

2005: ANOTHER EXCEPTIONAL YEAR

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MANULIFE FINANCIAL CORPORATION
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Check Against Delivery



Good morning ladies and gentlemen. I would like to add my welcome to Mr. Sawchuk's. It is nice to see so many of you with us today.

In preparing my remarks for this meeting I was reminded that this is the thirteenth time that I will have had the pleasure of reporting to you on our company's performance. I also took the time to re-read some of my previous addresses and I was struck by how consistent, or perhaps even unexciting, they were. Every year it seems that I stand before you to say what a great year we've had and how well we have done in executing on the various initiatives aimed at growing our company. Well, I want to warn you, that this year's address isn't any different:

2005 was another exceptional year for our company as revenues and net income were once again at record levels. Almost all of our businesses achieved record sales and in many segments we made strong gains in market share. I am particularly pleased that we were able to achieve these good results while at the same time completing the integration with John Hancock Financial Services. The task of integrating John Hancock and Manulife required a tremendous effort from all of our employees across the world. And because of their good work the merger was accomplished with an expediency and efficiency of which we can all be proud. The integration was completed ahead of schedule, expense synergy targets were surpassed and expectations for return on shareholders' equity were exceeded. We combined the 'best of the best' in all areas – product, distribution, customer service, people, technology and brand.

In 2005, revenues as measured by premiums and deposits rose to \$61.5 billion compared to \$50.4 billion in 2004. The revenue growth was particularly strong in our Wealth Management businesses, something I'll say more about in a few moments. Assets under management also rose and stood at \$372 billion at year-end.

Net income increased to three billion two hundred and ninety-four million dollars... a 29 per cent increase over 2004 while earnings per share also grew nicely to \$4.11 up 13 per cent over the prior year.

Return on shareholders equity was 14.1 per cent in 2005. Since closing the John Hancock transaction in April of 2004 we've moved quickly to restore our profitability to pre-merger levels. In the third quarter of 2004, the first full quarter of combined operations, our return on equity fell to 12.0 per cent due to the significantly expanded capital base. In the fourth quarter of 2005, we reported a return of 15.5 per cent, an improvement of 350 basis points in just five quarters.

Record new sales, favourable investment performance, in-force business growth and the emergence of expense synergies all contributed to these good results. In addition, earnings benefited from a full year of contribution from John Hancock compared to eight months in 2004.

Our return on equity target remains at 16 per cent and we are committed to its achievement which, it is worth remembering, would position our company amongst the most profitable performers in our industry.

In view of the strong financial performance, the quarterly dividend was increased twice last year and now stands at 35 cents per common share. In addition, some 21 million common shares were repurchased during the year at an aggregate cost of more than \$1.2 billion. We expect to undertake additional share repurchases in the periods ahead.

Our company remains very well capitalized with an ample capital base that should allow us to fund our future growth as well as take advantage of any acquisition opportunities that may present themselves.

It is very encouraging that the success of our company is well acknowledged in the financial markets. Today, Manulife Financial continues to enjoy the most favourable of terms on its debt securities and our share price has appreciated very noticeably during the year. Since demutualization in September 1999, our share price has more than quadrupled.

I would now like to review the performance of each of our major divisions and then conclude with a few comments on items of interest to our industry.

Canada

Beginning with Canada, it pleases me very much to report that the Canadian Division had another exceptional year in 2005, with a 32 per cent increase in earnings to \$809 million. Strong in-force business growth, good claims experience, higher equity markets, very substantial expense synergies and four additional months of earnings from Maritime Life all contributed to these record results. Because of the very extensive duplication across all of Maritime's business lines, the integration effort was particularly complex in Canada. Despite this, the Division delivered a respectable sales performance while continuing to introduce new products and services.

Our individual insurance unit was successful in expanding its representation in the managing general agent channel that was inherited through the merger. However, competition in this segment is very intense and sales growth was modest.

Within the Individual Wealth Management business, we launched a new strategic asset allocation program and this helped drive strong net sales of mutual funds. Also noteworthy was the performance of Manulife Bank, which has enjoyed a sharp increase in assets and is now emerging as a noticeable contributor to the Division's earnings.

In our Group Benefits operation, service quality was maintained at a high level and this unit finished the year in a very strong position. The Group Savings and Retirement Solutions business also performed extremely well with record full year sales and good progress in penetrating the larger case market.

