Manulife

First Quarter Report to Shareholders

Three months ended

March 31, 2021

Manulife Financial Corporation

Manulife reports 1Q21 net income of $783 million and core earnings of $1.6 billion with strong growth in Asia and Global Wealth and Asset Management

Today, Manulife announced its first quarter of 2021 ("1Q21") results. Key highlights include:

- Net income attributed to shareholders of $783 million in 1Q21, down $513 million from the first quarter of 2020 ("1Q20")
- Core earnings[1] of $1.6 billion in 1Q21, up 67%[2] from 1Q20
- Core ROE[1] of 13.7% and ROE of 6.4% in 1Q21
- NBV[1] of $599 million in 1Q21, up 32% from 1Q20
- APE sales[1] of $1.8 billion in 1Q21, up 14% from 1Q20
- Global Wealth and Asset Management ("Global WAM") net inflows[1] of $1.4 billion in 1Q21, compared with net inflows of $3.2 billion in 1Q20
- Strong LICAT ratio[3] of 137%
- Expense efficiency ratio[1] of 48.5%, compared with our target of consistently achieving less than 50%
- Embedded value[1] of $61.1 billion or $31.49 per share, as of December 31, 2020, up $1.70 per share from 2019

"We delivered very strong operating results in the first quarter of 2021, driven by double-digit growth in core earnings across all of our operating segments. While the overall impact of higher interest rates is positive over the long term for our Company, higher risk-free rates and a steepening yield curve within North America impacted net income in the quarter," said Manulife President & Chief Executive Officer Roy Gori.

"Despite ongoing challenges presented by the pandemic, the global strength and diversity of our business continues to shine through. We are progressing on our digital transformation with auto-underwriting at 72%, straight-through-processing[4] at 81% and eClaims at 92%. We delivered 14% growth in APE sales, driven by a very strong result in Asia and continued demand for our innovative Vitality solution in the U.S. And, we generated net inflows of $1.4 billion in our Global Wealth and Asset Management business, supported by strength in our Retail and Retirement businesses. I am optimistic for the future and confident that Manulife is well positioned to continue to serve our customers well throughout the recovery," Mr. Gori noted.

Phil Witherington, Chief Financial Officer, said, "Our insurance business delivered excellent new business results, with double-digit growth in new business value in Asia and the U.S., reflecting a return of strong customer demand. In addition, we saw a notable uptick in our NBV margin in the quarter as we continue to benefit from our scale in Asia."

"Our expense efficiency ratio improved to 48.5% in the quarter, favourable to our 50% target. We remain steadfast in our commitment to expense discipline and are making solid progress towards achieving a ratio of 50% or less," added Mr. Witherington.

BUSINESS HIGHLIGHTS:

We continued to make progress on our digital journey in 1Q21, through a variety of initiatives. In Canada, we completed the migration of our Group Benefits clients to one administration system, and launched a new Advisor Portal across our businesses to improve advisors' experiences with us. In the U.S., we piloted a new portal for distributors to submit forms and client information for our international products. In Asia, our Global

---

1 Core earnings, core return on common shareholders' equity ("core ROE"), new business value ("NBV"), annualized premium equivalent ("APE") sales, net flows, expense efficiency ratio and embedded value are non-GAAP measures. See "Performance and Non-GAAP Measures" below and in our First Quarter 2021 Management's Discussion and Analysis ("1Q21 MD&A") for additional information.

2 All percentage growth / declines in financial metrics in this news release are reported on a constant exchange rate basis. Constant exchange rate basis excludes the impact of currency fluctuations and is a non-GAAP measure. See "Performance and Non-GAAP Measures" below and in our 1Q21 MD&A for additional information.

3 Life Insurance Capital Adequacy Test ("LICAT") ratio of The Manufacturers Life Insurance Company ("MLI").

4 Straight-through-processing includes money movement.

WAM business launched a money market fund with OVO (PT Visionet Internasional), Indonesia's leading digital payments platform, and its strategic partner Bareksa (PT Bareksa Portak Investasi), Indonesia's first online mutual fund marketplace. The result combines digital money and online investment to reach a younger generation of investors in a growing and important market for us. Further in April, we launched a new digital sales platform in Vietnam that allows our customers to seamlessly purchase health insurance online.

Additionally in Canada, our Group Benefits business introduced Personalized Medicine, which combines access to advanced pharmacogenetics and pharmacist assistance to help members find the most effective medication for their condition. In North America, we expanded our John Hancock Vitality and Manulife *Vitality* programs to reward customers who received their COVID-19 vaccine. In our Global WAM business, we expanded our environmental, social, and governance ("ESG") offerings with the launch of two ESG thematic investment strategies, Sustainable Asia Bond and Global Climate.

FINANCIAL HIGHLIGHTS:

	Quarterly Results	
($ millions, unless otherwise stated)	**1Q21**	1Q20
Profitability:		
Net income attributed to shareholders	**$ 783**	$ 1,296
Core earnings[(1)]	**$ 1,629**	$ 1,028
Diluted earnings per common share ($)	**$ 0.38**	$ 0.64
Diluted core earnings per common share ($)[(1)]	**$ 0.82**	$ 0.51
Return on common shareholders' equity ("ROE")	**6.4%**	10.4%
Core ROE[(1)]	**13.7%**	8.2%
Expense efficiency ratio[(1)]	**48.5%**	60.0%
Performance:		
Asia new business value	**$ 477**	$ 356
Canada new business value	**$ 78**	$ 77
U.S. new business value	**$ 44**	$ 36
Total new business value[(1)]	**$ 599**	$ 469
Asia APE sales	**$ 1,280**	$ 1,084
Canada APE sales	**$ 355**	$ 376
U.S. APE sales	**$ 150**	$ 141
Total APE sales[(1)]	**$ 1,785**	$ 1,601
Global Wealth and Asset Management net flows ($ billions)[(1)]	**$ 1.4**	$ 3.2
Global Wealth and Asset Management gross flows ($ billions)[(1)]	**$ 39.7**	$ 38.2
Global Wealth and Asset Management assets under management and administration ($ billions)[(1)]	**$ 764.1**	$ 636.2
Financial Strength:		
MLI's LICAT ratio	**137%**	155%
Financial leverage ratio	**29.5%**	23.0%
Book value per common share ($)	**$ 23.40**	$ 26.53
Book value per common share excluding AOCI ($)	**$ 21.84**	$ 20.29

(1) This item is a non-GAAP measure. See "Performance and non-GAAP Measures" below and in our 1Q21 MD&A for additional information.

PROFITABILITY:

Reported net income attributed to shareholders of $783 million in 1Q21, down $513 million from 1Q20

The decrease reflects losses in 1Q21 from the direct impact of markets driven by the steepening of the yield curve in North America (compared with net gains in 1Q20 related to spreads partially offset by losses related to equity markets), partially offset by higher core earnings and improved investment-related experience (gain in 1Q21 compared with losses in 1Q20). Investment-related experience in 1Q21 reflected higher-than-expected returns (including fair value changes) on alternative long-duration assets primarily due to fair value gains on private equity investments partially offset by lower-than-assumed returns on real estate, the favourable impact of fixed income reinvestment activities and favourable credit experience.

Delivered core earnings of $1.6 billion in 1Q21, an increase of 67% compared with 1Q20

The increase in core earnings in 1Q21 compared with 1Q20 was driven by the favourable impact of markets on seed money investments in new segregated and mutual funds (compared to losses in the prior year quarter), higher new business gains in Asia and the U.S., and the recognition of core investment gains[1] in the quarter (compared with nil core investment gains in the prior year quarter). Further contributing to the increase was favourable net policyholder experience, higher fee income from higher average AUMA[1] in Global WAM, and in-force business growth across all operating segments.

BUSINESS PERFORMANCE:

New business value ("NBV") of $599 million in 1Q21, an increase of 32% compared with 1Q20

In Asia, NBV increased 39% to $477 million driven by higher sales volumes and product management actions in Hong Kong and higher sales volumes and favourable product mix in Asia Other[2], partially offset by lower sales volumes and unfavourable product mix in Japan from a shift to lower margin corporate-owned life insurance ("COLI") products. In Canada, NBV of $78 million was consistent with the prior year quarter, as a more favourable product mix offset the impact of lower APE sales in Individual Insurance. In the U.S., NBV of $44 million was up 30% primarily driven by higher sales volumes and more favourable product mix.

Annualized premium equivalent ("APE") sales of $1.8 billion in 1Q21, an increase of 14% compared with 1Q20

In Asia, APE sales increased 22% driven by growth in Hong Kong and Asia Other, partially offset by lower sales in Japan. In Hong Kong, APE sales increased 10% driven by strong growth in our bank channel. Asia Other APE sales increased 35%, driven by higher sales in Singapore, mainland China, Vietnam and Indonesia and included double-digit growth in both bancassurance and agency channels. In Japan, APE sales declined 2% driven by the adverse impact of COVID-19, partially offset by an increase in COLI sales. In Canada, APE sales decreased 6%, primarily driven by the non-recurrence of a large affinity markets sale in 1Q20, partially offset by higher sales of lower risk segregated fund products. In the U.S., APE sales increased 13%, driven by our domestic indexed universal life products and recently launched international savings product. Sales of products with the John Hancock Vitality PLUS feature in 1Q21 increased 20% compared with 1Q20 as the feature continues to be a key differentiator.

Reported Global Wealth and Asset Management net inflows of $1.4 billion in 1Q21, compared with 1Q20 net inflows of $3.2 billion

Net outflows in Asia were $7.4 billion in 1Q21 compared with net inflows of $0.6 billion in 1Q20, reflecting a $9.4 billion redemption in Institutional Asset Management, partially offset by higher gross flows[3] across all business lines. Net inflows in Canada were $4.5 billion in 1Q21 compared with net inflows of $2.8 billion in 1Q20, mainly driven by higher net inflows across our Retail product line-up partially offset by the non-recurrence of large equity mandate sales in Institutional Asset Management in 1Q20. In the U.S., 1Q21 net inflows were $4.2 billion compared with net outflows of $0.2 billion in 1Q20, driven by higher Retail net flows from strong intermediary sales and lower mutual fund redemptions, as well as lower redemptions in Institutional Asset Management, partially offset by lower net inflows in Retirement.

---

[1] Core investment gains and average assets under management and administration ("average AUMA") are non-GAAP measures. See "Performance and non-GAAP measures" below and in our 1Q21 MD&A for additional information.

[2] Asia Other excludes Japan and Hong Kong.

[3] This item is a non-GAAP measure. See "Performance and non-GAAP measures" below and in our 1Q21 MD&A for additional information.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") is current as of May 5, 2021, unless otherwise noted. This MD&A should be read in conjunction with our unaudited Interim Consolidated Financial Statements for the three months ended March 31, 2021 and the MD&A and audited Consolidated Financial Statements contained in our 2020 Annual Report.

For further information relating to our risk management practices and risk factors affecting the Company, see "Risk Factors" in our 2020 Annual Information Form, "Risk Factors and Risk Management" and "Critical Actuarial and Accounting Policies" in the MD&A in our 2020 Annual Report and the "Risk Management" note to the Consolidated Financial Statements in our most recent annual and interim reports.

In this MD&A, the terms "Company", "Manulife", "we" and "our" mean Manulife Financial Corporation ("MFC") and its subsidiaries. All amounts are reported in Canadian dollars, unless otherwise indicated.

Contents

A TOTAL COMPANY PERFORMANCE

A1 Profitability

($ millions, unless otherwise stated)	Quarterly Results 1Q21	4Q20	1Q20
Net income attributed to shareholders	**$ 783**	$ 1,780	$ 1,296
Core earnings(1)	**$ 1,629**	$ 1,474	$ 1,028
Diluted earnings per common share ($)	**$ 0.38**	$ 0.89	$ 0.64
Diluted core earnings per common share ($)(1)	**$ 0.82**	$ 0.74	$ 0.51
Return on common shareholders' equity ("ROE")	**6.4%**	14.1%	10.4%
Core ROE(1)	**13.7%**	11.6%	8.2%
Expense efficiency ratio(1)	**48.5%**	52.7%	60.0%

(1) This item is a non-GAAP measure. See "Performance and non-GAAP measures" below.

Quarterly profitability

Manulife's net income attributed to shareholders was $783 million in the first quarter of 2021 ("1Q21") compared with $1,296 million in the first quarter of 2020 ("1Q20"). Net income attributed to shareholders is comprised of core earnings[1] (consisting of items we believe reflect the underlying earnings capacity of the business), which amounted to $1,629 million in 1Q21 compared with $1,028 million in 1Q20, and items excluded from core earnings, which amounted to a net charge of $846 million in 1Q21 compared with a net gain of $268 million in 1Q20. The effective tax rate on net income attributed to shareholders in 1Q21 was a recovery of 4% compared with an expense of 31% in 1Q20, reflecting differences in the jurisdictional mix of pre-tax profits and losses in these periods.

Net income attributed to shareholders declined $513 million compared with 1Q20, reflecting losses in 1Q21 from the direct impact of markets driven by the steepening of the yield curve in North America (compared with net gains in 1Q20 related to spreads partially offset by losses related to equity markets), partially offset by higher core earnings and improved investment-related experience (gain in 1Q21 compared with losses in 1Q20). Investment-related experience in 1Q21 reflected higher-than-expected returns (including fair value changes) on alternative long-duration assets ("ALDA") primarily due to fair value gains on private equity investments partially offset by lower-than-assumed returns on real estate, the favourable impact of fixed income reinvestment activities and favourable credit experience.

Core earnings increased $601 million or 67% compared with 1Q20.[2] The increase in core earnings in 1Q21 compared with 1Q20 was driven by the favourable impact of markets on seed money investments in new segregated and mutual funds (compared to losses in 1Q20), higher new business gains in Asia and the U.S., and the recognition of core investment gains[1] in the quarter (compared with nil core investment gains in 1Q20). Further contributing to the increase was favourable net policyholder experience, higher fee income from higher average AUMA[1] in Global Wealth and Asset Management ("Global WAM"), and in-force business growth across all operating segments. Core earnings in 1Q21 included net policyholder experience gains of $48 million ($61 million pre-tax) compared with losses of $42 million ($69 million pre-tax) in 1Q20.[3] Actions to improve the capital efficiency of our legacy businesses resulted in $3 million lower core earnings in 1Q21 compared with 1Q20.

1 This item is a non-GAAP measure. See "Performance and non-GAAP measures" below.

2 Percentage growth / declines in core earnings, core general expenses, pre-tax core earnings, APE sales, gross flows, net flows, NBV, assets under management and administration, assets under management, core EBITDA and Global Wealth and Asset Management revenue are stated on a constant exchange rate basis. Constant exchange rate basis is a non-GAAP measure. See "Performance and non-GAAP measures" below.

3 Policyholder experience includes gains of $10 million post-tax in 1Q21 (1Q20 – gains of $17 million post-tax) from the release of margins on medical policies in Hong Kong that have lapsed for customers who have opted to change their existing policies to the new Voluntary Health Insurance Scheme ("VHIS") products. These gains did not have a material impact on core earnings as they were mostly offset by new business strain.

Core earnings by segment and the items excluded from core earnings are outlined in the tables below.

Core earnings by segment and components of items excluded from core earnings

Core Earnings by Segment[(1)]	Quarterly Results		
($ millions, unaudited)	**1Q21**	4Q20	1Q20
Asia	**$ 570**	$ 571	$ 491
Canada	**264**	316	237
U.S.	**501**	479	416
Global Wealth and Asset Management	**312**	304	250
Corporate and Other (excluding core investment gains)	**(118)**	(196)	(366)
Core investment gains[(1),(2)]	**100**	-	-
Total core earnings	**$ 1,629**	$ 1,474	$ 1,028

(1) This item is a non-GAAP measure. See "Performance and non-GAAP measures" below.

(2) As outlined in our definition of core earnings in section E3: Up to $400 million of net favourable investment-related experience will be reported in core earnings in a single year, which are referred to as "core investment gains". This means up to $100 million in the first quarter, up to $200 million on a year-to-date basis in the second quarter, up to $300 million on a year-to-date basis in the third quarter and up to $400 million on a full year basis in the fourth quarter. Any investment-related experience losses reported in a quarter will be offset against the net year-to-date investment-related experience gains with the difference being included in core earnings subject to a maximum of the year-to-date core investment gains and a minimum of zero, which reflects our expectation that investment-related experience will be positive through-the-business cycle.

