



An Exceptional Year



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MANULIFE FINANCIAL CORPORATION
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CHECK AGAINST DELIVERY

Good morning ladies and gentlemen. It is a pleasure to have this opportunity to report on our company's progress. In preparing my remarks for today's address, I noted that this is the twelfth time that I am speaking at our annual meeting.

We've come along way since 1994 and few would have predicted back then that Manulife Financial would emerge as the leader that we now are, not just in the life insurance industry but in the entire financial services sector.

In my remarks today I will review our recent financial performance and go on to discuss the strengths of our company and the exciting opportunities that are ahead.

When we met last year, we outlined why our recent acquisition of John Hancock Financial Services -- the largest cross-border transaction in Canadian history -- was a superb fit that would create new avenues of growth for Manulife. The transaction increased our scale, diversified our product portfolio, added new distribution channels and broadened our shareholder base. Beyond the many strategic advantages, the transaction also had a favourable impact on our financial results.

As I am sure you all appreciate, the integration of two large and diverse companies is a tremendous undertaking, requiring an immense amount of effort on the part of literally thousands of employees. And I am pleased to report, that one year later the merger has gone better than we had expected. As I review our financial results, I believe the reasons for our satisfaction with the progress we've made will be apparent.

In 2004, Manulife reported earnings of two billion, five hundred and sixty four million dollars, an increase of roughly \$1 billion, or 66% above the prior year's results. Organic business growth, favourable claims and credit experience and strong investment performance accounted for roughly one third of this increase. With eight months of consolidated operations, the addition of John Hancock accounted for the remaining growth in earnings. On an earnings per share basis, our results increased by 10% to \$3.65 per share. Excluding the negative impact of currency movements and integration costs, earnings per share would have been \$3.95, representing an increase of 19%.

Finally, our full year return on equity was 13.7%, well above the 12.7% projected when we announced the transaction. We are particularly proud of this result, especially as we did not buy back the full \$3 billion of our shares as was originally planned.

Throughout the integration process, we have remained focused on continuing to provide uninterrupted and very high quality services to our customers. This preoccupation with service quality has allowed us to retain our leading market positions, and in some cases has resulted in gains in market share.

Company-wide, our insurance sales increased by 38% in 2004. The largest gains came from our U.S. Protection segment, where sales increased by 77% over the record levels reported last year.

Manulife's momentum is also evident in our wealth management businesses. Continued strong demand for our variable annuity products in the United States, Canada and Japan helped boost total wealth management sales by 73% to \$27 billion. Both our insurance and wealth management businesses had considerable growth from the merger with John Hancock, but each line also enjoyed strong organic growth over the previous year.

While we are proud of our sales results, we know that top line growth alone does not guarantee an increase in earnings. Among other things, it must be complemented by strict expense management.

Both in our day-to-day operations and in our integration efforts we have maintained a strong emphasis on cost controls. In December we announced that we were increasing our expense synergies target to 325 million US dollars, an increase of \$70 million from our original target. As of year-end 2004, we had already achieved 50% of this objective on a run-rate basis. We have a detailed plan to capture the remaining targeted savings and expect the integration to be substantially complete by the end of this year.

The John Hancock merger also caused our assets under management to rise to almost \$350 billion, which is more than double the year earlier level.

Our assets are very well diversified and remain of a high quality. For example, roughly 94% of our bond portfolio is rated as investment grade. Our portfolio managers are exceeding their benchmarks' and, as of December 31, 2004 the fair value of our investments exceeded their book value by some \$6 billion.

With the exception of Japan, all of our divisions benefited directly from the John Hancock transaction. And without exception, all of our divisions contributed to the earnings growth reported in 2004.

In our US Protection operation, Manulife recorded earnings of \$467 million, up 70% over 2003. A substantial portion of this increase reflected the addition of John Hancock's sizeable Individual Insurance and Long Term Care businesses. Other positive factors included strong business growth, favourable mortality, positive investment and credit results and the impact of expense efficiencies.

