Director effective February 28, 2006 as a result of being appointed the Canadian Ambassador to the U.S. Mr. Benson and Mr. Wilson are not standing for re-election.

Each successful nominee will be elected to the Board of Directors for a term of one year, which expires at the Company's Annual Meeting in 2007.

Directors' attendance at Board and committee meetings held in 2005 is set forth in the background information for each Director nominee under the "Board of Directors" section.

3. Appointment of Auditors
The Board of Directors propose that the firm of Ernst & Young LLP be appointed as auditor for the 2006 fiscal year. Ernst & Young LLP has served as the Company's auditor for more than five years. For 2005, fees charged by Ernst & Young LLP to the Company and its subsidiaries were $20.1 million, compared with $26.3 million in 2004.

	Year ended December 31, 2005 (in millions)	Year ended December 31, 2004 (in millions)
Audit fees	$ 18.8	$ 23.9
Audit-related fees	0.6	1.1
Tax fees	0.6	0.9
All other fees	0.1	0.4
	$ 20.1	**$ 26.3**

Note: 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 $18.8 million in 2005 and approximately $23.9 million in 2004, 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 $0.6 million in 2005 and approximately $1.1 million in 2004. Audit-related services include consultations concerning financial accounting and reporting standards, due diligence in connection with mergers and acquisitions and audits in connection with proposed or consummated acquisitions.

Tax Fees
Fees for tax services totalled approximately $0.6 million in 2005 and approximately $0.9 million in 2004. 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 $0.1 million in 2005 and $0.4 million in 2004.

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.

Board of Directors

The following charts provide information on the nominees proposed for election to the Board of Directors of the Company. Included in these charts is information relating to the Directors' committee memberships, meeting attendance, public board memberships and equity ownership. 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: 70
Toronto, ON Canada
Director Since[1]: 1993
Independent[2]

Arthur Sawchuk is Chairman of the Board. Mr. Sawchuk retired from DuPont Canada Inc. as Executive Chairman after almost six years as Chairman, President and Chief Executive Officer and 40 years at DuPont Canada in various managerial positions. Mr. Sawchuk holds a B.Sc. in Mechanical Engineering from the University of Manitoba and is currently a member of the Association of Professional Engineers of Ontario. He also serves as a director of the Canadian Institute for Advanced Research.

Board/Committee Membership:	Attendance[3]:		Public Board Membership During Last Five Years:	
Board of Directors	8 of 8	100%	Bowater Inc.	1998 – Present
Audit and Risk Management	5 of 5	100%	Manitoba Telecom Services Inc.	1997 – Present
Conduct Review and Ethics	3 of 3	100%		
Corporate Governance and Nominating (Chair)	5 of 5	100%		
Management Resources and Compensation (Vice Chair)	6 of 6	100%		

Securities Held:

Year	Common Shares[4]	DSUs[5]	Total of Common Shares and DSUs	Total Market Value of Common Shares and DSUs[6]	Minimum Required[7]
2006	21,625	15,907	37,532	$ 2,793,882	$ 300,000
2005	22,000	12,796	34,796	$ 2,007,729	

Options Held:

Date Granted	Expiry Date	Number Granted	Exercise Price[8]	Total Unexercised	Value of Options Unexercised[9]
July 2, 2002	July 2, 2012	5,000	$ 43.75	5,000	$ 153,450

Dominic D'Alessandro
Age: 59
Toronto, ON Canada
Director Since[1]: 1994
Not Independent
(Management)

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 holds a B.Sc. (Physics and Mathematics) from Loyola College. He is a Chartered Accountant and a Fellow of the Institute of Chartered Accountants. 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.

Board/Committee Membership:	Attendance[3]:		Public Board Membership During Last Five Years:	
Board of Directors	7 of 7 [10]	100%	Hudson's Bay Company	1996 – 2003
Audit and Risk Management	5 of 5	100%	Trans Canada Pipelines	2000 – 2003
Conduct Review and Ethics	3 of 3	100%		
Corporate Governance and Nominating	3 of 3 [10]	100%		
Management Resources and Compensation	6 of 6	100%		

Securities Held:

Year	Common Shares[4]	DSUs[5]	Total of Common Shares and DSUs	Total Market Value of Common Shares and DSUs[6]	Minimum Required[7]
2006	281,250	330,248	611,498	$ 45,519,911	$ 6,600,000
2005	281,250	277,572	558,822	$ 32,244,029	

Options Held: See Statement of Executive Compensation Section



John M. Cassaday

Age: 52

Toronto, ON Canada

Director Since[1]: 1993

Independent[2]

John Cassaday is President and Chief Executive Officer of Corus Entertainment Inc., a position he has held since 1999. Corus is Canada's leader in specialty television and radio and is a global leader in the production of children's animation. Mr. Cassaday has also been Executive Vice President of Shaw Communications, President and Chief Executive Officer of Shaw Media, Star Choice Communications and of CTV Television Network. Mr. Cassaday has an MBA (Dean's List) from The Rotman School of Management at the University of Toronto. Mr. Cassaday is Chairman of the Board of St. Michael's Hospital.

