

For the Quarter ended June 30, 2001

Manulife Financial Corporation

a global vision

2

Second Quarter Report to
Shareholders

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 **Manulife Financial**

Financial Highlights

(Canadian \$ in millions unless otherwise stated and per share information, unaudited)

	For the three months ended June 30			As at and for the six months ended June 30		
	2001	2000	% change	2001	2000	% change
Premiums and deposits:						
Life and health insurance premiums	\$ 1,866	\$ 1,526	22	\$ 3,378	\$ 3,097	9
Annuity and pension premiums	692	615	13	1,296	1,323	(2)
Segregated fund deposits	3,471	3,556	(2)	7,363	7,452	(1)
Mutual fund deposits	149	144	3	302	351	(14)
ASO premium equivalents	201	151	33	396	294	35
Total premiums and deposits	\$ 6,379	\$ 5,992	6	\$ 12,735	\$ 12,517	2
Funds under management:						
General fund				\$ 75,753	\$ 59,145	28
Segregated funds				55,689	55,138	1
Mutual and other managed funds				9,444	8,121	16
Total funds under management				\$140,886	\$122,404	15
Net income (loss) attributed to participating policyholders	\$ 3	\$ (5)	n/a	\$ 7	\$ (7)	n/a
Net income attributed to shareholders	\$ 305	\$ 247	23	\$ 575	\$ 474	21
Net income	\$ 308	\$ 242	27	\$ 582	\$ 467	25
Capitalization:						
Subordinated debt				\$ 1,383	\$ 582	138
Trust preferred securities issued by subsidiaries				766	754	2
Equity						
Participating policyholders' equity				61	54	13
Shareholders' equity						
Common shares				612	612	-
Shareholders' retained earnings				7,012	6,008	17
Total capital				\$ 9,834	\$ 8,010	23
Selected key performance measures:						
Basic earnings per share	\$ 0.63	\$ 0.51		\$ 1.19	\$ 0.98	
Diluted earnings per share	\$ 0.63	\$ 0.51		\$ 1.18	\$ 0.98	
Return on shareholders' equity (annualized)	16.2 %	15.3 %		15.6 %	14.8 %	
Return on assets (annualized)	1.8 %	1.7 %		1.7 %	1.6 %	
Book value per share				\$ 15.81	\$ 13.73	
Shares outstanding (in millions)						
End of period				482	482	
Weighted average – basic	482	482		482	484	
Weighted average – diluted	486	482		486	484	

Message to Shareholders

Strong Earnings Growth Continues

Manulife Financial continues to enjoy robust earnings growth as shareholders' net income increased 23 per cent to \$305 million in the second quarter of 2001. Earnings per share for the quarter were \$0.63, an increase of \$0.12 from the second quarter of 2000. The increase in net income primarily reflects the impact of the acquisition of a large block of policies and assets in Japan, business growth in Hong Kong individual insurance, improved results from insurance activities, and improved claims experience in the Accident and Health reinsurance line. Our return on shareholders' equity was 16.2 per cent for the quarter.

Total revenues, as measured by premiums and deposits, increased six per cent to \$6.4 billion in the quarter, primarily reflecting premiums associated with the recently acquired block of business in Japan, Mandatory Provident Fund deposits in Hong Kong and Group Benefit premiums in Canada. Soft equity markets in North America and continued uncertainty about U.S. estate tax reform dampened sales of wealth management products and U.S. life insurance during the quarter. We expect insurance sales to pick up in the second half of the year due to the enactment of a new U.S. tax bill that clarified U.S. estate tax rules. A rebound in North American wealth management product sales remains sensitive to equity market conditions.

Funds under management were \$140.9 billion as at June 30, 2001, an increase of 15 per cent from the previous year.

For the six months ended June 30, 2001, shareholders' net income amounted to \$575 million, compared to \$474 million for the same period last year. On a per share basis, net income was \$1.19, up 21 per cent from a year ago.

New Markets and New Businesses

Manulife Financial continues to grow in new markets and new businesses. This quarter, our results included for the first time the benefits from three recent acquisitions: the purchase of a large inforce block of business in Japan, the addition of Zurich Canada's group life and health business and of Commercial Union's Canadian life insurance operations. Each of these transactions is expected to contribute to earnings in 2001.

We have recently welcomed over a million new policyholders in Japan. The integration of these new policies into Manulife Century has gone well, with lapse volumes significantly reduced from peak levels. Our plans going forward include on-going product innovation, agency force expansion, and continued pursuit of administrative efficiencies. Later this year, we will be one of the first insurers to introduce universal life insurance and variable annuities to the Japanese marketplace, both products with which we have had extensive experience and success in the North American marketplace. We will shortly launch a Japanese advertising program to build the Manulife brand name locally, emphasizing our financial strength and AA+ credit rating.

The acquisition of Zurich Canada's group life and health business has resulted in the addition of more than 65,000 new participants to our client base in Canada. We are also optimistic that a strategic distribution alliance with Zurich will bring significant new sales opportunities in 2001.

With the acquisition of Commercial Union of Canada, Manulife Financial has added 125,000 new policies to its Canadian insurance operations. This transaction gave us access to a market-leading critical illness product and a long-term care product, completing our family of Canadian insurance offerings. Critical illness insurance is a living benefit product that provides a lump sum payment upon the first diagnosis of one of several specified critical illnesses or events, such as cancer, heart attack, or stroke. The Canadian critical illness market has grown substantially in recent years, with premiums up 63% in 2000 over 1999 and changing demographics are expected to continue to drive strong demand in this product category.