The U.S. Wealth Management Division also had an exceptional year. Strong results from each business unit contributed to record earnings of \$397 million, a 121% increase over 2003. Within the Annuity segment, our variable annuity business continued to post strong organic growth and 2004 total annuity sales reached a record of US\$6.6 billion. Our Group Pensions business maintained its leading position in the small case 401(k) market and recorded strong net sales that drove funds under management up to US\$30 billion. Finally, Manulife benefited from the addition of John Hancock's asset management businesses. While these businesses added modestly to earnings, we believe they provide us with an exciting platform for future growth.

With net income of \$614 million, the Canadian Division made the largest contribution to 2004 earnings, accounting for 24% of the total. The addition of Maritime Life Assurance Company, a subsidiary of John Hancock, greatly enhanced our scale and market positioning in Canada.

Within our Asia Division, U.S. dollar basis earnings increased by 9% to US \$250 million. Continued progress was made in diversifying the earnings base from a historical reliance on the Hong Kong insurance market. Further, the merger with John Hancock added scale to our existing operations in Singapore, Indonesia and the Philippines. And it brought us a presence in two new territories – Malaysia and Thailand. Today, earnings in Asia are derived from 10 countries and territories and from a range of insurance and wealth management products.

In 2004, our Japan Division reported net income of \$165 million, up 56% over the results reported last year. In Japan, we have reduced expenses, realigned and modernized our product offerings and revitalized our sales force. Also in 2004, we formed an alliance with Bank of Tokyo-Mitsubishi that made Manulife Japan their preferred supplier of variable annuity products. This agreement was instrumental in boosting the division's annuity sales to roughly \$2.4 billion

last year. As you may remember, we finalized our investment in Japan just six years ago. And, we are pleased with what has been accomplished to date.

Earnings in our Reinsurance Division were up solidly in 2004 driven by continued strong mortality results and by the addition of John Hancock's International Group Program business. Total reinsurance earnings for the year reached a record of \$232 million.

Guaranteed & Structured Financial Products contributed \$212 million to earnings in 2004. Tight margins significantly reduced the returns achievable on new business and in response new issuance was reduced by about 75% or \$2.8 billion U.S. dollars versus the preacquisition volumes originated by this unit.

Earlier this morning, Manulife released its financial results for the first quarter of 2005. Shareholders earnings increased by 88% over the previous year to reach \$801 million. Earnings per share were \$0.99 for the first quarter while our return on equity rose to 14.1%.

Consistent with this growth in earnings, the Board approved an increase in the quarterly dividend to 30 cents per share from its previous level of 26 cents per share.

As you can tell, we are very proud of our achievements in 2004 and in the first quarter of 2005. We remain committed to our objective of creating long-term shareholder value and, as this slide shows, over the last 10 years we have delivered strong and consistent earnings growth. Our earnings have increased at a compound rate of 25% per annum over the last ten years.

Since going public in September of 1999 our share price has more than tripled and our eps has grown by 16% per annum.

We also remain committed to returning capital to our shareholders. Since becoming a public company five and a half years ago, we have increased common shareholder dividends at a compounded rate of 25%. We've also been opportunistic in the repurchase of our own shares. In the last quarter alone, we purchased and cancelled roughly 6.7 million common shares. Since going public we have repurchased more than 58 million shares.

All in all -- I hope you agree -- it's been quite a performance that has been turned in by the team here at Manulife Financial. However, I know that many of you -- while appreciating past efforts -

- are more likely interested in knowing where do we go from here! How do we build on the excellent base that has been created over the past decade or so?

Well, our first priority has always been -- and will remain -- on organic growth: serving customers one at a time with existing services and innovative products. In North America, aging baby boomers are entering their prime earning years. Many are also inheriting significant sums of money and they will increasingly need wealth management services. As their own families grow, they will also require greater amounts of financial protection. In Asia, rising income levels and falling barriers to entry are creating a huge demand for the services that we offer.

With meaningful operations as I said earlier in ten countries throughout Asia, we are particularly well positioned to capture an important share of this expanding market.

