Manulife Financial

Annual Review 1994

Manulife Sets New Direction For Future Growth

strategy for success

In This Review:

- **Net Income Highest in Company History**
- **Achieving Leadership Role in Canadian Group Benefits**
- **Strength of Specialization in United States**
- **Maximizing Growth in Asia Pacific**

Manulife Financial

strategy for success

Company Goals

In implementing our strategy, Manulife has set both financial and non-financial goals:

Highest Ratings

Manulife will pursue the highest ratings in the industry. With our financial resources, stability, diversification and proven ability to pay claims, we should accept nothing less.

Outstanding Financial Performance

Great companies benchmark themselves against the best in the industry. In keeping with our vision, our financial performance should be comparable to that of the leading global financial institutions. We should earn a return on assets of 1 per cent and a return on surplus of 14 per cent, which at the 1995 established surplus levels would equate to earnings of roughly $425 million. By focusing on our strengths, Manulife can achieve these financial performance goals.

Leadership

Throughout our worldwide operations, Manulife is committed to being the acknowledged industry leader in:

- Professionalism
- Real Value To Our Customers
- Integrity
- Demonstrated Financial Strength
- Employer Of Choice

1995 Priorities

Manulife will focus on the following priorities throughout 1995 and beyond that will ensure we achieve our company goals. Each year our priorities and goals will be adapted to meet changing market and business conditions.

1 Improve performance in all our operations:

Investments
- continue rationalization of real estate portfolio
- improve asset/liability coordination and asset allocation process

Canada
- manage the successful integration of group life and health business of Confederation Life
- grow our successful individual insurance and savings business

United States
- aggressively grow individual insurance market share
- continue growth in group pension business

Asia Pacific
- maximize growth in current operations
- enter China, and investigate India and Vietnam
- introduce mutual funds in Hong Kong

Reinsurance
- grow reinsurance business in Asia Pacific and Europe

2 Redeploy capital more effectively

- we will expand in businesses identified to have high return potential

3 Pursue highest ratings from all rating agencies

Distribution Excellence

Manulife has developed unique experience in distributing products through many different channels around the world. We must ensure that these channels are cost-efficient, add true value to the customer and are meeting customer needs.

Underwriting/Actuarial Expertise

Manulife has a long history of strength in the underwriting and actuarial disciplines, as evidenced by our excellent mortality results and innovative product design. This is extended to reinsurance, where we offer these skills to other companies. In a long-term industry where these skills are essential, we must continue to recognize, develop and retain this talent.

Investment Capability

Over the years we have consistently achieved strong returns in a diversified portfolio of bonds, mortgages, equities and real estate. As new competitors enter our market, we must ensure that these skills are second to none in the financial services sector.

Technology

We must make the required investment in technology to achieve a leadership position in our core business of financial protection and investment management services. Information technology is the key to ensuring superior customer service, marketing effectiveness, and quality, timely decision-making.

Our Values

These values are the fiber of our organization, and guide everything we do — from strategic planning to day-to-day decision-making to how we treat our customers and partners.

Professionalism

We will be recognized as having the highest professional standards in our industry. Our employees and agents will possess superior knowledge or skill, and use these for the benefit of customers.

Real Value to our Customers

We are here to satisfy our customers. By providing the highest quality products, services, advice, and sustainable value, we will ensure they receive excellent solutions to meet their individual needs.

Integrity

All of our dealings are characterized by the highest levels of honesty and fairness. We develop trust by maintaining the highest ethical practices in the industry.

Demonstrated Financial Strength

Our customers depend on us to be here in the future to meet our financial promises. We earn this faith by maintaining uncompromised claims paying ability, a healthy earnings stream, and superior investment performance results, consistent with a prudent investment management philosophy.

Employer of Choice

Our employees will determine our future success. In order to attract and retain the best and brightest employees, we will invest in the development of our human resources and reward superior performance.

Our Core Competencies

Core competencies are unique skills and strengths that can give Manulife a distinct competitive advantage in the marketplace and are essential to the success of our strategy. Some of these competencies are more developed than others, but all must be continually grown and maintained.

Customer Focus

A tremendous opportunity exists to differentiate ourselves through customer focus. We will lead by understanding and anticipating our customers' needs and providing speedy, responsive and appropriate solutions.

Innovation

Manulife has a proud tradition of being an industry leader in developing creative solutions. Investment in research and development and the rewarding of risk-taking will further foster this spirit.

Our Vision IS TO BE THE MOST PROFESSIONAL LIFE INSURANCE COMPANY IN THE WORLD: PROVIDING THE VERY BEST FINANCIAL PROTECTION AND INVESTMENT MANAGEMENT SERVICES TAILORED TO CUSTOMERS IN EVERY MARKET WHERE WE DO BUSINESS.

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It is Manulife Financial's policy to provide equal opportunity for all employees and persons seeking employment without discrimination on the basis of race, colour, religion, gender, sexual orientation, national origin, disability or age. We are committed to administering all employment practices fairly and equitably, including hiring, working conditions, benefits and privileges, compensation, training, advancements, transfers and termination.

Cette rétrospective annuelle de la Financière Manuvie est aussi disponible en français

All figures shown are in Canadian Dollars unless otherwise indicated.

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President's Message

Corporate strategy reflected in 1994 company results and initiatives

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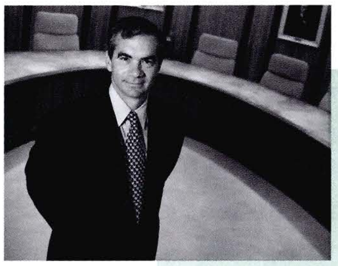

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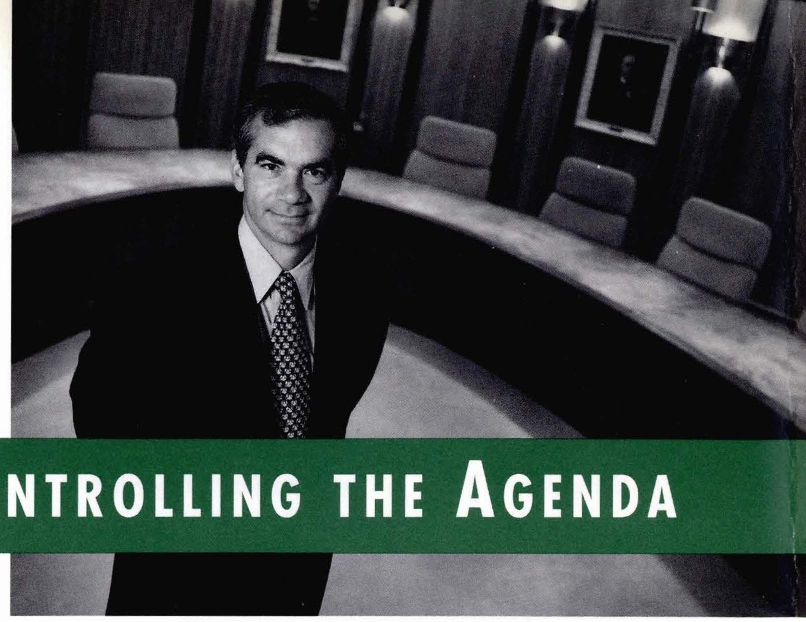


Controlling the Agenda

Manulife had a successful 1994 and ended the year well positioned to address industry challenges and to seek out business opportunities in Canada and abroad. Our company objectives for 1995 are to continue to provide policyholders and customers with superior value, maintain growth and enhance our position as one of the world's most successful life insurance companies.

Manulife's financial performance in 1994 was satisfactory. Premiums and deposits to segregated accounts totalled $6.6 billion, an increase of $1.1 billion or 19 per cent from the prior year. Net income of $281 million was the highest in our history and represents an increase of $94 million or 50 per cent over 1993. However, our return on capital of 9.6 per cent, although up sharply from the previous year, remains below the corporate target of 14 per cent. Assets grew to more than $40 billion, and policyholder surplus now exceeds $3 billion. Dividends to policyholders increased to $312 million from $267 million in 1993. A detailed analysis of our financial performance is included in pages 29 to 69 of this report.

Broad geographic and product diversification continues to be one of the company's great strengths. Manulife is not overly dependent on any one product or any one market. The diversity of opportunities available to us is one of the reasons we conducted a strategic review of our worldwide operations. This review included an assessment of the potential of each market as well as an evaluation of our own strengths and weaknesses. As a result of this review, we came to some fundamental conclusions about our company, and have set new directions.

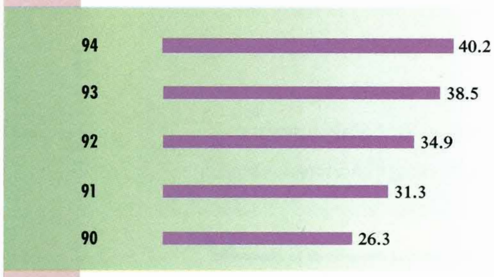
We established a vision for ourselves: to become the most professional life insurance company in the world, providing the very best financial protection and investment management services to our customers in every market where we do business. We determined that this was an achievable goal, providing that we make the investments and take the decisions to see it through.

To make our vision a reality, we identified six key competencies, all of which are critical to our business success and all of which will receive particular emphasis as we go forward. These are: customer focus, innovation, distribution excellence, underwriting/actuarial expertise, investment management capability and technology.

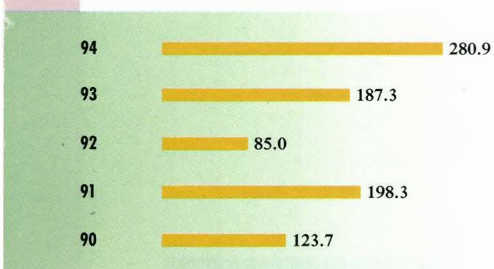
We also made some significant decisions in terms of redeploying our capital and altering our portfolio of businesses around the world. A number of important strategic initiatives were undertaken which included:

- the purchase in August 1994 of the very substantial group life and health business in Canada from Confederation Life. This acquisition, when merged with our existing group operations, results in Manulife being a leader in this business in the Canadian market.
- the sale during the year of the Canadian retail bank branches and the U.S. group life and health business. In addition, it was announced in February 1995 that we had reached an agreement to sell our insurance operations in the United Kingdom. In each of these situations, it was concluded that we were too small to compete effectively and that achieving critical mass in the foreseeable future was unlikely.

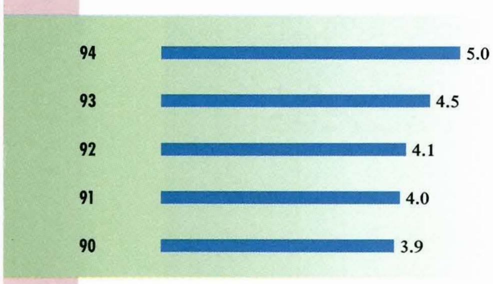
We intend to keep following this theme—of focusing on our core business—until we have realized our ambition



Company Assets
($ Billions)
Excluding segregated funds



Net Income
($ Millions)



Premium Income
($ Billions)
Excluding segregated funds

of becoming the leading, most professional carrier in every market where we do business.

Looking at each operating division, I am pleased to report that 1994 was a year of progress for all of them.

The Canadian insurance operations enjoyed a very good year as all product lines showed impressive growth in sales and operating income. Our savings and retirement services had an especially strong increase in volumes. The acquisition of the group business from Confederation Life will bolster our presence in Canada significantly. We see this as a very desirable market, and will continue our expansion through both organic growth, and through acquisitions, as the right opportunities emerge.

In the United States, our operations reported an overall level of net income that was quite acceptable. However, revenues were mixed. The U.S. pension operations enjoyed excellent growth with sales almost doubling over 1993. The individual business, on the other hand, experienced a slight downturn in revenues, largely as a result of a significant restructuring of field operations that was undertaken and completed during the year. The division is now on a strong footing to achieve sustained increases in revenue and market share. We are committed to the U.S. marketplace and will be looking to aggressively grow our business base there.

Asia Pacific, which comprises our Greater China and Pacific Rim regions, remains our fastest growing marketplace. In Hong Kong, we transferred approximately $1.75 billion of assets from the parent company in Canada to a wholly-owned subsidiary, Manulife International Limited. This initiative further underscores our commitment to Hong Kong, where we stand as one of the territory's most successful international companies.

Negotiations to re-enter the People's Republic of China are moving forward and we are confident that we will be granted a licence to operate there shortly. We also announced a joint venture with Regent Pacific Group to market no-load mutual funds in Hong Kong.

Our Pacific Rim region includes operations in Indonesia, the Philippines, Korea and Singapore. While each of these units enjoyed good growth in 1994, the performance of our Indonesian business was particularly noteworthy as revenues and net income were both at record levels.

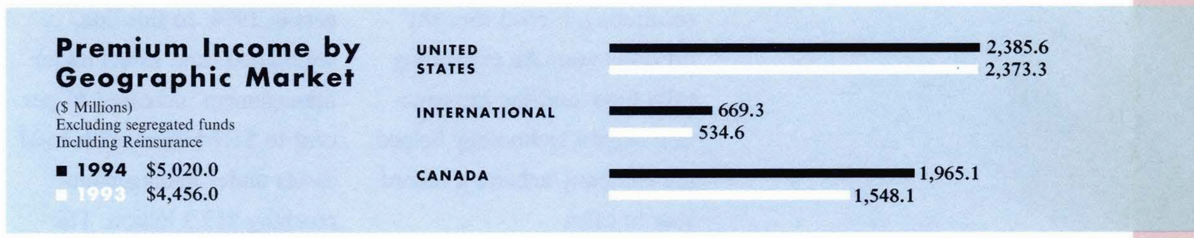
Manulife continues to enjoy significant growth in its Reinsurance operations, where we are a world leader. Building on 15 years in the North American market, we have expanded and are now offering this quality service to Asian and European clients through offices in Singapore and Wiesbaden, Germany.

We restructured our Investment operations and undertook several initiatives to streamline this critical aspect of our business. We expanded our successful asset/liability matching procedures to all of our product lines and have established processes by which to continually review and evaluate our asset mix. We disposed of certain non-strategic investments and are establishing mortgage offices in the United States to improve the control and management of our lending in that marketplace.

Over the past year, there have been a number of developments that indicate clearly the profound structural changes that the industry is undergoing. An example was the failure in 1994 of Confederation Life, Canada's fourth largest life insurance company. Widespread analysis of this event has concluded that Confederation Life failed for a variety of reasons *unique* to that company. It is indeed a marketplace filled with competition and challenge. Our core competencies position us to thrive in such an environment. We are a stronger organization today than we were a year ago and we are optimistic of continued strength going forward.

I would like to take this opportunity to recognize three retiring members of our Board of Directors: Mr. Robert Després, Chairman of the Management Resources and Compensation Committee; Mr. Donald McGiverin, Chairman of the Executive Committee and Mr. Richard Haskayne, a member of the Management Resources and Compensation Committee. On behalf of all policyholders, I thank each of them for their contributions to Manulife over the years. I am also personally grateful for the advice and counsel they have given me over the last year or so.

In closing, I would like to thank our many customers around the world for their continued support. To become the world's most professional life insurance company is a vision I share with our more than 13,000 employees and agents around the globe; I thank them for their dedication and effort that will make this possible.



D D'Alessandro

Dominic D'Alessandro

President and Chief Executive Officer

Canadian Operations

Canadian Operations experienced record earnings in 1994 as it continued to focus on customer service, product development and industry leadership in key business areas.

Premium growth was up 26 per cent over 1993 levels, led by group life and health with an increase of 85 per cent, savings and retirement services with an increase of 17 per cent, and individual life with an increase of seven per cent. Segregated fund deposits grew 37 per cent from 1993, continuing a trend seen the previous year. An expanding sales force and the introduction of new technology helped the company achieve a record year in sales.

1994 saw Manulife Financial acquire the Canadian group life and health business of Confederation Life. This purchase vaults Canadian Operations into an even stronger market position (number two in Canada) and provides an excellent fit with existing operations. In addition to new premiums from Confederation Life clients, Manulife experienced an impressive 17 per cent premium increase in its existing group business.

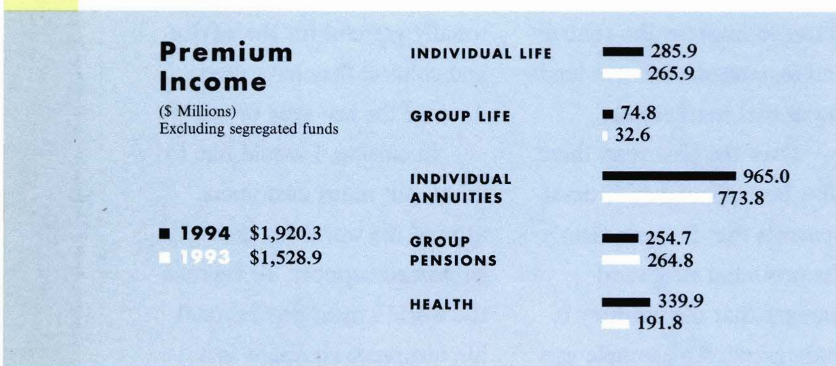
The savings and retirement services line exceeded both sales and earnings targets in 1994. In this line, segregated fund assets under management increased 41 per cent to $1.7 billion, with total assets under management reaching $12.3 billion. The Manulife Cabot family of mutual funds and a mutual fund dealership, Manulife Securities International Ltd., were launched in 1994 to provide customers with a broader range of investment options.

Canadian Operations placed significant emphasis on its individual life insurance business during 1994: the term insurance portfolio was repositioned with more competitive rates; a new universal life product, InnoVision, was launched in November; and a new life administration system was introduced to enhance customer service. These initiatives sparked increasing sales activity, culminating in December with the highest level of sales for any single month in the past three years.

During 1994, 12 of the 14 retail branches of the Manulife Bank of Canada were sold, enabling the bank to focus on supporting the insurance operations through an expanded network of regional banking centres. The bank will continue to emphasize products designed for core insurance customers and support the sales force with innovative lending products.

The past year was a challenging one for residential mortgage providers in Canada. FirstLine Trust responded by streamlining its operations and increasing productivity. Although FirstLine experienced reduced income in 1994, it is now better positioned for increased profitability in the future.

The year ahead promises to be equally exciting for Canadian Operations as it continues its market leadership role in group and individual insurance and as the leading insurance-based provider of retirement savings products.



United States Operations

United States Operations generated positive results in 1994 and is strongly positioned for continued growth in two key markets: the life insurance and annuity needs of high net-worth individuals, and group pension benefits for employees of small-to-medium-sized businesses.

U.S. Operations net income increased over 1993 with a particularly strong showing from the individual life business. Earnings reached record levels due to continuing strong mortality, competitively priced products and consistently positive investment results.

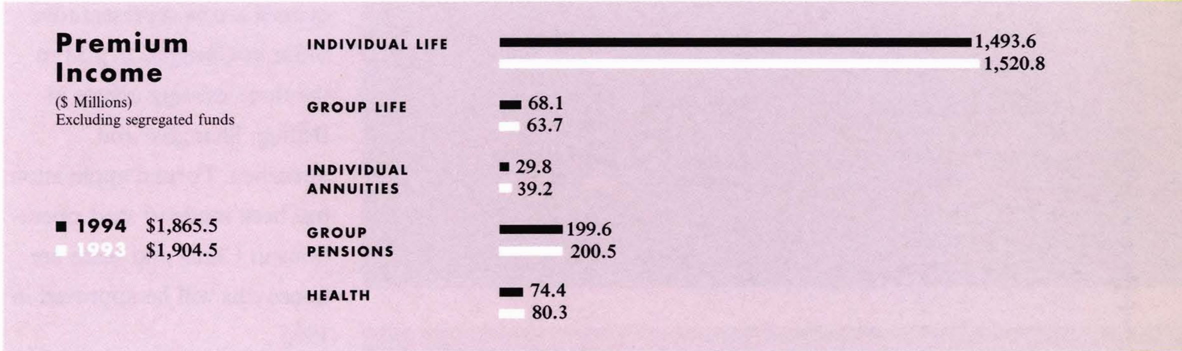
Total premiums for the individual life insurance and group pension/guaranteed investment contract (GIC) areas decreased by two per cent. However, declining insurance sales were offset by growth in separate account (segregated fund) investments. This resulted in overall premium growth from $2.3 billion in 1993 to $2.5 billion in 1994.

Two key areas formed the focal point of U.S. savings and retirement services in 1994: superior group pension sales and the sale of Manulife's group life and health business.

The most noteworthy 1994 accomplishment was a huge 84 per cent increase in group pension and GIC sales over 1993 figures. Improved customer service delivery, a superior package of mutual fund investments, and strong relationships with third party administrators contributed to this solid performance.

Manulife Financial sold its group life and health business to Canada Life and its stop loss health insurance to ING Life in the past year. The decision to exit the U.S. group life and health business is consistent with the company's strategic direction to focus on achieving dominant market position in all product lines worldwide. At the time of the sale, Manulife's share of the U.S. group life and health insurance market was less than 0.5 per cent and approximately five per cent of the stop loss health insurance market. The combined unit generated $100 million in annual premium income. The final transfer of this business will be completed by mid-1995.

In individual life insurance operations, the company focused on delivering superior value to policyholders and ensuring that consumers have clear expectations regarding the long-term performance of their policies. The launch of the company's Coverage Review program *(see page 13)* is a key part of this commitment. In face-to-face meetings with policyholders, company employees (in partnership with the client's agents) are explaining factors affecting policy performance and providing policyholders with options to meet individual needs.



In 1995, U.S. Operations will continue to deliver excellent customer service, develop an innovative range of product options and provide convenient distribution channels for clients.

International Operations

International Operations remains a clear priority for Manulife Financial and 1994 was another successful year with strong earnings and sales. The company's international businesses encompass three regional divisions — the U.K., Greater China and Pacific Rim — with operations in the United Kingdom, Hong Kong, Taiwan, the Philippines, Indonesia, Singapore and Korea; representative offices in China and Vietnam; and worldwide Reinsurance Operations.