For most Americans, estate planning, retirement savings and the funding of the costs of a college education for their children are the key financial challenges. Manulife Financial is already a leader in the first two categories – with strong franchises in estate planning insurance, variable annuities and 401(k) pensions. Our recent entry into the college savings market completes the picture. It is a natural complement to our existing product lineup and is expected to be of significant interest to our traditional target market – high net worth individuals focused on tax deferred savings.

Looking Forward

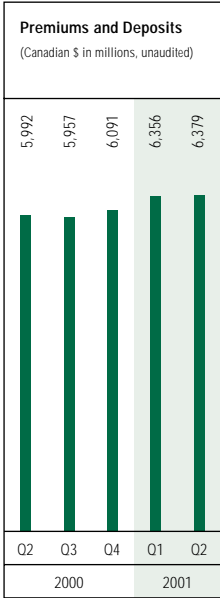
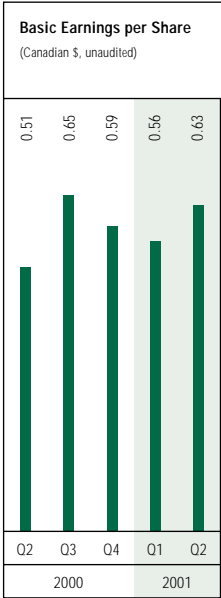
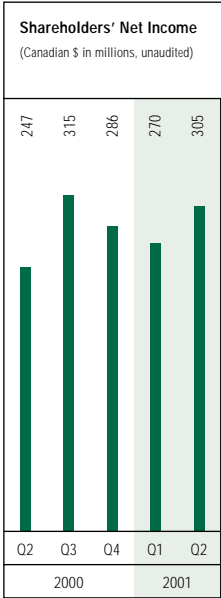
Manulife Financial has increased its return on equity target to 16 per cent, from the previous level of 15 per cent, which was established eighteen months ago. Management is confident that our focus on growing high margin businesses, together with our geographic and product diversification and the improved utilization of our large capital base, will allow us to achieve this objective. Our new 16 per cent return on equity target positions Manulife Financial in an elite group of financial institutions globally that are able to sustain such superior returns.

With the recent passage of the Financial Services Reform Bill in Canada, we expect industry consolidation to intensify in the near term. Manulife Financial intends to be an active but disciplined participant in such consolidation – opportunities must meet our strategic and financial objectives and deliver shareholder value.

Dominic D'Alessandro

President and Chief Executive Officer

Key Performance Measures



Management's Analysis of Operations

Net Income

Manulife Financial reported a 23 per cent increase in shareholders' net income for the second quarter ended June 30, 2001, increasing to \$305 million from \$247 million in 2000. This increase was due to the impact of the transfer of policies and assets from Daihyaku Mutual Life Insurance Company ("Daihyaku") on April 2, 2001, business growth in Hong Kong Individual insurance, improved margins in Individual Insurance and Individual Wealth Management businesses in Canada and improved claims experience in the Accident and Health reinsurance line.

For the six months ended June 30, 2001, shareholders' net income was \$575 million, an increase of 21 per cent over 2000.

Return on Equity and Earnings per Share

The second quarter return on shareholders' equity was 16.2 per cent compared to 15.3 per cent for the same period in 2000. For the three months ended June 30, 2001, earnings per share were \$0.63 compared to \$0.51 in 2000.

Year-to-date return on shareholders' equity and earnings per share were 15.6 per cent and \$1.19, respectively.

Premiums and Deposits

Total premiums and deposits increased to \$6.4 billion in the second quarter of 2001 from \$6.0 billion in 2000.

This increase was primarily due to premiums from the policies transferred from Daihyaku, Mandatory Provident Fund deposits in Hong Kong and Group Benefit premiums in Canada.

Funds under Management

Funds under management increased by 15 per cent to \$140.9 billion as at June 30, 2001 from \$122.4 billion as at June 30, 2000. General fund assets increased by 28 per cent, reflecting the general fund assets transferred from businesses assumed and acquired in the quarter of \$17.1 billion and insurance growth. Segregated fund assets increased by \$551 million from a year ago and \$3.0 billion from the prior quarter. Over the past twelve months, strong sales of 401(k) pension products and variable annuities and the impact of a strengthening U.S. dollar were largely offset by equity market declines.

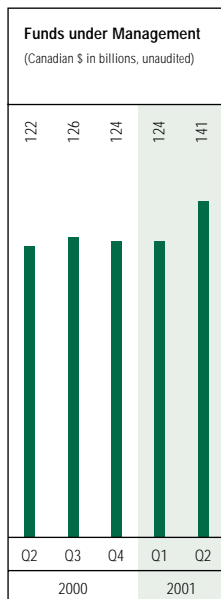
Capital

Total capital increased to \$9.8 billion as at June 30, 2001 from \$8.0 billion as at June 30, 2000. The increase was primarily a result of net income, the issuance of subordinated debt, and the impact of a strengthening U.S. dollar, partially offset by shareholder dividends.

Results of Operations by Division

U.S. Division

U.S. Division's second quarter net income of \$104 million was slightly lower than the \$106 million reported in the second quarter of 2000. Year-to-date net income was \$179 million compared to \$207 million in 2000. Good mortality experience, close management of expenses and gains from the strengthening of the U.S. dollar were dampened by the impact of lower equity markets – primarily on the earnings of the Division's wealth management businesses – and by a decline in U.S. Insurance sales versus the unusually high volumes reported in 2000. Premiums and deposits remained unchanged from the second quarter of 2000 at \$3.8 billion. While premiums and deposits of insurance and 401(k) products were slightly above the prior year, volatile equity markets continued to depress the volume of new variable annuity deposits. Still, variable annuity deposits increased by 16 per cent over the first quarter of 2001, reflecting customers' demand for riders and strong growth in the state of New York. Funds under management of \$70.1 billion were \$0.8 billion higher than the second quarter of 2000. The favourable impact of a strengthening U.S. dollar was largely offset by reductions in fund values from equity market declines.