Items excluded from core earnings	Quarterly Results		
($ millions, unaudited)	**1Q21**	4Q20	1Q20
Investment-related experience outside of core earnings[(1)]	**$ 77**	$ 585	$ (608)
Direct impact of equity markets and interest rates and variable annuity guarantee liabilities[(2)]	**(835)**	(323)	792
Direct impact of equity markets and variable annuity guarantee liabilities	***3***	*351*	*(1,309)*
Fixed income reinvestment rates assumed in the valuation of policy liabilities	***(832)***	*(846)*	*1,684*
Sale of AFS bonds and, impact of derivative positions in the Corporate and Other segment	***(6)***	*172*	*417*
Reinsurance transactions[(3)]	**8**	44	12
Restructuring charge[(4)]	**(115)**	-	-
Tax related items and other[(5)]	**19**	-	72
Items excluded from core earnings	**$ (846)**	$ 306	$ 268

(1) Total investment-related experience in 1Q21 was a net gain of $177 million, compared with a net charge of $608 million in 1Q20, and in accordance with our definition of core earnings, we included $100 million of investment-related experience gains in core earnings and a $77 million gain in items excluded from core earnings in 1Q21 (no core investment gains and a charge of $608 million, respectively, in 1Q20). Investment-related experience gains in 1Q21 reflected higher-than-expected returns (including fair value changes) on ALDA primarily driven by fair value gains on private equity investments partially offset by lower-than-assumed returns on real estate, the favourable impact of fixed income reinvestment activities and favourable credit experience. Investment-related experience charges in 1Q20 reflected lower-than-expected returns (including fair value changes) on ALDA primarily driven by fair value losses related to oil and gas, private equity investments and credit downgrades partially offset by the favourable impact of fixed income reinvestment activities on the measurement of our policy liabilities.

(2) The direct impact of markets was a net charge of $835 million in 1Q21. Approximately one-half of the charge was due to non-parallel yield curve movements, primarily driven by the steepening of the yield curve in the U.S. and Canada and the other half was due to the impact of higher risk-free interest rates and narrowing corporate spreads. The direct impact of markets was a net gain of $792 million in 1Q20 driven by gains related to fixed income reinvestment rates as well as gains on the sale of available-for-sale ("AFS") bonds, partially offset by the unfavourable impact of equity markets. The gains for fixed income reinvestment rates reflected the widening of corporate spreads, primarily in the U.S., which were partially offset by the reduction in risk-free rates. Charges from the direct impact of equity markets reflected significant declines of global equity markets in 1Q20.

(3) Reinsurance transactions in Asia contributed gains of $8 million and $12 million in 1Q21 and 1Q20, respectively.

(4) In 1Q21, we reported a restructuring charge of $150 million pre-tax ($115 million post-tax) related to actions that are expected to result in recurring annual expense savings of $250 million (pre-tax) by 2023; $100 million (pre-tax) of these savings are expected to emerge in 2021, growing to $200 (pre-tax) million in 2022.[1]

(5) In 1Q21, we reported a gain of $19 million related to the divestment of our Thailand operation. In 1Q20, we reported tax benefits from the U.S. CARES Act, as a result of carrying back net operating losses to prior years, which had higher tax rates.

The **expense efficiency ratio**[2] was 48.5% for 1Q21, compared with 60.0% in 1Q20. The 11.5 percentage point improvement in the ratio compared with 1Q20 was driven by a 71% increase in pre-tax core earnings[2] partially offset by a smaller increase in general expenses included in core earnings ("core general expenses")[2] of 5%. We continue to focus on expense discipline to achieve our goal of consistently achieving a ratio of less than 50%.

1 See "Caution regarding forward-looking statements" below.

2 This item is a non-GAAP measure. See "Performance and non-GAAP measures" below.

A2 Business Performance[1]

($ millions, unless otherwise stated) (unaudited)	Quarterly Results 1Q21	4Q20	1Q20
Asia APE sales	**$ 1,280**	$ 996	$ 1,084
Canada APE sales	**$ 355**	$ 245	$ 376
U.S. APE sales	**$ 150**	$ 178	$ 141
Total APE sales	**$ 1,785**	$ 1,419	$ 1,601
Asia new business value	**$ 477**	$ 368	$ 356
Canada new business value	**$ 78**	$ 65	$ 77
U.S. new business value	**$ 44**	$ 56	$ 36
Total new business value	**$ 599**	$ 489	$ 469
Global Wealth and Asset Management net flows ($ billions)	**$ 1.4**	$ 2.8	$ 3.2
Global Wealth and Asset Management gross flows ($ billions)	**$ 39.7**	$ 31.5	$ 38.2
Global Wealth and Asset Management assets under management and administration ($ billions)	**$ 764.1**	$ 753.6	$ 636.2

(1) These items are non-GAAP measures. See "Performance and non-GAAP measures" below.

Annualized premium equivalent ("APE") sales[1] were $1.8 billion in 1Q21, an increase of 14% compared with 1Q20. In Asia, APE sales increased 22% compared with 1Q20 driven by growth in Hong Kong and Asia Other[2], partially offset by lower sales in Japan. In Hong Kong, APE sales increased 10% compared with 1Q20 driven by strong growth in our bank channel. Asia Other APE sales increased 35% compared with 1Q20, driven by higher sales in Singapore, mainland China, Vietnam and Indonesia and included double-digit growth in both bancassurance and agency channels. In Japan, APE sales declined 2% compared with 1Q20 driven by the adverse impact of COVID-19, partially offset by an increase in corporate-owned life insurance ("COLI") sales. In Canada, APE sales decreased 6% compared with 1Q20 primarily driven by the non-recurrence of a large affinity markets sale in 1Q20, partially offset by higher sales of lower risk segregated fund products. In the U.S., APE sales increased 13% compared with 1Q20 driven by our domestic indexed universal life products and recently launched international savings product. Sales of products with the John Hancock Vitality PLUS feature in 1Q21 increased 20% compared with 1Q20 as the feature continues to be a key differentiator.

New business value ("NBV")[1] was $599 million in 1Q21, an increase of 32% compared with 1Q20. In Asia, NBV increased 39% compared with 1Q20 to $477 million driven by higher sales volumes and product management actions in Hong Kong and higher sales volumes and favourable product mix in Asia Other, partially offset by lower sales volumes and unfavourable product mix in Japan from a shift to lower margin COLI products. In Canada, NBV of $78 million was consistent with 1Q20, as a more favourable product mix offset the impact of lower APE sales in Individual Insurance. In the U.S., NBV of $44 million was up 30% compared with 1Q20 primarily driven by higher sales volumes and more favourable product mix.

Global Wealth and Asset Management reported net inflows[1] of $1.4 billion in 1Q21 compared with net inflows of $3.2 billion in 1Q20. Net outflows in Asia were $7.4 billion in 1Q21 compared with net inflows of $0.6 billion in 1Q20, reflecting a $9.4 billion redemption in Institutional Asset Management, partially offset by higher gross flows[1] across all business lines. Net inflows in Canada were $4.5 billion in 1Q21 compared with net inflows of $2.8 billion in 1Q20, mainly driven by higher net inflows across our Retail product line-up partially offset by the non-recurrence of large equity mandate sales in Institutional Asset Management in 1Q20. In the U.S., 1Q21 net inflows were $4.2 billion compared with net outflows of $0.2 billion in 1Q20, driven by higher Retail net flows from strong intermediary sales and lower mutual fund redemptions, as well as lower redemptions in Institutional Asset Management, partially offset by lower net inflows in Retirement.

1 This item is a non-GAAP measure. See "Performance and non-GAAP measures" below.

2 Asia Other excludes Japan and Hong Kong.

A3 Financial strength

(unaudited)	Quarterly Results 1Q21	4Q20	1Q20
MLI's LICAT ratio	**137%**	149%	155%
Financial leverage ratio	**29.5%**	26.6%	23.0%
Total consolidated capital ($ billions)(1)	**$ 59.5**	$ 61.1	$ 63.2
Book value per common share ($)	**$ 23.40**	$ 25.00	$ 26.53
Book value per common share excluding AOCI ($)	**$ 21.84**	$ 21.74	$ 20.29

(1) This item is a non-GAAP measure. See "Performance and non-GAAP measures" below.

The Life Insurance Capital Adequacy Test ("LICAT") ratio for The Manufacturers Life Insurance Company ("MLI") as at March 31, 2021 was 137%, compared with 149% as at December 31, 2020. The twelve percentage point decrease was driven by the impacts of the large increase in risk-free rates and the narrowing of corporate spreads partially offset by the capital issuance of Limited Recourse Capital Notes of $2 billion.

MFC's total LICAT ratio was 124% as at March 31, 2021, compared with 135% as at December 31, 2020. The difference between the MLI and MFC ratios as at March 31, 2021 was largely due to the $6.1 billion of MFC senior debt outstanding that does not qualify as available capital at the MFC level but, based on the form it was down-streamed to MLI, it qualifies as regulatory capital at the MLI level.

MFC's financial leverage ratio as at March 31, 2021 was 29.5%, an increase of 2.9 percentage points from 26.6% as at December 31, 2020. The increase in the ratio was driven by a net issuance of capital ($2 billion issuance offset by $350 million redemption), a reduction in the value of AFS debt securities due to higher interest rates, and the unfavourable impact of a stronger Canadian dollar, partially offset by growth in retained earnings.

MFC's total consolidated capital[1] was $59.5 billion as at March 31, 2021, a decrease of $1.6 billion compared with $61.1 billion as at December 31, 2020. The decrease was primarily driven by a reduction in the value of AFS debt securities due to higher interest rates and the impact of a stronger Canadian dollar, partially offset by net capital issuances and growth in retained earnings.

Cash and cash equivalents and marketable securities[2] was $249.0 billion as at March 31, 2021 compared with $262.9 billion as at December 31, 2020. The reduction was primarily driven by the lower market value of fixed income instruments due to higher interest rates.

Book value per common share as at March 31, 2021 was $23.40, a 6% decrease compared with $25.00 as at December 31, 2020. Book value per common share excluding accumulated other comprehensive income ("AOCI") was $21.84 as at March 31, 2021, in line with $21.74 as at December 31, 2020. The number of common shares outstanding was 1,942 million as at March 31, 2021 and was 1,940 million as at December 31, 2020.

Subsequent to March 31, 2021, we announced our intention to redeem in full and at par, approximately $2.1 billion of securities on the following dates:

- S$500 million 3.85% MFC subordinated notes, to be redeemed on May 25, 2021,
- $425 million MFC Class 1 Series 21 preferred shares, to be redeemed on June 19, 2021, and
- US$1 billion 4.70% MFC senior notes, to be redeemed on June 23, 2021.

1 This item is a non-GAAP measure. See "Performance and non-GAAP measures" below.

2 Includes cash & cash equivalents, comprised of cash on deposit, Canadian and U.S. Treasury Bills and high quality short-term investments, and marketable assets, comprised of investment grade government and agency bonds, investment grade corporate bonds, investment grade securitized instruments, publicly traded common stocks and preferred shares.

A4 Revenue

($ millions, unaudited)	Quarterly Results 1Q21	4Q20	1Q20
Gross premiums	**$ 10,992**	$ 10,769	$ 10,725
Premiums ceded to reinsurers	**(1,384)**	(1,446)	(1,370)
Net premium income	**9,608**	9,323	9,355
Investment income	**3,214**	4,366	3,284
Other revenue	**2,637**	2,497	2,980
Revenue before realized and unrealized investment gains and losses	**15,459**	16,186	15,619
Realized and unrealized gains and losses on assets supporting insurance and investment contract liabilities and on the macro hedge program[(1)]	**(17,056)**	1,683	4,558
Total revenue	**$ (1,597)**	$ 17,869	$ 20,177

(1) See section A6 "Impact of fair value accounting". Also see section A1 "Profitability - Items excluded from core earnings" for information on the direct impact of equity markets and interest rates and variable annuity guarantee liabilities.

Total revenue in 1Q21 was a net loss of $1.6 billion compared with a net gain of $20.2 billion in 1Q20. The amount of revenue reported in any fiscal period can be significantly affected by fair value accounting, which can materially impact the reported realized and unrealized investment gains or losses on assets supporting insurance and investment contract liabilities and on the macro hedge program, a component of revenue (see "Impact of fair value accounting" below). Accordingly, we discuss specific drivers of revenue in each segment before realized and unrealized investment gains and losses in section B "Performance by Segment" below.

1Q21 revenue before realized and unrealized investment gains and losses of $15.5 billion decreased $0.2 billion compared with 1Q20.

Net realized and unrealized investment gains and losses on assets supporting insurance and investment contract liabilities and on the macro hedge program was a net charge of $17.1 billion in 1Q21 compared with a net gain of $4.6 billion in 1Q20. The 1Q21 charge was primarily driven by the impact of interest rate increases in U.S., Canada and Asia. The 1Q20 gain was primarily due to the impact of interest rate declines in the U.S., partially offset by fair value losses on bonds, which were mostly in the energy sector.

See "Impact of fair value accounting" below. Also, see section A1 for additional information of the impact on 1Q21 net income attributed to shareholders from the direct impact of equity markets and interest rates and variable annuity guarantee liabilities.

A5 Assets under management and administration ("AUMA")[1]

AUMA as at March 31, 2021 was $1.3 trillion, an increase of 1% compared with December 31, 2020, primarily due to the favourable impact of markets and year-to-date net inflows.

A6 Impact of fair value accounting

Fair value accounting policies affect the measurement of both our assets and our liabilities. The difference between the reported amounts of our assets and liabilities determined as of the balance sheet date and the immediately preceding balance sheet date in accordance with the applicable fair value accounting principles is reported as investment-related experience and the direct impact of equity markets and interest rates and variable annuity guarantees, each of which impacts net income attributed to shareholders (see "Profitability" section above for discussion of 1Q21 experience).

Net realized and unrealized investment losses on assets supporting insurance and investment contract liabilities and on the macro hedge program were $17.1 billion for 1Q21 (1Q20 – net gains of $4.6 billion). See "Revenue" section above for discussion of results.

As outlined in "Critical Actuarial and Accounting Policies" in the MD&A in our 2020 Annual Report, net insurance contract liabilities under IFRS are determined using Canadian Asset Liability Method ("CALM"), as required by the Canadian Institute of Actuaries ("CIA"). The measurement of policy liabilities includes the estimated value of future

1 This item is a non-GAAP measure. See "Performance and non-GAAP measures" below.

policyholder benefits and settlement obligations to be paid over the term remaining on in-force policies, including the costs of servicing the policies, reduced by the future expected policy revenues and future expected investment income on assets supporting the policies. Investment returns are projected using current asset portfolios and projected reinvestment strategies. Experience gains and losses are reported when current period activity differs from what was assumed in the policy liabilities at the beginning of the period. We classify gains and losses by assumption type. For example, current period investing activities that increase (decrease) the future expected investment income on assets supporting the policies will result in an investment-related experience gain (loss). See description of investment-related experience in “Performance and non-GAAP measures” below.

As noted in “Critical Actuarial and Accounting Policies – Future Accounting and Reporting Changes” in the MD&A in our 2020 Annual Report, IFRS 17 “Insurance Contracts” will replace IFRS 4 and therefore CALM effective for years beginning on January 1, 2023. The new standard will materially change the recognition and measurement of insurance contracts and the corresponding presentation and disclosures in the Company’s Financial Statements. The measurement of the discount rate used to estimate the present value of insurance contract liabilities and the reporting of new business gains are among the more significant changes. Under IFRS 17, new business gains are recorded on the balance sheet (in the contractual service margin component of the insurance contract liability) and are amortized into income as services are provided. We reported $280 million (post-tax) of new business gains in net income attributed to shareholders in 1Q21 (1Q20 – $150 million).

A7 Impact of foreign currency exchange rates

Changes in foreign currency exchange rates from 1Q20 to 1Q21, primarily due to a stronger Canadian dollar compared with the U.S. dollar, decreased core earnings by $71 million in 1Q21. The impact of foreign currency exchange rates on items excluded from core earnings does not provide relevant information given the nature of those items.

A8 Business highlights

We continued to make progress on our digital journey in 1Q21, through a variety of initiatives. In Canada, we completed the migration of our Group Benefits clients to one administration system, and launched a new Advisor Portal across our businesses to improve advisors’ experiences with us. In the U.S., we piloted a new portal for distributors to submit forms and client information for our international products. In Asia, our Global WAM business launched a money market fund with OVO (PT Visionet Internasional), Indonesia’s leading digital payments platform, and its strategic partner Bareksa (PT Bareksa Portak Investasi), Indonesia’s first online mutual fund marketplace. The result combines digital money and online investment to reach a younger generation of investors in a growing and important market for us. Further in April, we launched a new digital sales platform in Vietnam that allows our customers to seamlessly purchase health insurance online.