Total premium income increased to \$1.23 billion in 1994, with growth of 24 per cent to \$425.0 million in Greater China, 41 per cent to \$124.6 million in the Pacific Rim and 18 per cent to \$586.0 million in Reinsurance. The United Kingdom showed a six per cent increase in premium income to \$98.6 million.

International diversification has been a cornerstone of Manulife's strategy for more than 100 years. The recent worldwide relaxation of trade barriers, particularly as they apply to life insurance, presents many opportunities for the company. Asia clearly represents the greatest growth potential.

Manulife's flagship operation in Greater China, Hong Kong, flourished in 1994, with sales well in excess of overall market growth, despite a tremendous increase in competitive pressures. Last year, Manulife entered into a joint venture agreement with Regent Pacific Group to market mutual funds in Hong Kong and, eventually, across the entire Asia Pacific region. In China, the company opened a new representative office in Chengdu to add to the three existing offices in Beijing, Shanghai and Shenzhen. Formal application has been made to start operations in China and there are hopes this will be approved in 1995.

Pacific Rim businesses are all in emerging markets but still make a positive contribution to overall company earnings. Each of these businesses made excellent progress in 1994 with substantial increases in sales and earnings. Looking beyond existing businesses, the company opened a representative office in Vietnam in 1994 and is watching developments in India with interest.

Manulife Reinsurance continues to achieve solid results as a strong provider of life, special risks, financial and property and casualty reinsurance. Recently established offices in Europe (Germany) and Asia Pacific (Singapore) are contributing to growth, reflecting Manulife's commitment to these significant international reinsurance markets.

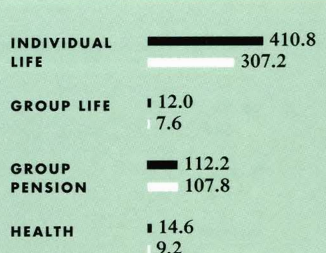
The United Kingdom market continues to be a challenging environment for insurance companies, and in February 1995, Manulife announced it had reached agreement to sell its United Kingdom insurance operations.

With the opportunities that trade liberalization brings and more than 4,300 employees and agents around the world to convert these opportunities into success, International Operations will continue to play a major role in Manulife's future business strategy.

Asia Pacific Premium Income

(\$ Millions)
Excluding segregated funds

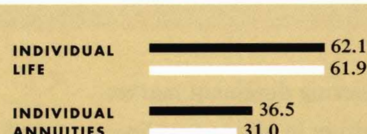
■ 1994 \$549.6
■ 1993 \$431.8



United Kingdom Premium Income

(\$ Millions)
Excluding segregated funds

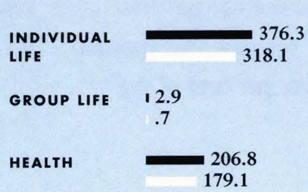
■ 1994 \$98.6
■ 1993 \$92.9



Reinsurance Premium Income

(\$ Millions)

■ 1994 \$586.0
■ 1993 \$497.9



Investment Operations

Investment Operations was required to manage its diverse portfolio in a turbulent 1994 environment. In total, company assets grew 4.5 per cent to $40.2 billion, while the company's assets under management, including segregated funds, grew 7.3 per cent to $51.0 billion.

The cornerstone of the company's investment portfolio is its high-quality fixed income holdings, representing 45.9 per cent of total assets. With 81.3 per cent of its fixed income portfolio rated 'A' or better, the company's ability to satisfy fixed term, fixed rate guaranteed liability obligations remains superior.

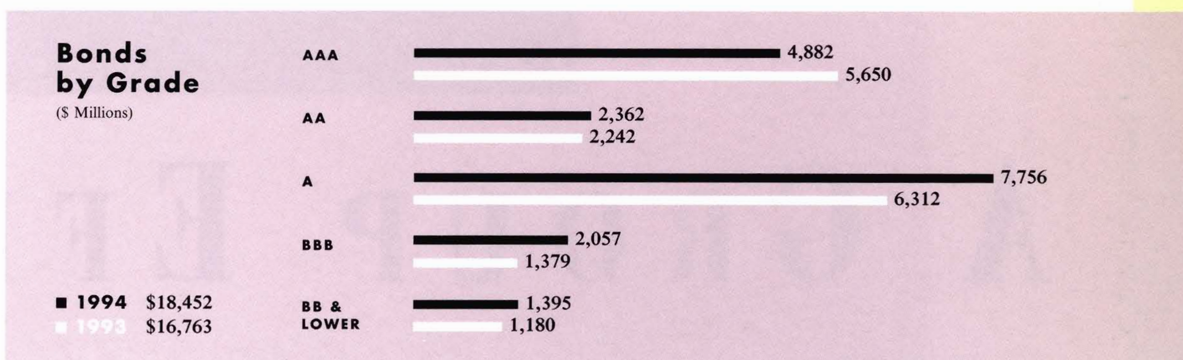
Contrary messages were sent out by international markets to the public and private sectors in 1994. Lower interest rates around the world early in the year quickly gave way to a sustained increase as central bankers and investors became concerned about inflation and overheating economies. Soft equity markets at the start of 1994 were interrupted by a sharp rise in the third quarter, only to return to negative results by year-end. Mortgage lending remained very selective throughout the year, but the recent decline in real estate values appeared to bottom out.

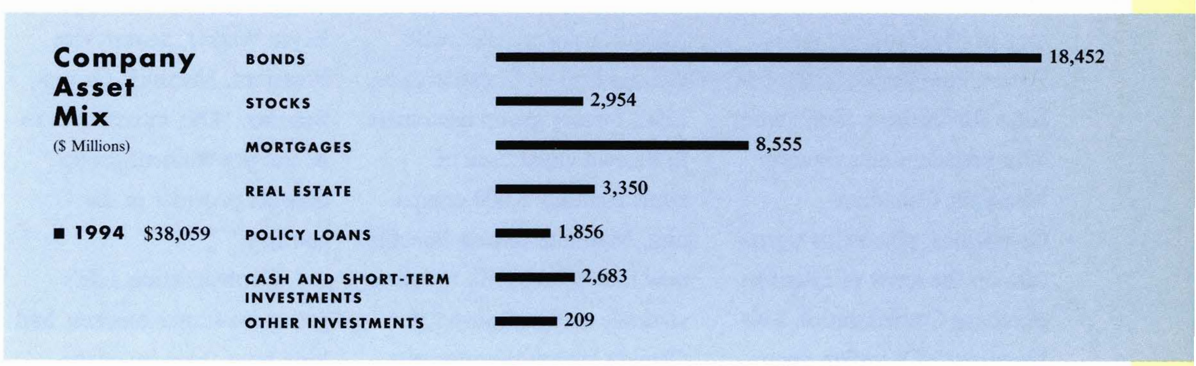
Following very strong performances in all its equity portfolios in 1993, Manulife recorded somewhat soft results in 1994, consistent with the relatively flat market performance around the world.

Manulife's investments in mortgages, particularly in the U.S. marketplace, continue to require close monitoring. The company took $229.2 million of mortgage principal write-downs and reduced its mortgage portfolio to 21.3 per cent of total assets, down from 24.3 per cent in 1993.

The company also initiated a program to rationalize its real estate portfolio through the selective selling of certain property holdings. This proactive measure was intended to bring Manulife's mix of real estate, as a percentage of assets, more in line with other insurance companies. In 1994 the company sold $258.8 million in properties, reducing its real estate portfolio to 8.3 per cent of total assets, down from 8.8 per cent in 1993.

Manulife's Investment Operations is embarking on a series of projects to enhance its investment management performance. These include: restructuring the portfolio management activities to improve asset allocation capability and rationalize risk management processes; establishing a U.S. Mortgage Branch network to strengthen loan underwriting and administrative standards; and continuing the selective real estate selling program.





A Group Effort

August 27, 1994 will be a date long remembered in the history of Manulife Financial. With a final stroke of the pen, John Richardson, then Senior Vice President and General Manager, Canadian Operations, placed his signature on the letter of intent to purchase Confederation Life Insurance's Canadian group life and health business.

Manulife quickly became an even more formidable competitor in this market, with the addition of Confederation Life's former group customers to its own client base of approximately 6,000 companies. Manulife Group Benefits now has the capacity to serve virtually every employer in Canada with comprehensive health plans, leading-edge technology and experienced employees.

"This is certainly an historic move for Manulife," says Bryce Walker, Senior Vice President, Manulife Group Benefits. "Our intention is to be the pre-eminent group benefits provider in the country."

Confederation Life's group insurance business had long been the envy of the Canadian industry, built primarily from the country's largest and most prestigious employers. With annual premiums and premium equivalents of more than $1 billion, the group business represents approximately 750 companies and more than one million employees.

Following Confederation Life's liquidation in August, the Minister of Finance placed the flagship group business on

Together with former Confederation Life employees, Manulife's Group Benefits team can now serve virtually every employer in Canada.

the market, starting a very competitive bidding process. Manulife emerged the victor.

"I believe we were chosen as the purchaser because of our financial strength, our proven track record in group insurance and because Confederation's large-company client base fits perfectly with our existing specialization in the small and mid-sized business markets," Walker says. "Now, our long-range plans are to be first in market share in all three categories (small, medium and large groups); but that also means that we will be the best at combining quality service with innovative products that meet customer needs."

MEETING *customer* NEEDS

Customers once came to Manulife Financial solely for insurance coverage. But today a growing number of Canadians depend on Manulife for a broader range of financial products, making the company an industry leader in savings and retirement services.

From investment products such as segregated funds, mutual funds and guaranteed investment certificates (GIC), to retirement savings vehicles like RRSPs, RRIFs and Immediate Annuities, Manulife customers are purchasing financial products faster than ever before.

"As the Canadian population ages, traditional insurance protection needs are being surpassed by the need to prepare for retirement," explains Paul Smith, Director, Canadian Savings and Retirement Services. "Our customers trust Manulife to meet those needs and value the advice of their personal financial advisors."

To meet growing consumer demand for mutual funds, Manulife launched its own family of no-load mutual funds, Manulife Cabot Funds, in early 1994. At the same time, it created Manulife Securities International Ltd.—a new distribution company that enables registered representatives to offer a wide range of Manulife products along with third-party mutual funds.

"This unique approach allows Manulife and its financial advisors to provide Canadians with a broader range of investment choices to meet their ever-changing needs," says Jon Schmehl, Assistant Vice President, Marketing, Investment Funds.

"We will maintain our leadership position in this business by continuing to provide customers with a combination of superior products, strong performance and excellent service," says Smith.

Innovative Vision for Insurance Products

The individual life insurance market became even tougher for Manulife Financial's Canadian competitors in 1994 when the company introduced InnoVision—a customer-oriented universal life product offering an unprecedented combination of flexible life insurance protection and tax-deferred investment options.

InnoVision promises to become the model for designing a new generation of customer-friendly life insurance products, leading Manulife's renewed charge into the Canadian universal life market segment.

"This is clearly the best package of product, contract and service on the market," explains Ed Jacob, Life Product Director. "We essentially started from scratch and created a product that can meet immediate customer needs and adapt to meet changing demands in the future."

Targeted at small business owners and upper-income Canadians, InnoVision's new and streamlined administration platforms will improve Manulife's ability to add new product features and services in the future.

Although InnoVision is aimed at specific market segments, its state-of-the-art technology support will form the framework for a range of future Manulife insurance products.

InnoVision™

Photo courtesy: The Theodore Roosevelt Collection, Harvard College Library.

Leadership in the United States: advertisement appearing in the ***New York Times***.

A COMMITMENT TO INTEGRITY

Manulife Financial demonstrated its industry-leading commitment to integrity and customer education by introducing the U.S. Coverage Review program in 1994.

The goal of the program is to conduct face-to-face meetings with more than 34,000 policyholders in order to listen to customer concerns about falling dividend payments, review insurance needs in a changing economic environment and explain policy options. Manulife is the first insurance company in the United States to initiate this kind of individual coverage review.

And others have taken notice. Articles in several publications, such as the *Wall Street Journal*, *Estate Planning* magazine and *A.M. Best Review* have touted the program as a unique, industry-leading initiative. The U.S. Coverage Review program is the "most ambitious effort ... to confront the problem," according to a June 1994 article in the *Wall Street Journal*, which also noted that "agents and other insurance specialists say Manulife deserves praise for tackling the premium problem head on."

"We are informing customers that their insurance policies are still viable in a low interest rate environment and offering product flexibility to meet individual needs," says Bonnie Master, Coordinator of the U.S. Coverage Review program. "We have taken a proactive, customer-focused approach to an issue that every insurance company in the United States must face sooner or later."

For Coreen Fernandes, U.S. Coverage Review Associate in Manulife's New England Region, the program is an opportunity to put a face to the often impersonal forms and terms used in life insurance. "I realize the extent to which real people's lives have been affected by changes in the economy," she says. "We are re-examining the original objectives for buying a life insurance policy, looking at needs and finding solutions."

By the end of 1994, associates in the Coverage Review program had met with more than 2,000 policyholders across the United States.

Reviewing options: Manulife client Dr. Alfred Rodriguez (right) discusses his policy with Sam Lee, Business Development Manager in the Dallas, U.S. field office.

OPTIONS

Insurance companies, in their quest to serve clients more efficiently, refer to "multiple channel distribution strategies." Customers, on the other hand, simply want knowledgeable, convenient sources of advice and service when considering insurance or savings products.

Manulife Financial's U.S. Operations recognizes that clients have individual preferences in how they want to buy products, whether through life insurance agents, third party administrators, stock brokers or financial advisors. That's why it is building upon a solid network of distributors across the United States and providing new purchasing options in both individual insurance and savings and retirement services.

Through 15 regional sales offices, the individual insurance area supports its distributors in offering high-quality products to the customer. "We want to access the market through the client's preferred distributor, recognizing that high net worth individuals use various financial intermediaries," says Imants Saksons, U.S. Individual Distribution.

In addition to agreements with stock brokerage firms, Manulife is also creating a marketing program to assist attorneys and accountants in the proper use of individual insurance products for financial, business and estate planning needs.

On the savings and retirement services side, the past year saw a concerted strategy to work with third party administrators for greater exposure to clients. "Our clear focus on working closely with these administrators was a big part of our success in 1994," says Joe Comartin, SRS Distribution. Manulife's Financial Forum, an information session for dozens of administrators held at the Toronto Head Office in September, was an exciting opportunity to use this partnership for streamlined customer service.

Savings and retirement services also increased the number of regional account executives in the past year and formed alliances with stock brokerage firms to increase its share in the competitive U.S. marketplace.

"The net result of these partnerships, whether through leading-edge communication support material or improved electronic service links, is that small to mid-sized employers can purchase one of the top 401(k) pension plans in the market," Comartin says.

In both individual insurance and savings and retirement services, Manulife's U.S. Operations is committed to providing customers with quality products and convenient sources of information.

HITTING THE TARGET IN SAVINGS

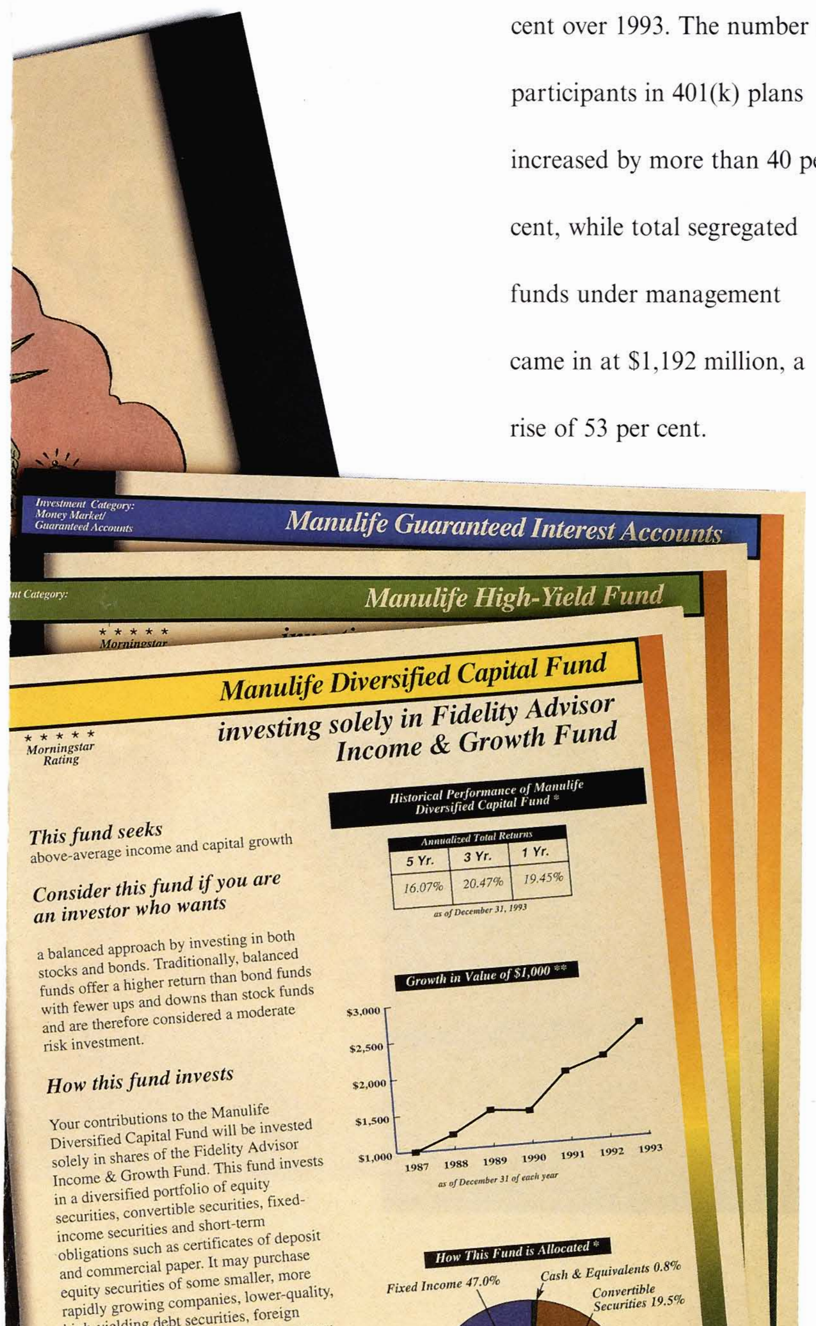
When it comes to products like pensions, where everyone wants their dollars working as hard as possible, it helps if your company has a focused business strategy. Manulife Financial's newly formed savings and retirement services area has a very clear idea of who it wants to do business with: small to mid-sized employers who require 401(k) pension plans.

This targeted business strategy resulted in some big payoffs for Manulife and its customers in 1994. Sales results in the group pension area have been well above the industry average, rising 84 per cent over 1993. The number of participants in 401(k) plans increased by more than 40 per cent, while total segregated funds under management came in at $1,192 million, a rise of 53 per cent.

"When you take an attractive investment package of internal and external mutual funds and excellent service, and combine that with a tight focus on a segment of the pension market, you have quite a success story," says Bruce Gordon, Vice President, Savings and Retirement Services.

Gordon credits the excellent 1994 results in part to a clearly planned communication strategy. Marketing materials were introduced in March 1994, including customer-tested guides that address the information needs of participants in a 401(k) plan. "I regularly receive rave reviews from our intermediaries about the new materials," says Kendall Kay, Director, Marketing Communications. "But the most satisfaction comes from customers who say these materials helped them understand their plan." Packages can be ordered by contacting local Manulife Group Offices across the United States *(see listings on pages 72 to 73)*.

Gordon hopes to carry this momentum in the group pension business to the annuity market. "The opportunity is there to build on our success and diversify into other areas in the future."



Clear, informative brochures help Manulife U.S group pension customers understand their 401(k) plan.

MARKET SPECIALIZATION

Hong Kong &

There is a tendency in some parts of the world to view the Asia Pacific region as a whole. Nothing could be further from the truth, especially when doing business in the region. Asia Pacific is perhaps the world's most diverse collection of countries, cultures and markets, each of them demanding extensive knowledge and individual attention. Mass marketing is a discipline best forgotten.

Manulife Financial has been operating in Asia Pacific for close to 100 years and its success has been built on one simple strategy: understanding your market and treating each country differently. In no two countries is this strategy better illustrated than Manulife's operations in Hong Kong and Indonesia.

After operating in Hong Kong for nearly a century, Manulife has become Canada's largest employer in the territory with more than 450 employees and 1,300 agents. Its approach has always been to hire a full-time, exclusive sales force and invest in the training and development of these professionals. In the wildly competitive life insurance business of Hong Kong, where agent "poaching" is a constant threat, Manulife has a well-earned reputation as a market leader and strong, stable employer of choice. Its turnover of sales agents is much lower than the competition's.

The business culture of Hong Kong is such that intensive marketing initiatives are constantly sought by Manulife agents. The company keeps pace through unique product innovations, advertising and mailing campaigns and sales incentives. The approach has proven successful as Hong Kong has emerged as Manulife's fastest growing business unit, with premium growth in excess of 20 per cent for the second straight year.

Unlike dense Hong Kong, Indonesia is a vast group of islands with close to 190 million people. When Manulife looked at the country in the early 1980s, it decided to capitalize on the expertise and market knowledge of a local company. It teamed up in a joint venture with Dharmala Group, one of the country's top ten conglomerates. Since opening its doors in 1985, the

Employees participate in Manulife's 1994 Board of Directors meeting in Hong Kong.

Specialized service in Asia: Victor Apps (left) of Manulife's Greater China division, and David Allen, Pacific Rim, discuss international growth strategies with Diane Schwartz, Senior Vice President, International Operations.

Indonesia

success of Dharmala Manulife has been overwhelming; starting from scratch it has achieved in just nine years a seven per cent total premium market share and continues to grow by 30 per cent per year. Hoping to break even within its first ten years in Indonesia, Dharmala Manulife surpassed expectations by earning profits in its seventh year of operation. It hasn't looked back since.