Management's Analysis of Operations (cont'd)

Canadian Division

Canadian Division net income increased by 16 per cent to \$80 million, compared to \$69 million in the second quarter of 2000. Year-to-date earnings of \$153 million were up 20 per cent over the first six months of 2000. The increased earnings were driven by improved margins in Individual Insurance and Individual Wealth Management businesses partially offset by less favourable long-term disability claims results in Group Benefits. Second quarter premiums and deposits remained unchanged at \$1.3 billion compared to last year. Higher sales over the past 12 months and good persistency drove growth in premiums and deposits of 32 per cent in Group Benefits and 14 per cent in Individual Insurance. This was offset by a 26 per cent decrease in wealth management deposits that resulted from the continued low interest rate environment and volatile equity markets. Funds under management increased to \$32.7 billion as at June 30, 2001 from \$31.7 billion as at the same time last year due to the assets transferred in the acquisition of Commercial Union's Canadian life insurance operations and Zurich Canada's group life and health business.

Asian Division

Asian Division's net income increased by \$45 million to \$87 million in the second quarter of 2001, up from \$42 million in the second quarter of 2000. Year-to-date net income increased to \$146 million from \$80 million in 2000. The increase was due to the impact of the transfer of policies and assets from Daihyaku, together with business growth in Hong Kong Individual Insurance. Premiums and deposits increased by 84 per cent to \$1.1 billion for the quarter ended June 30, 2001, mainly due to premiums from the policies transferred from Daihyaku and Mandatory Provident Fund deposits in Hong Kong. Funds under management increased by \$13.5 billion to \$22.3 billion as at June 30, 2001 from \$8.8 billion as at June 30, 2000, reflecting the transfer of assets with a fair value of \$16.0 billion from Daihyaku and subsequent policy surrenders and claims. Cash payments relating to death and disability claims, surrender activity and other policy changes in the Daihyaku block of business reduced general fund assets in Japan in the quarter by approximately \$3.3 billion. Of this amount, approximately \$2.5 billion related to discontinued policy obligations existing prior to April 2, 2001 and, at the date of acquisition, were reported in the general fund balance sheet as Benefits payable and provisions for unreported claims.

Reinsurance Division

Reinsurance Division net income increased 46 per cent to \$35 million compared to the second quarter of 2000. Year-to-date net income increased to \$75 million from \$53 million in 2000. All lines of business contributed favourably to the strong results in the quarter, particularly the Accident and Health reinsurance line which reported improved claims experience compared to the second quarter of 2000. Premiums decreased by 16 per cent to \$159 million from a very strong second quarter in 2000, due to timing of premiums in the Property and Casualty reinsurance line. Accident and Health reinsurance premiums continued to decline due to the Company's exit from the U.S. medical reinsurance market and from personal accident pools. General fund assets increased by 19 per cent to \$3.4 billion as at June 30, 2001 from \$2.9 billion as at June 30, 2000, reflecting business growth and the impact of a strengthening U.S. dollar.

Quarterly Dividend

On April 30, 2001, the Board of Directors declared a quarterly shareholders' dividend of \$0.12 per share on common shares of the Company, which was paid on June 19, 2001 to shareholders of record at the close of business on May 15, 2001.

Consolidated Statements of Operations

(Canadian \$ in millions unless otherwise stated and per share data, unaudited)	For the three months ended June 30		For the six months ended June 30	
	2001	2000	2001	2000
Revenue				
Premium income	\$ 2,558	\$ 2,141	\$ 4,674	\$ 4,420
Investment income	1,166	1,098	2,167	2,174
Other revenue	357	321	703	612
Total revenue	\$ 4,081	\$ 3,560	\$ 7,544	\$ 7,206
Policy benefits and expenses				
To policyholders and beneficiaries				
Death and disability benefits	\$ 876	\$ 591	\$ 1,519	\$ 1,182
Maturity and surrender benefits	1,023	563	1,730	1,302
Annuity payments	327	298	634	600
Policyholder dividends and experience rating refunds	215	222	408	405
Net transfers to segregated funds	323	423	594	905
Increase in actuarial liabilities	(69)	293	(8)	511
General expenses	614	544	1,198	1,025
Commissions	281	268	552	524
Interest expense	57	48	123	88
Premium taxes	28	24	52	47
Non-controlling interest in subsidiaries	2	(54)	(3)	(39)
Trust preferred securities issued by subsidiaries	16	15	32	31
Total policy benefits and expenses	\$ 3,693	\$ 3,235	\$ 6,831	\$ 6,581
Income before income taxes	\$ 388	\$ 325	\$ 713	\$ 625
Income taxes	(80)	(83)	(131)	(158)
Net income	\$ 308	\$ 242	\$ 582	\$ 467
Net income (loss) attributed to participating policyholders	\$ 3	\$ (5)	\$ 7	\$ (7)
Net income attributed to shareholders	\$ 305	\$ 247	\$ 575	\$ 474
Net income	\$ 308	\$ 242	\$ 582	\$ 467
Weighted average number of common shares outstanding (in millions)	482	482	482	484
Weighted average number of diluted common shares outstanding (in millions)	486	482	486	484
Basic earnings per share	\$ 0.63	\$ 0.51	\$ 1.19	\$ 0.98
Diluted earnings per share	\$ 0.63	\$ 0.51	\$ 1.18	\$ 0.98