Additionally in Canada, our Group Benefits business introduced Personalized Medicine, which combines access to advanced pharmacogenetics and pharmacist assistance to help members find the most effective medication for their condition. In North America, we expanded our John Hancock Vitality and Manulife *Vitality* programs to reward customers who received their COVID-19 vaccine. In our Global WAM business, we expanded our environmental, social, and governance (“ESG”) offerings with the launch of two ESG thematic investment strategies, Sustainable Asia Bond and Global Climate.

A9 Mosten litigation and regulatory update

In our third quarter of 2018 MD&A, we disclosed developments in the litigation Mosten Investment LP (“Mosten”) brought against the Company in Saskatchewan. The basis of the claims by Mosten has been that life insurers can be compelled to accept unlimited premium payments into certain universal life policies and associated side accounts. In effect, Mosten was seeking to use insurance policies to invest sizeable sums that have no connection to the insurance coverage.

On October 4, 2018 Manulife issued a press release regarding certain short-selling activity relating to the Mosten litigation, stating that the short seller’s report was an attempt to profit at the expense of our shareholders. We further stated that we disagree with the conclusions of the report and that we continue to believe that Mosten's position is legally unfounded as we firmly believe that the consumers purchasing universal life policies, and the insurers issuing these policies, never intended to have the policies function as deposit or securities contracts. On October 29, 2018, the Government of Saskatchewan published new regulations that limit the amount of premiums a life insurer may receive or accept for deposit in certain life insurance policies and associated side accounts. In his March 15, 2019 decision, the trial judge accepted Manulife's position on the interpretation of the policies, namely that they do not permit making unlimited deposits for investment purposes unrelated to the payment of life insurance premiums. The trial judge also ruled that the 2018 regulations had prospective effect only with respect to new policies.

In its March 10, 2021 decision, the Saskatchewan Court of Appeal rejected the trial judge's interpretation of the polices but, ruling in Manulife's favour, held that the 2018 regulations (and subsequent 2020 regulations) operate prospectively to prohibit Saskatchewan-licensed insurers from accepting deposits that do not relate to the payment of life insurance premiums, thereby preventing Mosten from using existing or new insurance policies as an investment vehicle. Similar legislation has been enacted by the governments of Ontario, Prince Edward Island, Alberta, New Brunswick and Nova Scotia.

B PERFORMANCE BY SEGMENT

B1 Asia

($ millions, unless otherwise stated)	Quarterly Results		
Canadian dollars	**1Q21**	4Q20	1Q20
Net income attributed to shareholders(1)	**$ 957**	$ 639	$ 95
Core earnings(1)	**570**	571	491
Annualized premium equivalent sales	**1,280**	996	1,084
New business value	**477**	368	356
Revenue	**5,840**	8,306	4,477
Revenue before realized and unrealized investment gains and losses(2)	**7,221**	6,116	6,839
Assets under management ($ billions)(3)	**137.0**	138.4	128.6
U.S. dollars			
Net income attributed to shareholders(1)	**US$ 755**	US$ 490	US$ 71
Core earnings(1)	**450**	438	365
Annualized premium equivalent sales	**1,010**	764	806
New business value	**376**	283	265
Revenue	**4,610**	6,375	3,329
Revenue before realized and unrealized investment gains and losses(2)	**5,701**	4,695	5,086
Assets under management ($ billions)(3)	**108.9**	108.7	90.6

(1) See "Performance and non-GAAP measures" for a reconciliation between net income (loss) attributed to shareholders and core earnings.
(2) See section A6 "Impact of fair value accounting".
(3) This item is a non-GAAP measure. See "Performance and non-GAAP measures" below.

Asia's net income attributed to shareholders was $957 million in 1Q21 compared with $95 million in 1Q20. Net income attributed to shareholders is comprised of core earnings, which was $570 million in 1Q21 compared with $491 million in 1Q20, and items excluded from core earnings, which amounted to a net gain of $387 million in 1Q21 compared with a net charge of $396 million in 1Q20. The changes in net income attributed to shareholders and core earnings expressed in Canadian dollars were due to the factors described below and, in addition, the change in core earnings reflected a net $24 million unfavourable impact due to changes in foreign currency exchange rates versus the Canadian dollar.

Expressed in U.S. dollars, the presentation currency of the segment, net income attributed to shareholders was US$755 million in 1Q21 compared with US$71 million in 1Q20 and core earnings were US$450 million in 1Q21 compared with US$365 million in 1Q20. Items excluded from core earnings were a net gain of US$305 million in 1Q21 compared with a net charge of US$294 million in 1Q20 (see a reconciliation of net income (loss) attributed to shareholders to core earnings in "Performance and non-GAAP measures" below).

Core earnings in 1Q21 increased 21% compared with 1Q20, driven by higher new business volumes, favourable new business product mix in Hong Kong and Asia Other and in-force business growth across Asia, partially offset by less favourable policyholder experience and US$5 million of lower investment income on allocated capital (see Corporate and Other Segment).

APE sales in 1Q21 were US$1,010 million, an increase of 22% compared with 1Q20, driven by growth in Hong Kong and Asia Other, partially offset by lower sales in Japan. NBV in 1Q21 was US$376 million, a 39% increase compared with 1Q20, reflecting growth in Hong Kong and Asia Other, partially offset by decline in Japan. New business value margin ("NBV margin")[1] was 42.9% in 1Q21 compared with 37.2% in 1Q20.

- Hong Kong APE sales in 1Q21 were US$219 million, a 10% increase compared with 1Q20 driven by strong growth through our bank channel. Hong Kong NBV in 1Q21 of US$145 million increased 18% compared with 1Q20 due to higher sales and product management actions. Hong Kong NBV margin was 66.1% in 1Q21, an increase of 4.7 percentage points compared with 1Q20.
- Asia Other APE sales in 1Q21 were US$626 million, a 35% increase compared with 1Q20 driven by higher sales in Singapore, mainland China, Vietnam and Indonesia, and included double-digit growth in both bancassurance and agency channels. Asia Other NBV in 1Q21 of US$196 million increased 90% compared with 1Q20, primarily due to higher sales, a favourable product mix, and expense management. Asia Other NBV margin was 39.9% in 1Q21, an increase of 11.2 percentage points compared with 1Q20.
- Japan APE sales in 1Q21 were US$165 million, a decrease of 2% compared with 1Q20 driven by the adverse impact of COVID-19, partially offset by an increase in COLI sales. Japan NBV in 1Q21 of US$35 million decreased 21% compared with 1Q20 due to lower sales and higher COLI mix. Japan NBV margin was 21.1% in 1Q21, a decrease of 5.0 percentage points compared with 1Q20.

Assets under management[1] were US$108.9 billion as at March 31, 2021, a decrease of US$0.3 billion compared with December 31, 2020. The decrease was driven by the unfavourable impact of market movements resulting from higher interest rates partially offset by net customer inflows of US$3.5 billion.

Revenue was US$4.6 billion in 1Q21 compared with US$3.3 billion in 1Q20. Revenue before realized and unrealized investment gains and losses was US$5.7 billion in 1Q21, an increase of US$0.6 billion compared with 1Q20, driven by an increase in new business sales and recurring premium growth from in-force business.

Business highlights - We continued to make progress on our digital journey, and in Vietnam in April, we launched a digital sales platform that allows our customers to seamlessly purchase health insurance online.

B2 Canada

	Quarterly Results		
($ millions, unless otherwise stated)	**1Q21**	4Q20	1Q20
Net income (loss) attributed to shareholders(1)	**$ (19)**	$ 628	$ (866)
Core earnings(1)	**264**	316	237
Annualized premium equivalent sales	**355**	245	376
Manulife Bank average net lending assets ($ billions)(2)	**22.8**	22.8	22.3
Revenue	**(2,577)**	4,006	3,385
Revenue before realized and unrealized investment income gains and losses(3)	**3,550**	3,859	3,075
Assets under management ($ billions)	**152.4**	159.3	146.6

(1) See "Performance and non-GAAP measures" below for a reconciliation between net income (loss) attributed to shareholders and core earnings.
(2) This item is a non-GAAP measure. See "Performance and non-GAAP measures" below.
(3) See section A6 "Impact of fair value accounting".

Canada's 1Q21 net loss attributed to shareholders was $19 million compared with a net loss attributed to shareholders of $866 million in 1Q20. Net income attributed to shareholders is comprised of core earnings, which were $264 million in 1Q21 compared with $237 million in 1Q20, and items excluded from core earnings, which amounted to a net charge of $283 million in 1Q21 compared with a net charge of $1,103 million in 1Q20 (see a reconciliation of net income (loss) attributed to shareholders to core earnings in "Performance and non-GAAP measures" below).

1 This item is a non-GAAP measure. See "Performance and non-GAAP measures" below.

Core earnings increased $27 million or 11% compared with 1Q20, primarily reflecting improved policyholder experience (including the non-recurrence of the 1Q20 COVID-19 related travel claims experience partially offset by 1Q21 unfavourable policyholder experience in retail insurance) and higher in-force earnings, partially offset by $24 million of lower investment income on allocated capital.

APE sales of $355 million in 1Q21 decreased by $21 million or 6% compared with 1Q20, primarily driven by the non-recurrence of a large 1Q20 affinity markets sale, partially offset by higher sales of lower risk segregated fund products.

- Individual insurance APE sales in 1Q21 of $90 million decreased $38 million or 30% compared with 1Q20, primarily due to the non-recurrence of a large 1Q20 affinity markets sale.
- Group insurance APE sales in 1Q21 of $166 million decreased $5 million or 3% compared with 1Q20, primarily due to lower small business sales.
- Annuities APE sales in 1Q21 of $99 million increased $22 million or 29% compared with 1Q20, due to higher sales in our lower risk segregated funds. We are focused on growth in lower risk segregated fund products, which in 1Q21 accounted for 86% of annuities APE sales.

Manulife Bank average net lending assets[1] for the quarter were $22.8 billion as at March 31, 2021, consistent with the quarter ended December 31, 2020.

Assets under management were $152.4 billion as at March 31, 2021, a decrease of $6.9 billion or 4% from December 31, 2020, due to the impact of higher interest rates.

Revenue in 1Q21 was a net loss of $2.6 billion compared with a net gain of $3.4 billion in 1Q20. The 1Q21 loss is primarily due to realized and unrealized investment losses driven by the impact of higher interest rates on invested assets. Revenue before realized and unrealized investment gains and losses was $3.6 billion in 1Q21, an increase of $0.5 billion from 1Q20 due to the non-recurrence of losses on our oil and gas investments.

Business highlights - In 1Q21, we:

- introduced Personalized Medicine, which combines access to advanced pharmacogenetics and pharmacist assistance to help Group Benefit members find the most effective medication for their condition,
- completed the migration of our Group Benefits clients to one administration system,
- launched a new Advisor Portal across our businesses to improve advisors' experiences with us, and
- expanded our Manulife *Vitality* program to reward customers who received their COVID-19 vaccine.

B3 U.S.

($ millions, unless otherwise stated)	Quarterly Results		
Canadian dollars	**1Q21**	4Q20	1Q20
Net income attributed to shareholders(1)	**$ 96**	$ 106	$ 1,852
Core earnings(1)	**501**	479	416
Annualized premium equivalent sales	**150**	178	141
Revenue	**(5,992)**	3,696	10,663
Revenue before realized and unrealized investment income gains and losses(2)	**3,533**	4,353	4,050
Assets under management ($ billions)	**228.2**	239.6	245.8
U.S. dollars			
Net income attributed to shareholders(1)	**US$ 76**	US$ 81	US$ 1,377
Core earnings(1)	**396**	367	310
Annualized premium equivalent sales	**119**	137	105
Revenue	**(4,733)**	2,836	7,929
Revenue before realized and unrealized investment income gains and losses(2)	**2,791**	3,340	3,012
Assets under management ($ billions)	**181.5**	188.2	173.2

(1) See "Performance and non-GAAP measures" below for a reconciliation between net income (loss) attributed to shareholders and core earnings.
(2) See section A6 "Impact of fair value accounting".

[1] This item is a non-GAAP measure. See "Performance and non-GAAP measures" below.

U.S. 1Q21 net income attributed to shareholders was $96 million compared with $1,852 million in 1Q20. Net income attributed to shareholders is comprised of core earnings, which amounted to $501 million in 1Q21 compared with $416 million in 1Q20, and items excluded from core earnings, which amounted to a net charge of $405 million in 1Q21 compared with a net gain of $1,436 million in 1Q20. The changes in net income attributed to shareholders and core earnings expressed in Canadian dollars were due to the factors described below and, in addition, the change in core earnings reflected a $31 million unfavourable impact from the weakening of the U.S. dollar compared with the Canadian dollar.

Expressed in U.S. dollars, the functional currency of the segment, 1Q21 net income attributed to shareholders was US$76 million compared with US$1,377 million in 1Q20, core earnings were US$396 million in 1Q21 compared with US$310 million in 1Q20, and items excluded from core earnings were a net charge of US$320 million in 1Q21 compared with a net gain of US$1,067 million in 1Q20 (see a reconciliation of net income (loss) attributed to shareholders to core earnings in "Performance and non-GAAP measures" below).

Core earnings increased US$86 million or 28% compared with 1Q20, primarily driven by the impact of COVID-19 on policyholder experience. Higher in-force earnings, increased new business gains from higher sales volumes and improved product mix, and higher gains from the Annuity Guaranteed Minimum Withdrawal Benefit offer program were offset by a US$30 million decrease in investment income on allocated capital.

APE sales in 1Q21 of US$119 million increased 13% compared with 1Q20, driven by our domestic indexed universal life products and recently launched international savings product. APE sales of products with the John Hancock Vitality PLUS feature in 1Q21 increased 20% compared with 1Q20 as the feature continues to be a key differentiator in the market.

Assets under management as at March 31, 2021 were US$181.5 billion, a decrease of 4% from December 31, 2020. The decrease was driven by the net unfavourable impact of market movements resulting primarily from higher interest rates and the continued run-off of the annuity business.

Revenue in 1Q21 was a net loss of US$4.7 billion compared with a net gain of US$7.9 billion in 1Q20. The 1Q21 loss was primarily due to realized and unrealized investment losses, driven by the impact of higher interest rates on invested assets. Revenue before net realized and unrealized investment gains and losses was US$2.8 billion in 1Q21 compared with US$3.0 billion in 1Q20. The US$0.2 billion decrease was driven by market impacts on other revenue and investment income.

Business highlights - In 1Q21, we:

- continued to enhance our digital capabilities and piloted a new portal for distributors to submit forms and client information for our international products,
- released US$50 million of capital through our Annuity Guaranteed Minimum Withdrawal Benefit offer program (over US$200 million since the start of the program in the fourth quarter of 2019), and
- announced the expansion of John Hancock's Vitality Program to reward program members who have received a COVID-19 vaccine.

B4 Global Wealth and Asset Management

($ millions, unless otherwise stated)		Quarterly Results 1Q21		4Q20		1Q20
Net income attributed to shareholders(1)	**$**	**312**	$	304	$	250
Core earnings(1)		**312**		304		250
Core EBITDA(2)		**469**		459		390
Core EBITDA margin(2) (%)		**30.7%**		30.7%		27.3%
Sales						
Wealth and asset management gross flows		**39,709**		31,494		38,172
Wealth and asset management net flows		**1,357**		2,831		3,158
Revenue		**1,527**		1,497		1,426
Assets under management and administration ($ billions)		**764.1**		753.6		636.2
Average assets under management and administration ($ billions)(3)		**765.0**		732.7		680.3

(1) See “Performance and non-GAAP measures” below for a reconciliation between net income (loss) attributed to shareholders and core earnings.
(2) Core EBITDA and core EBITDA margin are non-GAAP measures. Core EBITDA is core earnings before interest, taxes, depreciation and amortization and core EBITDA margin is core EBITDA divided by total revenue. See “Performance and non-GAAP measures” below.
(3) Average assets under management and administration (“average AUMA”) is a non-GAAP measure reflecting the average of Global WAM’s AUMA during the reporting period. See “Performance and non-GAAP measures” below.

Global Wealth and Asset Management’s net income attributed to shareholders was $312 million in 1Q21 compared with $250 million in 1Q20. Net income attributed to shareholders is comprised of core earnings, which were $312 million in 1Q21 compared with $250 million in 1Q20 and items excluded from core earnings, which were nil in both 1Q21 and 1Q20 (see a reconciliation of net income (loss) attributed to shareholders to core earnings in “Performance and non-GAAP measures” below).