One reason for this success is Dharmala Manulife's unique approach to sales and relationship-building. It introduced the concept in Indonesia of a professional sales force by hiring full-time sales agents, investing heavily in training and offering the industry's best products. The offer of independent incomes has proven successful in attracting a highly motivated sales force (often the wives of executives) with extensive social and professional networks.

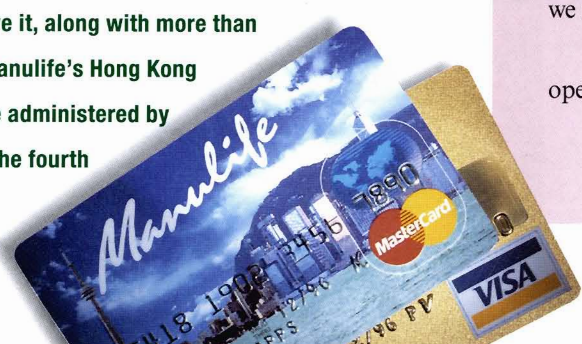
Hong Kong and Indonesia—two different countries, two success stories. Both demonstrate that for Manulife, thinking globally but acting locally is a proven strategy for long-term growth.

Manulife Credit Card launched in Hong Kong

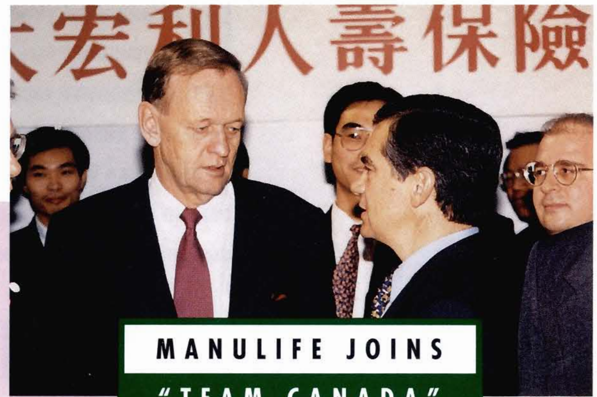
Manulife Financial and Dao Heng Bank Group of Hong Kong have teamed up to launch a bank card as part of an increased marketing thrust by the company in the territory. The credit card will be the first issued anywhere in the world carrying the Manulife name.

"This affinity card is an excellent way to increase our name recognition in Hong Kong," says Nicholas Crouch, Assistant Vice President, Hong Kong Marketing. "It is part of our long-range plan to increase our company awareness and expand our products and services to both current and future customers."

The card will be offered in both Visa and Mastercard versions, with Classic and Gold levels. All company policyholders in the colony are eligible to receive it, along with more than 1,750 agents and staff in Manulife's Hong Kong operations. The card will be administered by the Dao Heng Bank Group, the fourth largest bank in Hong Kong.



Canadian Prime Minister Jean Chrétien helped Dominic D'Alessandro open Manulife's newest representative office in Shanghai.



MANULIFE JOINS "TEAM CANADA" IN CHINA

MANULIFE FINANCIAL PRESIDENT AND CHIEF EXECUTIVE OFFICER DOMINIC D'ALESSANDRO WAS A MEMBER OF A HIGH-LEVEL GOVERNMENT AND BUSINESS TRADE MISSION TO CHINA in November 1994—the largest international trade mission ever undertaken by Canada.

Mr. D'Alessandro's involvement further underscored Manulife's growing activities in China. The company has formally applied for a licence to sell life insurance in the country and is optimistic that this will be granted in the near future. To that end, it has opened representative offices in Beijing, Shenzhen, Chengdu and Shanghai. During the trade mission, Canadian Prime Minister Jean Chrétien attended the official opening ceremony of Manulife's newest representative office in Shanghai. The company has since applied to open a fifth office, to be located in Guangzhou.

"China is our number one expansion priority in the world," says Mr. D'Alessandro. "It has the potential to be the world's largest life insurance market and we feel we are uniquely positioned to succeed there."

Mr. D'Alessandro's China trip featured top-level meetings with Chinese government officials and business representatives. "Our intent was to introduce our President to the key decision makers in China," says Regional Counsel Marc Sterling, who arranged Manulife's involvement. "We wanted an opportunity to state our goals and demonstrate our strong commitment to China, while furthering the relationships we are building."

Manulife is seeking to return to China, where it operated from 1897 until 1941.

Leadership Status for Reinsurance

IN fifteen short years, Manulife Reinsurance has built a solid international reputation on three core business strategies — developing a strong domestic base in North America, providing customized solutions for diverse client needs and capitalizing on opportunities in global markets.

In North America, it has achieved a leadership position in Life retrocession, accepting risks from other reinsurance companies. This status is reinforced by Manulife's Approach underwriting seminar, held each year in Toronto and consistently rated by reinsurance executives as a first-class information and networking session. This conference is augmented by specific client-focused seminars around the world. Special Risks, in particular, is recognized in North America and Europe as a market leader in the assessment of personal accident and catastrophe risks. Both Life Financial and Property and Casualty are also prominent participants in their specialized fields.

To maintain its position in increasingly competitive markets, Manulife Reinsurance has set itself apart through its ability to tailor agreements to satisfy varied requirements in all business lines. Pricing actuaries and underwriters, who also function as marketing representatives and meet directly with customers, are able to devise appropriate solutions for unique client problems.

Global markets have received increased attention by Manulife in recent years, with the opening of a reinsurance office in Wiesbaden, Germany in 1994 and in Singapore in 1991. The Wiesbaden office is leading the development of a professional European retrocession market, exceeding performance targets in its first year of operation. "We are showing other reinsurers the efficiency of retrocession, as opposed to spreading agreements with dozens of companies," says Rainer Pütz, Managing Director, Manulife Reinsurance Europe.

In Singapore, David Matthews, Vice President of Asia Reinsurance, notes that Manulife's distinguishing characteristic is its presence as a Canadian reinsurer among several domestic and European reinsurance companies. "With all the skill and expertise we have developed in the more mature North American market,

Assessing the Risk

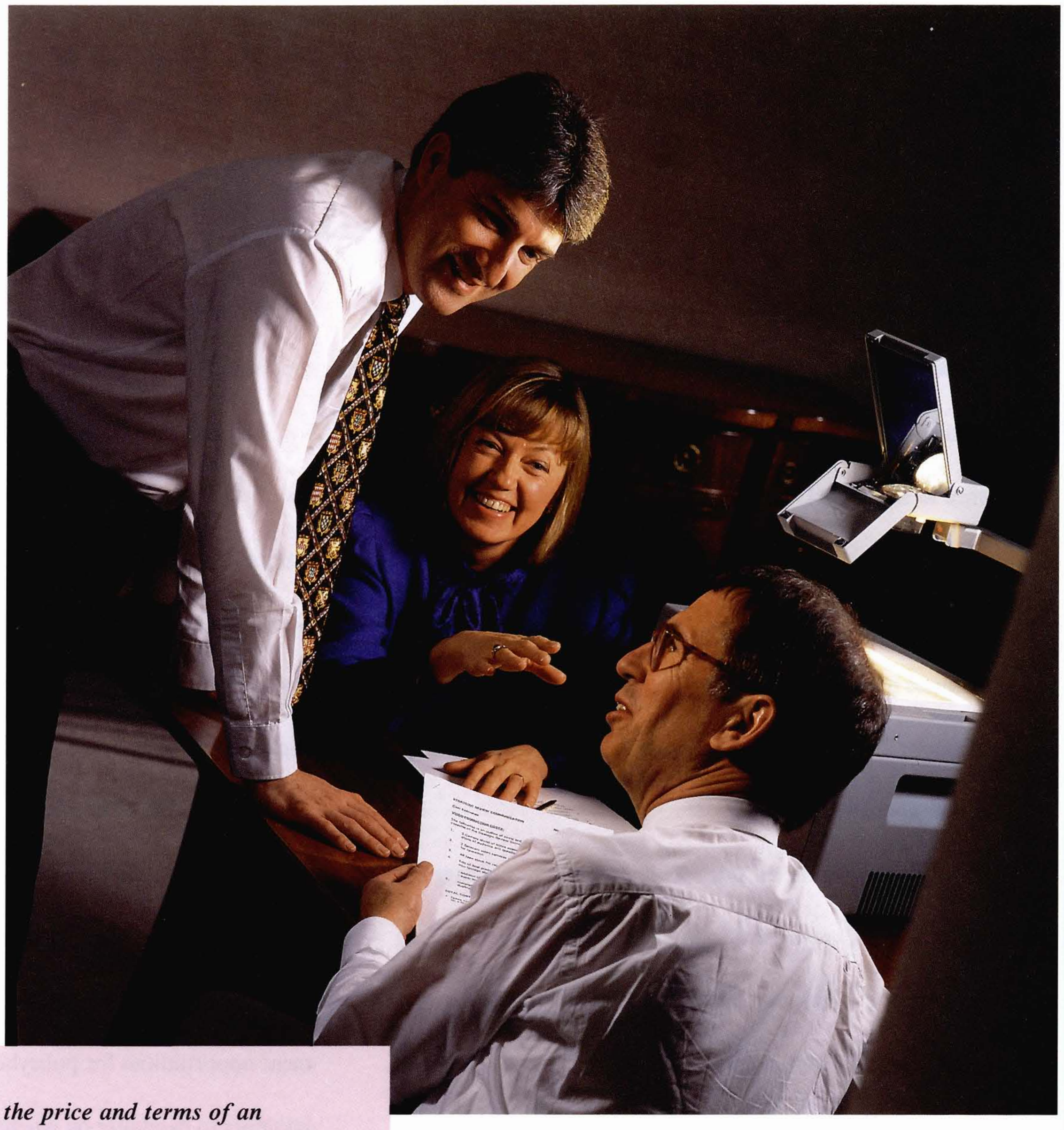
For actuaries and underwriters, managing risk is an everyday challenge. Life insurance companies utilize the skills of these professionals to analyze risk, determine prices and ensure reasonable profitability.

This is especially true in reinsurance, where the risk on large, often multi-million dollar insurance coverages is spread between two or more companies through specialized agreements. The insurance policies of professional athletes, for example, or the enormous costs associated with natural disasters necessitate the diffusion of risk through reinsurance.

Manulife Reinsurance's specialists are industry leaders in assessing risk and prudently setting price bases for agreements. All four lines of business (Life, Special Risks, Financial, and Property and Casualty) require in-depth knowledge of specific markets and awareness of regulatory and tax environments. The role of the actuary or underwriter can, however, vary greatly by line of business.

In Life reinsurance, for example, pricing actuaries initially perform an evaluation and then establish an appropriate structure for we can transfer solid risk assessment and innovative product design to the specific needs of the diverse Asia Pacific countries," he says. Manulife's Singapore office will focus on offering superior products and services, technical support and capacity to key customer segments. These include subsidiaries of multinational insurance companies and local enterprises which are part of larger conglomerates.

Although Manulife Reinsurance has set ambitious five-year targets for its domestic and international operations, it is confident these can be achieved through proven core competencies in risk assessment, product and treaty design, and actuarial skill.



Reviewing ambitious five-year targets for domestic and international reinsurance operations are Zane Stait-Gardner, Senior Vice President and General Manager, Manulife Reinsurance, David Matthews (left) and Rainer Pütz.

agreements. "To excel as a pricing actuary, you need to have solid market, product and technical knowledge, coupled with a good understanding of general underwriting principles," says Paul Nitsou, Assistant Vice President, Reinsurance Actuarial. Life underwriters then evaluate the individual risks, which may include medical, occupational, avocational or financial concerns.

Special Risks reinsurance also uses actuarial statistics but a lack of historical data or nuances in individual risks require underwriters to use their knowledge, experience and judgment in establishing the price and terms of an agreement. "Underwriters have to be 'jacks of all trades' to get a better understanding of the risks involved in each case," says David Isbister, Director, Special Risks.

Life Financial and Property and Casualty reinsurance, by contrast, involve evaluation of whole portfolios, rather than assessment of individual risks.

Manulife Reinsurance's market leadership, broad range of international clients and long-term relationships are testimony to its actuarial and underwriting expertise.

Managing Risk
ON A WORLDWIDE

From an investment perspective, the worldwide economy over the past year can be characterized by one word—volatility. Whether it be the immense shift in consumer preference to segregated funds over fixed rate investments, the flat performance of world stock markets, or the emerging investment opportunities of Asia Pacific, the changing nature of the business demands a high degree of risk management. At Manulife Financial, managing risk on a worldwide basis is one of our core strengths.

"We can handle all sides of the investment package for our policyholders," says Joe Mounsey, Senior Vice President, Investments. "With our international investment capacity and knowledgeable fund managers, we are well positioned to respond quickly to changes in bond or equity markets around the world."

For decades, Manulife has cultivated a strong global presence in its high-quality asset mix to offset the uncertainty of domestic market developments and to benefit from areas of economic growth. An essential component of the investment strategy has been to diversify holdings outside Canada in order to capitalize on opportunities in foreign markets.

The breadth of Manulife's investment experience was highlighted in 1994 with the introduction of several new funds. In the United States, the International Fund and the Pacific Rim Emerging Fund were launched to expand the range of investment opportunities for policyholders. These funds allow investors to capitalize on emerging markets in areas from Eastern Europe to South America to Asia. "In the new global

Manulife's busy investment trading floor: well positioned to respond quickly to changes around the world.

BASIS

economy, only a global strategy can provide both the risk protection and the appreciation potential every investor seeks," says Wendy Dempster, Assistant Product Manager, U.S. Marketing.

In Hong Kong, Investment Operations announced a joint venture with the Regent Pacific Group to offer the Regent Manulife Global Fund, an exciting new opportunity for long-term wealth accumulation. In Canada, Manulife launched the Cabot Funds, a series of domestic and international mutual funds designed for everyone from the conservative to high-risk investor.

Matching Assets with Liabilities

Asset/liability management is essential to the operation of any financial services organization. Involving complex risk assessments around investment fund portfolios and policy liabilities, this skill requires a high level of financial sophistication to ensure the company delivers good value to customers and earns the return guaranteed to policyholders.

At Manulife Financial, the past three years have witnessed some important developments in enhancing and sustaining superior asset/liability management. A new unit called Asset Liability Coordination (ALCO) was established in 1994 to manage each portfolio's risk profile and ensure that the company is maximizing the return on assets backing policyholder funds.

"Although we have had risk measurement systems in place for several years, this new function focuses on integrating those systems to make key asset and liability decisions," says Cindy Forbes, Vice President, Asset/Liability Management.

Annuity portfolios, which comprise more than half of the company's assets, have been the main area of focus. These funds generally require the greatest degree of asset/liability management, especially in terms of interest rate risk.

"Manulife is a leader in the Canadian life insurance industry in asset/liability management," Forbes says. "Our vision is to build this expertise into a company-wide core competency, specializing not just in minimizing risk but also in creating business opportunities."

Quality Properties ATTRACT Quality Tenants

Kevin E. Joyce, managing partner in the Washington, D.C. law firm Cushman Darby and Cushman and Manulife Real Estate tenant, was impressed with "Manulife's flexibility in satisfying our special requirements."

In the market downturn of the early 90s, when office vacancy rates hit the 15 to 20 per cent range and practically no new construction was taking place in North America's major cities, Manulife Financial was able to maintain an above-industry average 90 per cent occupancy rate in its real estate portfolio. Its secret?

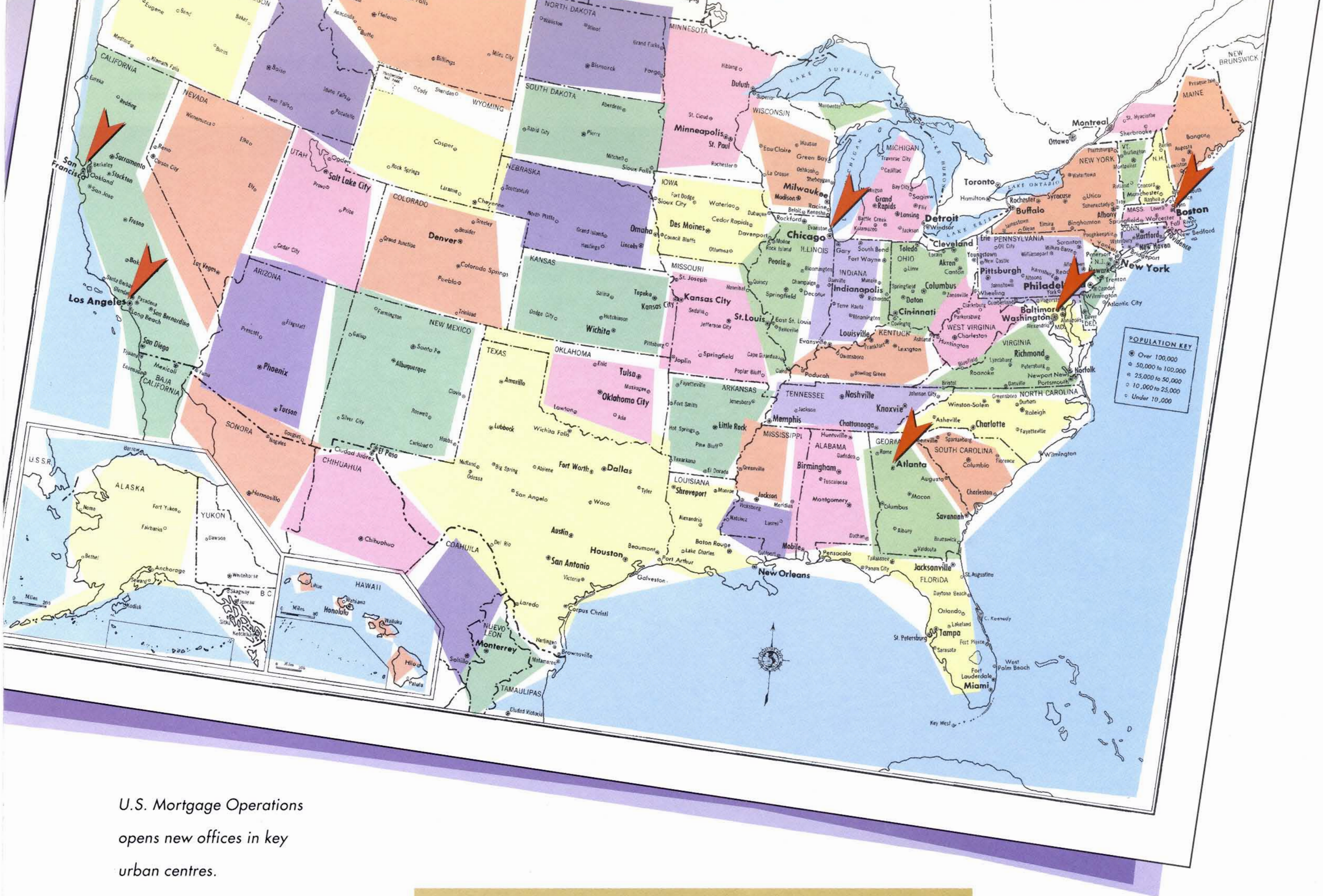
The answer is twofold, according to Richard Harris, Senior Vice President, Real Estate. "Manulife first of all provides superior tenant service to our clients. Secondly, we are distinct from most of our competitors in that we acquire, develop and manage our portfolio — we don't come in and take over an unfamiliar property."

As a landlord to many of North America's top organizations, Manulife Real Estate holds customer service as its highest priority. It conducts comprehensive tenant surveys every two years to keep abreast of customer needs. The 1994 survey of 1,000 commercial office tenants gave Manulife high marks on customer issues, such as promptness of action, quality of service and response rate. The area uses these responses as benchmarks for ongoing customer service.

Since the 1960s, Manulife Real Estate has developed its own properties to ensure the highest standards of quality. Today, the area still treads the traditional path of following through with a property from start to finish. "We've built up our property management and development capabilities over the years," Harris says.

Responsive tenant service and self-developed properties: it's a combination that works.

Since the 1960s, Manulife Real Estate has developed its own properties to ensure the highest standards of quality.



U.S. Mortgage Operations opens new offices in key urban centres.

Closer to the Customer

Manulife Financial's U.S. Mortgage Operations is opening six new offices in the United States to get closer to its customers. The offices will be located in Boston, Chicago, Los Angeles, Atlanta, San Francisco and Washington, D.C.

"The mortgage branches will allow us to serve our customers on a one-on-one basis," says Ivor Thomas, U.S. Mortgages Vice President, Mortgages and Real Estate. "Our presence in these key U.S. economic centres will give us a more in-depth knowledge of the real estate market."

The offices will be structured similarly to the Canadian Mortgage Operations in that servicing and administrative responsibilities will be transferred from Manulife's mortgage correspondents in the U.S. and brought into the Head Office in Toronto. The new branches will be directly involved in contracting new business and assisting in the collateral review process, an annual review of all loans in the existing portfolio.

Manulife intends to capitalize on the experience and client base of local mortgage experts. With their own staff originating new business in the U.S., the mortgage branches will have the opportunity to do more in-depth credit analysis and problem loan identification.

There are also additional opportunities for synergy in integrating the new mortgage offices with Manulife's existing network of real estate branches across the United States.

Children involved in Spokane's Northwest Pediatric Heart Project: an example for the entire country.

DONATIONS MAKE A DIFFERENCE

Manulife Financial continued its tradition of charitable support in 1994 by giving more than one million dollars to non-profit organizations around the world.

Education and preventive health measures are integral components of this corporate donations policy. Last year alone, the company gave more than $400,000 to preventive health programs and $180,000 to educational initiatives, supporting local and national agencies in the diverse communities where it does business.

As a life insurance company, Manulife directs funds to those areas that will improve the quality of life for all people. "There must be a commitment to making long-term differences," says Sharon Cobban, Manager of Corporate Donations. "When the focus is on prevention, there is an opportunity to have the greatest impact in our communities."

One such example is Manulife's support of the Heart Institute in Spokane, Washington. Last year it gave a substantial donation to the Northwest Pediatric Heart Project, a five-year study examining the health behavior of children and identifying high-risk categories for heart disease. This comprehensive program to prevent heart disease at an early age is expected to be an example for the entire country.