Board/Committee Membership:	Attendance[3]:		Public Board Membership During Last Five Years:	
Board of Directors	8 of 8	100%	Corus Entertainment Inc.	1999 – Present
Corporate Governance and Nominating	5 of 5	100%	Sysco Corporation	2004 – Present
			Loblaw Companies Limited	1997 – 2004
			Masonite International Corporation	1992 – 2005

Securities Held:

Year	Common Shares[4]	DSUs[5]	Total of Common Shares and DSUs	Total Market Value of Common Shares and DSUs[6]	Minimum Required[7]
2006	20,000	10,218	30,218	$ 2,249,428	$ 300,000
2005	20,000	7,977	27,977	$ 1,614,273	

Options Held:

Date Granted	Expiry Date	Number Granted	Exercise Price[8]	Total Unexercised	Value of Options Unexercised[9]
July 2, 2002	July 2, 2012	3,000	$ 43.75	3,000	$ 92,070



Lino J. Celeste

Age: 68

Saint John, NB Canada

Director Since[1]: 1994

Independent[2]

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 New Brunswick Telephone Company Limited. Mr. Celeste holds a P.Eng. (Electrical Engineering) from the University of New Brunswick. He also served as a director of New Brunswick Electric Power Commission and as Chairman of the Greater Saint John Community Foundation, a charitable organization.

Board/Committee Membership:	Attendance[3]:		Public Board Membership During Last Five Years:	
Board of Directors	8 of 8	100%	Aliant Inc.	1999 – 2002
Audit and Risk Management	5 of 5	100%		
Conduct Review and Ethics	3 of 3	100%		

Securities Held:

Year	Common Shares[4]	DSUs[5]	Total of Common Shares and DSUs	Total Market Value of Common Shares and DSUs[6]	Minimum Required[7]
2006	6,300	5,557	11,857	$ 882,635	$ 300,000
2005	6,300	4,291	10,591	$ 611,101	

Options Held:

Date Granted	Expiry Date	Number Granted	Exercise Price[8]	Total Unexercised	Value of Options Unexercised[9]
July 2, 2002	July 2, 2012	3,000	$ 43.75	3,000	$ 92,070



Gail C.A. Cook-Bennett

Age: 65

Toronto, ON Canada

Director Since[1]: 1978

Independent[2]

Gail Cook-Bennett is Chairperson of the Canada Pension Plan Investment Board, a Crown corporation that invests the reserve fund of the Canada Pension Plan. Dr. Cook-Bennett holds a BA (Honours) from Carleton University, and a PhD (Economics) from the University of Michigan. She has been a professor at the University of Toronto, a director of the Bank of Canada, a member of the Canadian Group of the Trilateral Commission and an active volunteer in several organizations. She holds a Doctor of Laws Degree (honoris causa) from Carleton University and is a Fellow of the Institute of Corporate Directors. Dr. Cook-Bennett has extensive experience as a corporate director, chairing audit and pension committees, and serving on executive, investment, finance, governance and compensation committees.

Board/Committee Membership:	Attendance[3]:		Public Board Membership During Last Five Years:	
Board of Directors	8 of 8	100%	Canada Pension Plan Investment Board	1998 – Present
Management Resources and Compensation	5 of 6	83%	Emera Inc.	2004 – Present
			Petro-Canada[11]	1991 – Present
			Transcontinental Inc.	1998 – 2004

Securities Held:

Year	Common Shares[4]	DSUs[5]	Total of Common Shares and DSUs	Total Market Value of Common Shares and DSUs[6]	Minimum Required[7]
2006	7,500	4,100	11,600	$ 863,504	$ 300,000
2005	7,500	4,023	11,523	$ 664,877	

Options Held:

Date Granted	Expiry Date	Number Granted	Exercise Price[8]	Total Unexercised	Value of Options Unexercised[9]
July 2, 2002	July 2, 2012	3,000	$ 43.75	3,000	$ 92,070



Thomas P. d'Aquino
Age: 65
Ottawa, ON Canada
Director Since: 2005
Independent[2]

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. Mr. d'Aquino holds a BA from the University of British Columbia, an LLB from Queen's University and the University of British Columbia, an LLM from the University of London and Honorary Degrees of Doctor of Laws from Queen's University and Wilfrid Laurier University.
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*. 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.