Beyond organic growth, we will also remain alert for any opportunities that may present themselves for the development of our business through the acquisition of existing companies. We believe that such merger possibilities exist in all the geographies where we do business. But, they are particularly present in the American marketplace, which is extremely fragmented, with over eleven hundred life insurance companies. The top five players in the U.S. do not control even 25 per cent of new life insurance sales. A well-capitalized company like Manulife is in an excellent position to help things along as a consolidator ----- especially now that we have the John Hancock brand.

We also believe that innovation in the introduction of new products and the expansion of distribution systems will provide us with a steady stream of opportunities for growth. Examples of this are the continued development of the Manulife Bank in Canada, the College Savings program in the U.S., the introduction of variable annuity products in Japan as well as mutual funds and other savings products in Hong Kong and Indonesia and increasingly throughout Asia. We will continue to transfer ideas and processes across the various businesses that we operate. It is one of the advantages of being a diversified company.

In addition to the foregoing, we are encouraged by the privatization trend around the world. Governments everywhere are enacting legislation which seeks to encourage citizens to provide for their own security and retirement needs. We expect that this trend, if anything, will accelerate and that from it will emerge many opportunities for us to offer various pension, group benefit, long term care and other services.

So, as I hope the brief summary shows, there should be plenty of opportunities for us to grow our business. I want to especially mention that our future growth is not dependent upon a favourable evolution of Canadian public policy regarding financial institutions. As we all know, the government of Canada has been reviewing the issues associated with a restructuring and possible consolidation of the financial services sector in Canada. When any proposals are tabled they will, of course, be carefully examined.

As we pursue these various opportunities for growth, I want to emphasize that we will remain the same disciplined, conservative company that we've always been. We will look for opportunities to grow and move boldly where called for, but we will not assume imprudent risks, pay inflated prices or stray from the very fundamentals that have allowed us to succeed so far.

Along those lines, it is worth pointing out that our success has always been tied to our core values, which we summarize in the acronym PRIDE. We have never allowed our pursuit of growth to compromise these values. So if an error does occur, we take responsibility for that error, and move quickly to correct it.

This, is exactly what we did in the Portus Alternative Asset Management situation that has been widely reported in the media. This was a very unfortunate matter, and we regret the concern that it caused our clients.

What happened very simply was this: Manulife, after evaluating the Portus product, entered into a referral agreement with them. But, the product that was ultimately sold to investors was very different from what had been presented to our analysts. Portus is now under investigation by regulatory authorities in several jurisdictions. Regardless of the outcome of those investigations, Manulife moved quickly to guarantee that its clients would recover 100 per cent of their principal invested with Portus. We did this not because we were legally obliged to; we did it because we thought it was the right thing to do.

Another -- far more tragic -- challenge that we dealt with late last year was the horrifying earthquake and tsunami that struck South East Asia. This natural disaster has few precedents in history, and it affected our Company -- our people -- directly.

We have almost 5,000 agents and 800,000 customers in Indonesia, and our operations in Banda Aceh, on the northwest edge of Sumatra, were devastated. We lost fifteen of our employees.

When we first got word of the disaster we immediately made a corporate donation to help in the relief effort. But as the full impact of what happened became evident, we increased our donation and engaged our employees from all parts of our Company. Together, we raised more than \$1 million which is providing direct aid to those affected. In addition, Manulife Indonesia elected to override a condition of the insurance policies which would otherwise have denied benefits to those that perished. And, it waived premiums for the coming year for all policyholders in the Banda Aceh area.

I want to express my gratitude to all of our team in Indonesia, from executive management to our agents there, who dedicated themselves to offering relief and who worked tirelessly to quickly restore operations so that policyholders' needs could be met.

Ladies and gentlemen -- with your indulgence -- there is one more matter that I would like to address this morning and it has to do with the broad subject of corporate governance. I have spoken about this before, but I want to get it off my chest one more time!

It almost seems as though there isn't a single day that goes by that yet some new group isn't prescribing yet more ideas for how corporations -- or more particularly their senior managements -- can be made more responsive to shareholders.