In Canada, Manulife's Corporate Donations Committee approved a pledge to the Arthur Sommer Rotenberg Research Fund. The Fund's goal is to establish a Chair in the Department of Psychiatry at the University of Toronto for study and research into the causes of suicide. This will make the university one of the few educational institutions where a Chair is designated specifically for research into one of Canada's — and the world's — primary social problems.

These are just two examples of how charitable donations can lead to greater awareness, aid in the preservation of life and make long-term differences in local, national and international communities. Manulife, on behalf of its employees, agents and policyholders, feels it has a responsibility to support charitable organizations and perhaps, by example, encourage others to do the same.

Fighting Breast Cancer

In November, Manulife Financial's Board of Directors approved a $250,000 donation over five years to the Canadian Corporate Fund for Breast Cancer Research. This is a unique donation that gives Manulife the opportunity to help people both inside and outside the workplace.

President and Chief Executive Officer Dominic D'Alessandro, as co-chair of the fundraising campaign, will be seeking financial support from other large corporations. "We are looking for substantial donations from some of Canada's largest companies to support this worthwhile cause," says Mr. D'Alessandro. "Breast cancer affects one in nine women, so I feel Canadian companies have a certain responsibility to contribute."

Breast cancer strikes women of all ages, but especially those between the ages of 34 and 54. It is clearly a disease with devastating personal and social consequences.

To date, the federal government and Canadian Cancer Society have raised approximately $30 million. The goal of the Corporate Fund is to contribute another $15 million for breast cancer research.

Dominic D'Alessandro (left) appeared with co-chair of Canadian Corporate Fund for Breast Cancer Research, Dian Cohen, on the popular CTV broadcast, Canada AM.

Honoring Our Best

Each year at Manulife Financial we honor a distinguished group of sales associates and employees from around the Manulife globe who have contributed to the company through their ongoing dedication and pursuit of excellence. Giving nothing but the very best is the hallmark of this special group of achievers. At this year's Annual General Meeting, 39 such individuals received this prestigious honor. In recognition of their efforts, Manulife has made a donation in their name to the charity of their choice.

We are pleased to help our employees and agents in their ability to help others, and we extend a sincere congratulations to all of them:

Corporate

John L.W. Lyon, CA, CFA
Assistant Vice President
Business Development
1994 Corporate Employee Honoree

Securities

Steve Boag, CA, FCA
Finance Director
International Investments
London
1994 Securities Employee Honoree

Mortgages & Real Estate

Janet Krolman, CFA
Senior Mortgage Investment Officer
1994 Mortgages & Real Estate
Employee Honoree

U.S. Individual Insurance

John C. Zimdars, Jr., CLU, ChFC, MSFS
Madison, Wisconsin
Chair, MFP Advisory Council

David W. Howell, CLU, ChFC
Clearwater, Florida
Leading MFP by Production for 1994

Chuck Longanecker
Region Manager
Western Region
1994 Region Manager Honoree

Steve T. Bourgeau, CLU, ChFC
Business Development Manager
Greater L.A. Region
#1 BDM for 1994 by Production

Jim A. Snodgrass, CLU, ChFC
Business Development Manager
Mid-Atlantic Region
#2 BDM for 1994 by Production

Matt Hudack, CLU, ChFC
Business Development Manager
Southwest Region
#3 BDM for 1994 by Production

Donna M. LeBlanc
Senior HR Consultant
1994 U.S. Individual Employee Honoree

Sara Gray Cassell
Service & Operations Manager
Southern Region
1994 U.S. Individual
Field Employee Honoree

United States Savings & Retirement Services

Charles A. Kerr
Pension Group Manager
Southeast Region – Charlotte GFO
1994 Chairman, Group Leaders Club

Steven S. Sansone, J.D.
Pension Sales Manager
Southwest Region – S. California GFO
1994 President, Group Leaders Club

Terrance P. Power, CFP, CLU, ChFC
Senior Account Executive
Southeast Region – Florida GFO
1994 Vice President, Group Leaders Club

Donald King
Regional Manager
Northwest Region – San Francisco GFO
1994 Management Excellence
Award Winner

Kendall Kay
Director, Marketing Communications
1994 Savings & Retirement Services
Employee Honoree

Reinsurance

Miriam Bester, ALHC, ACS
Director, Claims & Audit Services
1994 Reinsurance Employee Honoree

John R. Wilson, FSA, FCIA
Actuary, Reinsurance
1994 Reinsurance Employee Honoree

Greater China

Harry Wong
District Manager
Peninsula South District
Hong Kong
1994 Top District in Manulife Worldwide

Harold Oh
Senior Executive Consultant
Hong Kong Central Branch
Four Star Master Builder
& Top 2 Producer In Hong Kong (1994)

Joseph Ou Yang
Branch Manager, Kao Hsiung
Taiwan
1994 Leading Branch Manager in Taiwan

Alice Chow
Assistant Vice President & Controller
Hong Kong
1994 Hong Kong Employee Honoree

Pacific Rim

Joseph Ng
Branch Manager, OUB Manulife Pte. Ltd.
Singapore
Top Branch Manager in Singapore

Wongkar Vayon
Branch Manager, Bandung Branch
Indonesia
Top Branch Manager in Indonesia

Canada Individual

Garry Zlotnik, CA
Vancouver Resource Centre
Production Club President

Russell Lane
Vancouver Resource Centre
Production Club Vice President,
Western Canada

Mo Targosz
Kitchener-Waterloo Resource Centre
Production Club Vice President,
Central Canada

Joe Reda
Montreal Centre Resource Centre
Production Club Vice President,
Eastern Canada

Buddy Hulscher
Vancouver Resource Centre
1994 Agents' Council Chairman

Jacques Major, a.v.a.
Centre Métropolitain d'Assurance
Leading General Agent

Dale Congram, CLU
Montreal Centre Resource Centre
Manager of the Year, Division I

John Zoppas, CLU, CH.F.C.
Mississauga Resource Centre
Manager of the Year, Division II

Kelly Adams, CLU, CH.F.C.
Atlantic Resource Centre
Manager of the Year, Division III

Monty Lomow, CLU
Winnipeg East Resource Centre
1994 Managers' Council Chairman

Neil Duffy, ASA
Senior Actuarial Associate
1994 Canadian Division
Employee Honoree

Janice Beam, FLMI, ACS
Manager, SRS Client Relations
1994 Canadian Division
Employee Honoree

Canada Group

Craig Terry
Toronto Life & Health GFO
Leading Life & Health
Group Representative

Drew Pritchard
SW Ontario Pensions GFO
Leading Pension Representative

Virginia Mathieu-Penney, FLMI
Montreal Group Marketing Office
Leading Life & Health
Group Representative

TOMORROW'S TECHNOLOGY TODAY

Senior managers were exposed to leading-edge technology at Manulife's innovative Executive Forum.

At Manulife Financial, technology is recognized as a key business tool that will enable the company to succeed in the competitive global marketplace of the 21st century. "We intend to substantially increase our investment in technology in the coming years," says President and Chief Executive Officer Dominic D'Alessandro. "A company's operating systems must be state-of-the-art to give excellent service to customers and agents."

In 1995 alone, Manulife will boost its investment in technology by more than 20 per cent from the previous year, increasing its staff of technical professionals by a similar range.

Technological improvements, however, involve more than just additional money. Through comprehensive plans for 1995 and beyond, Manulife is committed to a strategy of using technology for business innovation. "When you're truly innovative, you're not only improving your operational productivity, but also using technology to serve your end customers in new and more effective ways," says Steve Gittins, Vice President, Information Technology.

There were several technology highlights in 1994, including the launch of an interactive voice response telephone system for U.S. group pension clients, providing up-to-date information on their plans. Manulife also completed the first phase of a new Mortgage Administration system, which will improve customer service. Another major project involved the development of leading-edge client management systems for agents and sales associates in North America, allowing for more in-depth financial analysis and quicker response times to customer inquiries.

The company is also building an infrastructure to share knowledge and technological expertise across business units through client-server computer systems, Local Area Networks (LAN), and Wider Area Networks (WAN).

Technology has the capacity to deliver real results for a company and its customers by improving productivity and creating more powerful communications. "Manulife will continue to look for opportunities to harness the power of technology to better serve our customers, associates and employees world-wide," Gittins says.

Corporate Division

Dominic D'Alessandro
President & Chief Executive Officer

Brian H. Buckles
Vice President,
Operational Planning

Don Guloien
Senior Vice President,
Business Development

Geoff I. Guy
Senior Vice President,
Finance & Chief Actuary

Pat Jacobsen
Senior Vice President,
Human Resources & Corporate Services

Joseph J. Pietroski
Senior Vice President,
General Counsel & Secretary of the Board

Canadian Operations

F. Barrie Usher
Senior Vice President,
Canadian Individual Insurance Operations

W. Bryce Walker
Senior Vice President,
Canadian Group Benefits

United States Operations

John D. Richardson
Senior Vice President & General Manager,
U.S. Operations

Stephen N. Gittins
Vice President
Information Technology

Bruce Gordon
Vice President,
Savings & Retirement Services

International Operations

Diane M. Schwartz
Senior Vice President,
International Operations

David J. Bell
Vice President,
International Operations

United Kingdom Operations

Frederick A. Simons
Senior Vice President & General Manager,
U.K. Operations

Pacific Rim Division

H. David Allen
Vice President & General Manager,
Pacific Rim

Greater China Division

Victor S. Apps
Vice President & General Manager,
Greater China

Reinsurance Division

Zane Stait-Gardner
Senior Vice President & General Manager,
Reinsurance Operations

Mortgages & Real Estate

Richard Coles
Senior Vice President
Mortgages & Real Estate

Richard S. Harris
Senior Vice President,
Real Estate

David Allison
Vice President,
Real Estate Investments

John E. Paton
Vice President,
Real Estate Operations & Development

Securities

Joseph B. Mounsey
Senior Vice President,
Investments

H. Francis Cushnahan
Managing Director,
Western Trust & Savings Ltd.

Treasury

Felix Chee
Senior Vice President & Treasurer

(left to right) Geoff Guy, Bryce Walker, Pat Jacobsen and Richard Coles

(left to right) Felix Chee, Zane Stait-Gardner, Joseph Pietroski and Don Guloien

(left to right) Dominic D'Alessandro, John Richardson, Diane Schwartz, Joseph Mounsey and Barrie Usher

William R.C. Blundell
Chairman
Manulife Financial
Toronto (1)(2)(3)(5)

Dominic D'Alessandro
President &
Chief Executive Officer
Manulife Financial
Toronto (1)(2)

James C. Baillie, Q.C.
Partner
Tory, Tory, DesLauriers
& Binnington
Toronto (1)(4)

John M. Cassaday
President &
Chief Executive Officer
CTV Television Network
Toronto (1)(4)

Lino J. Celeste
Chairman
NB Tel/Bruncor
Saint John (1)

Gail C.A. Cook-Bennett
Executive Vice President
Bennecon Limited
Toronto (1)(2)(3)

Robert Després, O.C.
President
DRM Holdings Inc.
Quebec City (1)(2)(5)

Richard F. Haskayne
Chairman
Nova Corporation of
Alberta
Calgary (1)(5)

Thomas E. Kierans
President &
Chief Executive Officer
C.D. Howe Institute
Toronto (1)(3)

Eden Martin
Partner
Sidley & Austin
Chicago (1)(3)

Donald S. McGiverin
Corporate Director
Toronto (1)(2)

Richard I. Nelson
Chairman
Pacific Pilotage
Authority Canada
Vancouver (1)(4)

Arthur R. Sawchuk
President &
Chief Executive Officer
DuPont Canada Inc.
Toronto (1)(5)

Hugh W. Sloan Jr.
President
Automotive Division
The Woodbridge Group
Troy, Michigan (1)(4)

Paul M. Tellier, P.C., C.C., Q.C., B.A., LL.L., B.Litt.
President &
Chief Executive Officer
Canadian National Railways
Montreal (1)(3)

Alan G. Turner, C.B.E.
Chairman
BPB Industries plc
Slough, England (1)(2)

The numbers following the Director's city of residence indicate Board Committee memberships.

(1) Member of the Investment Committee

(2) Member of the Executive Committee

(3) Member of the Audit Committee

(4) Member of the Conduct Review Committee

(5) Member of the Management Resources and Compensation Committee

All figures shown are in Canadian Dollars unless otherwise indicated.

Manulife Financial is an international mutual life insurance company with over 200 offices in eleven countries. All of the operating divisions of the company have profit responsibility and develop strategies based on the profile of their business and specific needs of their marketplace. All rely on the Investment Division to manage their respective investment portfolios. Strategic direction is provided from corporate head office and certain functions, such as finance, information technology, human resources and legal affairs, develop policies which provide central direction to the overall company.

As a mutual life insurance company, Manulife Financial does not have shareholders; rather, the company is managed for the benefit of its policyholders. Participating policyholders share in profits which are either paid out as policyholder dividends or retained within the company to maintain the strength of its capital base. Dividends are distributed by class of policyholder within each geographic market. The rights of participating policyholders, including the rights to vote and attend meetings, are defined under the Insurance Companies Act (Canada).

The company and its subsidiaries offer a wide range of products including life and health insurance, immediate and deferred annuities, pension and retirement products, savings and investment instruments, personal loans, and commercial and residential mortgages. These products and services are offered in the geographic markets as indicated in the following table:

	Canada	United States	International
Individual Life Insurance	■	■	■
Individual Annuities	■	■	■
Group Life and Health Insurance	■		■
Group Pensions	■	■	■
Segregated Funds/Unit Trusts	■	■	■
Term Deposits and Savings	■		■
Mortgage Backed Securities	■		
Commercial Mortgage Loans	■	■	■
Residential Mortgage Loans	■		■
Personal Loans	■		■
Reinsurance	■	■	■

Most of Manulife's insurance and annuity products are distributed through networks of professional insurance agents supported by marketing and administrative personnel in the company's branches and divisional offices. The approximate number of agents in each geographic area is as follows:

Canada	1,050
United States	2,200
International	2,800
Total	6,050

Manulife distinguishes itself from most other major Canadian life insurance companies through a significant presence outside Canada, product diversification within Canada and strength in reinsurance.

International Scope of Operations

Approximately 60% of Manulife's revenues come from outside Canada. The company has a long history of extensive international operations and in recent years has moved to further strengthen its presence outside North America, most notably through growth in Asia Pacific where premium income has grown at a compound rate in excess of 25% since 1985. Manulife has a long established presence in the Asia Pacific region having been in the Philippines for many years and in Hong Kong for almost a century. Operations in Hong Kong will be conducted through a wholly-owned subsidiary effective January 1, 1995.

The company has been re-established in Singapore since 1980 and has expanded operations into Indonesia (1985), South Korea (1991) and Taiwan (1992). Operations in Indonesia, Singapore and South Korea are conducted through subsidiaries under joint ownership with local enterprises. The company opened representative offices in Beijing in 1992, Shenzen in 1993 and Shanghai and Chengdu in 1994 in anticipation of being licensed to sell life insurance in the People's Republic of China during 1995. In addition, the company opened a representative office in Vietnam in 1994.

Geographic diversification cushions the company against the impacts of economic downturns in specific markets, and also allows the company to draw on the earnings and expertise gained in mature markets to finance development of younger, high-growth markets such as Asia Pacific.

In keeping with this international orientation, the company has adopted a decentralized management structure. Operating responsibilities have been divided primarily along geographic lines into divisions which have relatively homogeneous cultural, market and distribution characteristics. For example, the Canadian insurance market is mature and demand is increasing for savings and retirement products. By contrast, in Asia Pacific the insurance market is growing and demand centres on traditional whole-life insurance products.

Product Diversification

In 1994, the company purchased Confederation Life's group life and health operations in Canada. This acquisition positions the company as the second largest participant in the Canadian group life and health market.

In Canada, the company holds interests of 100% in Manulife Bank of Canada, 100% in Family Financial Services, and 80% in FirstLine Trust Company. A wholly-owned banking subsidiary, Western Trust & Savings, is located in the United Kingdom.

Manulife Bank of Canada is a Schedule II bank whose mission changed in 1994 from a regional retail banking operation to a national, agent-driven sales support organization using the lending licence to provide products with lending features to targeted population segments. The redirection led to the sale in August 1994 of the twelve retail branches, with most of their loans and deposits. FirstLine Trust is Canada's largest issuer of NHA mortgage backed securities. Family Trust is primarily a real estate broker but also offers trust term deposits and residential mortgages in the Toronto area. Western Trust & Savings offers residential mortgages, and secured and unsecured loans in the United Kingdom.

Manulife holds a 35% effective interest in Altamira Management Ltd., one of Canada's leading investment counsellors and mutual fund managers. The company's Canadian segregated fund investments are managed by Altamira. In Asia Pacific the high-end savings market has been targeted with a mutual fund joint venture between Manulife and Regent Pacific Group, whose majority shareholder is Altamira.

Leader in Reinsurance

Manulife draws on the advantages of its large size and strong capital base to hold a position as one of the world's leaders in reinsurance specializing in retrocession. (A retrocessionaire assumes the reinsurance business of direct reinsurers.) Reinsurance is marketed directly by the company to insurance companies and other reinsurers.

Manulife writes reinsurance contracts in North America, Asia Pacific and Europe and is active in each of the major reinsurance markets: life, special risks, financial, and property and casualty. In 1991, Manulife opened a reinsurance branch in Singapore to service the Asia Pacific region. Manulife opened a European branch office in Germany in 1994.

Most life insurance and annuity policies extend the company's guarantees for many years into the future. Accordingly, the accounting principles followed by the life insurance industry are based on this long-term view with respect to both assets and liabilities.

Insurance and Annuity Reserves

Insurance and annuity reserves represent the net present value of estimated future policyholder benefits, dividends and policy maintenance expenses, less future premiums, on insurance and annuity contracts currently in-force. The company's Actuary is responsible for determining the amount of insurance and annuity reserves 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 Actuary in the determination of insurance and annuity reserves are based on standards established by the Canadian Institute of Actuaries. The Actuary follows these professional standards and uses knowledge of the company's assets, future obligations and company operations in the determination of insurance and annuity reserves.

Because of the long-term nature of life insurance and annuity policies, the Actuary must make many assumptions with respect to future events and economic conditions. These assumptions include expected future mortality trends, investment yields, policy lapse expectations, policy maintenance expenses, and renewal premium payments. Because actual experience will not emerge exactly as expected, some level of conservatism, or margin, referred to as "provision for adverse deviations," must be built into the calculation of reserves. These margins are such that the expectation of meeting future obligations will be very high without relying on the additional safety of the company's capital and surplus base. Each year assumptions are tested extensively to ensure that they are appropriate for expected future conditions.

Changes in insurance and annuity reserves from period to period are reflected as charges against earnings on the statement of operations. Insurance and annuity reserves on the balance sheet are expected to be conservative to ensure future solvency of the company. On the other hand, the level of reserves should be as realistic as possible to produce a fair measure of the company's current operating results. These two divergent goals must be reconciled because, by law, one set of reserves must satisfy both purposes. Manulife emphasizes future solvency; therefore, the company's reserves have been determined using assumptions at the conservative end of the range permitted under standards defined by the Canadian Institute of Actuaries.

Invested Assets

Asset accounting principles used by a life insurance company must be consistent with the long-term nature of the life insurance and annuity policies. The rate selected to calculate the present value of future payments to policyholders in the calculation of insurance and annuity reserves must be consistent with the yield expected on invested assets after making adequate provisions for income expected to be lost due to defaults and to any mismatch between asset and liability cash flows. Capital gains and losses realized on bonds and mortgages due solely to the movement in market interest rates are deferred and amortized over future periods to maintain the discount rates used in the calculation of insurance and annuity reserves.

Accounting principles for Canadian life insurance companies reflect the view that funds are invested in equity securities and real estate to produce attractive average returns over the longer term. To reflect this view, both realized and unrealized gains on equity securities and real estate investments are amortized to income at rates of 15% and 10% per year respectively.

Policyholder Dividends

Individual participating policies are designed to permit the payment of policy dividends. Policy dividends largely represent an adjustment of the cost of insurance coverage provided to policyholders and, therefore, are recorded as a deduction from net income. The dividend policy approved by the company's Board of Directors is summarized on page 69.

Approximately 28% of the company's insurance and annuity reserves are represented by participating policies.

Reinsurance

Many insurance companies reduce their exposure to claims by passing a proportion of their direct written coverage, or amounts of insurance coverage in excess of certain limits to other companies that specialize in reinsurance. Reinsurers can also transfer a proportion of their risk to other companies in a process known as retrocession. Manulife Financial is a major retrocessionaire. The company assumes reinsurance risks worldwide in four lines: life insurance, special risks, financial reinsurance, and property and casualty insurance. Life reinsurance is the company's most significant area of activity. The risks associated with reinsurance and the factors affecting earnings are the same as for direct written policies except that claims experience potentially can be more volatile.

In the normal course of business, the company assumes and cedes reinsurance with other insurance companies. The financial statements are shown net of ceded reinsurance.

Segregated Funds

Segregated funds are assets managed on a pooled basis for the benefit of individual customers and corporate pension accounts. Because the risks and rewards of ownership accrue to the benefit of the fund holders, segregated funds are excluded from the company's balance sheet. The company earns management fees which vary by type of investment in the range of 0.5% to 2.0% of assets under administration. The market value of segregated funds under administration amounted to $5,445 million on December 31, 1994 ($4,012 million – 1993).

Factors Affecting Insurance Earnings

The following is a description of the key factors that can affect the level of earnings reported by the company:

(a) Profit Margins

A profit margin, which represents a fair and competitive return for the insurance risks assumed by the company, is built into the pricing of each policy.

(b) Provisions for Adverse Deviations

When a new policy is issued, normally the total of expenses, commissions and provisions for future benefits are higher than the premiums received in the first year because the provisions for adverse deviation built into insurance and annuity reserves by the actuary are larger than the profit margins in the new policy. These reserve margins are then released into income in future years as the policies mature. This results in reported earnings being depressed during periods of rapid growth and augmented as the growth rate slows.