Board/Committee Membership:	Attendance[3]:		Public Board Membership During Last Five Years:	
Board of Directors	4 of 4 [12]	100%	CGI Inc.	2006 – Present
Management Resources and Compensation	4 of 4 [12]	100%		

Securities Held:

Year	Common Shares[4]	DSUs[5]	Total of Common Shares and DSUs	Total Market Value of Common Shares and DSUs[6]	Minimum Required[7]
2006	1,800	1,563	3,363	$ 250,342[12]	$ 300,000
2005	1,800	0	1,800	$ 103,860	

Options Held: Nil[12]



Richard B. DeWolfe[13]
Age: 62
Westwood, MA U.S.A.
Director Since: 2004
Independent[2]

Richard DeWolfe is Managing Partner of DeWolfe & Company, LLC, a real estate management and investment consulting firm. Mr. DeWolfe holds a BAS, Marketing and Finance from Boston University. He is also a director of The Boston Foundation; Trustee of Boston University; Trustee of the 17136 Marine Biological Laboratory 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. and was formerly Chairman of the Board of Trustees, Boston University.

Board/Committee Membership:	Attendance[3]:		Public Board Membership During Last Five Years:	
Board of Directors	8 of 8	100%	John Hancock Financial Services, Inc.	2002 – 2004
Audit and Risk Management	5 of 5	100%		
Conduct Review and Ethics	3 of 3	100%		

Securities Held:

Year	Common Shares[4]	DSUs[5]	Total of Common Shares and DSUs	Total Market Value of Common Shares and DSUs[6]	Minimum Required[7]
2006	7,000	10,493	17,493	$ 1,302,179	$ 300,000
2005	5,058	2,280	7,338	$ 423,403	

Options Held:

Date Granted	Expiry Date	Number Granted	Exercise Price[8]	Total Unexercised	Value of Options Unexercised[9]
May 8, 2002	June 14, 2005	17,779[14]	US$ 25.59	0	–



Robert E. Dineen, Jr.
Age: 65
New York, NY U.S.A.
Director Since[1]: 1999
Independent[2]

Robert Dineen is of counsel to Shearman & Sterling LLP, a leading international law firm headquartered in New York where he was a partner from 1974 until his retirement in December 2005. Mr. Dineen holds a BA from Brown University and an LLB from Syracuse University. Mr. Dineen led several of the firm's corporate groups, including groups in Latin America and Asia and its project finance work worldwide. Mr. Dineen has extensive experience in public finance transactions in the oil and gas pipeline business, and as a specialist in U.S. and international private banking and financial transactions.

Board/Committee Membership:	Attendance[3]:		Public Board Membership During Last Five Years:	
Board of Directors	8 of 8	100%	Nova Chemicals Corporation	1998 – Present
Audit and Risk Management	5 of 5	100%		
Conduct Review and Ethics	3 of 3	100%		

Securities Held:

Year	Common Shares[4]	DSUs[5]	Total of Common Shares and DSUs	Total Market Value of Common Shares and DSUs[6]	Minimum Required[7]
2006	14,500	15,558	30,058	$ 2,237,518	$ 300,000
2005	14,500	12,482	26,982	$ 1,556,861	

Options Held:

Date Granted	Expiry Date	Number Granted	Exercise Price[8]	Total Unexercised	Value of Options Unexercised[9]
July 2, 2002	July 2, 2012	3,000	$ 43.75	3,000	$ 92,070



Pierre Y. Ducros

Age: 66

Montreal, QB Canada

Director Since[1]: 1999

Independent[2]

Pierre Ducros is President, P. Ducros & Associates Inc. in Montréal. Previously, he was Chairman, President and Chief Executive Officer of DMR Group Inc. which he co-founded in 1973, and Vice-Chairman of the Task Force on The Future of The Canadian Financial Services Sector (MacKay Task Force). Mr. Ducros holds a BA from the Université de Paris at Collège Stanislas in Montréal and a B.Eng. (Communications) from McGill University.

Board/Committee Membership:	Attendance[3]:		Public Board Membership During Last Five Years:	
Board of Directors	8 of 8	100%	Cognos Incorporated	1986 – Present
Corporate Governance and Nominating	5 of 5	100%	Emergis Inc.	1998 – Present
			Nstein Technologies Inc.	2002 – Present
			Rona Inc.	2005 – Present
			Telus	2005 – Present
			Alliance Atlantis Communications Inc.	1997 – 2001
			BAE Systems Canada Inc.	1999 – 2001
			eNGENUITY Technologies Inc.	2002 – 2005
			NovAtel Inc.	1999 – 2001

Securities Held:

Year	Common Shares[4]	DSUs[5]	Total of Common Shares and DSUs	Total Market Value of Common Shares and DSUs[6]	Minimum Required[7]
2006	27,800	10,936	38,736	$ 2,883,508	$ 300,000
2005	27,800	8,633	36,433	$ 2,102,184	

Options Held:

Date Granted	Expiry Date	Number Granted	Exercise Price[8]	Total Unexercised	Value of Options Unexercised[9]
July 2, 2002	July 2, 2012	3,000	$ 43.75	3,000	$ 92,070



Allister P. Graham

Age: 69

Toronto, ON Canada

Director Since[1]: 1996

Independent[2]

Allister Graham is the former Chairman and Chief Executive Officer of The Oshawa Group Limited, a food distributor. Currently, he serves as the Chairman and interim Chief Executive Officer 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.