United States

In the United States all of our activities are now carried out under the iconic John Hancock brand name. The markets' acceptance of the re-branded Manulife products has exceeded all expectations and revenue growth is robust across all U.S. business units.

U.S. Protection performed superbly in 2005 with earnings up 31 per cent to \$614 million. Factors contributing to this solid result included favourable investment experience, improved margins in Long Term Care and merger-related synergies. Earnings also benefited from record sales in Individual Insurance, which increased by 37 per cent over 2004. Our ranking in terms of new sales improved noticeably last year with Manulife moving to the number three market share position overall, up from fifth in the prior year.

U.S. Wealth Management earnings of \$585 million were also very satisfactory with year over year growth evident in each one of our savings businesses. Exceptional net sales and strong in-force growth in our variable annuity and pension businesses contributed favourably to the strong earnings growth. The most impressive gains were realized in the variable annuity business where the launch of an innovative product led to a 36 per cent increase in sales and a strong gain in market share. Our mutual fund business had a good year and has added a number of highly performing funds to their product offering.

A major factor contributing to the exceptional sales growth in the U.S. was the performance of our tied sales force – the John Hancock Financial Network and the Essex bank channel – both of which have had great success in selling Manulife products that became available to them as a result of the merger. The strong sales of variable annuities and individual insurance through JHFN and Essex are very good examples of the revenue synergies achieved as a result of the merger.

The Guaranteed and Structured Financial Products segment also performed well in 2005 with earnings of \$283 million. This segment's funds under management decreased marginally as we continued to restrict institutional sales where margins remain below our expectations.

Asia and Japan

Our Asia and Japan Division is well diversified by product offering, geography and increasingly, by distribution channel. We have operations across ten countries and territories and in many markets we enjoy a leading position. In 2005, each of our operating units delivered a strong earnings performance, and all together, the Asia and Japan Division had record earnings of \$732 million last year, up a very impressive 50 per cent over 2004.

In Hong Kong, increased business volumes and improved investment income contributed to the earnings growth of 18 per cent on a U.S. dollar basis. Distribution was also expanded during the year with a new bancassurance agreement and growth in the number of agents during the latter half of the year.

Earnings from other Asia Territories' were up 73 per cent on a local currency basis as these businesses continued to realize economies of scale and the benefit of improved claims experience. In China, the business continues to expand at a rapid, but measured pace. By year-end, we were authorized to operate in 12 cities, the most of any foreign life insurance company. The rapid growth of the Chinese economy continues and, as our operations are located in cities whose growth outpaces the national economy, we expect the long-term benefits to Manulife will be substantial.

We are especially pleased with the performance of Manulife Japan, where earnings more than doubled last year. While the year's results included the benefit of two one-time items, earnings also increased due to strong sales and in-force business growth in both variable annuities and universal life. Our variable annuity sales in Japan surpassed the U.S. \$3 billion mark, an increase of 72 per cent over 2004. Particularly successful was our strategic partnership with Mitsubishi UFJ Financial Group, which is now the largest bank in the world.

Reinsurance

Turning to Reinsurance, 2005 was an unusually challenging year. The unprecedented levels of hurricane related claims caused the division to incur a net loss of \$108 million for the year, well below the net income of \$230 million recorded in 2004. To better position us, new property catastrophe business for 2006 has been written on much improved terms including higher average premium rates and higher attachment points.

Within the life retrocession segment, 2005 sales were very strong with new business volumes up 42 per cent. Barring a recurrence of catastrophe losses, we expect the Reinsurance Division to return to a historical level of profitability in 2006.

Investments

The Investments Division had an excellent year in 2005, delivering returns on all major asset classes that were well in excess of their benchmarks – in bonds, mortgages, equities, real estate, oil and gas, timber, agriculture and private equity. Our asset mix was favourably positioned, with particularly strong overweights in Japanese and European equities and an underweight in U.S. equities that proved to be highly propitious. Credit developments also favoured us, resulting in far less than planned credit provisions, and enabling our managers to selectively improve the overall quality of our fixed income portfolio. As well, a number of highly successful transactions were consummated in timber and private equity, adding to both investment income and management fees. Finally, assets managed by the Investments Division for third parties grew by more than \$10 billion. As of year-end, third party assets managed by Manulife entities amounted to \$91 billion, making us one of the largest investment managers in Canada.