(c) Claims Experience

The company uses both its own and industry experience to develop expectations of future claims that are used in setting reserves on life and health insurance policies and reinsurance contracts. Actual experience can fluctuate from one year to the next. The company also limits its exposure to loss by reinsuring risks over specified levels depending on the class of business.

The level of claims incurred by Manulife has been significantly less than expected in each of the last four years.

(D) CHANGES IN INTEREST RATES

On insurance products, earnings can be affected in the short term because adjustments to new premium rates and dividend scales will lag the market when interest rates change rapidly. On annuity and pension products, the company protects itself against losses due to changes in interest rates by pursuing a strategy of matching the term of its assets and liabilities within prescribed limits. However, earnings will be affected directly by changes in yields on invested assets backing the company's surplus and fixed premium non-participating insurance products.

(E) INVESTMENT PERFORMANCE

Even though realized gains and changes in the market values of equity securities and real estate investments are amortized to income over a period of years, large swings in market values that can occur in any given year on these classes of investments will still have a significant effect on reported earnings. Earnings will also be affected directly by credit losses on mortgages and fixed-term investments to the extent that they vary from amounts provided in the calculation of insurance and annuity reserves. The company's experience on investment losses is discussed more extensively in the section entitled "Review of Financial Condition and Investment Profile."

(F) POLICY LAPSES

When policies are priced, assumptions are made with respect to the length of time that they will remain in-force. Selling and other initial expenses are recovered from premiums paid over this period of time. If policies lapse earlier than expected, these initial expenses will not be recovered and additional future profit margins will be lost. Conversely, if policies remain in-force longer than originally assumed, then additional earnings will be realized. Manulife's business is well diversified; the company's ten largest accounts represent less than 5% of total policyholder liabilities.

Some companies suffer losses when investments must be sold to fund repayment of annuity or pension products which lapse after market interest rates have increased significantly. Manulife designs its annuity and pension products to avoid such potential losses by charging penalties on contracts which surrender early to take advantage of such changes in interest rates.

(G) EXPENSE LEVELS

Levels of future acquisition and maintenance expenses are assumed both in the setting of premium rates and calculation of insurance and annuity reserves. Earnings will be reduced if actual expenses exceed levels assumed when premium rates were established.

(H) DIVIDEND SCALES

Premium rates on participating policies are set on the assumption that policyholders will receive future dividends representing a return of available excess premiums due to experience that is better than that required to fund guaranteed benefits, related expenses and a priced profit margin. Reported earnings will fluctuate depending on the extent to which dividends declared and experience fluctuate from amounts provided for in the insurance reserves.

(I) CURRENCY FLUCTUATIONS

The company follows a policy of diversifying risks associated with the movement in world currency markets by investing a proportion of its surplus in assets denominated in foreign currencies. Various instruments are used to hedge a portion of the risk associated with adverse movements in the value of the Canadian dollar. Resulting foreign currency gains and losses are deferred and amortized at rates which approximate those for investment gains and losses.

(J) BUSINESS EXPANSION

Earnings can be temporarily reduced as the company incurs the costs of entry into new markets or product lines.

(K) INCOME AND OTHER TAXES

The levels of income, premium, capital and other taxes levied by tax authorities are subject to fiscal policies and political considerations. In recent years, governments, particularly in

Canada, the United States and the United Kingdom, have pursued policies aimed at increasing the level of tax revenue derived from the life insurance industry. These measures have tended towards methods of taxation based on capital employed and minimum imputed levels of taxable income irrespective of the actual level of earnings in the jurisdiction.

Factors Affecting Banking and Trust Earnings

(a) Net Interest Income

With the exception of FirstLine Trust, the primary source of income for the company's banking and trust subsidiaries in Canada and Western Trust & Savings in the United Kingdom has been interest spreads earned between deposits and invested assets. In the case of Western Trust & Savings, invested assets include residential mortgages, secured and unsecured loans. Earnings are highly dependent on abilities to attract deposits and acquire assets that will generate acceptable investment spreads for the level of risk involved. The major risks that must be managed consist of credit risk on customer loans and reinvestment risk from mismatched maturities of assets and liabilities.

(b) Mortgage Securitization

FirstLine Trust derives its income primarily from the packaging and sale of mortgages either as mortgage backed securities (MBS) or through the NHA Mortgage Trust, an independent trust formed for the purpose of issuing short and medium-term notes secured by mortgages insured by Canada Mortgage and Housing Corporation (CMHC) under the National Housing Act (NHA). FirstLine Trust is Canada's largest issuer of mortgage backed securities.

FirstLine Trust hedges all mismatch risk both on its balance sheet and during the MBS securitization process. Credit risk for those mortgages retained on its balance sheet is minimized primarily by insuring mortgages with CMHC and otherwise by retaining only high quality loans.

Capital Requirements and Solvency Protection

In addition to margins contained in insurance and annuity reserves, minimum levels of capital and surplus must be maintained in insurance operations to ensure future solvency. These minimum levels are calculated based on a formula for Minimum Continuing Capital and Surplus Requirements (the MCCSR ratio) prescribed by the Office of the Superintendent of Financial Institutions of Canada. This formula requires amounts of surplus to be maintained that vary directly with the risk characteristics of each category of assets and liabilities held by the company. To a certain extent, the level of a company's MCCSR ratio is a trade-off between higher degrees of solvency protection and higher rates of return that can be achieved by assuming greater investment risk.

Manulife's policy is to maintain capital and surplus balances well in excess of the minimum required under government regulations, but not so high that the company's ability to achieve additional investment returns is adversely affected. As of December 31, 1994 the company's MCCSR ratio was significantly in excess of the minimum required.

Investment proposals for new or expanded lines of business are assessed based on the projected rate of return on invested capital. Each division is also measured by the rate of return earned on capital required to support its operations.

Manulife is well diversified because of its operations in many countries, its expansion into additional countries, its activities in many different lines of business and its variety of investment vehicles. This diversification helps to buffer the company from severe fluctuations in an economic downturn.

As a further measure to protect the solvency of the company, the Appointed Actuary is required by Canadian law to prepare an annual report to the Board of Directors showing the expected effects of a series of adverse economic scenarios on the company's earnings and surplus position over the succeeding five-year period. Any foreseeable dangers to the appropriate level of the company's surplus can thus be identified. Projections completed within Manulife during 1994 indicated that the company could meet minimum statutory capital requirements over the next five years under each of the adverse scenarios.

All the above measures are used to ensure that the company can maintain its ability to pay future guaranteed benefits to its insurance and annuity policyholders. This has been recognized by external professional rating agencies. Standard & Poor's, Moody's, Duff and Phelps, A.M. Best and Dominion Bond Rating Service each assign Manulife ratings within their highest range of categories for claims paying ability, thereby recognizing the company as among the strongest in the life insurance industry.

Risk Management Policies

Manulife's continued success is dependent on the ability to effectively manage business risk.

Business risk includes major financial, market and operating risks. Manulife has established policies and procedures for managing these risks as well as periodic reviews by internal auditors, external auditors and regulators. All policies and procedures are subjected to ongoing review to ensure appropriateness to the current environment.

Senior management reports on key risks quarterly to the Audit Committee of the Board of Directors.

Credit Risk

Credit risk is the risk that a mortgage borrower or other counterparty will fail to fully honour its financial obligations. Manulife's credit risks include default by existing mortgage borrowers and security issuers, as well as default by foreign exchange, derivative and reinsurance counterparties.

Senior management within the Investment Division establishes policies and procedures for the management of credit risk which limit concentration by issuer, connections, rating, and geographic region. Limits are placed on all personnel in terms of ability to commit the company to credit instruments.

Credit and commitment exposures are monitored using a rigorous methodology and are subjected to a formal quarterly review involving Senior Vice Presidents from the Investment Division and Corporate Office. Specific allowances are established where the risk of default exists; general allowances are also established as part of the actuarial reserving process.

Credit policies are subject to the approval of the Board of Directors.

Claims Risk

Manulife uses both its own and industry experience to develop expectations of future claims that are used in setting reserves on life and health insurance policies and insurance contracts.

The company is always subject to the risk of a change in the health and life expectancy of the population. Claims trends are therefore monitored on an ongoing basis. Revision of valuation assumptions, where required, is approved by the Senior Vice President, Finance and Chief Actuary.

The management of ongoing claims risk for an insurer includes establishing appropriate criteria to determine the insurability of applicants as well as managing the exposure to large dollar claims.

At Manulife, underwriting standards have been established to manage the insurability of applicants. These standards are applied to each

Operating Division; the Corporate office performs periodic reviews to ensure compliance with standards.

Exposure to large claims is managed by establishing policy retention limits. Policies in excess of the limit are reinsured with other companies.

Underwriting standards and policy retention limits are reviewed on a periodic basis by the Corporate Office and approved by the Senior Vice President, Finance and Chief Actuary. Any increase in policy retention limits requires approval by the Board of Directors.

Pricing Risk

The process of pricing products includes the estimation of many factors including future investment yields, mortality, expenses, rates of surrender and taxes. Pricing risk is the risk that actual experience will not unfold as estimated in pricing. Some products are designed such that adjustments to premiums or benefits can be made for experience variations, while for other products no such changes are possible.

The company manages pricing risks by setting standards and guidelines for pricing. These outline the approach that should be followed in estimating future experience in pricing, approaches that should be followed in product design to limit the risks borne by the company, and approaches to scenario testing which should be performed in order to document the level of risk exposures and outline the profit margins that should be earned. These standards and guidelines ensure that only an appropriate level of risk is borne by the company and that fair value is provided to the policyholders. Any changes to these standards must be approved by the Senior Vice President, Finance and Chief Actuary.

The process of pricing products is undertaken in our various operating divisions and the Chief Financial Officer of each division is responsible for approving the product design and pricing of each product to ensure the company's standards and guidelines are met. Periodic reviews are undertaken by the Senior Vice President, Finance and Chief Actuary to ensure divisional compliance with the pricing standards and guidelines.

Currency Risk

The company conducts business in a number of foreign countries and for the most part follows a policy of investing assets in the same currency as the liabilities being assumed. It is also company policy to diversify the currencies in which surplus is invested and to hedge a portion of the risk associated with an unfavourable movement in the value of the Canadian dollar. Further detail is provided under Foreign Currency, page 48.

To control foreign exchange risks, limits have been established by senior management to control the level of surplus assets invested in foreign currencies and the level of hedging activity. Various instruments are used to control the level of foreign exchange exposure, and the exposure is monitored daily by the Senior Vice President and Treasurer.

The company's foreign exchange control policy has been prepared by senior management and approved by both the Finance Committee (which includes the Chief Executive Officer, the Senior Vice President, Finance and Chief Actuary and the Senior Vice Presidents, Investments) and the Board of Directors.

Duration and Interest Rate Risk

Manulife's policy is to match the cashflows of assets and liabilities within prescribed limits, to avoid exposure to both interest and duration mismatch. This is particularly important for savings and retirement products.

Interest rate risk is the responsibility of the company's Asset and Liability Committees which include senior executives and which are chaired by the Vice President, Asset and Liability Management.

Investment managers are permitted to deviate from an exact term match to take advantage of expected interest rate movements. However, the amount of the mismatch is restricted. Further detail is provided under Asset/Liability Matching, page 47.

Interest rate exposure is managed on an ongoing basis and is reported to senior management at least weekly.

The company's interest rate management policy has been developed by senior executives within the Investment Division and the

Corporate Office and has been approved by the Finance Committee and the Board of Directors.

Asset Segmentation Risk

Manulife writes blocks of insurance and annuity business which require asset support of differing characteristics for the satisfaction of obligations. For instance, inability to allocate appropriate assets to annuity products would produce volatility in the reserves set aside to support these products. Similarly, the target asset mix to support surplus must have regard to solvency, regulatory requirements and future business growth needs. Therefore, it becomes essential to assign specific assets to support specific blocks of business to ensure that cashflows match the requirements of these blocks.

The company manages segmentation risk by establishing and monitoring target asset mixes and cashflows for each block of business or segment. Segment owners are being appointed to perform monitoring functions and to ensure that management information is reported accordingly.

Target asset mixes are established as part of the Investment Division guidelines with input from Corporate Actuarial, Asset/Liability Management and the operating divisions. These guidelines are approved by the Finance Committee and the Board of Directors.

Liquidity Risk

The management of liquidity risk involves ensuring that sufficient cashflow is available by currency to meet all obligations as they become due.

Manulife minimizes liquidity risk by maintaining a high proportion of assets in marketable government securities, and maintaining access to other sorts of liquidity, such as commercial paper funding.

The company monitors cashflow on a daily basis while at the same time managing liquidity in future years by tracking future commitments and asset/liability maturities.

Liquidity is managed centrally under the Senior Vice President and Treasurer.

Market Risk

Market risk relates to the impact on future earnings of movements in interest rates, foreign exchange rates and equity prices. The management of market risk is the primary responsibility of trading personnel in the Bond, Equities and Foreign Exchange areas of the Investment Division.

The company manages market risk by establishing and monitoring appropriate trading limits for each market. Each market is segmented on a geographic basis with a Vice President in charge of each segment. Experienced, well-trained personnel are in charge of each portfolio and trading systems are subject to ongoing development.

Market trading limits are established by senior management within the Investment Division and approved by the company's Finance Committee and the Board of Directors. Ongoing compliance with the limits is monitored by Investment Division senior management, and is reviewed on an annual basis by internal and external auditors.

Operating Risk

Operating risk is the exposure to inadequate internal controls, including inadequate control of risk management. Operating risks expose the company to potential loss of earnings.

The company manages operating risks by establishing appropriate internal control policies and procedures. This includes ensuring that senior management and the Audit Committee of the Board of Directors are appraised on a regular basis as to the status of key areas of risk.

A Controllership function has been established in each Operating Division and in the Investment Division. The Controller is responsible for day-to-day management of operating risk within the division including compliance with control policies established by the Corporate Office.

Internal and external auditors review internal controls and report to senior management and the Audit Committee of the Board of Directors on a quarterly basis.

Analysis of Consolidated Earnings

Growth in both new and renewal business resulted in a 12.7% increase in 1994 premium income. All geographic regions reported higher premiums. In addition, significant growth in the sale of off-balance sheet segregated fund products brought a 35.7% increase in segregated fund assets under management.

Net income in 1994 grew to $280.9 million from $187.3 million in 1993. The principal factors contributing to the $93.6 million increase in net income are summarized in the following table:

Source of Earnings ($ millions)	Earnings Increase (Decrease)
Operating factors	$ 77.1
Investment factors	36.9
Foreign exchange translation	21.9
Premium and income taxes	(42.3)
Increase (decrease) in 1994 earnings	93.6
1993 earnings	187.3
1994 earnings	**$ 280.9**

Operating Factors

The change in operating factors measures the total increase in net income over the previous year exclusive of the impact of investment results, foreign exchange translation and taxes.

Operating factors contributed an additional $77.1 million to net income in 1994.

The increase reflected an improvement in underwriting results in our life insurance and reinsurance businesses, particularly in North America, and higher profits from both new business and our growing block of in-force policies. Improved operational strategies in our North American annuity and savings businesses also contributed to net income. These positive items were partially offset by costs associated with the restructuring of the company's sales organization in the U.S., the group life and health acquisition from Confederation Life and payments to CompCorp (the Canadian life insurance industry consumer protection organization).

Investment Factors

Investment factors measure the impact on net income of changes in investment yields, asset loss provisions, amortization of gains and losses and other aspects of investment performance.

In 1994, investment factors contributed $36.9 million more to net income than in 1993.

The 1994 improvement is largely the result of widening spreads between investment income earned on company assets and the interest rates required to support policyholder liabilities. The company's policy of holding reserves to cover future asset losses also contributed to the improvement in investment factors.

Partially offsetting the above positive factors was reduced income from equity securities due to the weak performance of world stock markets and reduced amortization of market gains into income. Real estate market values also showed a decline, part of which was amortized into income.

Foreign Exchange Translation

The company earns a substantial amount of its net income outside of Canada. Due to the decline in value of the Canadian dollar, particularly relative to the U.S. dollar, the net income of non-Canadian operations increases when translated into Canadian dollars. Also, the company holds more assets than liabilities outside of Canada and, again, when the net foreign assets are translated into Canadian dollars their value increases as the Canadian dollar declines. The weakening Canadian dollar resulted in increased deferred foreign exchange gains and improved net income as a result of the related amortization. The aggregate of the gain due to improved translation of foreign net income and the increased amortization of deferred foreign exchange gains was a $21.9 million increase in net income relative to 1993.

Premium and Income Taxes

As a result of higher pre-tax net income, income taxes were higher in 1994 by $35.0 million. Premium growth, particularly in Canadian group life and health products, and a changing geographic mix of business resulted in a $7.3 million increase in premium taxes.

Geographic Results

Canada

In 1994, Canadian guaranteed fund premium income grew by 26.9% to $1,965.1 million. Individual annuity business grew strongly and group life and health business, including the impact of business acquired from Confederation Life, was also up significantly. Savings and retirement product premiums grew by 17.4% and the size of Canadian operations off-balance sheet segregated fund business grew by 31.0%. Group life and health premiums grew by 84.8% to $414.7 million while individual life insurance premiums grew by 7.5%.

Net income from Canadian operations improved significantly to $49.0 million from $5.8 million in 1993. An increase in earnings from savings and retirement products was fueled by the growth in this line of business in recent years. Individual insurance earnings also increased due to lower new business strain, continued improvement in claims experience and increased profits from the in-force block of business.

Earnings from group life and health operations were impacted by the company's decision to provide in 1994 for the costs of integrating the block of business acquired from Confederation Life. This decision will improve future profits. The acquisition provides Canadian operations with a strong market position (number two in Canada), an excellent fit into the existing operation and leading technology.

During 1994, the retail branches of Manulife Bank of Canada were sold, enabling a more directed focus on supporting the insurance operations. The bank will continue to emphasize products for core insurance customers. During 1994, FirstLine Trust was impacted by a significant change in the residential mortgage market, driven by aggressive interest rates offered by FirstLine's competition. In order to protect the company from future volatility in the mortgage market, management streamlined operations. This process reduced net income in 1994 but positions the company for profitable growth. Overall the company's Canadian bank and trust operations reported an increased net loss in 1994 primarily due to costs associated with the bank retail branch sale and the FirstLine restructuring.

United States

Premiums in the U.S., including segregated fund premiums, grew by 10.8% compared to 1993. Group pension was the main contributor to the improved performance; segregated fund deposits in this line of business grew by 74.0%. Variable life insurance sales also improved significantly, reporting a 59% increase in first year premiums compared to 1993. Individual insurance premiums were relatively unchanged despite the fall-off in first year premiums on participating business, reflecting the impact of lower dividend crediting rates throughout the industry.

In a strategic move, the U.S. operations sold its group life, long-term disability and stop loss health insurance businesses. The sale had little impact on 1994 results but will result in increased profits in 1995. The sales were achieved with minimal disruption to other core businesses.

Net income in the U.S. increased significantly from $115.8 million to $155.1 million in 1994. Claims experience improved further in 1994 while the slower individual insurance sales reduced the earnings impact of new business strain. The impact on U.S. operations of continued weak real estate markets had already been anticipated in insurance and annuity reserves. 1994 net income was negatively impacted by the cost of a major restructuring of the field sales organization. This restructuring hampered sales efforts but positions U.S. operations for profitable future growth.

Reinsurance premiums earned in the U.S. increased by $51.3 million to $520.1 million in 1994. Net income from reinsurance operations in the U.S. also improved, mainly due to continued favorable claims experience.

INTERNATIONAL

ASIA PACIFIC

The business environment in the Asia Pacific region continued to be positive, with existing markets liberalizing and new markets opening. In order to provide greater focus to these opportunities, our Asia Pacific Region was divided into the Greater China and Pacific Rim Divisions.

Premium income in Asia Pacific grew by 27.4% in 1994. Hong Kong, the company's flagship operation in Asia Pacific, reported premium growth of 24.0% and now accounts for 76% of company premiums in the region. Every other territory in the region reported premium growth in excess of 30%.

Net income from the region dropped 9.6% in 1994. The drop was mainly in Hong Kong and was due to increased new business strain resulting from the rapid sales growth and the impact of a weak Hong Kong stock market.

UNITED KINGDOM

Premium income in the United Kingdom, including the sale of segregated fund products, increased by 9.3% relative to 1993. The increase was due to a growth in renewal premiums and the weakening of the Canadian dollar against the U.K. pound. New sales were sluggish, a phenomenon experienced by the U.K. industry as a whole in the wake of negative publicity surrounding sales illustration practices. The U.K. accounted for 2.2% of 1994 general fund premiums, unchanged from 1993.

Net income from insurance operations showed an increase over 1993. Claims experience improved, costs declined as a result of stringent expense control and the U.K. pound strengthened in value relative to the Canadian dollar.

Banking operations in the U.K. reported increased profits in 1994. The improvement was a result of declining arrears, reduced loan loss expenses and increased interest margin levels.

PREMIUM INCOME

The following table shows the distribution of premium income by line of business and geographic territory over the last two years.