Board/Committee Membership:	Attendance[3]:		Public Board Membership During Last Five Years:	
Board of Directors	8 of 8	100%	Associated Brands Income Trust	2002 – Present
Audit and Risk Management	5 of 5	100%	Nash Finch Company (U.S.A.)	1992 – Present
Conduct Review and Ethics	3 of 3	100%	Dylex Ltd.[15]	1997 – 2001

Securities Held:

Year	Common Shares[4]	DSUs[5]	Total of Common Shares and DSUs	Total Market Value of Common Shares and DSUs[6]	Minimum Required[7]
2006	25,224	10,721	35,945	$ 2,675,746	$ 300,000
2005	25,224	8,269	33,493	$ 1,932,546	

Options Held:

Date Granted	Expiry Date	Number Granted	Exercise Price[8]	Total Unexercised	Value of Options Unexercised[9]
July 2, 2002	July 2, 2012	3,000	$ 43.75	3,000	$ 92,070



Thomas E. Kierans

Age: 65

Toronto, ON Canada

Director Since[1]: 1990

Independent[2]

Thomas Kierans is the Chairman of The Canadian Journalism Foundation. Mr. Kierans holds a BA (Honours) from McGill University and an MBA (Finance), Dean's Honours List, from the University of Chicago. Mr. Kierans has also been Chairman of CSI-Global Education Inc., Chairman of the Canadian Institute for Advanced Research, Chairman of the Board of the Toronto International Leadership Centre for Financial Sector Supervisors, President and Chief Executive Officer of the C.D. Howe Institute and President of McLeod Young Weir Limited (later ScotiaMcLeod Inc.).

Board/Committee Membership:	Attendance[3]:		Public Board Membership During Last Five Years:	
Board of Directors	8 of 8	100%	Petro-Canada[11]	1991 – Present
Audit and Risk Management (Chair)	5 of 5	100%	BCE Inc.	1999 – 2004
Conduct Review and Ethics (Chair)	3 of 3	100%	Inmet Mining Corporation	1996 – 2004
Corporate Governance and Nominating	5 of 5	100%	IPSCO Inc.	1993 – 2003
			Moore Corporation Limited	1997 – 2001
			Teleglobe Inc.[16]	1999 – 2002
			Telesat Canada	1999 – 2004

Securities Held:

Year	Common Shares[4]	DSUs[5]	Total of Common Shares and DSUs	Total Market Value of Common Shares and DSUs[6]	Minimum Required[7]
2006	30,681	0	30,681	$ 2,283,894	$ 300,000
2005	30,681	0	30,681	$ 1,770,294	

Options Held:

Date Granted	Expiry Date	Number Granted	Exercise Price[8]	Total Unexercised	Value of Options Unexercised[9]
July 2, 2002	July 2, 2012	3,000	$ 43.75	3,000	$ 92,070



Lorna R. Marsden
Age: 64
Toronto, ON Canada
Director Since[1]: 1995
Independent[2]

Lorna Marsden is President and Vice Chancellor and a member of the Board of Governors of York University. Dr. Marsden holds a BA from the University of Toronto and a PhD from Princeton 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.

Board/Committee Membership:	Attendance[3]:		Public Board Membership During Last Five Years:	
Board of Directors	8 of 8	100%	Westcoast Energy Inc.	1995 – 2002
Management Resources and Compensation	6 of 6	100%		

Securities Held:

Year	Common Shares[4]	DSUs[5]	Total of Common Shares and DSUs	Total Market Value of Common Shares and DSUs[6]	Minimum Required[7]
2006	19,332	5,179	24,511	$ 1,824,599	$ 300,000
2005	19,332	4,047	23,379	$ 1,348,968[17]	

Options Held:

Date Granted	Expiry Date	Number Granted	Exercise Price[8]	Total Unexercised	Value of Options Unexercised[9]
July 2, 2002	July 2, 2012	3,000	$ 43.75	3,000	$ 92,070



Hugh W. Sloan, Jr.
Age: 65
Bloomfield Village, MI U.S.A.
Director Since[1]: 1985
Independent[2]

Hugh Sloan is Deputy Chairman of Woodbridge Foam Corporation, a manufacturer of automobile parts, where he held various management positions for more than 20 years. Mr. Sloan holds a BA (Honours) from Princeton University. Mr. Sloan serves as a director of a number of Canadian and American corporate, community and charitable organizations. He is a former Staff Assistant to President Richard Nixon and a former Trustee of Princeton University.