Q1/06 Results

All in all, as I said earlier, 2005 was a very good year for Manulife. And, I am delighted to inform you that the strong performance has continued into the first quarter of 2006. At the opening of the markets this morning, we announced that our earnings in the first quarter rose to \$956 million, up nineteen per cent from the year earlier period. Revenues and earnings per share were also up an equivalent amount. This improved performance was very broadly based with all operating units enjoying sharp increases in sales volumes and net income. Also this morning in addition to the normal cash dividend, your Board approved a stock dividend, which will have the same effect as a two for one stock split. The stock dividend will be payable on June 2 to shareholders or record as of May 25, 2006. I look forward to reviewing the details of our first quarter performance with investment analysts later this afternoon.

Looking Forward

Now that the work to integrate John Hancock is behind us, what do we do next? I don't propose to go into a long description of the great number of initiatives currently underway to improve our competitive position. I will limit my remarks to reminding you that Manulife is managed for long-term growth and that your Board is very diligent in ensuring that it remains that way. Going forward we will remain focused on further developing those capabilities that have served us so well in the past and which have made us the successful company that we are today. Continued product innovation, expansion of distribution capabilities and a relentless drive to improve productivity will all be features of our businesses everywhere in the world. We will continue to make sizeable technology investments and we will continue to improve upon our already well-developed risk and investment management capabilities.

We expect that there will be further consolidation in our industry and we will continue to assess opportunities as they arise, but will do so with the same rigor and financial discipline we have demonstrated in the past. We can be selective in pursuing acquisitions because we know, and as the first quarter results that we released today clearly show, our growth expectations can largely be satisfied through the good management of our existing businesses.

Ladies and gentlemen, I hope that my brief comments this morning have left you with an appreciation of how well positioned our company is to continue on its growth trajectory.

In summary, we have a strong base here in our home market, which represents roughly 25 per cent of our global business and where we are a clear leader across all product lines.

We have a well-recognized brand in the U.S., which is by far the largest market for financial services in the world. We do roughly 50 per cent of our worldwide business in the U.S. and the broad array of protection and savings products offered by John Hancock will, we expect, continue to find favour with the American consumer.

And, finally, we have a very significant presence in 10 Asian countries and in the Reinsurance business, which in the aggregate represent the remaining 25 per cent of our total business.

I do not believe that there are many financial institutions anywhere in the world – and certainly none here in Canada – that have managed to develop such a wonderful platform for future growth.

Perhaps because of this, we have heard frequent calls in recent weeks from a number of bank presidents demanding that the Canadian banks be allowed to get into the insurance business. The current situation where banks are constrained in what they can do in the insurance area, is – in the words of certain bank officials – “ridiculous,” “absurd” or “bizarre.” Well is it?

To begin to answer this question it is useful to bear in mind that all of the Canadian banks are already in the insurance business and that some of them have sizable life insurance subsidiaries. These bank subsidiaries are free to solicit insurance business in exactly the same way that any other insurer does: through direct mail, through referral arrangements, through advertising and promotion, through tied sales agents and through the thousands of brokers and other independent financial planners that exist in Canada. The only thing that banks can't do is use the extensive customer information in their possession to market insurance products in their branches.

I wasn't around when policymakers in this country first divided the financial services industry into the famous four pillars of banking, insurance, securities and trust services and so I can't tell you what the rationale for this division was. In the past twenty years or so, as we all know, our

banks have gone on to absorb all of Canada's securities dealers and all of the trust companies. So it is difficult for me to be terribly sympathetic to their complaint that public policy has been biased against them. Nevertheless, as someone who has worked in the industry for some 30 years, I believe that public policy with regards to financial institutions has served Canadians well. Today we have a healthy and vibrant industry in Canada and the reality is that financial services are truly a bright spot in our economy. This happy state of affairs could not have come about but for good public policy.

I don't know why the prohibition on selling insurance products within bank branches has survived. Is it because there are concerns that the banks would exploit their unique relationship with borrowers and engage in tied selling? Is it because consumers are concerned about their privacy and don't want their bankers to have their medical information? Is it because the livelihood of thousands of hardworking independent brokers and agents could be threatened? Or is it because Canadians are skeptical that they would derive any benefit whatsoever from such an expansion of bank powers?