There are two terribly flawed assumptions in my view that appear to underlie many of these recommendations.

The first is that if enough regulation and liability could be imposed on corporations and their directors, somehow this will prevent the reoccurrence of headline grabbing corporate failures such as those that happened over the past few years.

The second regrettable assumption is that managers -- CEO's more particularly -- are so driven by greed and self interest that they cannot be trusted to do the right thing for the corporation or its stakeholders. I may be overstating the case -- but really not by much.

I think it would be useful to pause and reflect on the cumulative impact of much of the regulation that has been enacted to-date, particularly in the U.S. For example, while I have absolutely no problem with the requirement that the CEO and CFO attest to the accuracy of the financial statements and adequacy of internal controls -- which by the way is something which I thought

we always did -- does it really make a lot of sense to subject all companies to the extraordinarily onerous provisions of Sarbanes Oxley 404?

At Manulife, we estimate that it could cost us as much as \$30 million a year to comply with SOX 404. If I thought for a moment that these new regulations would deter fraud or lead to better financial reporting, I wouldn't be as agitated about it. But I'm afraid it will do nothing of the kind. Rather, this "tick the box" type of regulation will have the perverse effect of causing external auditors and boards of directors to become excessively reliant on process --- and less on the exercise of common sense and good judgment. Surely, this is not what we want to have happen.

I would encourage any of you with the interest, to look at the specifics of SOX 404. Let me know, after you've had a chance to study it more closely, if you still think it is good and effective regulation.

As to the issue of ethics in the corporate world, let me say this. I am not a choirboy! I believe that I have some understanding of human nature. And while clearly there have been too many cases of improper behaviour at some corporations, these still remain the exception not the rule. Let me repeat that -- they are the exception not the rule.

In my long career, I've worked with thousands of executives. Maybe I've just been lucky, but I've never worked with anyone who even remotely engaged in the egregious behaviour that we read so much about. In fact, all of the CEO's I know are remarkably dedicated to advancing the interests of their organizations and to doing so in an ethical way. They care about their customers, their personnel, their shareholders and their communities. I am very proud of being a member of Canada's CEO community and of our contribution to the quality of life here.

It should be self evident that as a group, corporate officers are no more or less virtuous than people in any other walk of life. And yet it isn't. Instead, it is now becoming fashionable to believe that corporate behaviour should always be viewed with suspicion. This is a very dangerous premise upon which to develop a governance regime. I am afraid that by doing so, we run the risk of imposing onerous and impractical restraints that will stifle entrepreneurial activity. And in the long term this will constrain our competitiveness.

I want to be clear that I make these comments not because I believe that our system of governance is perfect. The reality is that there has been a noticeable improvement in the last

ten years in all aspects of governance including the oversight role played by directors and in the quality and transparency of financial reporting. Rather, my comments are intended to alert you to the fact that, in the words of my chairman, “the pendulum may have swung too far”.

The concerns I voice today are real and they are shared by many of us in the corporate world. I should say, too, that it pleases most of us to see that the legal system is dealing aggressively with those executives who did commit crimes. The prosecution of these people to the full extent allowed under existing laws is the way to deal with the problem. It will prove to be a far more effective remedy than the imposition of burdensome and costly new regulations.

I want to conclude my address today by thanking the many thousands of Manulife people around the world who -- as I said earlier -- work so hard and so capably to make this the wonderful company that it is. And I want to thank my management team which, increasingly, is acknowledged as the best in the business.

Finally, I want to express my appreciation to David D’Alessandro for the role he played in bringing John Hancock and Manulife together; it simply wouldn’t have happened without his enthusiastic support.

Our vision is for Manulife Financial to be the most professional life insurance company in the world. I think -- and I hope you agree -- that we took a giant stride towards the achievement of that objective in 2004. We believe -- as we’ve said in the past -- that there is no company anywhere that is better positioned than we are to continue on our favourable growth trajectory.

Thank you ladies and gentlemen. I look forward to addressing you again next year.