Board/Committee Membership:	Attendance[3]:		Public Board Membership During Last Five Years:	
Board of Directors	8 of 8	100%	Wescast Industries Inc.	1998 – Present
Corporate Governance and Nominating	5 of 5	100%	Virtek Vision International, Inc.	2000 – 2005
Management Resources and Compensation (Chair)	6 of 6	100%		

Securities Held:

Year	Common Shares[4]	DSUs[5]	Total of Common Shares and DSUs	Total Market Value of Common Shares and DSUs[6]	Minimum Required[7]
2006	7,210	8,257	15,467	$ 1,151,363	$ 300,000
2005	7,210	6,622	13,832	$ 798,106	

Options Held:

Date Granted	Expiry Date	Number Granted	Exercise Price[8]	Total Unexercised	Value of Options Unexercised[9]
July 2, 2002	July 2, 2012	3,000	$ 43.75	3,000	$ 92,070



Gordon G. Thiessen
Age: 67
Ottawa, ON Canada
Director Since[1]: 2002
Independent[2]

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 holds a BA (Honours), an MA from the University of Saskatchewan and a PhD from the London School of Economics. Mr. Thiessen also serves as a director of the Institute for Research on Public Policy.

Board/Committee Membership:	Attendance[3]:		Public Board Membership During Last Five Years:	
Board of Directors	7 of 8	87%	IPSCO Inc.	2001 – Present
Management Resources and Compensation	6 of 6	100%		

Securities Held:

Year	Common Shares[4]	DSUs[5]	Total of Common Shares and DSUs	Total Market Value of Common Shares and DSUs[6]	Minimum Required[7]
2006	0	9,300	9,300	$ 692,292	$ 300,000
2005	0	7,034	7,034	$ 405,862	

Options Held:

Date Granted	Expiry Date	Number Granted	Exercise Price[8]	Total Unexercised	Value of Options Unexercised[9]
July 2, 2002	July 2, 2012	3,000	$ 43.75	3,000	$ 92,070

1 "Director Since" refers to the year the Director was first elected to the Board of Manufacturers Life. When Manufacturers Life demutualized in 1999, it became a wholly-owned subsidiary of the Company.

2 "Independent" refers to the standards of independence established under Section 2 of the New York Stock Exchange Corporate Governance Rules, Section 301 of the *Sarbanes-Oxley Act of 2002* and Section 1.2 of Canadian Securities Administrators' National Instrument 58-101.

3 It is the policy of the Company that Directors attend all meetings of the Board and its committees on which they sit, unless circumstances make it impossible to do so.

4 "Common Shares" refers to the number of Common Shares beneficially owned, or over which control or direction is exercised by the Director, as of March 15, 2006 and March 16, 2005, respectively.

5 "DSUs" refers to the number of deferred share units held by the Director as of March 15, 2006 and March 16, 2005, respectively.

6 The "Total Market Value of Common Shares and DSUs" is determined by multiplying the closing price of the Common Shares on the Toronto Stock Exchange ("TSX") on each of March 15, 2006 ($74.44) and March 16, 2005 ($57.70) respectively, times the number of Common Shares and DSUs outstanding as of March 15, 2006 and March 16, 2005.

7 All 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 and DSUs are considered equity for this purpose, while stock options are not. Directors must take compensation in DSUs until the minimum threshold is met (see "Director Compensation" in the "Statement of Corporate Governance Practices"). The minimum required for Dominic D'Alessandro, as President and CEO, is equal to five times his base salary. Mr. D'Alessandro meets this requirement. The amount shown is five times his 2006 base salary (see "Report on Executive Compensation" under "Executive Share Ownership Guidelines").

8 The "Exercise Price" is the closing price of the Common Shares on the TSX on the day prior to the grant date.

9 The "Value of Unexercised Options" is calculated on the basis of the difference between the closing price of the Common Shares on the TSX on March 15, 2006 and the exercise price of the options multiplied by the number of unexercised options on March 15, 2006.

10 Dominic D'Alessandro is not a member of the Board committees. He attends committee meetings at the invitation of the Chair. One Board meeting and two Corporate Governance and Nominating Committee meetings were for independent Directors only.

11 Gail C.A. Cook-Bennett and Thomas E. Kierans also serve together on the Board of Petro-Canada.

12 Thomas P. d'Aquino was elected a Director as of May 5, 2005. Mr. d'Aquino has until May 4, 2010 to meet his share ownership requirements. Mr. d'Aquino was not a Director on the date of the July 2, 2002 Option Grant.

13 Richard B. DeWolfe was a director of Response U.S.A., Inc. ("Response") until October 2000. In May of 2001, Response commenced proceedings under applicable bankruptcy statutes in the United States.

14 Richard B. DeWolfe was not a Director of the Company on the date of the July 2, 2002 Option Grant. Mr. 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 Financial Services, Inc. On May 17, 2005, Mr. DeWolfe exercised these options and sold 15,837 of the 17,779 Common Shares issued upon this exercise.