Consolidated Balance Sheets

(Canadian \$ in millions, unaudited)	As at	June 30, 2001	Dec. 31, 2000	June 30, 2000
ASSETS	Invested assets			
	Bonds	\$ 43,947	\$ 33,270	\$ 32,896
	Mortgages	7,420	7,174	6,812
	Stocks	6,078	4,621	5,171
	Real estate	3,424	3,262	3,267
	Policy loans	4,344	3,616	3,434
	Cash and short-term investments	5,981	3,783	3,355
	Other investments	891	884	956
	Total invested assets	\$ 72,085	\$ 56,610	\$ 55,891
	Other assets			
	Accrued investment income	\$ 879	\$ 834	\$ 761
	Outstanding premiums	375	487	331
	Future income taxes	555	515	536
	Miscellaneous	1,859	1,621	1,626
	Total other assets	\$ 3,668	\$ 3,457	\$ 3,254
	Total assets	\$ 75,753	\$ 60,067	\$ 59,145
	Segregated fund net assets	\$ 55,689	\$ 54,908	\$ 55,138
LIABILITIES AND EQUITY				
	Actuarial liabilities	\$ 53,468	\$ 41,384	\$ 40,779
	Benefits payable and provision for unreported claims	2,551	1,800	1,619
	Policyholder amounts on deposit	2,860	1,371	1,251
	Deferred realized net gains	3,476	3,434	3,377
	Banking deposits	630	592	473
	Other liabilities	2,874	2,632	3,207
		\$ 65,859	\$ 51,213	\$ 50,706
	Subordinated debt	1,383	588	582
	Non-controlling interest in subsidiaries	60	299	429
	Trust preferred securities issued by subsidiaries	766	756	754
	Equity			
	Participating policyholders' equity	61	54	54
	Shareholders' equity			
	Common shares	612	612	612
	Shareholders' retained earnings	7,012	6,545	6,008
	Total equity	\$ 7,685	\$ 7,211	\$ 6,674
	Total liabilities and equity	\$ 75,753	\$ 60,067	\$ 59,145
	Segregated fund net liabilities	\$ 55,689	\$ 54,908	\$ 55,138

Consolidated Statements of Equity

(Canadian \$ in millions, unaudited)	For the six months ended June 30	Participating Policyholders	Shareholders	2001	2000
Operating retained earnings					
Balance, January 1		\$ 54	\$ 6,414	\$ 6,468	\$ 5,783
Net income		7	575	582	467
Shareholder dividends		-	(115)	(115)	(96)
Purchase and cancellation of common shares		-	-	-	(190)
Balance, June 30		\$ 61	\$ 6,874	\$ 6,935	\$ 5,964
Currency translation account					
Balance, January 1		\$ -	\$ 131	\$ 131	\$ 43
Change during the period		-	7	7	55
Balance, June 30		\$ -	\$ 138	\$ 138	\$ 98
Retained earnings		\$ 61	\$ 7,012	\$ 7,073	\$ 6,062
Common shares					
Balance, January 1		\$ -	\$ 612	\$ 612	\$ 628
Purchase and cancellation of common shares		-	-	-	(16)
Balance, June 30		\$ -	\$ 612	\$ 612	\$ 612
Total equity		\$ 61	\$ 7,624	\$ 7,685	\$ 6,674

Consolidated Statements of Cash Flows

(Canadian \$ in millions, unaudited)	For the three months ended June 30		For the six months ended June 30	
	2001	2000	2001	2000
Operating activities				
Operating cash inflows				
Premiums and annuity considerations	\$ 2,563	\$ 2,140	\$ 4,788	\$ 4,446
Investment income received	980	900	1,934	1,818
Other revenue	357	321	703	612
Total operating cash inflows	\$ 3,900	\$ 3,361	\$ 7,425	\$ 6,876
Operating cash outflows				
Benefit payments	\$ 4,425	\$ 1,360	\$ 6,067	\$ 2,986
Insurance expenses and taxes	929	960	1,934	1,784
Dividends paid to policyholders	215	222	408	405
Net transfers to segregated funds	323	423	594	905
Change in other assets and liabilities	433	(392)	824	(476)
Total operating cash outflows	\$ 6,325	\$ 2,573	\$ 9,827	\$ 5,604
Cash provided by (used in) operating activities	\$ (2,425)	\$ 788	\$ (2,402)	\$ 1,272
Investing activities				
Purchases and mortgage advances	\$ (16,685)	\$ (10,223)	\$ (25,930)	\$ (18,865)
Disposals and repayments	9,982	9,269	18,903	18,135
Cash received from assumptions and acquisition of businesses, net of cash paid	10,874	–	10,874	–
Cash provided by (used in) investing activities	\$ 4,171	\$ (954)	\$ 3,847	\$ (730)
Financing activities				
Increase (decrease) in repurchase agreements and securities sold but not yet purchased	\$ (352)	\$ (101)	\$ (42)	\$ 57
Shareholder dividends	(58)	(48)	(115)	(48)
Borrowed funds, net	–	–	34	–
Issue of subordinated debt, net (note 3)	–	–	796	–
Purchase and cancellation of common shares	–	–	–	(206)
Cash provided by (used in) financing activities	\$ (410)	\$ (149)	\$ 673	\$ (197)
Cash and short-term investments				
Increase (decrease) during the period	\$ 1,336	\$ (315)	\$ 2,118	\$ 345
Balance, beginning of period	4,262	3,470	3,480	2,810
Balance, June 30	\$ 5,598	\$ 3,155	\$ 5,598	\$ 3,155
Composition of cash and short-term investments				
Beginning of period				
Gross cash and short-term investments	\$ 4,586	\$ 3,728	\$ 3,783	\$ 3,047
Net payments in transit, included in other liabilities	(324)	(258)	(303)	(237)
Net cash and short-term investments, beginning of period	\$ 4,262	\$ 3,470	\$ 3,480	\$ 2,810
End of period				
Gross cash and short-term investments	\$ 5,981	\$ 3,355	\$ 5,981	\$ 3,355
Net payments in transit, included in other liabilities	(383)	(200)	(383)	(200)
Net cash and short-term investments, June 30	\$ 5,598	\$ 3,155	\$ 5,598	\$ 3,155