($ millions)	TOTAL	CANADA	UNITED STATES	INTERNATIONAL
1994:				
Individual Life Insurance	**$2,252.4**	**$ 285.9**	**$1,493.6**	**$472.9**
Group Life and Health Insurance	**583.8**	**414.7**	**142.5**	**26.6**
Reinsurance	**586.0**	**44.8**	**520.1**	**21.1**
Individual Annuities	**1,031.3**	**965.0**	**29.8**	**36.5**
Group Pension	**566.5**	**254.7**	**199.6**	**112.2**
TOTAL	**$5,020.0**	**$1,965.1**	**$2,385.6**	**$669.3**
1993:				
Individual Life Insurance	$ 2,155.8	$ 265.9	$ 1,520.8	$ 369.1
Group Life and Health Insurance	385.2	224.4	144.0	16.8
Reinsurance	497.9	19.2	468.8	9.9
Individual Annuities	844.0	773.8	39.2	31.0
Group Pension	573.1	264.8	200.5	107.8
TOTAL	$ 4,456.0	$ 1,548.1	$ 2,373.3	$ 534.6
Per cent Increase in Premium Income	12.7%	26.9%	0.5%	25.2%

SEGREGATED FUNDS

The company also accepts deposits to segregated funds. The geographic distribution of segregated fund deposits and withdrawals over the last two years was as follows:

($ millions)	TOTAL	CANADA	UNITED STATES	INTERNATIONAL
1994:				
Deposits from Policyholders	**$1,590.0**	**$ 670.8**	**$ 669.8**	**$ 249.4**
Payments to Policyholders	**(664.8)**	**(343.2)**	**(176.7)**	**(144.9)**
Transfers from (to) General Funds	**323.8**	**241.6**	**68.6**	**13.6**
NET DEPOSITS	**$1,249.0**	**$ 569.2**	**$ 561.7**	**$ 118.1**
1993:				
Deposits from Policyholders	$ 1,091.8	$ 487.7	$ 384.9	$ 219.2
Payments to Policyholders	(388.8)	(153.7)	(99.9)	(135.2)
Transfers from (to) General Funds	(17.3)	4.6	(18.6)	(3.3)
NET DEPOSITS	$ 685.7	$ 338.6	$ 266.4	$ 80.7
Per cent Increase in Net Deposits	82.1%	68.1%	110.8%	46.3%

Asset Growth

As indicated in the following table, balance sheet assets grew by 4.5% in 1994, but total assets under administration by Manulife and associated companies increased by 7.3%. Balance sheet asset growth was dampened by the 1994 sale of Manulife Bank of Canada's retail branches as well as the trusteeing of pension plan assets of approximately $250 million. Off-balance sheet assets increased by 19.5% due to outstanding sales growth in the company's Canadian and U.S. savings and retirement segregated fund products.

Assets Under Administration ($ thousands)	**1994**	1993	% Change
General and Guaranteed Funds:			
Life Insurance and Annuities	**$38,672,329**	$36,197,276	6.8%
Trust and Banking	**1,554,854**	2,296,483	(32.3)%
Total	**40,227,183**	38,493,759	4.5%
Other Assets Under Administration By Manulife and Subsidiaries:			
Segregated Funds	**5,444,984**	4,011,806	35.7%
Securitized Mortgages	**4,622,159**	4,477,130	3.2%
Other	**746,063**	563,271	32.5%
Total	**10,813,206**	9,052,207	19.5%
Total Assets Under Administration	**$51,040,389**	$47,545,966	7.3%

The company also holds a 35% effective interest in Altamira Management. Altamira's assets under management, which are excluded from the above table, grew by 31.7% in 1994, from $10,115.2 million in 1993 to $13,320.1 million at the end of 1994.

Taxation

Changes in tax laws, primarily in Canada and the United States, continue to increase the incidence of taxes on life insurance companies. Provisions for taxes payable to all levels of government in all jurisdictions in which the company operates increased by $46.6 million or 21% in 1994 as indicated in the following table.

($ thousands)	**1994**	1993
Regular Income Taxes:		
Payable Currently	**$ 91,892**	$ 236,534
Deferred	**(17,359)**	(194,108)
Capital Based Minimum Income Taxes	**23,320**	20,403
Total Income Taxes	**97,853**	62,829
Premium Taxes	**57,453**	50,104
Property Taxes	**62,799**	66,742
Employer Payroll Taxes	**17,389**	15,320
Commodity and Consumption Taxes	**14,874**	12,458
Canadian Investment Income Taxes	**5,649**	5,224
Business Taxes	**7,380**	5,952
Other Taxes	**4,375**	2,590
Total taxes	**$267,772**	$ 221,219

Investment Guidelines

Under the Insurance Companies Act (Canada), the Board of Directors of Manulife is required to establish, and adhere to, "investment and lending policies, standards and procedures that a reasonable and prudent person would apply in respect of a portfolio of investments and loans to avoid undue risk of loss and obtain a reasonable return." In addition, Manulife must comply with statutory investment limits set out in applicable legislation.

Pursuant to the "Prudent Person" Legislation enacted by the Insurance Companies Act (Canada) in 1992, Manulife has established comprehensive Investment and Lending Policy Guidelines to ensure that undue exposures are not taken. Investment Policy and Lending Guidelines are in place monitoring and controlling the company's exposure to asset/liability interest rate mismatch, currency mismatch and credit exposures as discussed in the Risk Management Policies section of this Annual Report.

Investment Profile

The risk of investment losses as a result of changes in economic conditions can be reduced by ensuring that a high quality investment portfolio is well diversified with respect to asset mix and geographic location. Manulife's investment portfolios are broadly diversified as indicated in the following tables:

($ millions)	1994 Total	1994 Per cent	1993 Total	1993 Per cent
Bonds by Grade:				
AAA	**$ 4,882**	**12.8%**	$ 5,650	15.4%
AA	**2,362**	**6.2**	2,242	6.1
A	**7,756**	**20.4**	6,312	17.2
BBB	**2,057**	**5.4**	1,379	3.8
BB & lower	**1,395**	**3.7**	1,180	3.2
Total Bonds	**18,452**	**48.5**	16,763	45.7
Equities	**2,954**	**7.8**	2,684	7.3
Commercial Mortgages	**7,387**	**19.4**	7,789	21.2
Residential Mortgages	**1,168**	**3.1**	1,579	4.3
Real Estate	**3,350**	**8.8**	3,395	9.3
Policy Loans	**1,856**	**4.9**	1,651	4.5
Cash and Equivalents	**2,683**	**7.0**	2,447	6.7
Other Investments	**209**	**0.5**	368	1.0
Total Carrying Value	**$ 38,059**	**100.0%**	$ 36,676	100.0%
Total Market Value	**$ 36,822**		$ 38,572	

As a result of the recent recession and its impact on real estate values, Manulife has been following a policy of reducing its dependence on real estate and commercial mortgages as sources of investment income. In 1994, the percentage of commercial mortgages in the portfolio continued to decline as the company reduced its exposure to U.S. commercial mortgages with a corresponding increase in bonds.

The geographic diversification of the company's investments in mortgages and real estate as of December 31, 1994 was as follows:

Location ($ millions)	Mortgages	Real Estate	Total	Per cent
Ontario	$ 2,730.5	$ 838.9	$ 3,569.4	30.0%
Western Canada	1,898.9	591.1	2,490.0	20.9%
Quebec	372.5	30.7	403.2	3.4%
Other Canada	24.0	135.9	159.9	1.3%
U.S. Pacific	1,127.9	481.9	1,609.8	13.5%
U.S. Mid-Atlantic	224.7	10.3	235.0	2.0%
U.S. New England	171.4	10.0	181.4	1.5%
U.S. Central Northeast	532.7	313.8	846.5	7.1%
U.S. South Atlantic	774.7	834.3	1,609.0	13.5%
Other U.S.	71.0	2.1	73.1	0.6%
United Kingdom	604.3	81.2	685.5	5.8%
Other Countries	22.4	20.1	42.5	0.4%
Total	$ 8,555.0	$ 3,350.3	$ 11,905.3	100.0%

The following table shows the diversification of the company's real estate holdings by type of property as of December 31:

	Carrying Value		Per cent Leased	
Type of Property ($ millions)	**1994**	1993	**1994**	1993
Office Commercial:				
Income Producing	**$ 1,983.6**	$ 1,758.5	**93%**	90%
Under Development	**228.4**	390.4	**64%**	69%
Retail Commercial	**370.2**	374.4	**97%**	97%
Residential	**141.7**	185.9	**99%**	98%
Industrial	**141.0**	153.8	**92%**	89%
Ground Rents	**84.2**	80.5	**100%**	100%
Land Inventory	**232.4**	242.6	**N.A.**	N.A.
Foreclosed Properties	**168.8**	208.9	**79%**	64%
Total Carrying Value	**$ 3,350.3**	$ 3,395.0		

Realized gains and losses are recorded on the company's balance sheet and are amortized to income over extended periods of time on a basis consistent with the long-term nature of the insurance liabilities. This accounting method helps to maintain a yield recorded on invested assets on a basis that is consistent with the return assumed in discounting the actuarial liabilities which the assets support. Unrealized gains and losses for stocks and real estate are amortized to income and reflected as an adjustment to the carrying value on a moving average market method of accounting.

The amounts of deferred realized gains and unrealized market gains that will be recognized in future income apply to the following classes of investments:

UNRECOGNIZED MARKET GAINS (LOSSES) ($ millions)	**1994**	1993
Deferred Net Gains:		
Fixed-Term Investments	**$ 601.0**	$ 1,142.8
Equity Securities	**842.7**	683.6
Real Estate	**208.6**	224.2
Foreign Currency	**112.8**	56.7
TOTAL	**$ 1,765.1**	$ 2,107.3
Unrealized Market Gains (Losses):		
Fixed-Term Investments	**(607.5)**	$ 1,889.3
Equity Securities	**(65.3)**	420.5
Real Estate	**(563.9)**	(413.9)
TOTAL	**$ (1,236.7)**	$ 1,895.9

Gains and losses on fixed-term investments, the majority of which support insurance and annuity reserves, do not have a significant effect on company earnings. The amortization of gains and losses on fixed-term investments generally results in the preservation of yields assumed in the calculation of insurance and annuity reserves.

Unrealized losses on real estate are based on a policy of appraising major properties with carrying values in excess of 1/4 of 1% of total assets annually and smaller properties every three years. On smaller properties, where values may have changed materially since the dates of last appraisal, current market values are based on management estimates taking into consideration current levels of rental rates and operating income.

ASSET QUALITY

Allowances for losses on invested assets are established whenever:

(a) recovery of the principal balance on a loan and any accrued interest is in doubt and the value of the underlying security has declined below the carrying value of the loan.

(b) a decline in value of a fixed-term security is considered to be other than temporary. Fluctuations in value due to changes in the general level of interest rates are considered to be temporary.

(c) there has been a decline in market value of stock and real estate portfolios below their carrying values and the decline in value of the entire portfolio is considered to be other than temporary.

(d) a decline in value of a non-portfolio investment (usually one subject to significant influence or a venture capital investment) is considered to be other than temporary.

(e) the carrying value of a foreclosed property exceeds net realizable value.

In addition to provisions for specific losses, the company provides for future losses from asset defaults in the calculation of insurance and annuity reserves and general allowances for losses in trust and banking operations. Manulife follows actuarial principles that include in insurance and annuity reserves, provisions for anticipated losses from asset defaults taking into account normal historical levels and future expectations. Each year, the amounts previously included in insurance and annuity reserves with respect to that year are released into income, and the provision for future losses is adjusted to reflect changes in the level of anticipated future losses. As a result, income will be impacted negatively when there is an increase in the level of expected future losses, and positively when there is a decline in the level of expected future losses.

In 1994, the company incurred investment losses of $273.1 million compared to $255.3 million in 1993.

Investment Losses and Arrears ($ millions)	Investment Losses **1994**	1993	90 Day Arrears Per cent **1994**	1993
Commercial Mortgages:				
Canada	**$ 36.5**	$ 47.0	**2.44%**	3.02%
United States	**181.5**	184.0	**2.42%**	4.26%
Total	**218.0**	231.0	**2.43%**	3.53%
Other Mortgages and Loans:				
Canada	**2.0**	9.2	**0.63%**	1.31%
United Kingdom and Other	**9.2**	10.9	**17.49%**	20.47%
Total	**11.2**	20.1	**9.86%**	8.18%
Securities (in default)	**43.9**	4.2		
Total	**$273.1**	$ 255.3	**3.52%**	4.40%

The levels of non-performing assets decreased from $724.6 million in 1993 to $575.9 million at December 31, 1994. These levels have been below the average for their respective industry in both the United States and Canada over most of the last two years. Arrears over 90 days in the United Kingdom are primarily in Western Trust & Savings, and reflect the continuing extremely weak real estate market being experienced by all mortgage lenders in that country.

Net Non-Performing Assets ($ millions)	United States	Canada	United Kingdom	**Total 1994**	Total 1993
Non-accrual loans:					
Commercial mortgages	$ 137.6	$ 117.6	$ 3.3	**$258.5**	$ 387.1
Residential mortgages		4.2	78.0	**82.2**	77.2
Other loans	54.6	0.5	11.3	**66.4**	51.4
Foreclosed properties	145.6	23.2		**168.8**	208.9
Total	$ 337.8	$ 145.5	$ 92.6	**$575.9**	$ 724.6
Allowance for losses	$ 92.1	$ 57.1	$ 29.8	**$179.0**	$ 208.7

Asset/Liability Matching

The company can be exposed to loss of future investment income if cashflows from assets and liabilities do not coincide and funds must be raised or invested at rates which differ from those required to support product pricing assumptions. Management of cashflows is extremely important for term deposits, annuities and pension products, which in total accounted for 62% of the company's insurance and annuity reserves and customer deposits at December 31, 1994. Manulife's policy is to match the duration of assets and liabilities within prescribed limits. Consequently, Manulife limits its exposure to losses arising from future fluctuations in interest rates.

Incremental profits can be generated by mismatching cashflows if changes in interest rate levels can be anticipated correctly. Consequently, the company's investment managers are permitted to deviate from the duration match but the level of mismatched fixed-term instruments cannot exceed six months without approval by the company's Finance Committee. The impact of shifts in the yield curve are monitored biweekly for the U.S. interest sensitive portfolio and weekly for the comparable Canadian portfolio. In addition, the impact of four yield curve flattening and steepening scenarios are also monitored biweekly for the U.S. and weekly for Canada.

During 1994, the company moved to a more closely matched position on its Canadian portfolio while maintaining a closely matched position on the U.S. portfolio throughout the year. At the end of 1994, the duration mismatch between assets and liabilities was 11 days on the U.S. interest sensitive portfolio and 22 days on the Canadian interest sensitive portfolio.

Manulife almost exclusively backs interest guaranteed product lines with bonds and commercial mortgages. Traditional insurance products are backed by a broader asset range while the company's surplus is invested in bonds, equities, real estate and foreign securities.

Foreign Currency

Manulife's strategy of matching assets with related liabilities by currency exposes the company to minimal foreign currency risk on assets backing insurance and annuity reserves. However, a proportion of assets backing the company's surplus is invested in foreign denominated instruments to diversify the risk associated with movements in world currency markets and to reflect the geographic diversity of the underlying liabilities. This policy of currency diversification does generate translation gains and losses on that proportion of surplus not invested in Canadian denominated assets. Translation gains and losses are deferred and amortized to income using the same basis as for investment gains and losses.

In the management of the company's foreign currency position, a variety of hedging techniques are used including spot and forward contracts, currency options and futures, as well as currency swaps. As at December 31, 1994, assets exceeded liabilities denominated in foreign currencies by $2,736.0 million of which $1,968.7 million related to the United States dollar. As of December 31, 1994, the company had hedged 100% of the United States dollar mismatch and approximately 50% of the mismatch related to other major currencies.

Policy Retention Limits

Manulife follows a policy of limiting exposure to claims from any one policy or event by reinsuring in-force coverage over certain specified limits. On life insurance policies, retention limits vary by geographic location, but the maximum claim to which the company is exposed on any one life is $10 million. In addition, the company carries coverage that insures against a catastrophic event that could entail aggregate claims in excess of $30 million but less than $100 million.

Trust and Banking

The following table summarizes the distribution of invested assets and liabilities in trust and banking operations as of December 31.

($ millions)	Canada	United Kingdom	Total 1994	Total 1993
Assets:				
Mortgage Loans	$ 538.4	$ 603.4	**$ 1,141.8**	$ 1,538.2
Other Loans	26.1	52.0	**78.1**	274.7
Cash and Equivalents	134.0	48.4	**182.4**	299.4
Other Assets	141.8	10.8	**152.6**	184.2
Total Assets	840.3	714.6	**1,554.9**	2,296.5
Liabilities:				
Bank Loans		537.9	**537.9**	529.6
Demand Deposits	95.3	68.2	**163.5**	303.2
Term Deposits	632.3		**632.3**	1,199.1
Other Liabilities	4.3	20.1	**24.4**	55.9
Subordinated Notes	20.0	58.2	**78.2**	81.8
Total Liabilities	751.9	684.4	**1,436.3**	2,169.6
Net Equity	$ 88.4	$ 30.2	**$ 118.6**	$ 126.9

Deposits maturing within twelve months in the Canadian trust and banking operations exceeded maturing assets by $37.0 million as of December 31, 1994. This exposure, including interest rates, has been fully hedged under the company's duration matching policy. Operations in the United Kingdom are exposed to minimal mismatch risk because most loans and deposits are written on a floating rate basis.

Total net interest income, on a tax-equivalent basis, as a percentage of average assets decreased to 2.56% in 1994 from 2.97% in 1993.

Management anticipates that a number of initiatives taken in 1994 will have a positive impact on 1995 results. Early indications are that the newly acquired Canadian group life and health block shows better persistency than anticipated and will become incorporated into the consolidated entity according to the plan drawn up at the time of purchase. The U.S. branch restructuring, coupled with the in-force project involving direct dialogue with policyholders, will have a positive effect in a marketplace still impacted by the failure of a Canadian company.

The mature insurance markets of North America will continue to prove attractive ground for the company's savings and retirement products; strong Canadian sales are forecasted, buoyed by a minor economic recovery. While strain will be increased by these higher sales, the foundation is being laid for future years' profits. The Canadian division will show increased income in 1995 over the previous year as certain one-time expenses such as the elimination of remaining goodwill related to the Manulife Bank of Canada and assimilation costs of the group life and health business have already been absorbed.

Asia Pacific will continue to show expansion—excellent in the case of Hong Kong and Indonesia, and strongly positive in other territories. Diversification into other product lines in Asia Pacific enables the company to draw on a strong base in markets that are showing absolute growth, and a receptivity to insurance products. The new organization of Asia Pacific promotes senior management presence in all emergent markets, without prejudicing well established territories, and 1995 will see strategic decisions supporting business penetration. We are hoping to obtain a licence to enter China in 1995.

Reinsurance operations will continue to show a strong return on capital: the increasing pressure on margins in North America will be counteracted by growth in Europe and Asia Pacific.

Investment income is expected to improve and reflect the rigorous real estate provisions for losses that the company has undertaken during 1994 and earlier years, and lower bond loss provisions than became necessary in the year. Higher equity returns are also expected.

Manulife will suffer, as will all life insurance companies, from potential tax changes for Canadian insurers and as tax regimes throughout the world stiffen against foreign competitors.

The company has improved 1995 earnings forecasts and will continue to emphasize financial strength and the maintenance of a MCCSR ratio significantly in excess of regulatory limits.

The accompanying consolidated financial statements of The Manufacturers Life Insurance Company and all of the information in this annual review are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles. When alternate accounting methods exist, or when estimates and judgment are required, management has selected those amounts which present the company's financial position and results of operations in a manner most appropriate to the circumstances. Management has prepared the financial information presented elsewhere in this report on a basis consistent with that in the financial statements.

Appropriate systems of internal control, policies and procedures have been maintained consistent with reasonable cost 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 actuarial reserves are appropriate in the circumstances and such reserves will be adequate to meet the company's future obligations under insurance and annuity contracts. The Appointed Actuary makes use of the work of the external auditors in verifying the data used in the valuation.

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

The Audit 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 Committee reviews the consolidated financial statements and annual report and recommends them to the Board of Directors for approval. The Committee also recommends to the Board and policyholders 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, in accordance with generally accepted auditing standards. Ernst & Young have full and free access to the Audit Committee.