For these reasons, I am not in favour of allowing banks to distribute or market insurance products in their branches. I don't see any great advantage in it – for anyone... other than perhaps some small benefit for the banks themselves.

I believe that there is a far more fundamental issue, which ought to be resolved before giving any consideration to an expansion of bank powers. And that has to do with the structure of the financial services industry itself. Although this issue is frequently thought of in the context of possible bank mergers, I think it is broader than that.

Time doesn't permit me to go into a full discussion of the topic today. But in a nutshell if I were responsible for formulating public policy in Canada I would proceed along the following lines. First, I would declare victory and explain how well served Canadians have been by the public policy that has existed to date. This shouldn't be a hard case to make as the financial sector is demonstrably strong with a good number of sizeable and capable Canadian banks and insurance companies.

Second, I would acknowledge that because of a number of developments – globalization, technology, integration of financial markets, consumer preferences, participant behaviour and so on – it is no longer useful to think of the banking and insurance sectors as being inherently different from one another. Again it should be readily apparent that the products that are offered by banks and insurance companies today are increasingly becoming substitutes for one another. So it is appropriate to now think of the existence of a single financial services industry in Canada as opposed to separate banking and insurance components.

Thirdly, I would make the case that in order for Canada to continue to enjoy the many benefits that flow from having domestic financial institutions that operate on a global basis, some rationalization of the number of participants may be appropriate. As it now stands it is highly unlikely that the aspirations of the ten or so large institutions that make up the bulk of our financial services industry can be satisfied by domestic demand alone. After all, Canada is a relatively small country. How many global financial institutions can we reasonably expect will be based here?

Accordingly, I would recommend that mergers within the industry whether bank with bank, bank with insurer, or insurer with insurer, be allowed. And that they be allowed as the participants themselves consider best, subject only to the satisfaction of ownership requirements and the maintenance of domestic competition. Beyond these two constraints, I would leave the market to decide how best to structure itself to deal with a rapidly changing competitive environment. Such an approach, I believe, would allow for the creation of more Canadian-based global financial services enterprises than seem likely to emerge under the current rules.

I offer this suggestion not in the expectation that it will be implemented any time soon. The Federal government, under whose jurisdiction all of this falls, has clearly indicated its priorities and in the near term these don't appear to include a review of public policy affecting financial institutions. Rather it is my hope that the idea I've sketched out here today can get some attention and generate some discussion.

There is one other policy reform that I believe would have a positive impact on our economy that I would like to mention briefly. I am referring to the regulation of our capital markets.

It would appear that everyone agrees that our current regulation of capital markets is onerous and inefficient. Recognizing the problems, a number of provinces have proposed the so-called passport system. In this system each province maintains its own jurisdiction and its own regulations and regulators. But companies would only have to file with one provincial regulator in one province when they wanted to raise capital. Although this may be considered progress, it is not enough. Why don't we go all the way?

Last December the Crawford panel published an excellent report that recommends one national Canadian securities regulator. Under the Crawford proposal, Ontario would have no more clout than Nova Scotia.

Among the many benefits that would result from the creation of a National Securities Regulator would be an improved ability to enact rule changes and a more consistent and efficient enforcement of our securities laws. Indeed the resources that would be freed up by the creation of a national regulator could be redirected towards beefing up our country's enforcement

capabilities, which – as we know from experience – are sadly in need of it. In my opinion, a Canadian Securities Commission is a proposal that we should all support.

Ladies and gentlemen, I would like to conclude by acknowledging the efforts of our people. As you know, Manulife has the aspiration of being the most professional life insurance company in the world. The attainment of this goal requires that all of our employees perform at the highest level possible. We strive to maintain an environment that demands and rewards excellence in everything that we do.

I want to thank the thousands of Manulife Financial and John Hancock employees, agents and business partners around the world for their commitment and professionalism. It is their hard work which has produced our past success; and it is their dedication which is the source of my optimism for the future.

I also want to take this opportunity to thank Mr. Kevin Benson and Mr. Michael Wilson for their many contributions as directors of our company. Both Kevin and Michael have been marvelous directors and I know that I speak on behalf of all of management in saying that we will miss their wise counsel and consistent encouragement.

Ladies and gentlemen, thank you for your attention today. I look forward to reporting to you on the Company's progress at next year's meeting.