Segregated Funds

Consolidated Statements of Net Assets

(Canadian \$ in millions, unaudited)	As at	June 30, 2001	Dec. 31, 2000	June 30, 2000
Investments, at market values				
	Bonds	\$ 1,690	\$ 2,567	\$ 2,755
	Stocks	51,456	49,880	49,986
	Real estate	2	2	4
	Cash and short-term investments	2,482	2,428	2,399
	Accrued investment income	8	16	18
	Other assets (liabilities), net	51	15	(24)
	Total segregated fund net assets	\$ 55,689	\$ 54,908	\$ 55,138
Composition of segregated fund net assets:				
	Held by Policyholders	\$ 55,451	\$ 54,705	\$ 54,808
	Held by the Company	238	203	330
	Total segregated fund net assets	\$ 55,689	\$ 54,908	\$ 55,138

Segregated Funds

Consolidated Statements of Changes in Net Assets

(Canadian \$ in millions, unaudited)	For the three months ended June 30		For the six months ended June 30	
	2001	2000	2001	2000
Additions				
	\$ 3,471	\$ 3,556	\$ 7,363	\$ 7,452
Deposits from policyholders				
Realized and unrealized investment gains (losses)	2,025	(1,865)	(4,836)	408
Interest and dividends	452	493	784	787
Net transfers from general fund	323	423	594	905
Funds assumed and acquired	234	-	234	-
Currency revaluation	(1,597)	703	628	1,046
Total additions	\$ 4,908	\$ 3,310	\$ 4,767	\$ 10,598
Deductions				
	\$ 1,715	\$ 1,838	\$ 3,566	\$ 4,133
Payments to policyholders				
Management and administrative fees	216	204	420	382
Total deductions	\$ 1,931	\$ 2,042	\$ 3,986	\$ 4,515
Net addition to segregated funds for the period	\$ 2,977	\$ 1,268	\$ 781	\$ 6,083
Segregated fund net assets, beginning of period	52,712	53,870	54,908	49,055
Segregated fund net assets, June 30	\$ 55,689	\$ 55,138	\$ 55,689	\$ 55,138

Notes to the Summary Consolidated Financial Statements

(Canadian \$ in millions unless otherwise stated, unaudited)

Note 1 Significant Accounting Policies

Manulife Financial Corporation ("Manulife Financial," the "Company") is a publicly traded stock life insurance company and the insurance holding company of The Manufacturers Life Insurance Company ("Manufacturers Life"), which was organized as a mutual life insurance company until September 23, 1999, on which date it demutualized.

These summary consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles including the accounting require-

ments of the Superintendent of Financial Institutions (Canada) ("OSFI"), except that these unaudited financial statements do not include all of the disclosures required for annual financial statements. None of the accounting requirements of OSFI is an exception to accounting principles generally accepted in Canada. The significant accounting policies followed in the preparation of these interim Consolidated Financial Statements are consistent with those found in the 2000 Annual Report and should be read in conjunction with the Annual Report.

Note 2 Change in Accounting Policy

In December 2000, The Canadian Institute of Chartered Accountants issued Handbook Section 3500, "Earnings Per Share," effective for fiscal years commencing January 1, 2001, which requires the use of the treasury stock method of computing diluted earnings

per share. The Company adopted the recommendations of this standard on January 1, 2001 with retroactive application. The impact of this change was not material to these consolidated financial statements.

Note 3 Issuance of Subordinated Debt

On February 16, 2001, Manufacturers Life issued, in two tranches, \$800 in unsecured subordinated debentures, redeemable in whole or in part by the company at any time. Debentures with principal of \$250, maturing on February 16, 2011, bear interest at a fixed rate of 5.70% for five years and thereafter at a rate of 1% plus the 90-day Bankers

Acceptance Rate (adjusted quarterly). In addition, debentures with principal of \$550, maturing on February 16, 2016, bear interest at a fixed rate of 6.24% for ten years and thereafter at a rate of 1% plus the 90-day Bankers Acceptance Rate (adjusted quarterly). Proceeds to Manufacturers Life, net of issuance costs, were approximately \$796. The debt constitutes Tier 2B regulatory capital and was used for general corporate purposes.

Note 4 Stock Options and Deferred Share Units

As at June 30, 2001, there were 11 million outstanding stock options and deferred share units.

Note 5 Acquisition and Assumption Transactions

Manulife Century Life Insurance Company

On January 25, 2001, the Company announced the signing of a definitive agreement between Manulife Century Life Insurance Company ("Manulife Century") and the administrators of Daihyaku Mutual Life Insurance Company ("Daihyaku") to assume Daihyaku's existing insurance policies.

In addition, on this date, Manulife Financial acquired Daihyaku's minority interest in Manulife Century making Manulife Century a wholly owned subsidiary of the Company.