D D'Alessandro

Dominic D'Alessandro
President and Chief Executive Officer

Geoff Guy

Geoff I. Guy, F.C.I.A.
Senior Vice President, Finance and Chief Actuary

Toronto, Canada
February 16, 1995

as at December 31

ASSETS ($000's omitted)	1994	1993
Invested Assets (Note 4):		
Bonds	**$ 18,452,108**	$ 16,762,968
Stocks	**2,954,152**	2,683,931
Mortgages	**8,554,983**	9,367,462
Real Estate	**3,350,264**	3,395,047
Policy Loans	**1,855,558**	1,651,110
Cash and Short-Term Investments	**2,682,709**	2,446,897
Other Investments	**209,367**	368,130
TOTAL	**38,059,141**	36,675,545
Other Assets:		
Accrued Investment Income	**535,950**	473,186
Outstanding Premiums	**343,547**	200,010
Deferred Income Taxes (Note 7)	**953,314**	877,045
Miscellaneous	**335,231**	267,973
Total	**2,168,042**	1,818,214
TOTAL ASSETS	**$ 40,227,183**	$ 38,493,759

LIABILITIES AND SURPLUS ($000's omitted)	1994	1993
Liabilities:		
Insurance and Annuity Reserves	**$ 31,296,213**	$ 29,027,902
Policy Benefits in Course of Settlement and Provision for Unreported Claims	**911,746**	702,079
Policyholder Amounts on Deposit	**574,528**	480,175
Deferred Net Gains (Note 6)	**1,765,079**	2,107,323
Borrowed Funds (Note 9)	**1,014,481**	1,001,231
Trust and Banking Deposits	**795,787**	1,502,365
Other Liabilities	**817,009**	901,198
Total Liabilities	**37,174,843**	35,722,273
Surplus	**3,052,340**	2,771,486
TOTAL LIABILITIES AND SURPLUS	**$ 40,227,183**	$ 38,493,759

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

D. D'Alessandro

Dominic D'Alessandro
President and Chief Executive Officer

W. R. C. Blundell

William R. C. Blundell
Chairman of the Board of Directors

for the year ended December 31

($000's omitted)	1994	1993
Revenue:		
Premium Income–		
Individual Life Insurance	**$ 2,252,383**	$ 2,155,795
Group Life and Health Insurance	**583,841**	385,205
Reinsurance	**585,964**	497,893
Individual Annuities	**1,031,291**	844,028
Group Pension	**566,503**	573,125
Total Premium Income	**5,019,982**	4,456,046
Investment Income (Note 3)	**2,881,785**	2,852,796
Other Revenue	**240,943**	152,111
Total Revenue	**8,142,710**	7,460,953
Disposition of Revenue:		
To Policyholders and Beneficiaries–		
Death and Disability Benefits	**1,238,378**	1,010,332
Maturity and Surrender Benefits	**2,115,216**	1,818,452
Annuity Payments	**1,023,946**	952,817
Transfers to (from) Segregated Fund	**323,820**	(17,344)
Increase in Reserves for Future Benefits	**1,213,647**	1,788,262
General Expenses and Commissions	**1,236,656**	1,060,135
Interest Expense	**243,289**	280,899
Income Taxes (Note 7)	**97,853**	62,829
Premium Taxes	**57,453**	50,104
Total Disposition of Revenue	**7,550,258**	7,006,486
Income Before Policyholder Dividends	**592,452**	454,467
Policyholder Dividends	**311,598**	267,129
NET INCOME FOR THE YEAR	**$ 280,854**	$ 187,338

Surplus, Beginning of Year	**$ 2,771,486**	$ 2,584,148
Net Income for the Year	**280,854**	187,338
SURPLUS, END OF YEAR	**$ 3,052,340**	$ 2,771,486

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

for the year ended December 31

SOURCES OF CASH ($000's omitted)	1994	1993
Operating Activities:		
Net Income	**$ 280,854**	$ 187,338
Adjustments to determine cash flows from operating activities:		
Additions to policy liabilities	**1,353,424**	1,869,558
Increase in accrued investment income	**(41,007)**	(45,796)
Amortization related to invested assets	**(248,331)**	(324,066)
Provision for deferred income taxes	**(17,359)**	(194,108)
Other	**187,501**	89,062
Transfer of pension plan assets to independent trustee	**(248,462)**	
Cash provided by operating activities	**1,266,620**	1,581,988
Investing Activities:		
Bonds sold (purchased), net	**(1,330,404)**	(739,434)
Stocks sold (purchased), net	**115,358**	(30,837)
Mortgages repaid (advanced), net	**721,272**	146,922
Real estate sold (acquired), net	**172,991**	(40,563)
Policy loans repaid (advanced), net	**(100,457)**	(163,196)
Trust and banking deposits, net	**(714,822)**	(123,672)
Decrease in other investments	**157,768**	79,041
Cash provided by (used in) investing activities	**(978,294)**	(871,739)
Financing Activities:		
Funds borrowed (repaid), net	**(52,514)**	182,775
Cash provided by (used in) financing activities	**(52,514)**	182,775
Cash and Short-Term Investments:		
Increase during the year	**235,812**	893,024
Balance, beginning of year	**2,446,897**	1,553,873
BALANCE, END OF YEAR	**$2,682,709**	$2,446,897

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

Segregated Funds
Consolidated Statements of Net Assets

as at December 31

($000's omitted)	1994	1993
Bonds	**$ 1,055,926**	$ 612,958
Stocks	**3,595,812**	2,717,982
Real Estate	**169,650**	124,740
Cash and Short-Term Investments	**615,709**	559,108
Accrued Investment Income	**15,009**	8,916
Liabilities (net)	**(7,122)**	(11,898)
TOTAL SEGREGATED FUND NET ASSETS	**$ 5,444,984**	$ 4,011,806
Held by Policyholders	**$ 5,426,486**	$ 3,995,170
Held by the Company	**18,498**	16,636
TOTAL SEGREGATED FUND NET ASSETS	**$ 5,444,984**	$ 4,011,806

Segregated Funds
Consolidated Statements of Changes in Net Assets

for the year ended December 31

($000's omitted)	1994	1993
Net Assets, Beginning of Year	**$ 4,011,806**	$ 2,734,327
Capital Transactions:		
Deposits from Policyholders	**1,590,004**	1,091,760
Payments to Policyholders	**(664,830)**	(388,823)
Net Transfers from (to) General Funds	**323,820**	(17,344)
Investment Income:		
Interest and Dividends	**168,308**	114,617
Realized and Unrealized Gains (Losses)	**(172,889)**	468,035
Operating Expenses:		
Management and Administrative Fees	**(78,162)**	(44,153)
Taxes	**(4,416)**	(12,124)
Other Expenses	**(1,191)**	(682)
Currency Revaluation	**272,534**	66,193
NET ASSETS, END OF YEAR	**$ 5,444,984**	$ 4,011,806

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

Appointed Actuary's Report to the Directors and Policyholders

I have valued the policy liabilities in the Consolidated Balance Sheets of The Manufacturers Life Insurance Company as at December 31, 1994 and 1993 and their increase in its Consolidated Statements of Operations for the years then ended in accordance with accepted actuarial practice.

In my opinion, the valuation is appropriate and the financial statements fairly present the results of the valuation.

Geoff I. Guy

Geoff I. Guy, F.C.I.A.
Senior Vice President, Finance and Chief Actuary

Toronto, Canada
February 16, 1995

Auditors' Report to the Directors and Policyholders

We have audited the Consolidated Balance Sheets of The Manufacturers Life Insurance Company and the Consolidated Statements of Net Assets of its Segregated Funds as at December 31, 1994 and 1993 and the Consolidated Statements of Operations and Surplus and Cash Flows and the Consolidated Statements of Changes in Net Assets of its Segregated Funds for the years then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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, 1994 and 1993 and the results of the company's operations and the changes in its financial position and the changes in the net assets of its Segregated Funds for the years then ended in accordance with generally accepted accounting principles including the accounting requirements of the Superintendent of Financial Institutions of Canada.

Ernst & Young

Ernst & Young
Chartered Accountants

Toronto, Canada
February 16, 1995

1. Significant Accounting Policies

The Manufacturers Life Insurance Company (the "company") is registered under the Insurance Companies Act (Canada), which requires that financial statements be prepared in accordance with generally accepted accounting principles, including the requirements of the Superintendent of Financial Institutions of Canada. None of the accounting requirements of the Superintendent of Financial Institutions of Canada are exceptions to generally accepted accounting principles. The significant accounting policies used in the preparation of these consolidated financial statements are summarized below.

a) Basis of Consolidation

The company consolidates the accounts of all subsidiary companies and all significant inter-company balances and transactions are eliminated on consolidation.

b) Bonds

Bonds are carried at amortized cost less specific loss allowances. Gains and losses realized on the sale of bonds in the course of normal trading activity are deferred and brought into income over the lesser of twenty years or the term to maturity of the security sold.

c) Mortgages

Mortgages are carried at amortized cost less repayments and an allowance for specific losses. Gains and losses realized on the sale of mortgages in the course of normal business activity are deferred and brought into income over the lesser of twenty years or the term to maturity of the mortgage sold.

d) Stocks

Stock portfolio investments are carried on a moving average market basis whereby the carrying value is adjusted towards market value at 15% per annum. Gains (losses) realized on the sale of stocks are deferred. Each year 15% of unamortized deferred gains (losses) is brought into income.

For investments over which the company exerts significant influence a pro rata share of each year's income is added to or deducted from the carrying value of the investment and included in current income. Gains or losses on these investments are included in income when realized.

e) Real Estate

Real estate includes properties held for investment, company-occupied premises and ground rents. Investment income on real estate includes an amount of imputed rent on company-occupied premises.

Real estate is carried at cost plus accumulated amortization toward market value. Imputed interest is capitalized on properties under development at a rate which approximates the interest rate inherent in the valuation of actuarial reserves. Interest is capitalized from the commencement date of construction until the date of substantial completion, up to a limit of 12% of the total property cost. Gains (losses) realized on the sale of real estate are deferred and included on the consolidated balance sheets as deferred net gains. Each year 10% of the aggregate of realized and unrealized net gains is brought into income.

f) Policy Loans

Loans are made to policyholders in accordance with the terms of their policies. Policy loans are carried at their unpaid balance, and are fully secured by the cash surrender value of the policies on which the respective loans are made.

g) Losses on Invested Assets

Allowances for losses are established against mortgages, bonds and other fixed term securities. The allowance is increased by provisions for losses which are charged to income and reduced by write-offs. Once established, an allowance is only reversed if the conditions that caused the impairment no longer exist.

An allowance for loss on a specific bond or fixed term security is established whenever a decline in value of the specific security is considered to be other than temporary.

An allowance for loss on a specific mortgage is established when there is reasonable doubt as to the recovery of the mortgage principal and any accrued interest. Mortgages are classified as non-accrual and accrued interest is reversed whenever payments are 90 days or more in arrears.

At the time of foreclosure, mortgages are written down to net realizable value. An other than temporary decline in the net realizable value of a foreclosed property which occurs subsequent to foreclosure is recognized in income immediately.

The carrying values of stock and real estate portfolios are written down to market value if a decline in value of the entire portfolio is considered to be other than temporary.

In addition to specific allowances, the company provides for potential future defaults by reducing investment yields assumed in the calculation of insurance and annuity reserves and by establishing a general allowance for losses in its trust and banking subsidiaries.

h) Segregated Funds

The company manages a number of segregated funds on behalf of policyholders from which it earns management fees. Income earned on these funds and any related capital gains (losses) accrue to the benefit of the segregated fund policyholders. Investments held in segregated funds are carried at market values.

i) Other Investments

Included in other investments are loans made by subsidiaries, other loans which are secured by annuity contracts, and amounts due from reinsurers.

j) Miscellaneous Assets

Included in miscellaneous assets are computer equipment, furniture and other equipment, which are carried at cost less accumulated depreciation computed on a straight line basis over their estimated useful lives, which vary from two to ten years.

k) Insurance and Annuity Reserves

Insurance and annuity reserves represent the amount which, together with future premiums and investment income, will be sufficient to pay future benefits, dividends and expenses on insurance and annuity contracts. These reserves have been estimated using the policy premium method and accepted actuarial practice. The process of calculating insurance and annuity reserves necessarily involves the use of estimates concerning such factors as mortality and morbidity rates, future investment yields, future expense levels and rates of surrender. Consequently, insurance and annuity reserves include reasonable and limited provisions for adverse deviations from those estimates. As the probability of deviation from estimates declines, these provisions will be included in future income to the extent not required to cover adverse experience.

l) Foreign Currencies

The company considers its Canadian, United States and International operations to be conducted on an integrated basis. The Company translates all monetary assets and liabilities and all non-monetary items carried at market related values at year-end exchange rates.

Income statement items are translated at the rates of exchange prevailing at the time of the transactions. Both realized and unrealized foreign exchange gains and losses, including gains and losses from currency hedging activities, are included in deferred net gains and brought into income at a rate which approximates that used for market gains and losses on related investments.

m) Income Taxes

The company and its subsidiaries in life insurance operations provide for income taxes using the accrual method of tax allocation. Under this method, provisions are made for income taxes on accounting income or expenses that will be included in taxable income in future periods. Provisions are calculated at income tax rates expected to be in effect when these amounts will be included in taxable income. Deferred tax assets are reduced by a valuation allowance to the extent that recovery is not reasonably assured.

N) Post-Retirement Benefits

The company maintains a number of pension plans for its eligible employees and agents. The pension plans are primarily contributory, defined benefit plans that provide pension benefits based on length of service and final average earnings.

Accrued benefits are based on projected salaries and best estimates of investment yields on plan assets, mortality of members, employee terminations and ages at retirement. Assets held by independent trustees are carried at market related values. Pension costs that relate to current service are charged to earnings in the current year. Experience gains and losses are amortized to income over the estimated average remaining service lives of plan members.

In addition, the company provides supplementary health, dental and life insurance benefits to qualifying employees upon retirement. The estimated present values of these benefits are charged to earnings over the employee's years of service to their dates of full entitlement.

O) Off-Balance Sheet Financial Instruments

The company enters into financial contracts to protect itself against exposures to loss caused by fluctuations in foreign currency or interest rates. The interest differential on swap agreements is recorded on an accrual basis. Gains and losses on foreign currency and futures contracts are deferred and amortized to income on the same basis as gains and losses on the underlying positions being hedged.

2. Acquisition

On September 30, 1994, having received court and regulatory approvals, the company acquired the ongoing right to service the Canadian group life and health insurance business of Confederation Life Insurance Company. This business generated approximately $1 billion in premium and premium equivalent revenue in 1993. The results of the acquired business have been included in income from August 12, 1994, the effective date of the transaction.

In addition to the acquisition rights, the company purchased related hardware, software, furniture and equipment at estimated market values. The balance of the acquisition cost has been included in accrued liabilities and is payable, at the latest, within 30 days of September 30, 1995. In addition, the company will pay a ceding commission subsequent to September 30, 1995 which is contingent upon the first renewal of the acquired policies and contracts. The contingent amount is not determinable at this time and has not been reflected in the financial statements.

The acquisition has been accounted for as a purchase and was recorded as tangible assets acquired which will be amortized against income.

Integration costs, representing expenses incurred in 1994 and estimates for 1995, have been charged to income in 1994.

3. Investment Income

($000's omitted)	1994	1993
Investment income consists of the following amounts:		
Bond interest	**$ 1,399,766**	$ 1,299,059
Mortgage interest	**877,596**	939,244
Other interest	**375,851**	323,990
Dividends	**61,838**	61,539
Net rental income	**197,643**	192,436
Principal losses on mortgages	**(229,229)**	(251,039)
Write-down of securities	**(43,885)**	(4,230)
Amortization of net realized gains on bonds	**132,843**	114,758
Amortization of net realized gains and adjustment towards market value:		
Stocks	**133,227**	188,530
Real Estate	**(39,925)**	(21,619)
Amortization of net currency gains (Note 1)	**16,060**	10,128
Total	**$ 2,881,785**	$ 2,852,796

4. Market Values of Investments

($000's omitted)	1994	1993
Carrying values:		
Government bonds	**$ 8,167,450**	$ 7,549,386
Corporate bonds	**10,284,658**	9,213,582
Mortgages	**8,554,983**	9,367,462
Sub-total	**27,007,091**	26,130,430
Stocks	**2,954,152**	2,683,931
Real Estate	**3,350,264**	3,395,047
Sub-total	**6,304,416**	6,078,978
Total	**$ 33,311,507**	$ 32,209,408
Market values:		
Government bonds	**$ 7,870,458**	$ 8,018,738
Corporate bonds	**9,990,878**	9,916,226
Mortgages	**8,538,291**	10,084,794
Sub-total	**26,399,627**	28,019,758
Stocks	**2,888,804**	3,104,450
Real Estate	**2,786,366**	2,981,087
Sub-total	**5,675,170**	6,085,537
Total	**$ 32,074,797**	$ 34,105,295

Amortization of gains and losses on bonds and mortgages generally is required to preserve yields assumed in the calculation of insurance and annuity reserves, and therefore, will not have significant effect on future reported earnings. Gains and losses arising from a change in the market value of stocks or real estate are amortized into income at rates of 15% and 10% respectively.

5. Allowance for Losses on Non-Performing Assets

($000's omitted)	1994	1993
The following net non-performing assets are included in invested assets:		
Non-accrual loans	**$ 407,079**	$ 515,700
Foreclosed properties	**168,831**	208,901
Total Net Non-Performing Assets	**$ 575,910**	$ 724,601
Income on non-performing assets included in the Consolidated Statements of Operations	**$ 40,211**	$ 43,149
Invested assets have been reduced by the following allowances for losses on non-performing assets:		
Balance at beginning of year	**$ 208,709**	$ 188,600
Provision for losses	**273,114**	255,269
Write-offs, net of recoveries	**(302,784)**	(235,160)
Balance At End Of Year	**$ 179,039**	$ 208,709

6. Deferred Net Gains

($000's omitted)	1994	1993
Deferred net gains relate to the following items:		
Bonds and Mortgages	**$ 600,969**	$ 1,142,762
Stocks	**842,720**	683,643
Real Estate	**208,629**	224,223
Currency	**112,761**	56,695
Balance At End Of Year	**$ 1,765,079**	$ 2,107,323

7. Income Taxes

($000's omitted)	1994	1993
a) Income Tax Expense		
Income taxes included on the Consolidated Statements of Operations consist of the following:		
Taxes payable currently–		
Income and alternate minimum taxes	**$ 88,863**	$ 234,496
Capital based minimum income taxes	**23,320**	20,403
Taxes withheld on foreign investment income	**3,029**	2,038
Deferred income taxes	**(17,359)**	(194,108)
Total Income Taxes	**$ 97,853**	$ 62,829

b) Reconciliation to Statutory Rates

The consolidated provision for income taxes varies from the expected provision at Canadian statutory rates of 44% (1993-43%) for the following reasons:		
Provision for income taxes at statutory rates	**44.0%**	43.0%
Increase (decrease) due to:		
Tax exempt investment income	**(4.2)**	(5.1)
Non-deductible expenses	**6.2**	9.1
Lower tax rates in foreign jurisdictions	**(13.1)**	(29.3)
Minimum taxes in excess of statutory rates	**6.2**	8.5
Deferred tax adjustments	**(10.1)**	(6.2)
Other	**(3.2)**	5.1
Total Income Taxes	**25.8%**	25.1%

c) Deferred Tax Balance

Net Deferred Tax Asset	**$953,314**	$ 877,045

The deferred tax asset balance relates principally to prepayment of taxes on income not yet recognized in the accounts. Manulife follows actuarial principles that include in insurance and annuity reserves a provision for the impact of the deferred tax assets on future investment yields. The net impact of deferred tax assets on surplus is reduced by this provision.

8. Post-Retirement Benefits

Pension assets are held in the general fund of the company and by independent trustees in Canada and the U.K. The value of the pension plan assets and the projected benefit obligations at December 31 were as follows:

($000's omitted)	**1994**	1993
Assets represented by liabilities on the financial statements–		
Insurance and annuity reserves	**$ 152,654**	$ 146,071
Other liabilities	**3,484**	257,754
Assets held by independent trustees	**320,763**	66,329
Total value of pension plan assets	**476,901**	470,154
Projected benefit obligations	**422,639**	406,918
Value of assets in excess of projected benefit obligations	**$ 54,262**	$ 63,236
Estimated present values of other post-retirement benefits included in other liabilities	**$ 101,116**	$ 91,496

9. Borrowed Funds

($000's omitted)	**1994**	1993
Bonds payable	**$ 208,592**	$ 196,861
Bank loans	**537,855**	529,632
Real estate encumbrances	**3,483**	5,242
Commercial paper	**264,551**	269,496
Total	**$1,014,481**	$1,001,231

a) In March 1987, a wholly-owned U.S. subsidiary, Manufacturers Life Mortgage Securities Corporation, issued Commercial Mortgage-Backed Bonds, Series 1987-1 in an aggregate principal amount of U.S. $240.5 million. The remaining U.S. $148.5 million ($208.6 million) of bonds outstanding at December 31, 1994 pay interest at 8.25% and are due March 1, 1997. The bonds are collateralized by U.S. investments with a carrying value of U.S. $171.4 million.

b) At December 31, 1994, lines of credit of $219.6 million were available and fully utilized to fund mortgage investments of Western Trust & Savings in the United Kingdom. Interest is calculated at a floating rate based upon LIBOR. These borrowings are collateralized by a floating charge over certain mortgages. Other borrowings amounting to $316.2 million bear interest at floating rates. $262.4 million are repayable on or before December 31, 1995. All amounts are payable in pounds sterling.

c) Commercial paper has been issued in both Canadian and United States currencies for terms of less than one year, bearing interest at market rates.

10. Off-Balance Sheet Financial Instruments

The company and its subsidiaries enter into financial contracts, not included on the balance sheet, to protect itself (hedge) against exposures to currency and interest rate risk. Manulife has established derivative product guidelines which require comprehensive documentation of off-balance sheet financial instruments that may be used by the company. The documentation includes a description of the purpose and strategy behind the proposed usage, identification and method of quantification of risks, specific authorities for transacting in derivatives and for the approval of such transactions, and a description of accounting/reporting processes to monitor and control the derivative product activities. The company has stringent policies governing derivative activities. The content and level of detail associated with the strategy is determined by the proposed use of the derivative products.

The company accounts for derivative products used to manage risks so as to achieve a consistent income recognition methodology between the instruments and the risks being managed.

No significant portion of derivative trading activity is for any purpose other than the reduction of the financial risks of the company.

The company's maximum credit exposure to loss is limited to the extent that default by counterparties to these contracts results in the loss of any gains that may have accrued. The methods used to determine counterparties and credit lines are established in relation to the counterparty's creditworthiness and are reviewed and approved annually. A large majority of the contracts are held with counterparties AAA-rated or AA-rated, and have maturity dates of less than one year, thereby reducing the company's exposure to credit risk.

The principal amounts on derivative contracts are termed "notional" because they are not usually exchanged themselves, but serve as the basis upon which the payments of returns and the market values of the contracts are determined. The notional principal amount of derivative contracts does not represent direct credit exposure nor market exposure.

The schedule below summarizes the notional value and the net unrealized gain/(loss) exposure of the company to derivative contracts outstanding:

	1994		1993	
($000's omitted)	Notional Value	Net Unrealized Gain/(Loss)	Notional Value	Net Unrealized Gain/(Loss)
Interest Rate Contracts	**$ 640,180**	**$ (7,911)**	$ 781,182	$ (5,393)
Currency Contracts	**1,264,220**	**2,214**	3,344,178	13,955
Total	**$ 1,904,400**	**$ (5,697)**	$ 4,125,360	$ 8,562

11. Contingent Liabilities

a) FirstLine NHA Mortgage Trust

A subsidiary of the Company, FirstLine Trust Company, manages the FirstLine NHA Mortgage Trust, which issues term notes secured by a portfolio of NHA insured mortgages. Manulife Financial has committed to purchase up to $600 million of these notes in the event that sufficient cash is not available from time to time within the Trust to meet current demands for interest and principal payments on the outstanding notes. If the company is called upon to fulfill this commitment, the notes so acquired would rank equally with other outstanding notes and be secured by the Trust's portfolio of NHA insured mortgages.

b) United States Income Taxes

The company is subject to and expects to be reassessed for taxation years beginning in 1988, under the provisions of the United States Internal Revenue Code, for minimum investment income taxes applied to branches of foreign life insurance companies operating in the United States. The company believes that these provisions contravene the terms of the Canada-United States Tax Treaty and, consequently, intends to contest any reassessment. Although the outcome of such proceedings is currently not determinable, the company's legal counsel has advised that substantial arguments exist to support the company's position.

