Source of Earnings

Manulife uses the Source of Earnings (''SOE'') to identify the primary sources of gains or losses in each reporting period. It is one of the key tools in understanding and managing the Company's business. The SOE is prepared in accordance with regulatory guidelines prepared by the Canadian regulator, OSFI (Office of the Superintendent of Financial Institutions), and in accordance with draft guidelines prepared by the Canadian Institute of Actuaries.

The SOE attributes earnings to one of eight categories: expected profit from in force business; the impact of new business; experience gains or losses comparing actual to expected outcomes; the impact of management actions and changes in assumptions; the impact of segregated fund guarantees; earnings on surplus funds; other; and the cost of taxes. In aggregate, these elements explain the published $2,564 million in shareholders' net income in 2004.

Expected profit from in force business represents the formula-driven release of Provisions for Adverse Deviation (''PfADs'') on the non-fee income insurance businesses and the expected annual income on fee businesses. PfADs represent additional amounts held in excess of the expected cost of discharging policy obligations to provide a margin of conservatism. These amounts are released over time as the Company is released from the risk associated with the policy obligations.

Impact of new business represents the financial impact of new business written in the period on the statement of operations. Writing new business creates economic value, which is offset by the conservative PfADs and other limits on capitalization of this economic value in the actuarial liabilities. Consequently, the Company reports an overall loss in the statement of operations from new business in the first year. The value created by the new business is reflected in the embedded value calculation. The impact of new business also includes any acquisition expenses that are not fully covered by the product pricing at time of issue.

Experience gains or losses arise from items such as claims, investment returns and expenses, where the actual experience in the current period differs from the expected results assumed in the actuarial liabilities, or where the current period fee income differs from the amount expected due to investment market performance. This component also includes the impact of currency changes to the extent they are separately quantified. Experience gains do not include the impact of management actions or changes in assumptions during the reporting period, or the impact of segregated fund guarantees, which are reported separately. The Company believes its expected assumptions are prudent. This is consistent with a history of favourable overall experience variances.

Management actions and changes in assumptions reflect the income impact of management-initiated actions in the period that are outside the normal course of business. Changes in methods or assumptions that impact the calculation of policy liabilities or other accounting liabilities flow through this line (all changes in methods or assumptions impacting the policy liabilities are reported in the ''Corporate and Other'' segment with a total consolidated impact of positive $38 million in 2004 and negative $78 million in 2003 – Note 7 of the consolidated financial statements gives additional details of the breakdown of the changes in actuarial methods and assumptions). Integration expenses associated with the John Hancock acquisition that flow through income are also shown in this line (reported in the ''Corporate and Other'' segment with a total consolidated pre-tax impact of $139 million in 2004 and nil in 2003).

Segregated fund guarantees represent the income impact of segregated fund guarantees in the period, including the change in actuarial liabilities related to these guarantees. The income impact of changes in the Conditional Tail Expectation (''CTE'') level of segregated fund guarantee reserves is shown separately from the impact before changes in the CTE level. CTE is a measure of unfavourable economic scenarios that generate large losses.

Earnings on surplus funds reflect the actual investment returns on the assets supporting the Company's surplus (shareholders' equity). These assets comprise a diversified portfolio and returns will vary in harmony with the underlying asset categories.

Other represents pre-tax earnings items not included in any other line of the SOE, including minority interests.

Income taxes represent the tax charges to earnings based on the varying tax rates in the jurisdictions in which Manulife conducts business.

Manulife's shareholders' net income increased to $2,564 million in 2004 from $1,546 million the previous year.

Source of Earnings

For the year ended December 31, 2004 (Canadian $ in millions)	U.S. Protection	U.S. Wealth Mgmt	Canada	Asia	Japan	Reinsurance	G&SFP	Corp & Other	Total
Expected profit from in force business	**$ 465**	**$ 443**	**$ 405**	**$ 255**	**$ 124**	**$ 213**	**$ 129**	**$ 55**	**$2,089**
Impact of new business	**(82)**	**(145)**	**(78)**	**10**	**13**	**(32)**	**(10)**	**–**	**(324)**
Experience gains	**122**	**105**	**137**	**31**	**46**	**17**	**51**	**206**	**715**
Management actions and changes in assumptions	**(9)**	**6**	**(21)**	**4**	**(18)**	**–**	**–**	**(119)**	**(157)**
Segregated fund guarantees	**–**	**22**	**129**	**–**	**3**	**46**	**–**	**–**	**200**
Earnings on surplus funds	**200**	**125**	**227**	**64**	**29**	**70**	**129**	**51**	**895**
Other	**4**	**(2)**	**9**	**(9)**	**11**	**1**	**7**	**(1)**	**20**
Income before income taxes	**$ 700**	**$ 554**	**$ 808**	**$ 355**	**$ 208**	**$ 315**	**$ 306**	**$ 192**	**$3,438**
Income taxes	**(233)**	**(157)**	**(194)**	**(31)**	**(43)**	**(83)**	**(94)**	**(39)**	**(874)**
Net income attributed to shareholders	**$ 467**	**$ 397**	**$ 614**	**$ 324**	**$ 165**	**$ 232**	**$ 212**	**$ 153**	**$2,564**
Impact of segregated fund guarantees									
Constant CTE	**$ –**	**$ 47**	**$ 89**	**$ –**	**$ 3**	**$ 35**	**$ –**	**$ –**	**$ 174**
Change in CTE level	**–**	**(25)**	**40**	**–**	**–**	**11**	**–**	**–**	**26**
Total impact	**$ –**	**$ 22**	**$ 129**	**$ –**	**$ 3**	**$ 46**	**$ –**	**$ –**	**$ 200**

For the year ended December 31, 2003 (Canadian $ in millions)	U.S. Protection	U.S. Wealth Mgmt	Canada	Asia	Japan	Reinsurance	G&SFP	Corp & Other	Total
Expected profit from in force business	$ 227	$ 161	$ 263	$ 234	$ 107	$ 199	$ –	$ 7	$1,198
Impact of new business	22	(91)	(55)	4	(17)	(45)	–	–	(182)
Experience gains	36	120	155	47	(15)	27	–	(85)	285
Management actions and changes in assumptions	4	(24)	1	11	–	–	–	(78)	(86)
Segregated fund guarantees	–	(8)	48	(2)	(1)	1	–	–	38
Earnings on surplus funds	111	69	241	50	32	96	–	(32)	567
Other	4	–	2	(8)	23	1	–	20	42
Income before income taxes	$ 404	$ 227	$ 655	$ 336	$ 129	$ 279	$ –	$ (168)	$1,862
Income taxes	(129)	(47)	(158)	(17)	(23)	(63)	–	121	(316)
Net income (loss) attributed to shareholders	$ 275	$ 180	$ 497	$ 319	$ 106	$ 216	$ –	$ (47)	$1,546
Impact of segregated fund guarantees									
Constant CTE	$ –	$ 8	$ 101	$ (2)	$ –	$ 83	$ –	$ –	$ 190
Change in CTE level	–	(16)	(53)	–	(1)	(82)	–	–	(152)
Total impact	$ –	$ (8)	$ 48	$ (2)	$ (1)	$ 1	$ –	$ –	$ 38