On April 2, 2001, the transfer of approximately 1.3 million active insurance policies from Daihyaku to Manulife Century was completed. The Company received assets with a fair value of \$16,017 (Yen 1.3 trillion) of which \$15,860 (Yen 1.3 trillion) was included in its general fund and \$157 (Yen 12.7 billion) was included in its segregated funds. Policy liabilities and other liabilities increased by an amount commensurate with the general fund assets. This transaction was accounted for as a purchase of a block of business and accordingly, the assets transferred to Manulife Century were recorded at their estimated fair values at the closing date. Goodwill was not created as a result of this transaction.

The results of operations of the acquired block of business since April 2, 2001 have been included in the Company's Consolidated Statements of Operations.

Condensed balance sheet assumed as at April 2, 2001

Invested assets	
Bonds	\$ 4,090
Stocks	4
Real estate	40
Policy loans	575
Cash and short-term investments	10,986
Total invested assets	\$ 15,695
Other assets	165
Total assets	\$ 15,860
Segregated fund assets	\$ 157
Actuarial liabilities	\$ 10,874
Other liabilities	4,986
Total liabilities	\$ 15,860
Segregated fund liabilities	\$ 157

Other

The Company received general fund assets with a fair value of \$1,120 from its acquisition of Commercial Union's Canadian life insurance operations and \$97 from its assumption of Zurich's group life and health employee benefits business. Segregated fund assets with a fair value of \$77 were also acquired in the Commercial Union transaction.

Note 6 Segmented Information

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

The Company's business segments include the U.S., Canadian, Asian and Reinsurance divisions. Each division has profit and loss responsibility and develops products, services and distribution strategies based on the profile of its business and the needs of its market.

The results of the Company's business segments differ from geographic segmentation primarily as a consequence of segmenting the results of the Company's Reinsurance Division into the different geographic segments to which its business pertains.

By segment For the three months ended June 30, 2001	U.S. Division	Canadian Division	Asian Division	Reinsurance Division	Other	Total
Revenue						
Premium income						
Life and health insurance	\$ 428	\$ 583	\$ 696	\$ 159	\$ –	\$ 1,866
Annuities and pensions	505	138	49	–	–	692
Total premium income	\$ 933	\$ 721	\$ 745	\$ 159	\$ –	\$ 2,558
Investment income	501	415	131	57	62	1,166
Other revenue	239	71	31	12	4	357
Total revenue	\$ 1,673	\$ 1,207	\$ 907	\$ 228	\$ 66	\$ 4,081
Interest expense	\$ 14	\$ 14	\$ 12	\$ 1	\$ 16	\$ 57
Income (loss) before income taxes	\$ 150	\$ 93	\$ 104	\$ 49	\$ (8)	\$ 388
Income taxes	(46)	(13)	(17)	(14)	10	(80)
Net income	\$ 104	\$ 80	\$ 87	\$ 35	\$ 2	\$ 308
Amortization of realized and unrealized gains	\$ 43	\$ 77	\$ 11	\$ 3	\$ 49	\$ 183
Segregated fund deposits	\$ 2,899	\$ 257	\$ 315	\$ –	\$ –	\$ 3,471
As at June 30, 2001						
Actuarial liabilities	\$ 20,708	\$ 17,309	\$ 14,398	\$ 879	\$ 174	\$ 53,468
Funds under management						
General fund	\$ 25,255	\$ 22,264	\$ 19,711	\$ 3,441	\$ 5,082	\$ 75,753
Segregated funds	44,863	9,111	1,715	–	–	55,689
Mutual funds	–	1,285	224	–	–	1,509
Other managed funds	–	–	688	–	7,247	7,935

By geographic location For the three months ended June 30, 2001	United States	Canada	Asia	Other	Total
Revenue					
Premium income					
Life and health insurance	\$ 516	\$ 581	\$ 696	\$ 73	\$ 1,866
Annuities and pensions	505	138	49	–	692
Total premium income	\$ 1,021	\$ 719	\$ 745	\$ 73	\$ 2,558
Investment income	536	485	131	14	1,166
Other revenue	244	73	32	8	357
Total revenue	\$ 1,801	\$ 1,277	\$ 908	\$ 95	\$ 4,081

By segment	U.S.	Canadian	Asian	Reinsurance	Other	Total
For the three months ended June 30, 2000	Division	Division	Division	Division		
Revenue						
Premium income						
Life and health insurance	\$ 415	\$ 474	\$ 447	\$ 190	\$ –	\$ 1,526
Annuities and pensions	429	162	24	–	–	615
Total premium income	\$ 844	\$ 636	\$ 471	\$ 190	\$ –	\$ 2,141
Investment income	470	410	84	49	85	1,098
Other revenue	218	61	16	8	18	321
Total revenue	\$ 1,532	\$ 1,107	\$ 571	\$ 247	\$ 103	\$ 3,560
Interest expense	\$ 15	\$ 12	\$ 10	\$ –	\$ 11	\$ 48
Income (loss) before income taxes	\$ 163	\$ 93	\$ 47	\$ 36	\$ (14)	\$ 325
Income taxes	(57)	(24)	(5)	(12)	15	(83)
Net income	\$ 106	\$ 69	\$ 42	\$ 24	\$ 1	\$ 242
Amortization of realized and unrealized gains	\$ 53	\$ 50	\$ 7	\$ 2	\$ 56	\$ 168
Segregated fund deposits	\$ 3,044	\$ 422	\$ 90	\$ –	\$ –	\$ 3,556
As at June 30, 2000						
Actuarial liabilities	\$ 19,786	\$ 16,273	\$ 3,719	\$ 821	\$ 180	\$ 40,779
Funds under management						
General fund	\$ 24,880	\$ 20,819	\$ 6,378	\$ 2,895	\$ 4,173	\$ 59,145
Segregated funds	44,390	9,332	1,416	–	–	55,138
Mutual funds	–	1,556	212	–	–	1,768
Other managed funds	–	–	806	–	5,547	6,353