If it is unsuccessful in defending its position, management has estimated that income taxes payable in the United States could be increased by up to $248 million. Any liability that may arise when this matter is resolved will be treated as a prior period adjustment.

c) Canadian Life and Health Insurance Compensation Corporation ("CompCorp") Payments

The company has provided in the financial statements for future payments to be made to CompCorp in accordance with guidelines issued by the Canadian Institute of Actuaries. In addition, a demand promissory note amounting to $10 million has been issued to CompCorp with no date of expiry.

12. Subsequent Event

On February 6, 1995, the company entered into an agreement to sell all of its United Kingdom insurance operations to The Canada Life Assurance Company for cash consideration. The relevant premiums and net deposits to segregated funds in 1994 were $98.6 million and $61.9 million respectively. The transaction is dependent upon regulatory and other approvals, which are expected by the end of 1995. The purchase price, when settled, will result in a gain to the company.

13. Comparative Figures

Certain of the 1993 comparative figures have been reclassified to conform to the presentation adopted for 1994.

14. Segmented Information

The company operates in the life and health insurance industry, which includes sales and services relating to individual and group life and health insurance and annuity products, and in the trust and banking industries.

Revenues, net income and assets of each major operating segment include amounts related to the level of capital and surplus supporting those operations.

1994 ($000's omitted)	Revenue	Net Income	Assets
Segmented by Type of Business:			
Insurance Operations	**$ 7,909,008**	**$ 297,165**	**$ 38,672,329**
Trust and Banking	**233,702**	**(16,311)**	**1,554,854**
Total	**$ 8,142,710**	**$ 280,854**	**$ 40,227,183**
Segmented by Geographic Area:			
United States	**$ 3,758,391**	**$ 155,114**	**$ 21,700,421**
Canada	**3,307,555**	**49,024**	**14,450,813**
International	**1,076,764**	**76,716**	**4,075,949**
Total	**$ 8,142,710**	**$ 280,854**	**$ 40,227,183**

1993 ($000's omitted)	Revenue	Net Income	Assets
Segmented by Type of Business:			
Insurance Operations	$ 7,208,551	$ 193,924	$ 36,197,276
Trust and Banking	252,402	(6,586)	2,296,483
Total	$ 7,460,953	$ 187,338	$ 38,493,759
Segmented by Geographic Area:			
United States	$ 3,712,546	$ 115,820	$ 20,604,520
Canada	2,874,833	5,768	14,248,031
International	873,574	65,750	3,641,208
Total	$ 7,460,953	$ 187,338	$ 38,493,759

(See note below)

During the Year ($000's omitted)	Total Premiums	Payments to Policyholders and Beneficiaries, including Policyholder Dividends	Net Income
1994	**$ 5,019,982**	**$ 5,012,958**	**$ 280,854**
1993	4,456,046	4,031,386	187,338
1992	4,103,669	3,499,774	85,024
1991	4,000,215	2,933,123	198,337
1990	3,932,897	2,856,524	123,734
1989	3,521,816	2,668,979	222,402
1988	3,376,321	2,191,814	117,071
1987	3,270,184	2,146,890	136,618
1986	2,340,404	1,775,049	167,891
1985	2,385,698	1,520,945	225,326

At End of Year ($000's omitted)	Total Assets	Surplus	Number of Employees	Number of Agents
1994	**$ 40,227,183**	**$ 3,052,340**	**7,045**	**6,050**
1993	38,493,759	2,771,486	6,280	6,000
1992	34,899,902	2,584,148	6,295	6,004
1991	31,312,534	2,499,124	6,381	6,379
1990	26,305,211	2,174,076	6,324	6,299
1989	23,844,589	2,050,342	6,165	5,722
1988	22,232,033	1,827,940	5,930	4,947
1987	20,366,458	1,710,869	5,709	4,162
1986	17,667,152	1,574,251	5,211	3,693
1985	14,978,259	1,406,360	5,107	3,138

Certain historical data have not been restated. Please refer to Note 2 in the Notes to Consolidated Financial Statements.

This dividend policy has been established pursuant to the Insurance Companies Act (Canada), section 165(2)(e), and applies to all existing participating policies in all Manulife Financial's geographic divisions, regardless of when these policies were originally issued. This dividend policy is subject to change from time to time by the Board of Directors of the company, and if and when changed, any new dividend policy may, at the discretion of the Board of Directors, become applicable to all then existing participating policies, regardless of when originally issued. This dividend policy and all dividend determinations are at all times intended to comply with any prevailing local regulatory requirements and professional actuarial practice standards in each geographic division.

The surplus of the company is derived from earnings from all sources. All classes of policies, both participating and non-participating, are expected to make a contribution to the surplus of the company. The use and distribution of company surplus is at the direction of the Board of Directors of the company. In exercising its discretion to establish the surplus distributable to participating policyholders at any time, the Board of Directors considers many factors. These include the available excess premiums of participating policies due to current experience being more favourable than that required to fund their guaranteed benefits and related expenses and their contribution to the surplus of the company. Trends in the experience of participating policies, trends in overall company earnings and surplus, and the amount of surplus needed to be retained by the company to ensure its continuing financial strength and to meet its long-term commitments and business objectives, are also taken into consideration.

The dividend allocation process endeavors to achieve reasonable equity between classes of participating policyholders and between generations of participating policyholders, by allocating the distributable surplus to classes of participating policies in the same proportion as they are considered to have contributed to the distributable surplus, recognizing that certain practical limits and prevailing local industry practices may apply in some circumstances. The dividend allocation process also recognizes certain specific classes of participating policyholders that receive either no dividends or dividends preset at policy issue.

To determine the contribution of classes of policies to the distributable surplus, all participating policies are grouped into classes with common experience related to factors such as mortality, investment return, expenses, taxes and persistency. Separate and unique dividend experience classes are established for policies of each geographic division. The same principles are applied to the dividend determinations for all dividend classes.

The dividend scales of the company are established by the Board of Directors from time to time, and are reviewed annually for all policies except those in inactive geographic divisions (where no new business is being sold) for which dividend scales are reviewed at least triennially or whenever there is a significant change in experience or in the business environment. Generally, the company distributes dividends annually to all participating policies and, in some geographic divisions, also distributes terminal dividends at surrender or maturity of a participating policy or death of an insured.

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Pittsburgh, PA 15222
D.C. Brush, CLU, ChFC, MSM
Region Manager

Group Field Offices

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701 Lee Rd., Ste 303
Wayne, PA 19087
Jim Sullivan
Region Manager

Pittsburgh
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Two Gateway Center, Ste. 1656
Pittsburgh, PA 15222
James Desmond
Region Manager

TENNESSEE

Nashville
Tel. (615) 269-5353
3100 West End Ave., Ste. 1250
Nashville, TN 37203
R. Brickley, CLU, ChFC Region
Manager

TEXAS

Dallas
Tel. (214) 960-7496
One Galleria Tower
13355 Noel Rd., Ste. 1555
Dallas, TX 75240
J.W. McKinley,
CLU, ChFC, FLMI
Region Manager

Houston
Tel. (713) 629-9180
Executive Plaza East
4615 Southwest Frwy., Ste. 900
Houston, TX 77027
J.W. McKinley,
CLU, ChFC, FLMI
Region Manager

San Antonio
Tel. (210) 377-3423
10101 Reunion Place, Ste. 320
San Antonio, TX 78216
J.W. McKinley,
CLU, ChFC, FLMI
Region Manager

Group Field Offices

Dallas
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222 W. Las Colinas Blvd., Ste. 1047
Irving, TX 75039
Tim Register
Region Manager

Houston
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4615 Southwest Frwy., Ste. 910
Houston, TX 77027–7106
Tim Register
Region Manager

UTAH

Salt Lake City
Tel. (801) 350-9001
One Utah Center
201 South Main, Ste. 900
Salt Lake City, UT 84111
C.J. Longanecker
Region Manager

VIRGINIA

Richmond
Tel. (804) 330-0011
9011 Arboretum Pkwy., Ste. 250
P.O. Box 35006
Richmond, VA 23235
R.E. Shaeffer, CLU, ChFC
Region Manager

Washington, D.C.
Tel. (703) 522-5200
1300 North 17th St., Ste.900
Rosslyn, VA 22209
R.E. Shaeffer, CLU, ChFC
Region Manager

Group Field Office

Washington D.C.
Tel. (703) 522-5200
1300 N. 17th St., Ste. 900
Rosslyn, VA 22209
Jim Sullivan
Region Manager

WASHINGTON

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Tel. (206) 623-3992
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Seattle, WA 98101
T.L. Webb, CLU, ChFC
Region Manager

Spokane
Tel. (509) 456-2633
Seafirst Financial Center
Ste. 1970, Rm. 115
West 601 Riverside
Spokane, WA 99201
T.L. Webb, CLU, ChFC
Region Manager

Group Field Office

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720 Olive Way, Ste. 1010
Seattle, WA 98101
Don King
Region Manager

WISCONSIN

Wisconsin
Tel. (414) 276-5556
Two Plaza East
330 East Kilbourn Ave., Ste. 1155
Milwaukee, WI 53202
R.J. Wherry, CLU, ChFC
Region Manager

Asia Pacific Operations

GREATER CHINA DIVISION

Tel. 510-5600
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169 Electric Rd., North Point
Hong Kong
Victor S. Apps
Vice President & General Manager
Greater China Division

HONG KONG

Manulife (International) Ltd.

Head Office

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169 Electric Rd., North Point
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Tel. 510-5600
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Edward W.K. Lau
Agency Vice President

Branch Offices

Peninsula North Branch
Tel. 510-3019
Manulife Tower 19/F
Michael Y.K. Hui
District Manager

Hong Kong North Branch
Tel. 510-3021
Manulife Tower 21/F
Sandy K.L. Chow
District Manager

Island East Branch
Tel. 510-3023
Manulife Tower 23/F
Danny H.L. Chan
District Manager

Kowloon West Branch
Tel. 510-3023
Manulife Tower 23/F
Danny H.L. Chan
Branch Manager

Asia Pacific Operations

Kowloon North Branch
Tel. 510-3023
Manulife Tower 23/F
Joseph K.O. Chan
Branch Manager

Peninsula South Branch
Tel. 510-3024
Manulife Tower 24/F
Harry W.T. Wong
District Manager

Oriental West Branch
Tel. 510-3024
Manulife Tower 21/F
Kinson K.S. Leung
Branch Manager

Victoria East Branch
Tel. 510-3020
Manulife Tower 20/F
Raymond S.H. Chan
Branch Manager

Victoria West Branch
Tel. 510-3022
Manulife Tower 22/F
Clement K.Y. Cho
Branch Manager

Hong Kong South Branch
Tel. 510-3019
Manulife Tower 19/F
Leslie C.L. Lau
Branch Manager

Island West Branch
Tel. 510-3023
Manulife Tower 23/F
Dominic K.W. Ng
Branch Manager

Oriental South Branch
Tel. 510-3025
Manulife Tower 25/F
Michael Leung
Branch Manager

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Manulife Tower 19/F
Frankie S.K. Ho
Branch Manager

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Manulife Tower 20/F
Carleton W.L. Li
Branch Manager

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Tel. 510-3020
Manulife Tower 20/F
Eddie S.H. So
Branch Manager

Island South Branch
Tel. 510-3025
Manulife Tower 25/F
David Lam
Branch Manager

Hong Kong Central Branch
Tel. 510-3027
Manulife Tower 27/F
Michael Leung
Branch Manager

Victoria South Branch
Tel. 510-3025
Manulife Tower 25/F

Hong Kong East Branch
Tel. 510-3022
Manulife Tower 22/F
Daniel K.C. Kuo
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Tel. 510-3019
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Rose Y. Y. Chung
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Jennifer W. C. Lee
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George T.N. Lai
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Tel. 510-3025
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K.K. Wong
Branch Manager

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Thomas Y.K. Wan
Branch Manager

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Causeway Bay
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Kelvin K.F. Wong
District Manager

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William K.L. Luk
District Manager

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Peter W.C. Shum
District Manager

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Johnson M.T. Wong
District Manager

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Sammy T. C. Wong
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Brian Boisvenue
General Manager

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Anny Yang Guo
Business Development Director

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Johnson Sen Fu Zhang
Representative

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Margaret Hua Shi Shen
Secretary

Pacific Rim Division

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H. David Allen
Vice President & General
Manager, Pacific Rim Division

Singapore

Joint Venture Company

OUB Manulife Pte. Ltd.
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Garry T. Dick, CLU, FLMI
Country Vice President

Philippines

Head Office

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Salcedo Village
Makati, Metro Manila,
Philippines

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Tel. 63-2-819-0829
Manulife Centre, 6th Floor
Adel C. Joseph
Branch Manager

Metro North Branch
Tel. 63-2-818-5009
Manulife Centre, 3rd Floor
Greg V. Tongko
Branch Manager

Metro South Branch
Tel. 63-2-815-4226
Manulife Centre, 5th Floor
John D. Chua
Branch Manager

Metro West Branch
Tel. 63-2-818-5209
Manulife Centre, 1st Floor
Pancho S. Martinez
Branch Manager

Vis-Min Branch
Tel. 032-211-921 to 28
Martinez Bldg., 2nd Floor
Osmena Blvd., Cebu City
Bunny D. Pages
Senior Branch Manager

Indonesia

Joint Venture Company

P.T. Asuransi Jiwa Dharmala
Manulife
Wisma Dharmala Manulife
Tel. 62-21-230-3223/4
2nd–7th Floor
Jl. Pegangsaan Timur No. 1A
Jakarta Pusat, Indonesia
David Horman
Country Vice President

The following are located at the above address

Branch Offices

Jakarta Barat
Chandra Bonita
Branch Manager

Jakarta Raya
Nancy Soetikno
Assistant Branch Manager

Jakarta Utama
Indria O.S.
Manager

Jakarta Pusat
Veronica Taruli
Manager

Jakarta Cikini
Sonita Yangie
Manager

Jakarta Menteng
Shanti S.P.
Manager

Jakarta Pratama
Herman Y. Aiwan
Manager

Jakarta Timur
Penny Djatnika
Manager

Jakarta Metro
Jimmy Walia
Manager

Jakarta Utara
A. Rahman Saleh
Manager

Jakarta Central
Mr. Joseph Suyanto
Manager

Surabaya Inti
Tel. 62-31-51071
Gedung Surabaya Delta Plaza
Blok A No. 10-15
Jl. Pemuda No. 33–37
Surabaya
Susi Lesmono
Manager

Solo
Tel. 62-271-53545
Jl. Honggowongso No. 24
Solo, Jawah Tengah
Willy A. Prianto
Manager

Surabaya Pratama
Tel. 62-31-51071
Gedung Surabaya Delta Plaza
Blok A No. 10–15
Michael Kusuma
Manager

Bandung
Tel. 62-2-243-3623
Jl. Abdul Rivai No. 11
Bandung
Wongkar Vayon
Manager

Palembang
Tel. 62-711-357572
Jl. Veteran No. 28 E
Palembang
Fachrizal Octavianus
Manager

Medan
Tel. 62-61-538055
JL. RA Kartini No. 18
Medan
Yosi Azhari
Manager

Semarang Utama
Tel. 62-24-415609
JL. Pandanaran No. 115
Semarang
Yumnan Sabrie
Manager

Malang
Tel. 62-341-41243
JL. Let. Jen. Sutoyo No. 39 B
Malang
Yurianto Atmadia
Manager

Pekanbaru
Tel. 62-761-38685
Jl. Lr. Juanda 76
Pakanbaru
Yang Hui Fang
Unit Manager

Lampung
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Jl. Raden Intan No. 88C
Tanjung Karang
Bandar Lampung
Fachrizal Octavianus
Manager

Bali
Tel. 62-361-235330
JL. Hayam Wuruk No. 124
Tanjung Bungkak
Bali
Salam Muhammadong
Manager

Semarang
Tel. 62-24-415609
JL. Pandanaran No. 115
Semarang
Indra, K. Permana

Korea

Joint Venture Company
Head Office

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Leigh Watson
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Hanoi, Vietnam
Trinh Bieh Ngoc
Assistant Representative

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David W. Matthews
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Manulife (International) P&C Ltd.
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Manulife Reinsurance
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Dr. Rainer Pütz
Managing Director

United Kingdom Operations

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Tel. 0438-758386

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J.B. Mounsey
Senior Vice President, Investments

Western Trust & Savings

Head Office

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The Moneycentre
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H.F. Cushnahan
Managing Director

Investments

Real Estate

Corporate Headquarters

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Canada

Canada

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D.A. McGregor
Director

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Edmonton, Alberta T5J 3S4
B.S. Breckenridge
Director

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Metrotown Centre
4800 Kingsway, Ste. 400
Burnaby, B.C. V5H 4J2
D.J. Brabbins
Director

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M. Henry
Director

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Real Estate Director

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Halifax, Nova Scotia B3J 3N4
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Director

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Waterloo, Ontario N2J 4M1
J.C. Cameron
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S. Hutchinson
Director

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Manulife Centre
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A.J. Mangione
Director

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C. Pépin
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Director

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G.M.R. Schaefer
Director

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1350 I St. N.W., Ste. 450,
Washington, D.C. 20005–3305
K.R. Zabielski
Director

Illinois

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Schaumburg, Illinois 60173
S.J. Ferguson
Director

Mortgage

Canada

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S.B. Kates
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Assistant Vice President
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A.N. Jensen
Branch Manager

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J. van Dongen
Assistant Vice President
Canadian Mortgages

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M.C. Robinson
Manager

Québec

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Centre ManuVie
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J.D. Boudreau
Branch Manager

Other

Bermuda

Manulife (International) Ltd.
Hamilton
73 Front Street
P.O. Box HM 2455
Hamilton, HMJX Bermuda

(See note below)

SUBSIDIARY **Directly–Owned** Indirectly–Owned	ADDRESS	PER CENT OWNERSHIP	CONSOLIDATED VALUE OF DIRECTLY-OWNED SUBSIDIARIES
The Manufacturers Life Insurance Company of Michigan	**Bloomfield Hills, Michigan, USA**	**100**	$ 1,109,322,000
The Manufacturers Life Insurance Company of America	Bloomfield Hills, Michigan, USA	100	
ManuLife Series Fund, Inc.	Toronto, Canada	100	
The Manufacturers Life Insurance Company (U.S.A.)	Bloomfield Hills, Michigan, USA	100	
Manulife Reinsurance Limited	Hamilton, Bermuda	100	
ManuLife Holding Corporation	Toronto, Canada	100	
Manufacturers Life Mortgage Securities Corporation	Richmond, Virginia, USA	100	
ManEquity, Inc.	Toronto, Canada	100	
Manufacturers Adviser Corporation	Toronto, Canada	100	
ManuLife Service Corporation	Toronto, Canada	100	
Capital Design Corporation	Los Angeles, California, USA	100	
Underwriters International Inc.	South Windsor, Connecticut, USA	50	
The Manulife Group PLC	**Hertfordshire, England**	**100**	188,832,000
Manulife International Investment Management Ltd.	London, England	100	
Manulife International Fund Management Limited	London, England	100	
The Manufacturers Life Insurance Company (U.K.) Limited	Hertfordshire, England	100	
Manulife Management Limited	Hertfordshire, England	100	
Manulife Group Services Limited	Hertfordshire, England	100	
Western Trust Holdings Limited	**Plymouth, England**	**100**	30,217,000
Western Trust & Savings Holdings Limited	Plymouth, England	100	
Western Trust & Savings Limited	Plymouth, England	100	
Western Trust Acceptances Limited	Plymouth, England	100	
Western Trust & Savings Properties Limited	Plymouth, England	100	
Western Trust & Savings Insurance Services Limited	Plymouth, England	100	
London Credit Limited	Plymouth, England	100	
The Tamar Mortgage Corporation Limited	Plymouth, England	100	
Tamar Mortgage Corporation No. 1 Limited	Plymouth, England	100	
Tamar Mortgage Corporation No. 2 Limited	Plymouth, England	100	
Tamar Mortgage Corporation No. 3 Limited	Plymouth, England	100	
ManuLife Financial Holdings Limited	**Waterloo, Canada**	**100**	120,426,000
Manulife Bank of Canada	Waterloo, Canada	100	
Manulife Securities International Ltd.	Waterloo, Canada	100	
Cabot Investments Limited	Waterloo, Canada	100	
Cabot Financial Services Corporation	Waterloo, Canada	100	
FirstLine Trust Company	Toronto, Canada	80.2	
FirstLine Securities Corporation	Toronto, Canada	80.2	
The Mortgage Centre (Canada) Inc.	Toronto, Canada	80.2	
Family Financial Services Limited	Markham, Canada	100	
Family Trust Corporation	Markham, Canada	100	
ManuLife (International) Reinsurance Limited	**Hamilton, Bermuda**	**100**	77,118,000
ManuLife (International) P & C Limited	Hamilton, Bermuda	100	
Manufacturers P & C Limited	Hamilton, Bermuda	100	
ManuCab Ltd.	**Toronto, Canada**	**100**	32,169,000
ManuLife Investment Management Corporation	**Toronto, Canada**	**100**	24,789,000
ManuLife (International) Limited	**Hong Kong**	**100**	18,718,000
OUB ManuLife Pte. Limited	**Singapore**	**50**	6,599,000
Young Poong Manulife Insurance Company	**Seoul, South Korea**	**50**	5,993,000
P.T. Asuransi Jiwa Dharmala Manulife	**Jakarta, Indonesia**	**51**	3,529,000
Manulife Data Services Inc.	**Barbados**	**100**	922,000
Others			239,000
TOTAL			**$1,618,873,000**

Note: Certain immaterial subsidiaries have been excluded from this list.

Manulife Financial is proud to have been designated "A Caring Company" by the Imagine program because of its policy of donating and encouraging employee giving.

A Caring Company

IMAGINE

For more information on Manulife Financial,
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The Manufacturers
Life Insurance
Company

Manulife Financial