Core earnings in 1Q21 increased 29% compared with 1Q20 driven primarily by higher average assets under management and administration, from the favourable impact of markets and net inflows, partially offset by higher core general expenses mainly from higher variable compensation, and to a lesser extent, lower fee spread.

Core EBITDA[1] was $469 million in 1Q21, an increase of 24% compared with 1Q20, driven by the same factors as mentioned above. Core EBITDA margin[1] was 30.7% in 1Q21, an increase of 340 basis points compared with 1Q20, driven by higher fee income.

Gross flows[1] and net flows - Gross flows were $39.7 billion in 1Q21, an increase of 9% compared with 1Q20, and net inflows were $1.4 billion in 1Q21, compared with net inflows of $3.2 billion in 1Q20. By geography, the results were:

WAM Asia:

- Gross flows in Asia in 1Q21 were $7.5 billion, an increase of 40% compared with 1Q20, driven by higher gross flows across all business lines. This increase was driven primarily by higher Retail gross flows in Indonesia, mainland China, and Japan, followed by higher gross flows into fixed income mandates in Institutional Asset Management, and higher gross flows in Hong Kong Retirement.
- Net outflows in Asia in 1Q21 were $7.4 billion, compared with net inflows of $0.6 billion in 1Q20, driven by a $9.4 billion redemption in Institutional Asset Management, partially offset by higher gross flows as mentioned above.

WAM Canada:

- Gross flows in Canada in 1Q21 were $8.3 billion, an increase of 3% compared with 1Q20, driven by higher gross flows across our product line-up in Retail, and higher new plan sales and member contributions in Retirement, partially offset by the non-recurrence of large equity mandate sales in Institutional Asset Management in 1Q20.
- Net inflows in Canada were $4.5 billion in 1Q21 compared with net inflows of $2.8 billion in 1Q20, driven by higher net inflows across our Retail product line-up partially offset by lower gross flows in Institutional Asset Management as mentioned above.

1 This item is a non-GAAP measure. See “Performance and non-GAAP measures” below.

WAM U.S.:

- Gross flows in the U.S. in 1Q21 were $23.9 billion, an increase of 3% compared with 1Q20. Growth was primarily driven by strong intermediary sales and higher institutional model allocations in Retail, as well as higher gross flows into fixed income mandates in Institutional Asset Management. This increase was partially offset by the non-recurrence of a 1Q20 large-case retirement plan sale.
- Net inflows in the U.S. were $4.2 billion in 1Q21 compared with net outflows of $0.2 billion in 1Q20, driven by lower redemptions across all business lines.

Assets under management and administration of $764.1 billion as at March 31, 2021 increased 3% compared with December 31, 2020. The increase in AUMA was driven by the favourable impact of markets and net inflows of $1.4 billion. Global WAM also managed $229.3 billion in assets for the Company's other segments. Including those managed assets, AUMA managed by Global WAM was $993.3 billion as at March 31, 2021 compared with $984.4[1] billion as at December 31, 2020.

Revenue in 1Q21 was $1.5 billion, an increase of 11% compared with 1Q20, driven by higher average assets under management and administration, partially offset by slightly lower fee spread.

Business highlights - In 1Q21, we:

- launched a money market fund with OVO (PT Visionet Internasional), Indonesia's leading digital payments platform, and its strategic partner Bareksa (PT Bareksa Portak Investasi), Indonesia's first online mutual fund marketplace. This collaboration combines digital money and online investment to reach a younger generation of investors, a growing and important market for us, and
- expanded our ESG offerings with the launch of two ESG thematic investment strategies, Sustainable Asia Bond and Global Climate.

B5 Corporate and Other

	Quarterly Results		
($ millions, unless otherwise stated)	**1Q21**	4Q20	1Q20
Net income (loss) attributed to shareholders[(1)]	**$ (563)**	$ 103	$ (35)
Core loss excluding core investment gains[(1)]	**$ (118)**	$ (196)	$ (366)
Core investment gains	**100**	-	-
Total core gain (loss)	**$ (18)**	$ (196)	$ (366)
Revenue	**$ (395)**	$ 364	$ 226

(1) See "Performance and non-GAAP measures" for a reconciliation between net income (loss) attributed to shareholders and core earnings.

Corporate and Other is composed of investment performance on assets backing capital, net of amounts allocated to operating segments; financing costs; costs incurred by the corporate office related to shareholder activities (not allocated to the operating segments); our Property and Casualty ("P&C") Reinsurance business; as well as run-off reinsurance operations including variable annuities and accident and health.

For segment reporting purposes, settlement costs for macro equity hedges and other non-operating items are included in Corporate and Other earnings. This segment is also where we reclassify favourable investment-related experience to core earnings from items excluded from core earnings, subject to certain limits (see "Performance and non-GAAP measures" below). In each of the operating segments, we report all investment-related experience in items excluded from core earnings.

Corporate and Other reported a net loss attributed to shareholders of $563 million in 1Q21 compared with a net loss attributed to shareholders of $35 million in 1Q20. The core loss was $18 million in 1Q21 compared with a core loss of $366 million in 1Q20 and the items excluded from core loss amounted to a net charge of $545 million

1 Effective January 1, 2021, Manulife's AUMA managed by Global WAM includes certain private equity, private credit and infrastructure asset classes. Total AUMA managed by Global WAM as at December 31, 2020 has been restated for comparability.

in 1Q21 compared with a net gain of $331 million in 1Q20 (see a reconciliation of net income (loss) attributed to shareholders to core earnings in “Performance and non-GAAP measures” below).

The $348 million decrease in core loss was primarily related to the 1Q20 losses related to seed money investments in new segregated and mutual funds and nil core investment gains, as well as the lower interest on allocated capital to operating segments of $76 million in 1Q21 partially offset by lower investment income due to lower yields.

The charge of $545 million in items excluded from core loss in 1Q21 was mostly due to the impact of interest rates on our derivative positions used to manage interest rate sensitivity, a restructuring charge and the reclassification of $100 million of the total Company’s favourable investment-related experience to core earnings. The restructuring charge of $150 million pre-tax ($115 million post-tax) is related to actions that are expected to result in recurring annual expense savings of $250 million (pre-tax) by 2023; $100 million (pre-tax) of these savings are expected to emerge in 2021, growing to $200 million (pre-tax) in 2022.[1]

Revenue in 1Q21 was a loss of $395 million compared with a gain of $226 million in 1Q20. The variance of $621 million loss was primarily driven by lower realized gains on the sale of AFS bonds and losses on derivative positions, partially offset by the 1Q20 losses on seed money investments as noted above, and lower interest on allocated capital.

C RISK MANAGEMENT AND RISK FACTORS UPDATE

This section provides an update to our risk management practices and risk factors outlined in the MD&A in our 2020 Annual Report (“2020 MD&A”). Text and tables in this section of the MD&A represent our disclosure on market and liquidity risk in accordance with IFRS 7 “Financial Instruments – Disclosures”. Disclosures in accordance with IFRS 7 are identified by a vertical line in the left margin of each page. The identified text and tables represent an integral part of our unaudited Interim Consolidated Financial Statements.

C1 Variable annuity and segregated fund guarantees

As described in the MD&A in our 2020 Annual Report, guarantees on variable annuity products and segregated funds may include one or more of death, maturity, income and withdrawal guarantees. Variable annuity and segregated fund guarantees are contingent and only payable upon the occurrence of the relevant event, if fund values at that time are below guaranteed values. Depending on future equity market levels, liabilities on current in-force business would be due primarily in the period from 2021 to 2041.

We seek to mitigate a portion of the risks embedded in our retained (i.e. net of reinsurance) variable annuity and segregated fund guarantee business through the combination of our dynamic and macro hedging strategies (see section C3 “Publicly traded equity performance risk” below).

[1] See “Caution regarding forward-looking statements” below.

The table below shows selected information regarding the Company's variable annuity and segregated fund investment-related guarantees gross and net of reinsurance.

Variable annuity and segregated fund guarantees, net of reinsurance

As at ($ millions)	March 31, 2021[1] Guarantee value	Fund value	Amount at risk[2],[3]	December 31, 2020[1] Guarantee value	Fund value	Amount at risk[2],[3]
Guaranteed minimum income benefit	**$ 4,457**	**$ 3,619**	**$ 998**	$ 4,555	$ 3,642	$ 1,064
Guaranteed minimum withdrawal benefit	**41,024**	**42,664**	**2,977**	42,570	44,075	3,128
Guaranteed minimum accumulation benefit	**18,801**	**19,261**	**13**	18,463	18,945	8
Gross living benefits[4]	**64,282**	**65,544**	**3,988**	65,588	66,662	4,200
Gross death benefits[5]	**10,745**	**19,738**	**687**	10,652	19,548	710
Total gross of reinsurance	**75,027**	**85,282**	**4,675**	76,240	86,210	4,910
Living benefits reinsured	**3,819**	**3,120**	**838**	3,917	3,157	895
Death benefits reinsured	**674**	**529**	**272**	685	534	282
Total reinsured	**4,493**	**3,649**	**1,110**	4,602	3,691	1,177
Total, net of reinsurance	**$ 70,534**	**$ 81,633**	**$ 3,565**	$ 71,638	$ 82,519	$ 3,733

(1) Guaranteed Value and Net Amount at Risk in respect of guaranteed minimum withdrawal business in Canada and the U.S. have been updated in 2021 to reflect the time value of money of these claims. This methodology change also had a minor impact on the allocation of fund values between living benefits and death benefits. See footnotes 4 and 5. Values at December 31, 2020 have been restated to reflect this revised methodology.

(2) Amount at risk (in-the-money amount) is the excess of guarantee values over fund values on all policies where the guarantee value exceeds the fund value. For guaranteed minimum death benefit, the amount at risk is defined as the current guaranteed minimum death benefit in excess of the current account balance and assumes that all claims are immediately payable. In practice, guaranteed death benefits are contingent and only payable upon the eventual death of policyholders if fund values remain below guarantee values. For guaranteed minimum withdrawal benefit, the amount at risk assumes that the benefit is paid as a lifetime annuity commencing at the earliest contractual income start age. These benefits are also contingent and only payable at scheduled maturity/income start dates in the future, if the policyholders are still living and have not terminated their policies and fund values remain below guarantee values. For all guarantees, the amount at risk is floored at zero at the single contract level.

(3) The amount at risk net of reinsurance at March 31, 2021 was $3,565 million (December 31, 2020 – $3,733 million) of which: US$1,699 million (December 31, 2020 – US$1,839 million) was on our U.S. business, $1,216 million (December 31, 2020 – $1,159 million) was on our Canadian business, US$67 million (December 31, 2020 – US$71 million) was on our Japan business and US$102 million (December 31, 2020 – US$111 million) was related to Asia (other than Japan) and our run-off reinsurance business.

(4) Where a policy includes both living and death benefits, the guarantee in excess of the living benefit is included in the death benefit category as outlined in footnote 5.

(5) Death benefits include standalone guarantees and guarantees in excess of living benefit guarantees where both death and living benefits are provided on a policy.

C2 Caution related to sensitivities

In this document, we provide sensitivities and risk exposure measures for certain risks. These include sensitivities due to specific changes in market prices and interest rate levels projected using internal models as at a specific date, and are measured relative to a starting level reflecting the Company's assets and liabilities at that date and the actuarial factors, investment activity and investment returns assumed in the determination of policy liabilities. The risk exposures measure the impact of changing one factor at a time and assume that all other factors remain unchanged. Actual results can differ significantly from these estimates for a variety of reasons including the interaction among these factors when more than one changes; changes in actuarial and investment return and future investment activity assumptions; actual experience differing from the assumptions, changes in business mix, effective tax rates and other market factors; and the general limitations of our internal models. For these reasons, the sensitivities should only be viewed as directional estimates of the underlying sensitivities for the respective factors based on the assumptions outlined below. Given the nature of these calculations, we cannot provide assurance that the actual impact on net income attributed to shareholders or on MLI's LICAT total ratio will be as indicated.

Market movements affect LICAT capital sensitivities both through income and other components of the regulatory capital framework. For example, LICAT is affected by changes to other comprehensive income.

C3 Publicly traded equity performance risk

As outlined in our 2020 Annual Report, we have net exposure to equity risk through asset and liability mismatches; our variable annuity guarantee dynamic hedging strategy is not designed to completely offset the sensitivity of policy liabilities to all risks associated with the guarantees embedded in these products. The macro hedging strategy is designed to mitigate public equity risk arising from variable annuity guarantees not dynamically hedged and from other unhedged exposures in our insurance liabilities (see pages 55 and 56 of our 2020 Annual Report).

Changes in public equity prices may impact other items including, but not limited to, asset-based fees earned on assets under management and administration or policyholder account value, and estimated profits and amortization of deferred policy acquisition and other costs. These items are not hedged.

The table below shows the potential impact on net income attributed to shareholders resulting from an immediate 10%, 20% and 30% change in market values of publicly traded equities followed by a return to the expected level of growth assumed in the valuation of policy liabilities. If market values were to remain flat for an entire year, the potential impact would be roughly equivalent to an immediate decline in market values equal to the expected level of annual growth assumed in the valuation of policy liabilities. Further, if after market values dropped 10%, 20% or 30% they continued to decline, remained flat, or grew more slowly than assumed in the valuation the potential impact on net income attributed to shareholders could be considerably more than shown. Refer to section D2 "Sensitivity of earnings to asset related assumptions" for more information on the level of growth assumed and on the net income sensitivity to changes in these long-term assumptions. The potential impact is shown after taking into account the impact of the change in markets on the hedge assets. While we cannot reliably estimate the amount of the change in dynamically hedged variable annuity guarantee liabilities that will not be offset by the profit or loss on the dynamic hedge assets, we make certain assumptions for the purposes of estimating the impact on net income attributed to shareholders.

This estimate assumes that the performance of the dynamic hedging program would not completely offset the gain/loss from the dynamically hedged variable annuity guarantee liabilities. It assumes that the hedge assets are based on the actual position at the period end, and that equity hedges in the dynamic program are rebalanced at 5% intervals. In addition, we assume that the macro hedge assets are rebalanced in line with market changes.

It is also important to note that these estimates are illustrative, and that the dynamic and macro hedging programs may underperform these estimates, particularly during periods of high realized volatility and/or periods where both interest rates and equity market movements are unfavourable.

The Standards of Practice for the valuation of insurance contract liabilities and guidance published by the CIA constrain the investment return assumptions for public equities and certain ALDA assets based on historical return benchmarks for public equities. The potential impact on net income attributed to shareholders does not take into account possible changes to investment return assumptions resulting from the impact of declines in public equity market values on these historical return benchmarks.

Potential immediate impact on net income attributed to shareholders arising from changes to public equity returns(1),(2),(3)

As at March 31, 2021 ($ millions)	-30%	-20%	-10%	+10%	+20%	+30%
Underlying sensitivity to net income attributed to shareholders(4)						
Variable annuity guarantees	**$(2,620)**	**$(1,530)**	**$ (670)**	**$ 520**	**$ 920**	**$ 1,220**
General fund equity investments(5)	**(1,220)**	**(790)**	**(400)**	**400**	**800**	**1,200**
Total underlying sensitivity before hedging	**(3,840)**	**(2,320)**	**(1,070)**	**920**	**1,720**	**2,420**
Impact of macro and dynamic hedge assets(6)	**1,980**	**1,150**	**490**	**(550)**	**(1,000)**	**(1,370)**
Net potential impact on net income attributed to shareholders after impact of hedging	**$(1,860)**	**$(1,170)**	**$ (580)**	**$ 370**	**$ 720**	**$ 1,050**

As at December 31, 2020 ($ millions)	-30%	-20%	-10%	+10%	+20%	+30%
Underlying sensitivity to net income attributed to shareholders(4)						
Variable annuity guarantees	$(3,150)	$(1,850)	$ (800)	$ 600	$ 1,040	$ 1,350
General fund equity investments(5)	(1,350)	(840)	(410)	380	760	1,130
Total underlying sensitivity before hedging	(4,500)	(2,690)	(1,210)	980	1,800	2,480
Impact of macro and dynamic hedge assets(6)	2,420	1,410	600	(620)	(1,110)	(1,480)
Net potential impact on net income attributed to shareholders after impact of hedging	$(2,080)	$(1,280)	$ (610)	$ 360	$ 690	$ 1,000

(1) See "Caution related to sensitivities" above.
(2) The tables above show the potential impact on net income attributed to shareholders resulting from an immediate 10%, 20% and 30% change in market values of publicly traded equities followed by a return to the expected level of growth assumed in the valuation of policy liabilities, excluding impacts from asset-based fees earned on assets under management and policyholder account value.
(3) Please refer to section D2 "Sensitivity of earnings to asset related assumptions" for more information on the level of growth assumed and on the net income sensitivity to changes in these long-term assumptions.
(4) Defined as earnings sensitivity to a change in public equity markets including settlements on reinsurance contracts, but before the offset of hedge assets or other risk mitigants.
(5) This impact for general fund equity investments includes general fund investments supporting our policy liabilities, investment in seed money investments (in segregated and mutual funds made by Corporate and Other segment) and the impact on policy liabilities related to the projected future fee income on variable universal life and other unit linked products. The impact does not include: (i) any potential impact on public equity weightings; (ii) any gains or losses on AFS public equities held in the Corporate and Other segment; or (iii) any gains or losses on public equity investments held in Manulife Bank. The participating policy funds are largely self-supporting and generate no material impact on net income attributed to shareholders as a result of changes in equity markets.
(6) Includes the impact of rebalancing equity hedges in the macro and dynamic hedging program. The impact of dynamic hedge rebalancing represents the impact of rebalancing equity hedges for dynamically hedged variable annuity guarantee best estimate liabilities at 5% intervals, but does not include any impact in respect of other sources of hedge ineffectiveness (e.g. fund tracking, realized volatility and equity, interest rate correlations different from expected among other factors).