15 Allister P. Graham was a director of Dylex Limited ("Dylex") until May 2001. In August 2001 Dylex initiated proceedings under the *Companies' Creditors Arrangement Act* (Canada) ("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.

16 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.

17 Lorna R. Marsden also owns 20,000 Non-Cumulative Class A Shares, Series 1 of the Company.

Schedule "A"

Statement of Corporate Governance Practices

The corporate governance practices of Manulife Financial Corporation (the "Company") meet or exceed the standards set out in the *Insurance Companies Act* (Canada) ("Insurance Companies Act"), Canadian Securities Administrators' Multilateral Instrument 52-109 (the "Certification Instrument"), Canadian Securities Administrators' Multilateral Instrument 52-110 (the "Audit Committee Instrument") and the corporate governance standards and disclosure requirements in Canadian Securities Administrators' National Policy 58-201 and National Instrument 58-101 (the "Governance Instrument"). The Company's corporate governance practices also comply with applicable requirements of the *Sarbanes-Oxley Act of 2002* ("SOX"), including any U.S. Securities and Exchange Commission ("SEC") rules under SOX, as well as the domestic issuer standards of the New York Stock Exchange Corporate Governance Rules (the "NYSE Rules").

The following Statement of Corporate Governance Practices highlights various elements of the Company's corporate governance program.

Requirement	Comply	Governance Practice
Mandate of the Board of Directors Insurance Companies Act Governance Instrument NYSE Rules	ü	• 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 the 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 as follows: – Understanding and meeting the duties and performance standards expected of the Board and each Director under (i) the Company's governing statute, the Insurance Companies Act; (ii) other applicable statutes and regulatory regimes; and (iii) the expectations of shareholders and stakeholders of the Company. – Adopting a strategic planning process and annually approving a strategic business plan 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 thorough 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. – 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. – Supervising the succession planning processes at the Company, including the selection, appointment, development, evaluation and compensation of the Chair of the Board, Chief Executive Officer ("CEO"), Board members and the senior management team. – Satisfying itself as to the integrity of the CEO and executive officers and the creation of a culture of integrity throughout the Company. 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. – 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. – Considering and approving all Company activities relating 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.

Requirement	Comply	Governance Practice
		– Regularly reviewing the Company's Disclosure Policy and approving all material disclosure items prior to disclosure in accordance with the Disclosure Policy. – Overseeing the development of the Company's approach to corporate governance. – Developing and communicating the Board's expectations to individual Directors as they are updated and refined. – 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, c/o the Corporate Secretary) and review of any concerns received under the Protocol for Receipt and Treatment of Complaints and Employee Concerns.
Independence of the Board Audit Committee Instrument Governance Instrument NYSE Rules SOX	ü	• The Board annually reviews the independence of the Directors. To assist in determining the independence of the Directors, all Directors are required to complete a questionnaire relating to their Company shareholdings and business relationships. • All but one member of the current Board is independent under Section 2 of the NYSE Rules, Section 301 of SOX and Section 1.2 of the Governance Instrument. Dominic D'Alessandro is not independent because he is the Company's President and CEO. • 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.
Independence of the Chair of the Board Governance Instrument NYSE Rules	ü	• The positions of Chair and CEO are separate. • The Chair is an independent Director. • The Chair's mandate is to ensure that the Board carries out its responsibilities effectively and separately from management.
Board Composition Insurance Companies Act Governance Instrument NYSE Rules	ü	• The Corporate Governance and Nominating Committee (the "Governance Committee") is responsible for identifying qualified candidates for nomination to the Board. The Governance Committee: – Develops and recommends to the Board criteria for the selection of new Directors, periodically reviews the criteria adopted by the Board and recommends changes to such criteria. – Maintains a Directors' Matrix identifying the required skills and characteristics of the Directors. – Annually reviews the skills, areas of expertise, backgrounds, independence and qualifications of the members of the Board. – Identifies and recommends to the Board individuals qualified and suitable to become Board members, taking into consideration any gaps identified in the Directors' Matrix. – Maintains an evergreen list of candidates for the Board and delegates to the Chair the responsibility 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 submitted in accordance with the Insurance Companies Act. A proper nomination must be submitted by shareholder proposal, 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.