By geographic location	United States	Canada	Asia	Other	Total	
For the three months ended June 30, 2000						
Revenue						
Premium income						
Life and health insurance		\$ 494	\$ 481	\$ 449	\$ 102	\$ 1,526
Annuities and pensions		429	162	24	–	615
Total premium income		\$ 923	\$ 643	\$ 473	\$ 102	\$ 2,141
Investment income		492	505	84	17	1,098
Other revenue		222	77	16	6	321
Total revenue		\$ 1,637	\$ 1,225	\$ 573	\$ 125	\$ 3,560

By segment For the six months ended June 30, 2001	U.S. Division	Canadian Division	Asian Division	Reinsurance Division	Other	Total
Revenue						
Premium income						
Life and health insurance	\$ 859	\$ 1,076	\$ 1,084	\$ 359	\$ –	\$ 3,378
Annuities and pensions	907	299	90	–	–	1,296
Total premium income	\$ 1,766	\$ 1,375	\$ 1,174	\$ 359	\$ –	\$ 4,674
Investment income	937	756	220	113	141	2,167
Other revenue	468	145	54	23	13	703
Total revenue	\$ 3,171	\$ 2,276	\$ 1,448	\$ 495	\$ 154	\$ 7,544
Interest expense	\$ 31	\$ 28	\$ 24	\$ 2	\$ 38	\$ 123
Income before income taxes	\$ 255	\$ 186	\$ 163	\$ 95	\$ 14	\$ 713
Income taxes	(76)	(33)	(17)	(20)	15	(131)
Net income	\$ 179	\$ 153	\$ 146	\$ 75	\$ 29	\$ 582
Amortization of realized and unrealized gains	\$ 85	\$ 108	\$ 18	\$ 6	\$ 102	\$ 319
Segregated fund deposits	\$ 6,133	\$ 648	\$ 582	\$ –	\$ –	\$ 7,363

By geographic location For the six months ended June 30, 2001	United States	Canada	Asia	Other	Total
Revenue					
Premium income					
Life and health insurance	\$ 1,040	\$ 1,086	\$ 1,085	\$ 167	\$ 3,378
Annuities and pensions	907	299	90	–	1,296
Total premium income	\$ 1,947	\$ 1,385	\$ 1,175	\$ 167	\$ 4,674
Investment income	1,006	914	220	27	2,167
Other revenue	477	152	57	17	703
Total revenue	\$ 3,430	\$ 2,451	\$ 1,452	\$ 211	\$ 7,544

By segment	U.S.	Canadian	Asian	Reinsurance	Other	Total
For the six months ended June 30, 2000	Division	Division	Division	Division		
Revenue						
Premium income						
Life and health insurance	\$ 841	\$ 916	\$ 970	\$ 370	\$ –	\$ 3,097
Annuities and pensions	837	357	129	–	–	1,323
Total premium income	\$ 1,678	\$ 1,273	\$ 1,099	\$ 370	\$ –	\$ 4,420
Investment income	947	838	167	96	126	2,174
Other revenue	418	119	36	11	28	612
Total revenue	\$ 3,043	\$ 2,230	\$ 1,302	\$ 477	\$ 154	\$ 7,206
Interest expense	\$ 23	\$ 22	\$ 19	\$ 1	\$ 23	\$ 88
Income (loss) before income taxes	\$ 317	\$ 167	\$ 88	\$ 70	\$ (17)	\$ 625
Income taxes	(110)	(39)	(8)	(17)	16	(158)
Net income (loss)	\$ 207	\$ 128	\$ 80	\$ 53	\$ (1)	\$ 467
Amortization of realized and unrealized gains	\$ 133	\$ 89	\$ 21	\$ 4	\$ 91	\$ 338
Segregated fund deposits	\$ 6,328	\$ 927	\$ 197	\$ –	\$ –	\$ 7,452

By geographic location	United States	Canada	Asia	Other	Total
For the six months ended June 30, 2000					
Revenue					
Premium income					
Life and health insurance	\$ 996	\$ 937	\$ 974	\$ 190	\$ 3,097
Annuities and pensions	837	357	129	–	1,323
Total premium income	\$ 1,833	\$ 1,294	\$ 1,103	\$ 190	\$ 4,420
Investment income	994	1,012	167	1	2,174
Other revenue	424	145	36	7	612
Total revenue	\$ 3,251	\$ 2,451	\$ 1,306	\$ 198	\$ 7,206