Changes in equity markets impact our available and required components of the LICAT total ratio. The following table shows the potential impact to MLI's LICAT total ratio resulting from changes in public equity market values.

Potential immediate impact on MLI's LICAT total ratio arising from public equity returns different than the expected returns assumed in the valuation of policy liabilities (1),(2),(3)

	Impact on MLI's LICAT total ratio					
Percentage points	-30%	-20%	-10%	+10%	+20%	+30%
March 31, 2021	**(3)**	**(1)**	**(1)**	**1**	**2**	**2**
December 31, 2020	(3)	(1)	(1)	-	-	(1)

(1) See "Caution related to sensitivities" above. In addition, estimates exclude changes to the net actuarial gains/losses with respect to the Company's pension obligations as a result of changes in equity markets, as the impact on the quoted sensitivities is not considered to be material.
(2) The potential impact is shown assuming that the change in value of the hedge assets does not completely offset the change in the dynamically hedged variable annuity guarantee liabilities. The estimated amount that would not be completely offset relates to our practices of not hedging the provisions for adverse deviation and of rebalancing equity hedges for dynamically hedged variable annuity liabilities at 5% intervals.
(3) The Office of the Superintendent of Financial Institutions ("OSFI") rules for segregated fund guarantees reflect full capital impacts of shocks over 20 quarters within a prescribed range. As such, the deterioration in equity markets could lead to further increases in capital requirements after the initial shock.

C4 Interest rate and spread risk sensitivities and exposure measures

As at March 31, 2021, we estimated the sensitivity of our net income attributed to shareholders to a 50 basis point parallel decline in interest rates to be a benefit of $100 million, and to a 50 basis point parallel increase in interest rates to be a charge of $100 million.

The table below shows the potential impact on net income attributed to shareholders from a 50 basis point parallel move in interest rates. This includes a change of 50 basis points in current government, swap and corporate rates for all maturities across all markets with no change in credit spreads between government, swap and corporate rates, and with a floor of zero on government rates where government rates are not currently negative, relative to the rates assumed in the valuation of policy liabilities, including embedded derivatives. For variable annuity guarantee liabilities that are dynamically hedged, it is assumed that interest rate hedges are rebalanced at 20 basis point intervals.

As the sensitivity to a 50 basis point change in interest rates includes any associated change in the applicable reinvestment scenarios, the impact of changes to interest rates for less than, or more than 50 basis points is unlikely to be linear. Furthermore, our sensitivities are not consistent across all regions in which we operate, and the impact of yield curve changes will vary depending upon the geography where the change occurs. Reinvestment assumptions used in the valuation of policy liabilities tend to amplify the negative effects of a decrease in interest rates and dampen the positive effects of interest rate increases. This is because the reinvestment assumptions used in the valuation of our insurance liabilities are based on interest rate scenarios and calibration criteria set by the Canadian Actuarial Standards Board. Therefore, in any particular quarter, changes to the reinvestment assumptions are not fully aligned to changes in current market interest rates especially when there is a significant change in the shape of the interest rate curve. As a result, the impact from non-parallel movements may be materially different from the estimated impact of parallel movements. For example, if long-term interest rates increase more than short-term interest rates (sometimes referred to as a steepening of the yield curve) in North America, the decrease in the value of our swaps may be greater than the decrease in the value of our insurance liabilities. This could result in a charge to net income attributed to shareholders in the short-term even though the rising and steepening of the yield curve, if sustained, may have a positive long-term economic impact.

The interest rate and spread risk sensitivities are determined in isolation of each other and therefore do not reflect the combined impact of changes in government rates and credit spreads between government, swap and corporate rates occurring simultaneously. As a result, the impact of the summation of each individual sensitivity may be materially different from the impact of sensitivities to simultaneous changes in interest rate and spread risk.

The potential impact on net income attributed to shareholders does not take into account any future potential changes to our ultimate reinvestment rate assumptions (“URR”) or calibration criteria for stochastic risk-free rates. The Canadian Actuarial Standards Board issued an exposure draft on new assumptions with reductions to the URR and updates to the calibration criteria for stochastic risk-free rates. The exposure draft recommends a reduction of 15 basis points in the URR, and a corresponding change to stochastic risk-free rate modeling. At March 31, 2021, the current long-term URR for risk-free rates in Canada is prescribed at 3.05% and we use the same assumption for the U.S. Our assumption for Japan is 1.6%. We expect the final standard to be effective October 2021. At December 31, 2020 we estimated that a 10 basis point reduction in the URR in all geographies, and a corresponding change to stochastic risk-free rate modeling, would reduce net income attributed to shareholders by $350 million (post-tax).

The potential impact on net income attributable to shareholders does not take into account other potential impacts of lower interest rate levels, for example, increased strain on the sale of new business or lower interest earned on our surplus assets. The impact also does not reflect any unrealized gains or losses on AFS fixed income assets held in our Corporate and Other segment. Changes in the market value of these assets may provide a natural economic offset to the interest rate risk arising from our product liabilities. In order for there to also be an accounting offset, the Company would need to realize a portion of the AFS fixed income asset unrealized gains or losses. It is not certain we would realize any of the unrealized gains or losses available.

The impact does not reflect any potential effect of changing interest rates to the value of our ALDA assets. Rising interest rates could negatively impact the value of our ALDA (see “Critical Actuarial and Accounting Policies – Fair Value of Invested Assets”, on page 91 of our 2020 Annual Report). More information on ALDA assets can be found under the section C5 “Alternative long-duration asset performance risk”.

Under LICAT, changes in unrealized gains or losses in our AFS bond portfolio resulting from interest rate shocks tend to dominate capital sensitivities. As a result, the reduction in interest rates improves LICAT total ratios and vice-versa.

The following table shows the potential impact on net income attributed to shareholders including the change in the market value of AFS fixed income assets held in our Corporate and Other segment, which could be realized through the sale of these assets.

Potential impact on net income attributed to shareholders and MLI's LICAT total ratio of an immediate parallel change in interest rates relative to rates assumed in the valuation of policy liabilities[(1),(2),(3),(4)]

	March 31, 2021		December 31, 2020	
As at	-50bp	+50bp	-50bp	+50bp
Net income attributed to shareholders ($ millions)				
Excluding change in market value of AFS fixed income assets held in the Corporate and Other segment	**$ 100**	**$ (100)**	$ nil	$ (100)
From fair value changes in AFS fixed income assets held in the Corporate and Other segment, if realized	**1,800**	**(1,600)**	2,100	(1,900)
MLI's LICAT total ratio (Percentage points)				
LICAT total ratio change in percentage points[(5)]	**5**	**(5)**	8	(7)

(1) See "Caution related to sensitivities" above. In addition, estimates exclude changes to the net actuarial gains/losses with respect to the Company's pension obligations as a result of changes in interest rates, as the impact on the quoted sensitivities is not considered to be material.
(2) Includes guaranteed insurance and annuity products, including variable annuity contracts as well as adjustable benefit products where benefits are generally adjusted as interest rates and investment returns change, a portion of which have minimum credited rate guarantees. For adjustable benefit products subject to minimum rate guarantees, the sensitivities are based on the assumption that credited rates will be floored at the minimum.
(3) The amount of gain or loss that can be realized on AFS fixed income assets held in the Corporate and Other segment will depend on the aggregate amount of unrealized gain or loss.
(4) Sensitivities are based on projected asset and liability cash flows and the impact of realizing fair value changes in AFS fixed income is based on the holdings at the end of the period.
(5) LICAT impacts include realized and unrealized fair value changes in AFS fixed income assets. LICAT impacts do not reflect the impact of the scenario switch discussed below.

The following tables show the potential impact on net income attributed to shareholders resulting from a change in corporate spreads and swap spreads over government bond rates for all maturities across all markets with a floor of zero on the total interest rate, relative to the spreads assumed in the valuation of policy liabilities.

Potential impact on net income attributed to shareholders and MLI's LICAT total ratio arising from changes to corporate spreads and swap spreads relative to spreads assumed in the valuation of policy liabilities[(1),(2),(3)]

Corporate spreads[(4),(5)]	**March 31, 2021**		December 31, 2020	
As at	-50bp	+50bp	-50bp	+50bp
Net income attributed to shareholders ($ millions)[(6)]	**$ (600)**	**$ 500**	$ (1,000)	$ 900
MLI's LICAT total ratio (change in percentage points)[(7)]	**(4)**	**4**	(4)	4

Swap spreads	**March 31, 2021**		December 31, 2020	
As at	-20bp	+20bp	-20bp	+20bp
Net income attributed to shareholders ($ millions)	**$ -**	**$ -**	$ -	$ -
MLI's LICAT total ratio (change in percentage points)[(7)]	**nil**	**nil**	nil	nil

(1) See "Caution related to sensitivities" above.
(2) The impact on net income attributed to shareholders assumes no gains or losses are realized on our AFS fixed income assets held in the Corporate and Other segment and excludes the impact of changes in segregated fund bond values due to changes in credit spreads. The participating policy funds are largely self-supporting and generate no material impact on net income attributed to shareholders as a result of changes in corporate and swap spreads.
(3) Sensitivities are based on projected asset and liability cash flows.
(4) Corporate spreads are assumed to grade to the long-term average over five years.
(5) As the sensitivity to a 50 basis point decline in corporate spreads includes the impact of a change in deterministic reinvestment scenarios where applicable, the impact of changes to corporate spreads for less than, or more than, the amounts indicated are unlikely to be linear.
(6) The sensitivity on net income attributed to shareholders due to changes in corporate spreads decreased significantly as at March 31, 2021 compared with December 31, 2020, as the rise in risk-free interest rates reduced projected reinvestments in the actuarial valuation models.
(7) LICAT impacts include realized and unrealized fair value change in AFS fixed income assets. Under LICAT, spread movements are determined from a selection of investment grade bond indices with BBB and better bonds for each jurisdiction. For LICAT, we use the following indices: FTSE TMX Canada All Corporate Bond Index, Barclays USD Liquid Investment Grade Corporate Index, and Nomura-BPI (Japan). LICAT impacts presented for corporate spreads do not reflect the impact of the scenario switch discussed below.

LICAT Scenario Switch

Typically, a reduction in interest rates improves LICAT capital ratios and vice-versa. However, when interest rates decline past a certain threshold, reflecting the combined movement in risk-free rates and corporate spreads, a different prescribed interest rate stress scenario needs to be taken into account in the LICAT ratio calculation in accordance with OSFI guidelines for LICAT.

The LICAT guideline specifies four stress scenarios for interest rates and prescribes the methodology to determine the most adverse scenario to apply for each LICAT geographic region[1] based on current market inputs and the Company's balance sheet.

We estimate the potential impact of a switch in the scenarios would be approximately a one-time six percentage point decrease in MLI's total LICAT ratio. Should a scenario switch be triggered in a LICAT geographic region, the full impact would be reflected immediately for non-participating products while the impact for participating products would be reflected over six quarters using a rolling average of interest rate risk capital, in line with the smoothing approach prescribed in the OSFI Advisory effective January 1, 2021.

The potential negative impact of a switch in scenarios is not reflected in the stated risk-free rate and corporate spread sensitivities, as it is a one-time impact. After this one-time event, further decreases in risk-free interest rates would continue to improve the LICAT capital position, similar to the sensitivity above.

The level of interest rates and corporate spreads that would trigger a switch in the scenarios is dependent on market conditions and movements in the Company's asset and liability position. The scenario switch, if triggered, could reverse in response to subsequent increases in interest rates and/or corporate spreads.

C5 Alternative long-duration asset performance risk

The following table shows the potential impact on net income attributed to shareholders resulting from an immediate 10% change in market values of ALDA followed by a return to the expected level of growth assumed in the valuation of policy liabilities. If market values were to remain flat for an entire year, the potential impact would be roughly equivalent to an immediate decline in market values equal to the expected level of annual growth assumed in the valuation of policy liabilities. Further, if after market values dropped 10% they continued to decline, remained flat, or grew more slowly than assumed in the valuation of policy liabilities, the potential impact on net income attributed to shareholders could be considerably more than shown. Refer to section D2 "Sensitivity of earnings to asset related assumptions", for more information on the level of growth assumed and on the net income sensitivity to changes in these long-term assumptions.

ALDA includes commercial real estate, timber and farmland real estate, infrastructure, and private equities, some of which relate to oil and gas.

Potential impact on net income attributed to shareholders and MLI LICAT arising from changes in ALDA returns(1),(2),(3),(4),(5),(6)

As at	**March 31, 2021**		December 31, 2020	
($ millions)	-10%	+10%	-10%	+10%
Net income attributed to shareholders				
Real estate, agriculture and timber assets	**$ (1,300)**	**$ 1,200**	$ (1,600)	$ 1,400
Private equities and other ALDA	**(1,800)**	**1,700**	(2,000)	1,900
Total	**$ (3,100)**	**$ 2,900**	$ (3,600)	$ 3,300
MLI's LICAT total ratio (change in percentage points)	**(5)**	**4**	(5)	4

(1) See "Caution Related to Sensitivities" above.
(2) This impact is calculated as at a point-in-time impact and does not include: (i) any potential impact on ALDA weightings; or (ii) any gains or losses on ALDA held in the Corporate and Other segment.
(3) The participating policy funds are largely self-supporting and generate no material impact on net income attributed to shareholders as a result of changes in ALDA returns. For some classes of ALDA, where there is not an appropriate long-term benchmark available, the return assumptions used in valuation are not permitted by the Standards of Practice and CIA guidance to result in a lower reserve than an assumption based on a historical return benchmark for public equities in the same jurisdiction.
(4) Net income impact does not consider any impact of the market correction on assumed future return assumptions.
(5) Please refer to section D2 "Sensitivity of earnings to asset related assumptions" for more information on the level of growth assumed and on the net income sensitivity to changes in these long-term assumptions.
(6) The impact of changes to the portfolio asset mix supporting our North American legacy businesses are reflected in the sensitivities when the changes take place.

[1] LICAT geographic locations include North America, the United Kingdom, Europe, Japan, and Other Region.

C6 Credit risk exposure measures

Allowances for losses on loans are established taking into consideration normal historical credit loss levels and future expectations, with an allowance for adverse deviations. Additionally, we make general provisions for credit losses from future asset impairments in the determination of policy liabilities. The amount of the provision for credit losses included in policy liabilities is established through regular monitoring of all credit related exposures, considering such information as general market conditions, industry and borrower specific credit events and any other relevant trends or conditions. To the extent that an asset is written off, or disposed of, any allowance and general provisions for credit losses are released.

Our general provision for credit losses included in policyholder liabilities as at March 31, 2021 was $4,156 million compared with $4,387 million as at December 31, 2020. This provision represents 1.6% of our fixed income assets[1] supporting policy liabilities reported on our Consolidated Statements of Financial Position as at March 31, 2021.

The impact of a 50% increase in fixed income credit default rates over the next year in excess of the rates assumed in policy liabilities, would reduce net income attributed to shareholders by $80 million as at March 31, 2021 and December 31, 2020.