Requirement	Comply	Governance Practice
Position Descriptions for Chair, Committee Chairs, CEO and Individual Directors Governance Instrument NYSE Rules	ü	• Position descriptions outlining the accountabilities for the Chair, the Chairs of Board committees, the CEO, the Board of Directors and individual Directors can be found on the Corporate Governance page of the Company's website or can be obtained by contacting the Corporate Secretary. • The Charter of the Board of Directors can be found on the Corporate Governance page of the Company's website and is available on request from the Corporate Secretary.
Director Information, Education and Orientation Governance Instrument	ü	• The Company provides an orientation program for new Directors, as well as an ongoing continuing education program for all Directors. The orientation program includes: – New Director's Welcome Package which provides information about the Company, the Proxy Circular, Annual Report, Report to Policyholders, organizational information about the Board and its meetings and the Directors' information requirements from insurance and securities regulators. – Directors' Manual which provides a comprehensive outline of the duties and responsibilities, the structure and the committees of the Board. The Directors' Manual includes the charters, the regulatory compliance program, the incorporating documents, by-laws, administrative resolutions, Directors' policies, Company policies and the Code of Business Conduct and Ethics and a Glossary of Terms. – New Directors meet with the Chair, the CEO and other members of management to discuss the Company's strategies, operations and functions. • The Company provides a continuing education program which includes: – Directors' seminars and divisional presentations to the Board, to provide in-depth reviews of key businesses and functions. In 2005, seminars included: U.S. long-term care and fixed income businesses; Manulife Bank; U.S. mutual funds, annuities and life insurance business; risk management; trends in executive compensation; and the John Hancock Life Insurance Division's distribution strategy. – On-site visits to the Company's operations. In recent years, Directors have visited the Company's Canadian operations in Kitchener-Waterloo and the Company's U.S. operations in Boston. In 2006 the Directors will visit the Company's Asian operations. – Directors may seek additional professional development education at the expense of the Company.
Board Access to Management Governance Instrument NYSE Rules	ü	• The Company provides both formal and informal means for the Board to interact with management. Directors have access to management to discuss matters that they may wish to pursue.

Requirement	Comply	Governance Practice
Board Committee Membership Standards Audit Committee Instrument Governance Instrument NYSE Rules	ü	• 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. There are currently four standing committees of the Board: the Audit and Risk Management Committee ("Audit Committee"); the Conduct Review and Ethics Committee ("Ethics Committee"); the Governance Committee; and the Management Resources and Compensation Committee ("Compensation Committee"). All committees have the following common characteristics: – All committees are comprised solely of independent Directors. – Each committee has a written charter setting out its responsibilities. Each committee tracks its compliance with its charter at each meeting throughout the year. The charters and the scorecards are available on the Company's website or by writing to the Corporate Secretary. – 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. – Each committee is required to review its performance and its charter annually. – The Board reviews and rotates the membership of its committees.
Audit and Risk Management Committee Audit Committee Instrument Insurance Companies Act Governance Instrument NYSE Rules SOX	ü	• 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 financial disclosure of the Company. • The Audit Committee has established the 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 appointed by the Audit Committee for this purpose. • The Board reviews annually the membership of the Audit Committee to confirm that all members are financially literate, as required by the Audit Committee Instrument and the NYSE Rules and that at least one member can be designated as a financial expert as required by SOX. The Board has determined that all members are financially literate and possess the necessary qualifications to be designated as Audit Committee Financial Experts. • The Audit Committee has direct communication, including separate meetings with each of the internal auditor, the independent auditor, the Appointed Actuary, management and the Company's principal regulator, the Office of the Superintendent of Financial Institutions (Canada). • 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 updated regularly to mitigate the Company's exposures.

Requirement	Comply	Governance Practice
Conduct Review and Ethics Committee Insurance Companies Act Governance Instrument	ü	• The Ethics Committee oversees the procedures relating to conflicts of interest, customer complaints, related party transactions and protection of confidential information. • The mandate of the Ethics Committee includes an annual review of the Company's Code of Business Conduct and Ethics and a review of the Company's compliance with legal requirements.
Management Resources and Compensation Committee Governance Instrument NYSE Rules	ü	• The Compensation Committee oversees the Company's global human resources strategy and the effective utilization of human resources, focusing on management succession, development and compensation. The Compensation Committee is responsible for: – Approving the appointment of and providing proper development, compensation and review of senior management. – Reviewing and approving annually the appointment, succession, remuneration and performance of the senior executives, excluding the CEO. The annual performance assessment and compensation review of the CEO is performed by the Governance Committee. – Reviewing annually the compensation policies, including base pay, incentive, pension and benefit plans and making recommendations to the Board.
Corporate Governance Governance Instrument NYSE Rules	ü	• The Governance Committee is responsible for assisting the Board in overseeing the Company's corporate governance program, including: – Recommendation of governance policies, practices and procedures to the Board for its consideration and approval. – Regular review of the structure, mandate and composition of the Board and Board committees and annual approval of the Company's Statement of Corporate Governance Practices. – In 2005, the Governance Committee recommended for approval by the Board a policy whereby Directors who do not receive a majority of votes in favour will be required to submit their resignation to the Governance Committee, and the Board will, in the absence of extenuating circumstances, accept the resignation.
Independent Directors' Meetings Governance Instrument NYSE Rules	ü	• 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 of one of the committees of the Board acts as Chair. Non-independent Directors and management do not attend. • Shareholders wishing to contact independent 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 also holds meetings at which non-independent Directors and members of management are not in attendance. In 2005, one such meeting was held among the independent Directors.
Retention of Outside Advisors by Directors Audit Committee Instrument Governance Instrument NYSE Rules	ü	• The Board and its committees may retain outside advisors at the Company's expense, as they deem necessary. • The Governance, Compensation and Audit Committees retained outside advisors in 2005. • 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.