Note 7 *Comparatives*

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

Statistical Summary

(Canadian \$ in millions unless otherwise stated and per share information, unaudited)	2001		2000		
	Q2	Q1	Q4	Q3	Q2
Premiums and deposits:					
Life and health insurance premiums	1,866	1,512	1,545	1,410	1,526
Annuity and pension premiums	692	604	569	571	615
Segregated fund deposits	3,471	3,892	3,660	3,665	3,556
Mutual fund deposits	149	153	134	145	144
ASO premium equivalents	201	195	183	166	151
Total premiums and deposits	6,379	6,356	6,091	5,957	5,992
Funds under management:					
General fund	75,753	62,909	60,067	59,486	59,145
Segregated funds	55,689	52,712	54,908	58,365	55,138
Mutual and other managed funds	9,444	8,578	8,545	8,346	8,121
Total funds under management	140,886	124,199	123,520	126,197	122,404
Net income (loss) attributed to participating policyholders	3	4	-	-	(5)
Net income attributed to shareholders	305	270	286	315	247
Net income	308	274	286	315	242
Capitalization:					
Subordinated debt	1,383	1,407	588	588	582
Trust preferred securities issued by subsidiaries	766	779	756	753	754
Equity					
Participating policyholders' equity	61	58	54	54	54
Shareholders' equity					
Common shares	612	612	612	612	612
Shareholders' retained earnings	7,012	6,879	6,545	6,331	6,008
Total capital	9,834	9,735	8,555	8,338	8,010
Selected key performance measures:					
Basic and diluted earnings per share	\$ 0.63	\$ 0.56	\$ 0.59	\$ 0.65	\$ 0.51
Return on shareholders' equity (annualized)	16.2 %	15.0 %	16.1 %	18.5 %	15.3 %
Return on assets (annualized)	1.8 %	1.8 %	1.9 %	2.1 %	1.7 %
Book value per share	\$ 15.81	\$ 15.54	\$ 14.84	\$ 14.40	\$ 13.73
Market value to book value ratio	2.68	2.67	3.16	2.19	1.90
Market capitalization (\$ billions)	20.4	20.0	22.6	15.2	12.6
Shares outstanding (in millions)					
End of period	482	482	482	482	482
Weighted average – basic	482	482	482	482	482
Weighted average – diluted	486	486	482	482	482

Stock Trading Data

The following values are the high, low and close prices plus the average daily trading volume for Manulife Financial Corporation's stock on The Toronto Stock Exchange, the New York Stock Exchange, The Stock Exchange of Hong Kong and the Philippine Stock Exchange for the second quarter. The stock symbol is MFC on all exchanges except Hong Kong where it is 0945.

As at August 1, 2001, there were 482 million shares outstanding.

April 1 – June 30, 2001	Toronto	New York	Hong Kong	Philippines
High	\$ 42.50	\$ 27.98	\$ 214.00	P 1,410
Low	\$ 37.59	\$ 24.40	\$ 187.00	P 1,175
Close	\$ 42.35	\$ 27.91	\$ 206.00	P 1,380
Average Daily Volume (000)	740	200	20	4
	Canadian \$	United States \$	Hong Kong \$	Philippine Pesos

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Ratings

Financial strength is a key factor in generating new business, maintaining and expanding distribution relationships and providing a base for expansion, acquisitions and growth. As at June 30, 2001, Manulife Financial had capital of Cdn \$9.8 billion, including Cdn \$7.6 billion of shareholders' equity. Manufacturers Life's financial strength and claims paying ratings are among the strongest in the life insurance industry.

A.M. Best	A++	(1st of 16 categories)
Dominion Bond Rating Service	IC-1	(1st of 5 categories)
Fitch	AAA	(1st of 22 categories)
Moody's	Aa2	(3rd of 21 categories)
Standard & Poor's	AA+	(2nd of 21 categories)

Transfer Agent and Registrar

Information regarding your shareholdings, including changes of address, changes in registration, direct deposit of dividends (Canada and Hong Kong only), lost certificates, or to eliminate duplicate mailings of shareholder material, may be obtained by contacting our Transfer Agent.

Transfer Agent in Canada

Computershare Trust Company of Canada
100 University Avenue, 11th Floor
Toronto, ON Canada M5J 2Y1
Local: (416) 285-2173
Tel: 1-800-783-9495
Fax: (416) 981-9507
E-Mail: manulife@computershare.com

Computershare offices are also located in Montreal, Halifax, Vancouver and Calgary.

Transfer Agent in the United States

Computershare Trust Company, Inc.
12039 West Alameda Parkway, Suite Z-2
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Fax: 1-877-713-9291
E-Mail: manulife@computershare.com

Transfer Agent in Hong Kong

Central Registration Hong Kong Limited
Rooms 1901-5, 19th Floor, Hopewell Centre
183 Queen's Road East, Hong Kong
Tel: (852) 2862-8628

Transfer Agent in the Philippines

The Hongkong and Shanghai Banking Corporation Limited
30/F Discovery Suites
25 ADB Avenue
Ortigas Centre, Pasig City, Philippines
Tel: (632) 683-2679

Auditors

Ernst & Young LLP
Chartered Accountants
Toronto, Canada

MFC Report to Shareholders

This Report to Shareholders is also available online at www.manulife.com

Detach here and mail in the return envelope provided. (No postage necessary)

Consent to receive documents electronically

To receive documents electronically when they are available through Manulife Financial's electronic delivery service, complete this form and return it as indicated.

I have read and understand the above and consent to receive the Manulife Financial documents listed above electronically in the manner described. I acknowledge that I have the computer requirements to access the documents that are made available on Manulife Financial's Web site. I understand that I am not required to consent to electronic delivery and that I may revoke my consent at any time.

Please note: We will contact you by phone **only** if there is a problem with your e-mail address.

The information provided is confidential and will not be used for any purpose other than that described.

Please print

Shareholder Name: _____

Contact Phone Number: (_____) _____

Shareholder E-Mail Address: _____

Shareholder Signature: _____

Date: _____

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The Manulife Financial documents available electronically are:

- **Annual Reports**
- **Shareholder Reports**
- **Notice of Shareholder Meetings**
- **Proxy related info**

These documents will be available to you on our Web site at www.manulife.com at the same time as they are mailed to other shareholders. Documents relating to the annual meeting, including annual reports will be available on the Web site until the next version is available.

We will notify you when documents will be available on the Web site and confirm the instructions for accessing the documents at the same time. In the event that the documents are not available on our Web site, paper copies will be mailed to you.

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