Credit downgrades of fixed income investments would adversely impact our regulatory capital, as required capital levels for these investments are based on the credit quality of each instrument. In addition, credit downgrades could also lead to a higher general provision for credit losses than had been assumed in policy liabilities, resulting in an increase in policy liabilities and a reduction in net income attributed to shareholders. The estimated impact of a one-notch[2] ratings downgrade across 25% of fixed income assets would result in an increase to policy liabilities and a decrease to our net income attributed to shareholders of $300 million post-tax. This ratings downgrade would result in a one percentage point reduction to our LICAT ratio.

Approximately 59% of the impact on our policy liabilities and net income attributed to shareholders relates to fixed income assets rated BBB and below.

The table below shows net impaired assets and allowances for loan losses.

Net Impaired Assets and Loan Losses

As at ($ millions, unless otherwise stated)	**March 31, 2021**	December 31, 2020
Net impaired fixed income assets	**$ 261**	$ 296
Net impaired fixed income assets as a % of total invested assets	**0.066%**	0.072%
Allowance for loan losses	**$ 102**	$ 107

D CRITICAL ACTUARIAL AND ACCOUNTING POLICIES

D1 Critical actuarial and accounting policies

Our significant accounting policies are described in note 1 to our Consolidated Financial Statements for the year ended December 31, 2020. The critical actuarial and accounting policies and estimation processes relate to the determination of insurance and investment contract liabilities, assessment of control over other entities for consolidation, estimation of fair value of invested assets, evaluation of invested asset impairment, accounting for derivative financial instruments, determination of pension and other post-employment benefit obligations and expenses, accounting for income taxes and uncertain tax positions and valuation and impairment of goodwill and intangible assets as described on pages 84 to 93 of our 2020 Annual Report.

D2 Sensitivity of earnings to asset related assumptions

When the assumptions underlying our determination of policy liabilities are updated to reflect recent and emerging experience or change in outlook, the result is a change in the value of policy liabilities which in turn affects net

1 Includes debt securities, private placements and mortgages.

2 A one-notch downgrade is equivalent to a ratings downgrade from A to A- or BBB- to BB+.

income attributed to shareholders. The sensitivity of net income attributed to shareholders to changes in certain asset related assumptions underlying policy liabilities is shown below and assumes that there is a simultaneous change in the assumptions across all business units.

For changes in asset related assumptions, the sensitivity is shown net of the corresponding impact on income of the change in the value of the assets supporting policy liabilities. In practice, experience for each assumption will frequently vary by geographic market and business, and assumption updates are made on a business/geographic specific basis. Actual results can differ materially from these estimates for a variety of reasons including the interaction among these factors when more than one changes, changes in actuarial and investment return and future investment activity assumptions, actual experience differing from the assumptions, changes in business mix, effective tax rates and other market factors, and the general limitations of our internal models.

Potential impact on net income attributed to shareholders arising from changes to asset related assumptions supporting actuarial liabilities

	Increase (decrease) in after-tax net income attributed to shareholders			
As at	**March 31, 2021**		December 31, 2020	
($ millions)	Increase	Decrease	Increase	Decrease
Asset related assumptions updated periodically in valuation basis changes				
100 basis point change in future annual returns for public equities(1)	**$ 500**	**$ (500)**	$ 500	$ (500)
100 basis point change in future annual returns for ALDA(2)	**3,800**	**(4,600)**	4,200	(5,200)
100 basis point change in equity volatility assumption for stochastic segregated fund modelling(3)	**(200)**	**200**	(200)	200

(1) The sensitivity to public equity returns above includes the impact on both segregated fund guarantee reserves and on other policy liabilities. Expected long-term annual market growth assumptions for public equities are based on long-term historical observed experience and compliance with actuarial standards. As at March 31, 2021, the growth rates inclusive of dividends in the major markets used in the stochastic valuation models for valuing segregated fund guarantees are 9.2% per annum in Canada, 9.6% per annum in the U.S. and 6.2% per annum in Japan. Growth assumptions for European equity funds are market-specific and vary between 8.3% and 9.9%.

(2) ALDA include commercial real estate, timber, farmland, infrastructure and private equities, some of which relate to oil and gas. Expected long-term return assumptions for ALDA and public equity are set in accordance with the Standards of Practice for the valuation of insurance contract liabilities and guidance published by the CIA. Annual best estimate return assumptions for ALDA and public equity include market growth rates and annual income, such as rent, production proceeds and dividends, and will vary based on our holding period. Over a 20-year horizon, our best estimate return assumptions range between 5.25% and 11.65%, with an average of 9.3% based on the current asset mix backing our guaranteed insurance and annuity business as of March 31, 2021. Our return assumptions including the margins for adverse deviations in our valuation, which take into account the uncertainty of achieving the returns, range between 2.5% and 7.5%, with an average of 6.1% based on the asset mix backing our guaranteed insurance and annuity business as of March 31, 2021.

(3) Volatility assumptions for public equities are based on long-term historical observed experience and compliance with actuarial standards. The resulting volatility assumptions are 16.5% per annum in Canada and 17.1% per annum in the U.S. for large-cap public equities, and 19.1% per annum in Japan. For European equity funds, the volatility varies between 16.3% and 17.7%.

D3 Accounting and reporting changes

For accounting and reporting changes during the quarter, refer to note 2 of our unaudited Interim Consolidated Financial Statements for the three months ended March 31, 2021.

In addition, we have provided enhanced disclosures on measurement uncertainty in notes 1 and 3 of our unaudited Interim Consolidated Financial Statements for the three months ended March 31, 2021.

E OTHER

E1 Outstanding common shares – selected information

As at April 30, 2021 MFC had 1,941,985,571 common shares outstanding.

E2 Legal and regulatory proceedings

We are regularly involved in legal actions, both as a defendant and as a plaintiff. Information on legal and regulatory proceedings can be found in note 12 of our unaudited Interim Consolidated Financial Statements for the three months ended March 31, 2021.

E3 Performance and non-GAAP measures

We use a number of non-GAAP financial measures to measure overall performance and to assess each of our businesses. A financial measure is considered a non-GAAP measure for Canadian securities law purposes if it is presented other than in accordance with generally accepted accounting principles used for the Company's audited financial statements. Non-GAAP measures include: core earnings (loss); core ROE; diluted core earnings per common share; pre-tax core earnings; core earnings before income taxes, depreciation and amortization ("core EBITDA"); core EBITDA margin; core investment gains; core general expenses, constant exchange rate basis (measures that are reported on a constant exchange rate basis include percentage growth/decline in core earnings, core general expenses, pre-tax core earnings, sales, APE sales, gross flows, net flows, core EBITDA, new business value ("NBV"), assets under management, assets under management and administration ("AUMA"), average assets under management and administration ("average AUMA") and Global Wealth and Asset Management revenue); assets under administration; expense efficiency ratio; assets under management and administration; assets under management; average AUMA, consolidated capital; embedded value; new business value; new business value margin ("NBV margin"); sales; APE sales; gross flows; net flows; and Manulife Bank average net lending assets. Non-GAAP financial measures are not defined terms under GAAP and, therefore, are unlikely to be comparable to similar terms used by other issuers. Therefore, they should not be considered in isolation or as a substitute for any other financial information prepared in accordance with GAAP.

Core earnings (loss) is a non-GAAP measure which we believe aids investors in better understanding the long-term earnings capacity and valuation of the business. Core earnings allows investors to focus on the Company's operating performance by excluding the direct impact of changes in equity markets and interest rates, changes in actuarial methods and assumptions as well as a number of other items, outlined below, that we believe are material, but do not reflect the underlying earnings capacity of the business. For example, due to the long-term nature of our business, the mark-to-market movements of equity markets, interest rates, foreign currency exchange rates and commodity prices from period-to-period can, and frequently do, have a substantial impact on the reported amounts of our assets, liabilities and net income attributed to shareholders. These reported amounts are not actually realized at the time and may never be realized if the markets move in the opposite direction in a subsequent period. This makes it very difficult for investors to evaluate how our businesses are performing from period-to-period and to compare our performance with other issuers.

We believe that core earnings better reflect the underlying earnings capacity and valuation of our business. We use core earnings as the basis for management planning and reporting and, along with net income attributed to shareholders, as a key metric used in our short and mid-term incentive plans at the total Company and operating segment level.

While core earnings is relevant to how we manage our business and offers a consistent methodology, it is not insulated from macro-economic factors which can have a significant impact. See "Quarterly Financial Information" below for reconciliation of core earnings to net income (loss) attributed to shareholders.

Any future changes to the core earnings definition referred to below, will be disclosed.

Items included in core earnings:

1. Expected earnings on in-force policies, including expected release of provisions for adverse deviation, fee income, margins on group business and spread business such as Manulife Bank and asset fund management.
2. Macro hedging costs based on expected market returns.
3. New business strain and gains.
4. Policyholder experience gains or losses.
5. Acquisition and operating expenses compared with expense assumptions used in the measurement of policy liabilities.
6. Up to $400 million of net favourable investment-related experience reported in a single year, which are referred to as "core investment gains". This means up to $100 million in the first quarter, up to $200 million on a year-to-date basis in the second quarter, up to $300 million on a year-to-date basis in the third quarter and up to $400 million on a full year basis in the fourth quarter. Any investment-related experience losses reported in a quarter will be offset against the net year-to-date investment-related experience gains with the difference being included in core earnings subject to a maximum of the year-to-date core investment gains and a minimum of zero, which reflects our expectation that investment-related experience will be positive through-the-business cycle. To the extent any investment-related experience losses cannot be fully offset in a quarter

they will be carried forward to be offset against investment-related experience gains in subsequent quarters in the same year, for purposes of determining core investment gains. Investment-related experience relates to fixed income investing, ALDA returns, credit experience and asset mix changes other than those related to a strategic change. An example of a strategic asset mix change is outlined below.

- This favourable and unfavourable investment-related experience is a combination of reported investment experience as well as the impact of investing activities on the measurement of our policy liabilities. We do not attribute specific components of investment-related experience to amounts included or excluded from core earnings.
- The $400 million threshold represents the estimated average annualized amount of net favourable investment-related experience that the Company reasonably expects to achieve through-the-business cycle based on historical experience. It is not a forecast of expected net favourable investment-related experience for any given fiscal year.
- Our average net annualized investment-related experience calculated from the introduction of core earnings in 2012 to the end of 2020 was $380 million a decrease from the average of $527 million (2012-2019) due to losses on investment-related experience (compared with average gains in prior years, including the core investment gains).
- The decision announced on December 22, 2017 to reduce the allocation to ALDA in the portfolio asset mix supporting our legacy businesses was the first strategic asset mix change since we introduced the core earnings metric in 2012. We refined our description of investment-related experience in 2017 to note that asset mix changes other than those related to a strategic change are taken into consideration in the investment-related experience component of core investment gains.
- While historical investment return time horizons may vary in length based on underlying asset classes generally exceeding 20 years, for purposes of establishing the threshold, we look at a business cycle that is five or more years and includes a recession. We monitor the appropriateness of the threshold as part of our annual five-year planning process and would adjust it, either to a higher or lower amount, in the future if we believed that our threshold was no longer appropriate.
- Specific criteria used for evaluating a potential adjustment to the threshold may include, but are not limited to, the extent to which actual investment-related experience differs materially from actuarial assumptions used in measuring insurance contract liabilities, material market events, material dispositions or acquisitions of assets, and regulatory or accounting changes.

7. Earnings on surplus other than mark-to-market items. Gains on available-for-sale (“AFS”) equities and seed money investments in segregated and mutual funds are included in core earnings.
8. Routine or non-material legal settlements.
9. All other items not specifically excluded.
10. Tax on the above items.
11. All tax related items except the impact of enacted or substantively enacted income tax rate changes.

Items excluded from core earnings:

1. The direct impact of equity markets and interest rates and variable annuity guarantee liabilities includes the items listed below.
    - The earnings impact of the difference between the net increase (decrease) in variable annuity liabilities that are dynamically hedged and the performance of the related hedge assets. Our variable annuity dynamic hedging strategy is not designed to completely offset the sensitivity of insurance and investment contract liabilities to all risks or measurements associated with the guarantees embedded in these products for a number of reasons, including: provisions for adverse deviation, fund performance, the portion of the interest rate risk that is not dynamically hedged, realized equity and interest rate volatilities and changes to policyholder behaviour.
    - Gains (charges) on variable annuity guarantee liabilities not dynamically hedged.
    - Gains (charges) on general fund equity investments supporting policy liabilities and on fee income.

- Gains (charges) on macro equity hedges relative to expected costs. The expected cost of macro hedges is calculated using the equity assumptions used in the valuation of insurance and investment contract liabilities.
- Gains (charges) on higher (lower) fixed income reinvestment rates assumed in the valuation of insurance and investment contract liabilities.
- Gains (charges) on sale of AFS bonds and open derivatives not in hedging relationships in the Corporate and Other segment.

2. Net favourable investment-related experience in excess of $400 million per annum or net unfavourable investment-related experience on a year-to-date basis.
3. Mark-to-market gains or losses on assets held in the Corporate and Other segment other than gains on AFS equities and seed money investments in new segregated or mutual funds.
4. Changes in actuarial methods and assumptions. As noted in the “Critical actuarial and accounting policies” section of our 2020 MD&A, policy liabilities for IFRS are valued in Canada under standards established by the Actuarial Standards Board. The standards require a comprehensive review of actuarial methods and assumptions to be performed annually. The review is designed to reduce the Company’s exposure to uncertainty by ensuring assumptions for both asset related and liability related risks remain appropriate and is accomplished by monitoring experience and selecting assumptions which represent a current best estimate view of expected future experience, and margins that are appropriate for the risks assumed. Changes related to ultimate reinvestment rates (“URR”) are included in the direct impact of equity markets and interest rates and variable annuity guarantee liabilities. By excluding the results of the annual reviews, core earnings assist investors in evaluating our operational performance and comparing our operational performance from period to period with other global insurance companies because the associated gain or loss is not reflective of current year performance and not reported in net income in most actuarial standards outside of Canada.
5. The impact on the measurement of policy liabilities of changes in product features or new reinsurance transactions, if material.
6. Goodwill impairment charges.
7. Gains or losses on disposition of a business.
8. Material one-time only adjustments, including highly unusual/extraordinary and material legal settlements or other items that are material and exceptional in nature.
9. Tax on the above items.
10. Impact of enacted or substantially enacted income tax rate changes.

The following table summarizes for the past eight quarters core earnings and net income (loss) attributed to shareholders.

Total Company

	Quarterly Results							
($ millions, unaudited)	**1Q21**	4Q20	3Q20	2Q20	1Q20	4Q19	3Q19	2Q19
Core earnings (loss)								
Asia	**$ 570**	$ 571	$ 559	$ 489	$ 491	$ 494	$ 520	$ 471
Canada	**264**	316	279	342	237	288	318	312
U.S.	**501**	479	498	602	416	489	471	441
Global Wealth and Asset Management	**312**	304	308	238	250	265	281	242
Corporate and Other (excluding core investment gains)	**(118)**	(196)	(191)	(110)	(366)	(159)	(163)	(114)
Core investment gains	**100**	-	-	-	-	100	100	100
Total core earnings	**1,629**	1,474	1,453	1,561	1,028	1,477	1,527	1,452
Items to reconcile core earnings (loss) to net income (loss) attributed to shareholders:								
Investment-related experience outside of core earnings	**77**	585	147	(916)	(608)	182	(289)	146
Direct impact of equity markets and interest rates and variable annuity guarantee liabilities	**(835)**	(323)	390	73	792	(389)	(494)	(144)
Change in actuarial methods and assumptions	**-**	-	(198)	-	-	-	(21)	-
Reinsurance transactions	**8**	44	276	9	12	(34)	-	63
Restructuring charge	**(115)**	-	-	-	-	-	-	-
Tax-related items and other	**19**	-	-	-	72	(8)	-	(42)
Net income (loss) attributed to shareholders	**$ 783**	$1,780	$2,068	$ 727	$1,296	$1,228	$ 723	$1,475

Asia

	Quarterly Results							
($ millions, unaudited)	**1Q21**	4Q20	3Q20	2Q20	1Q20	4Q19	3Q19	2Q19
Asia core earnings	**$ 570**	$ 571	$ 559	$ 489	$ 491	$ 494	$ 520	$ 471
Items to reconcile core earnings to net income (loss) attributed to shareholders:								
Investment-related experience outside of core earnings	**72**	127	81	(40)	50	46	(13)	47
Direct impact of equity markets and interest rates and variable annuity guarantee liabilities	**288**	(88)	44	(81)	(458)	96	(372)	(42)
Change in actuarial methods and assumptions	**-**	-	(41)	-	-	-	(7)	-
Reinsurance transactions	**8**	29	8	9	12	-	-	-
Tax-related items and other	**19**	-	-	-	-	-	-	-
Net income (loss) attributed to shareholders	**$ 957**	$ 639	$ 651	$ 377	$ 95	$ 636	$ 128	$ 476

Canada

	Quarterly Results							
($ millions, unaudited)	**1Q21**	4Q20	3Q20	2Q20	1Q20	4Q19	3Q19	2Q19
Canada core earnings	**$ 264**	$ 316	$ 279	$ 342	$ 237	$ 288	$ 318	$ 312
Items to reconcile core earnings to net income (loss) attributed to shareholders:								
Investment-related experience outside of core earnings	**(65)**	332	(28)	(186)	(378)	69	(47)	2
Direct impact of equity markets and interest rates and variable annuity guarantee liabilities	**(218)**	(35)	(43)	(14)	(725)	(97)	(335)	7
Change in actuarial methods and assumptions	**-**	-	77	-	-	-	(108)	-
Reinsurance transactions	**-**	15	6	-	-	(34)	-	-
Tax-related items and other	**-**	-	-	-	-	-	-	(4)
Net income (loss) attributed to shareholders	**$ (19)**	$ 628	$ 291	$ 142	$ (866)	$ 226	$ (172)	$ 317

U.S.