Requirement	Comply	Governance Practice
Director Compensation Governance Instrument NYSE Rules	ü	• 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. During 2005, the Board engaged Mercer Human Resource Consulting, a recognized, independent external consultant to provide advice and guidance on executive and Director compensation issues. In 2005, this included leading a Directors' education session on long-term management compensation. Mercer provides pension consulting, administration and actuarial services to Manulife in Canada, Japan and the UK. In addition, Mercer provides benefits consulting to Manulife in the U.S. • 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. Directors are required to take compensation in shares or DSUs until minimum holdings are met. • No stock options have been granted after 2002 to non-employee Directors and in 2004 the Board of Directors resolved to permanently discontinue stock option grants to non-employee Directors.
Board and CEO Evaluation Governance Instrument NYSE Rules	ü	• The Governance Committee conducts annual, formal evaluations of the Board, Board committees, the Chairman and the Directors. The process includes: – Annual evaluation meetings between the Chair and each Director to discuss Board performance, including a peer review. – Each Director completes biennial written Board Effectiveness and Director Self-Assessment Surveys. – The Board and Board committees are assessed against their mandates and charters. – Contributions of individual Directors are assessed against the Directors' Matrix setting out the skills each individual Director is expected to provide. – The assessments of the Board, the committees and the Directors focus on identifying areas for improvement. – The results of the assessments are presented to the Governance Committee and the Board. The Governance Committee identifies areas for improvement, develops action plans and monitors the progress of these plans. – Annual *in camera* meeting of the independent Directors to review the results of the evaluations and to approve the Governance Committee's plan for improvement. – Review of overall size and operation of the Board and its committees to ensure that they operate effectively. – Annual determination of whether a Director's ability to serve the Company is not impaired by external obligations or by changes in his or her principal occupation or country of residence. – A normal retirement age of 72. • Annually, the Governance Committee and the CEO set financial and non-financial objectives for the CEO, which are approved by the Board. The CEO's performance is evaluated annually by the Governance Committee based on these objectives and on the Company's performance.

Requirement	Comply	Governance Practice
Code of Business Conduct and Ethics Governance Instrument NYSE Rules SOX	ü	• The Company has adopted the Code of Business Conduct and Ethics ("Code"), which applies to Directors, officers and employees, as well as others who perform services for or on behalf of the Company. • The Code complies with the requirements of the NYSE Rules, the SEC Rules and the Governance Instrument. • The Code is available on the Company's website. • Annually, the Board reviews the Code with the assistance of the Ethics Committee. • All employees of the Company, including the CEO, and the Board of Directors, annually sign an acknowledgement confirming their commitment to the Code and declare any material interest or conflict.
CEO and CFO Certification of Financial Statements Certification Instrument NYSE Rules SOX	ü	• The CEO and Chief Financial Officer certify the annual financial statements and quarterly financial statements as required by SOX and the Certification Instrument. • The CEO also provides an annual certification to the NYSE stating the CEO is not aware of any violations of the governance requirements in the NYSE Rules. • The Company also submits Written Affirmations as required by the NYSE Rules.
Communication Policies Governance Instrument SOX	ü	• 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 the Legal, Investor Relations and Corporate Communications departments, 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 Investor Relations department and to the media and employees through its Corporate Communications department. • The Investor Relations 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 Investor Relations activities. • The Company's website www.manulife.com features webcasts 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 website or at www.sedar.com.

Principal Subsidiaries

The following is a list of the directly and indirectly held major operating subsidiaries of Manulife Financial Corporation.

As at December 31, 2005 (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	$11,947	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.)	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	100			Provides group pension, individual annuities and life insurance products in the State of New York
John Hancock Investment Management Services, LLC	95			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
Manufacturers Life Reinsurance Limited	100			Provides life 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	80		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
Manulife Insurance (Thailand) Public Company Limited	97.5		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
Manulife Property Limited Partnership	99		Toronto, Canada	Investments limited partnership
Manulife Securities Limited Partnership	99		Toronto, Canada	Investments limited partnership

As at December 31, 2005 (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	$13,610	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	96			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 Holdings, Inc.	100		Boston, Massachusetts, U.S.A.	Holding company
Manulife Insurance (Malaysia) Berhad	45.9			Malaysian life insurance company
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 Limited	100			Holding company