($ millions, unaudited)	1Q21	4Q20	3Q20	2Q20	1Q20	4Q19	3Q19	2Q19
	Quarterly Results							
U.S. core earnings	**$ 501**	$ 479	$ 498	$ 602	$ 416	$ 489	$ 471	$ 441
Items to reconcile core earnings to net income (loss) attributed to shareholders:								
Investment-related experience outside of core earnings	**160**	110	121	(682)	(266)	177	(134)	166
Direct impact of equity markets and interest rates and variable annuity guarantee liabilities	**(565)**	(483)	311	(1,500)	1,702	(515)	(66)	(173)
Change in actuarial methods and assumptions	**-**	-	(301)	-	-	-	71	-
Reinsurance transactions	**-**	-	262	-	-	-	-	63
Tax-related items and other	**-**	-	-	-	-	(8)	-	5
Net income (loss) attributed to shareholders	**$ 96**	$ 106	$ 891	$(1,580)	$1,852	$ 143	$ 342	$ 502

Global Wealth and Asset Management

($ millions, unaudited)	1Q21	4Q20	3Q20	2Q20	1Q20	4Q19	3Q19	2Q19
	Quarterly Results							
Global WAM core earnings	**$ 312**	$ 304	$ 308	$ 238	$ 250	$ 265	$ 281	$ 242
Items to reconcile core earnings to net income (loss) attributed to shareholders:								
Tax-related items and other	**-**	-	-	-	-	-	-	1
Net income (loss) attributed to shareholders	**$ 312**	$ 304	$ 308	$ 238	$ 250	$ 265	$ 281	$ 243

Corporate and Other

($ millions, unaudited)	1Q21	4Q20	3Q20	2Q20	1Q20	4Q19	3Q19	2Q19
	Quarterly Results							
Corporate and Other core income (loss) (excluding core investment gains)(1)	**$(118)**	$ (196)	$ (191)	$ (110)	$ (366)	$ (159)	$ (163)	$ (114)
Core investment gains (loss)	**100**	-	-	-	-	100	100	100
Total core earnings (loss)	**(18)**	(196)	(191)	(110)	(366)	(59)	(63)	(14)
Other items to reconcile core earnings (loss) to net income (loss) attributed to shareholders:								
Investment-related experience outside of core earnings	**(90)**	16	(27)	(8)	(14)	(110)	(95)	(69)
Direct impact of equity markets and interest rates	**(340)**	283	78	1,668	273	127	279	64
Changes in actuarial methods and assumptions	**-**	-	67	-	-	-	23	-
Tax-related items and other	**-**	-	-	-	72	-	-	(44)
Restructuring charge	**(115)**	-	-	-	-	-	-	-
Net income (loss) attributed to shareholders	**$ (563)**	$ 103	$ (73)	$1,550	$ (35)	$ (42)	$ 144	$ (63)

(1) The Corporate and Other segment includes earnings on assets backing capital net of amounts allocated to operating segments.

Core return on common shareholders' equity ("core ROE") is a non-GAAP profitability measure that presents core earnings available to common shareholders as a percentage of the capital deployed to earn the core earnings. The Company calculates core ROE using average common shareholders' equity.

Diluted core earnings per common share is core earnings available to common shareholders expressed per diluted weighted average common share outstanding.

The Company also uses financial performance measures that are prepared on a **constant exchange rate basis**, which are non-GAAP measures that exclude the impact of currency fluctuations (from local currency to Canadian dollars at a total Company level and from local currency to U.S. dollars in Asia). Quarterly amounts stated on a constant exchange rate basis in this MD&A are calculated, as appropriate, using the income statement and balance sheet exchange rates effective for 1Q21. Measures that are reported on a constant exchange rate basis include growth in core earnings, core general expenses, pre-tax core earnings, sales, APE sales, gross flows, net flows, core EBITDA, new business value, assets under management, assets under management and administration, average assets under management and administration and Global Wealth and Asset Management revenue.

Assets under management and administration ("AUMA") is a non-GAAP measure of the size of the Company. It is comprised of the non-GAAP measures assets under management ("AUM"), which includes both assets of general account and external client assets for which we provide investment management services, and assets under administration ("AUA"), which includes assets for which we provide administrative services only. Assets under management and administration is a common industry metric for WAM businesses.

Assets under management and administration

As at ($ millions)	**March 31, 2021**	December 31, 2020	March 31, 2020
Total invested assets	**$ 397,948**	$ 410,977	$ 405,329
Segregated funds net assets	**371,682**	367,436	312,253
Assets under management per financial statements	**769,630**	778,413	717,582
Mutual funds	**249,137**	238,068	195,249
Institutional advisory accounts (excluding segregated funds)	**96,989**	107,387	97,427
Other funds	**11,611**	10,880	8,613
Total assets under management	**1,127,367**	1,134,748	1,018,871
Other assets under administration	**167,558**	162,688	138,943
Currency impact	**-**	(16,168)	(92,954)
AUMA at constant exchange rates	**$ 1,294,925**	$ 1,281,268	$ 1,064,860

Average assets under management and administration ("average AUMA") is a non-GAAP measure of the average of Global WAM's AUMA during the reporting period. It is a measure used in analyzing and explaining fee income and earnings of our Global Wealth and Asset Management segment. It is calculated as the average of the opening balance of AUMA and the ending balance of AUMA using daily balances where available and month-end or quarter-end averages when daily averages are unavailable.

Manulife Bank average net lending assets is a non-GAAP measure of the average of Manulife Bank's loans and mortgages, net of allowances, otherwise known as net lending assets. It is a measure of the size of Manulife Bank's portfolio of loans and mortgages and is used to analyze and explain its earnings. It is calculated as the quarter-end average of the opening and the ending balance of net lending assets.

Consolidated capital is a non-GAAP measure. It serves as a foundation of our capital management activities at the MFC level. For regulatory reporting purposes, the numbers are further adjusted for various additions or deductions to capital as mandated by the guidelines used by OSFI. Consolidated capital is calculated as the sum of (i) total equity excluding accumulated other comprehensive income ("AOCI") on cash flow hedges; and (ii) liabilities for capital instruments.

Consolidated capital

As at ($ millions)	**March 31, 2021**	December 31, 2020	March 31, 2020
Total equity	**$ 51,992**	$ 53,006	$ 56,061
Add AOCI loss on cash flow hedges	**117**	229	360
Add qualifying capital instruments	**7,432**	7,829	6,796
Consolidated capital	**$ 59,541**	$ 61,064	$ 63,217

Core EBITDA is a non-GAAP measure which Manulife uses to better understand the long-term earnings capacity and valuation of our Global WAM business on a basis more comparable to how the profitability of global asset managers is generally measured. Core EBITDA presents core earnings before the impact of interest, taxes, depreciation, and amortization. Core EBITDA excludes certain acquisition expenses related to insurance contracts in our retirement businesses which are deferred and amortized over the expected lifetime of the customer relationship under the CALM. Core EBITDA was selected as a key performance indicator for our Global WAM business, as EBITDA is widely used among asset management peers, and core earnings is a primary profitability metric for the Company overall.

Core EBITDA margin is a non-GAAP measure which Manulife uses to better understand the long-term profitability of our Global WAM business on a more comparable basis to how profitability of global asset managers are measured. Core EBITDA margin presents core earnings before the impact of interest, taxes, depreciation, and amortization divided by total revenue from these businesses. Core EBITDA margin was selected as a key performance indicator for our Global WAM business, as EBITDA margin is widely used among asset management peers, and core earnings is a primary profitability metric for the Company overall.

Global Wealth and Asset Management

	Quarterly Results							
($ millions, unaudited)	**1Q21**	4Q20	3Q20	2Q20	1Q20	4Q19	3Q19	2Q19
Core EBITDA	**$ 469**	$ 459	$ 446	$ 381	$ 390	$ 391	$ 404	$ 375
Amortization of deferred acquisition costs and other depreciation	**(79)**	(78)	(80)	(81)	(80)	(78)	(78)	(79)
Amortization of deferred sales commissions	**(26)**	(20)	(21)	(22)	(22)	(19)	(19)	(20)
Core earnings before income taxes	**364**	361	345	278	288	294	307	276
Core income tax (expense) recovery	**(52)**	(57)	(37)	(40)	(38)	(29)	(26)	(34)
Core earnings	**$ 312**	$ 304	$ 308	$ 238	$ 250	$ 265	$ 281	$ 242
Core EBITDA	**$ 469**	$ 459	$ 446	$ 381	$ 390	$ 391	$ 404	$ 375
Revenue	**$1,527**	$1,497	$1,465	$1,361	$1,426	$1,433	$1,409	$1,395
Core EBITDA Margin	**30.7%**	30.7%	30.4%	28.0%	27.3%	27.3%	28.7%	26.9%

Expense efficiency ratio is a non-GAAP measure which Manulife uses to measure progress towards our target to be more efficient. Efficiency ratio is defined as pre-tax general expenses included in core earnings ("core general expenses") divided by the sum of core earnings before income taxes ("pre-tax core earnings") and core general expenses.

Embedded value ("EV") is a measure of the present value of shareholders' interests in the expected future distributable earnings on in-force business reflected in the Consolidated Statements of Financial Position of Manulife, excluding any value associated with future new business. EV is calculated as the sum of the adjusted net worth and the value of in-force business. The adjusted net worth is the IFRS shareholders' equity adjusted for goodwill and intangibles, fair value of surplus assets, the carrying value of debt and preferred shares, and local statutory balance sheet, regulatory reserve, and capital for Manulife's Asian business. The value of in-force business in Canada and the U.S. is the present value of expected future IFRS earnings on in-force business less the present value of the cost of holding capital to support the in-force business under the LICAT framework. The value of in-force business in Asia reflects local statutory earnings and capital requirements. The value of in-force business excludes our Global WAM, Manulife Bank and Property and Casualty Reinsurance businesses.

New business value ("NBV") is the change in embedded value as a result of sales in the reporting period. NBV is calculated as the present value of shareholders' interests in expected future distributable earnings, after the cost of capital, on actual new business sold in the period using assumptions that are consistent with the assumptions used in the calculation of embedded value. NBV excludes businesses with immaterial insurance risks, such as the Company's Global WAM, Manulife Bank and the short-term Property and Casualty Reinsurance businesses. NBV is a useful metric to evaluate the value created by the Company's new business franchise.

New business value margin ("NBV margin") is calculated as NBV divided by APE excluding non-controlling interests. APE is calculated as 100% of annualized first year premiums for recurring premium products, and as 10% of single premiums for single premium products. Both NBV and APE used in the NBV margin calculation are after non-controlling interests and exclude our Global WAM, Manulife Bank and Property and Casualty Reinsurance businesses. NBV margin is a useful metric to help understand the profitability of our new business.

Sales are measured according to product type:
For individual insurance, sales include 100% of new annualized premiums and 10% of both excess and single premiums. For individual insurance, new annualized premiums reflect the annualized premium expected in the first year of a policy that requires premium payments for more than one year. Single premium is the lump sum premium from the sale of a single premium product, e.g. travel insurance. Sales are reported gross before the impact of reinsurance.

For group insurance, sales include new annualized premiums and administrative services only premium equivalents on new cases, as well as the addition of new coverages and amendments to contracts, excluding rate increases.

APE sales are comprised of 100% of regular premiums/deposits and 10% of single premiums/deposits for both insurance and insurance-based wealth accumulation products.

Insurance-based wealth accumulation product sales include all new deposits into variable and fixed annuity contracts. As we discontinued sales of new Variable Annuity contracts in the U.S. in 1Q13, subsequent deposits into existing U.S. Variable Annuity contracts are not reported as sales. Asia variable annuity deposits are included in APE sales.

Bank new lending volumes include bank loans and mortgages authorized in the period.

Gross flows is a new business measure presented for our Global WAM business and includes all deposits into mutual funds, college savings 529 plans, group pension/retirement savings products, private wealth and institutional asset management products. Gross flows is a common industry metric for WAM businesses as it provides a measure of how successful the businesses are at attracting assets.

Net flows is presented for our Global WAM business and includes gross flows less redemptions for mutual funds, college savings 529 plans, group pension/retirement savings products, private wealth and institutional asset management products. Net flows is a common industry metric for WAM businesses as it provides a measure of how successful the businesses are at attracting and retaining assets. When gross flows exceed redemptions, net flows will be positive and will be referred to as net inflows. Conversely, when redemptions exceed gross flows, net flows will be negative and will be referred to as net outflows.

E4 Caution regarding forward-looking statements

From time to time, MFC makes written and/or oral forward-looking statements, including in this document. In addition, our representatives may make forward-looking statements orally to analysts, investors, the media and others. All such statements are made pursuant to the “safe harbour” provisions of Canadian provincial securities laws and the U.S. Private Securities Litigation Reform Act of 1995.

The forward-looking statements in this document include, but are not limited to, statements with respect to the expected annual savings related to actions taken in 1Q21 and, also relate to, among other things, our objectives, goals, strategies, intentions, plans, beliefs, expectations and estimates, and can generally be identified by the use of words such as “may”, “will”, “could”, “should”, “would”, “likely”, “suspect”, “outlook”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “plan”, “forecast”, “objective”, “seek”, “aim”, “continue”, “goal”, “restore”, “embark” and “endeavour” (or the negative thereof) and words and expressions of similar import, and include statements concerning possible or assumed future results. Although we believe that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements and they should not be interpreted as confirming market or analysts’ expectations in any way.

Certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such statements. Important factors that could cause actual results to differ materially from expectations include but are not limited to: general business and economic conditions (including but not limited to the performance, volatility and correlation of equity markets, interest rates, credit and swap spreads, currency rates, investment losses and defaults, market liquidity and creditworthiness of guarantors, reinsurers and counterparties); the severity, duration and spread of the COVID-19 outbreak, as well as actions that have been, or may be taken by governmental authorities to contain COVID-19 or to treat its impact; changes in laws and regulations; changes in accounting standards applicable in any of the territories in which we operate; changes in regulatory capital requirements; our ability to execute strategic plans and changes to strategic plans; downgrades in our financial strength or credit ratings; our ability to maintain our reputation; impairments of goodwill or intangible assets or the establishment of provisions against future tax assets; the accuracy of estimates relating to morbidity, mortality and policyholder behaviour; the accuracy of other estimates used in applying accounting policies, actuarial methods and embedded value methods; our ability to implement effective hedging strategies and unforeseen consequences arising from such strategies; our ability to source appropriate assets to back our long-dated liabilities; level of competition and consolidation; our ability to market and distribute products through current and future distribution channels; unforeseen liabilities or asset impairments arising from acquisitions and dispositions of businesses; the realization of losses arising from the sale of investments classified as available-for-sale; our liquidity, including the availability of financing to satisfy existing financial liabilities on expected maturity dates when required; obligations to pledge additional collateral; the availability of letters of credit to provide capital management flexibility; accuracy of information received from counterparties and the ability of counterparties to meet their obligations; the availability, affordability and adequacy of reinsurance; legal and regulatory proceedings, including tax audits, tax litigation or similar proceedings; our ability to adapt products and services to the changing market; our ability to attract and retain key executives, employees and agents; the appropriate use and interpretation of complex models or deficiencies in models used; political, legal, operational and other risks associated with our non-North American operations; acquisitions and our ability to complete acquisitions including the availability of equity and debt financing for this purpose; the disruption of or changes to key elements of the Company's or public infrastructure systems; environmental concerns; our ability to protect our intellectual property and exposure to claims of infringement; and our inability to withdraw cash from subsidiaries.

Additional information about material risk factors that could cause actual results to differ materially from expectations and about material factors or assumptions applied in making forward-looking statements may be found in this document under "Risk Management and Risk Factors Update" and "Critical Actuarial and Accounting Policies", under "Risk Factors and Risk Management" and "Critical Actuarial and Accounting Policies" in the Management's Discussion and Analysis in our most recent annual report and, in the "Risk Management" note to the consolidated financial statements in our most recent annual and interim reports and elsewhere in our filings with Canadian and U.S. securities regulators.

The forward-looking statements in this document are, unless otherwise indicated, stated as of the date hereof and are presented for the purpose of assisting investors and others in understanding our financial position and results of operations, our future operations, as well as our objectives and strategic priorities, and may not be appropriate for other purposes. We do not undertake to update any forward-looking statements, except as required by law.

E5 Quarterly financial information

The following table provides summary information related to our eight most recently completed quarters.

As at and for the three months ended ($ millions, except per share amounts or otherwise stated, unaudited)	**Mar 31, 2021**	Dec 31, 2020	Sept 30, 2020	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sept 30, 2019	Jun 30, 2019
Revenue								
Premium income								
Life and health insurance	**$ 8,986**	$ 8,651	$ 5,302	$ 7,560	$ 8,454	$ 8,373	$ 8,309	$ 7,696
Annuities and pensions[1]	**622**	672	704	673	901	865	1,026	995
Net premium income	**9,608**	9,323	6,006	8,233	9,355	9,238	9,335	8,691
Investment income	**3,214**	4,366	3,521	5,262	3,284	4,004	3,932	3,710
Realized and unrealized gains and losses on assets supporting insurance and investment contract liabilities[2]	**(17,056)**	1,683	1,100	11,626	4,558	(4,503)	6,592	7,185
Other revenue	**2,637**	2,497	2,749	2,365	2,980	2,433	2,770	2,634
Total revenue	**$(1,597)**	$17,869	$13,376	$27,486	$20,177	$11,172	$22,629	$22,220
Income (loss) before income taxes	**$ 872**	$ 2,065	$ 2,170	$ 832	$ 1,704	$ 1,225	$ 715	$ 1,756
Income tax (expense) recovery	**(7)**	(224)	(381)	7	(597)	(89)	(100)	(240)
Net income (loss)	**$ 865**	$ 1,841	$ 1,789	$ 839	$ 1,107	$ 1,136	$ 615	$ 1,516
Net income (loss) attributed to shareholders	**$ 783**	$ 1,780	$ 2,068	$ 727	$ 1,296	$ 1,228	$ 723	$ 1,475
Reconciliation of core earnings to net income attributed to shareholders								
Total core earnings[3]	**$ 1,629**	$ 1,474	$ 1,453	$ 1,561	$ 1,028	$ 1,477	$ 1,527	$ 1,452
Other items to reconcile net income attributed to shareholders to core earnings[4]:								
Investment-related experience outside of core earnings	**77**	585	147	(916)	(608)	182	(289)	146
Direct impact of equity markets, interest rates and variable annuity guarantee liabilities	**(835)**	(323)	390	73	792	(389)	(494)	(144)
Change in actuarial methods and assumptions	**-**	-	(198)	-	-	-	(21)	-
Reinsurance transactions	**8**	44	276	9	12	(34)	-	63
Restructuring charge	**(115)**	-	-	-	-	-	-	-
Tax-related items and other	**19**	-	-	-	72	(8)	-	(42)
Net income (loss) attributed to shareholders	**$ 783**	$ 1,780	$ 2,068	$ 727	$ 1,296	$ 1,228	$ 723	$ 1,475
Basic earnings (loss) per common share	**$ 0.38**	$ 0.90	$ 1.04	$ 0.35	$ 0.64	$ 0.61	$ 0.35	$ 0.73
Diluted earnings (loss) per common share	**$ 0.38**	$ 0.89	$ 1.04	$ 0.35	$ 0.64	$ 0.61	$ 0.35	$ 0.73
Segregated funds deposits	**$ 12,395**	$ 9,741	$ 9,158	$ 8,784	$11,215	$ 9,417	$ 9,160	$ 9,398
Total assets (in billions)	**$ 859**	$ 880	$ 876	$ 866	$ 831	$ 809	$ 812	$ 790
Weighted average common shares (in millions)	**1,941**	1,940	1,940	1,939	1,943	1,948	1,961	1,965
Diluted weighted average common shares (in millions)	**1,945**	1,943	1,942	1,941	1,947	1,953	1,965	1,969
Dividends per common share	**$ 0.280**	$ 0.280	$ 0.280	$ 0.280	$ 0.280	$ 0.250	$ 0.250	$ 0.250
CDN$ to US$1 - Statement of Financial Position	**1.2575**	1.2732	1.3339	1.3628	1.4187	1.2988	1.3243	1.3087
CDN$ to US$1 - Statement of Income	**1.2660**	1.3030	1.3321	1.3854	1.3449	1.3200	1.3204	1.3377

(1) Includes ceded premiums related to the reinsurance of a block of our legacy U.S. Bank-Owned Life Insurance of US$2.4 billion in the third quarter of 2020.
(2) For fixed income assets supporting insurance and investment contract liabilities and for equities supporting pass-through products and derivatives related to variable hedging programs, the impact of realized and unrealized gains (losses) on the assets is largely offset in the change in insurance and investment contract liabilities.
(3) Core earnings is a non-GAAP measure. See "Performance and non-GAAP measures" above.
(4) For explanations of other items, see "Items excluded from core earnings" table in section A1 "Profitability" and for an operating segment split of these items see the 8 quarter trend tables in "Performance and non-GAAP measures" which reconcile net income (loss) attributed to shareholders to core earnings.

E6 Other

No changes were made in our internal control over financial reporting during the three months ended March 31, 2021, that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

As in prior quarters, MFC's Audit Committee reviewed this MD&A and the unaudited interim financial report and MFC's Board of Directors approved this MD&A prior to its release.

Consolidated Statements of Financial Position

As at (Canadian $ in millions, unaudited)	March 31, 2021	December 31, 2020
Assets		
Cash and short-term securities	**$ 22,443**	$ 26,167
Debt securities	**206,741**	218,724
Public equities	**25,509**	23,722
Mortgages	**50,134**	50,207
Private placements	**41,351**	40,756
Policy loans	**6,290**	6,398
Loans to bank clients	**2,105**	1,976
Real estate	**12,697**	12,832
Other invested assets	**30,678**	30,195
Total invested assets (note 3)	**397,948**	410,977
Other assets		
Accrued investment income	**2,715**	2,523
Outstanding premiums	**1,548**	1,444
Derivatives (note 4)	**15,629**	27,793
Reinsurance assets	**45,122**	45,836
Deferred tax assets	**5,160**	4,842
Goodwill and intangible assets	**9,785**	9,929
Miscellaneous	**9,423**	9,569
Total other assets	**89,382**	101,936
Segregated funds net assets (note 14)	**371,682**	367,436
Total assets	**$ 859,012**	$ 880,349
Liabilities and Equity		
Liabilities		
Insurance contract liabilities (note 5)	**$ 366,371**	$ 385,554
Investment contract liabilities (note 5)	**3,216**	3,288
Deposits from bank clients	**20,027**	20,889
Derivatives (note 4)	**11,972**	14,962
Deferred tax liabilities	**2,058**	2,614
Other liabilities	**18,173**	18,607
	421,817	445,914
Long-term debt (note 7)	**6,089**	6,164
Capital instruments (note 8)	**7,432**	7,829
Segregated funds net liabilities (note 14)	**371,682**	367,436
Total liabilities	**807,020**	827,343
Equity		
Preferred shares and other equity (note 9)	**5,804**	3,822
Common shares (note 9)	**23,080**	23,042
Contributed surplus	**258**	261
Shareholders' retained earnings	**19,083**	18,887
Shareholders' accumulated other comprehensive income (loss):		
Pension and other post-employment plans	**(228)**	(313)
Available-for-sale securities	**(850)**	1,838
Cash flow hedges	**(117)**	(229)
Real estate revaluation reserve	**23**	34
Translation of foreign operations	**4,185**	4,993
Total shareholders' equity	**51,238**	52,335
Participating policyholders' equity	**(794)**	(784)
Non-controlling interests	**1,548**	1,455
Total equity	**51,992**	53,006
Total liabilities and equity	**$ 859,012**	$ 880,349

The accompanying notes are an integral part of these unaudited Interim Consolidated Financial Statements.

Roy Gori
President and Chief Executive Officer

John Cassaday
Chairman of the Board of Directors

Consolidated Statements of Income

For the three months ended March 31, (Canadian $ in millions except per share amounts, unaudited)	2021	2020
Revenue		
Premium income		
Gross premiums	$ 10,992	$ 10,725
Premiums ceded to reinsurers	(1,384)	(1,370)
Net premiums	9,608	9,355
Investment income (note 3)		
Investment income	3,214	3,284
Realized and unrealized gains (losses) on assets supporting insurance and investment contract liabilities and on the macro hedge program	(17,056)	4,558
Net investment income (loss)	(13,842)	7,842
Other revenue (note 10)	2,637	2,980
Total revenue	(1,597)	20,177
Contract benefits and expenses		
To contract holders and beneficiaries		
Gross claims and benefits (note 5)	7,643	7,655
Increase (decrease) in insurance contract liabilities	(13,025)	8,100
Increase (decrease) in investment contract liabilities	2	46
Benefits and expenses ceded to reinsurers	(1,788)	(1,829)
(Increase) decrease in reinsurance assets	158	117
Net benefits and claims	(7,010)	14,089
General expenses	2,032	1,845
Investment expenses	480	510
Commissions	1,677	1,555
Interest expense	250	369
Net premium taxes	102	105
Total contract benefits and expenses	(2,469)	18,473
Income before income taxes	872	1,704
Income tax (expense) recovery	(7)	(597)
Net income	$ 865	$ 1,107
Net income (loss) attributed to:		
Non-controlling interests	$ 91	$ (43)
Participating policyholders	(9)	(146)
Shareholders	783	1,296
	$ 865	$ 1,107
Net income attributed to shareholders	$ 783	$ 1,296
Preferred share dividends	(43)	(43)
Common shareholders' net income	$ 740	$ 1,253
Earnings per share		
Basic earnings per common share (note 9)	$ 0.38	$ 0.64
Diluted earnings per common share (note 9)	0.38	0.64
Dividends per common share	0.28	0.28

The accompanying notes are an integral part of these unaudited Interim Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

For the three months ended March 31, (Canadian $ in millions, unaudited)	**2021**	2020
Net income	**$ 865**	$ 1,107
Other comprehensive income (loss) ("OCI"), net of tax		
Items that may be subsequently reclassified to net income:		
Foreign exchange gains (losses) on:		
Translation of foreign operations	**(905)**	3,769
Net investment hedges	**96**	(457)
Available-for-sale financial securities:		
Unrealized gains (losses) arising during the period	**(2,645)**	2,919
Reclassification of net realized (gains) losses and impairments to net income	**(48)**	(342)
Cash flow hedges:		
Unrealized gains (losses) arising during the period	**98**	(191)
Reclassification of realized gains (losses) to net income	**14**	(26)
Share of other comprehensive income (losses) of associates	**2**	(6)
Total items that may be subsequently reclassified to net income	**(3,388)**	5,666
Items that will not be reclassified to net income:		
Change in pension and other post-employment plans	**85**	(5)
Real estate revaluation reserve	**(11)**	-
Total items that will not be reclassified to net income	**74**	(5)
Other comprehensive income (loss), net of tax	**(3,314)**	5,661
Total comprehensive income (loss), net of tax	**$ (2,449)**	$ 6,768
Total comprehensive income (loss) attributed to:		
Non-controlling interests	**$ 88**	$ (43)
Participating policyholders	**(10)**	(145)
Shareholders	**(2,527)**	6,956

Income Taxes included in Other Comprehensive Income

For the three months ended March 31, (Canadian $ in millions, unaudited)	**2021**	2020
Income tax expense (recovery) on:		
Unrealized gains/losses on available-for-sale financial securities	**$ (451)**	$ 607
Reclassification of realized gains/losses and recoveries/impairments to net income on available-for-sale financial securities	**(7)**	(122)
Unrealized gains/losses on cash flow hedges	**20**	(68)
Reclassification of realized gains/losses to net income on cash flow hedges	**5**	(9)
Unrealized foreign exchange gains/losses on translation of foreign operations	**-**	2
Unrealized foreign exchange gains/losses on net investment hedges	**15**	(55)
Share of other comprehensive income (loss) of associates	**(1)**	(1)
Change in pension and other post-employment plans	**28**	(1)
Total income tax expense (recovery)	**$ (391)**	$ 353

The accompanying notes are an integral part of these unaudited Interim Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

For the three months ended March 31, (Canadian $ in millions, unaudited)	2021	2020
Preferred shares and other equity		
Balance, beginning of period	**$ 3,822**	$ 3,822
Issued during the period (note 9)	**2,000**	-
Issuance costs, net of tax	**(18)**	-
Balance, end of period	**5,804**	3,822
Common shares		
Balance, beginning of period	**23,042**	23,127
Repurchased	**-**	(121)
Issued on exercise of stock options and deferred share units	**38**	19
Balance, end of period	**23,080**	23,025
Contributed surplus		
Balance, beginning of period	**261**	254
Exercise of stock options and deferred share units	**(7)**	(3)
Stock option expense	**4**	3
Balance, end of period	**258**	254
Shareholders' retained earnings		
Balance, beginning of period	**18,887**	15,488
Net income attributed to shareholders	**783**	1,296
Common shares repurchased	**-**	(132)
Preferred share dividends	**(43)**	(43)
Common share dividends	**(544)**	(540)
Balance, end of period	**19,083**	16,069
Shareholders' accumulated other comprehensive income (loss) ("AOCI")		
Balance, beginning of period	**6,323**	6,447
Change in unrealized foreign exchange gains (losses) of net foreign operations	**(808)**	3,313
Change in actuarial gains (losses) on pension and other post-employment plans	**85**	(5)
Change in unrealized gains (losses) on available-for-sale financial securities	**(2,690)**	2,575
Change in unrealized gains (losses) on derivative instruments designated as cash flow hedges	**112**	(217)
Change in real estate revaluation reserve	**(11)**	-
Share of other comprehensive income (losses) of associates	**2**	(6)
Balance, end of period	**3,013**	12,107
Total shareholders' equity, end of period	**51,238**	55,277
Participating policyholders' equity		
Balance, beginning of period	**(784)**	(243)
Net income (loss) attributed to participating policyholders	**(9)**	(146)
Other comprehensive income (losses) attributed to policyholders	**(1)**	1
Balance, end of period	**(794)**	(388)
Non-controlling interests		
Balance, beginning of period	**1,455**	1,211
Net income attributed to non-controlling interests	**91**	(43)
Other comprehensive income (losses) attributed to non-controlling interests	**(3)**	-
Contributions (distributions/disposal), net	**5**	4
Balance, end of period	**1,548**	1,172
Total equity, end of period	**$ 51,992**	$ 56,061

The accompanying notes are an integral part of these unaudited Interim Consolidated Financial Statements.

Consolidated Statements of Cash Flows

For the three months ended March 31, (Canadian $ in millions, unaudited)	2021	2020
Operating activities		
Net income	$ 865	$ 1,107
Adjustments:		
Increase (decrease) in insurance contract liabilities	(13,025)	8,100
Increase (decrease) in investment contract liabilities	2	46
(Increase) decrease in reinsurance assets excluding coinsurance transactions (note 5)	158	117
Amortization of (premium) discount on invested assets	34	28
Other amortization	132	174
Net realized and unrealized (gains) losses and impairment on assets	18,313	(4,304)
Deferred income tax expense (recovery)	(506)	451
Stock option expense	4	3
Cash provided by operating activities before undernoted items	5,977	5,722
Changes in policy related and operating receivables and payables	(2,086)	(953)
Cash provided by (used in) operating activities	3,891	4,769
Investing activities		
Purchases and mortgage advances	(33,231)	(26,984)
Disposals and repayments	24,098	28,625
Change in investment broker net receivables and payables	238	311
Net cash flows from acquisition and disposal of subsidiaries and businesses	(4)	-
Cash provided by (used in) investing activities	(8,899)	1,952
Financing activities		
Redemption of capital instruments (note 8)	(350)	(500)
Secured borrowing	73	840
Change in repurchase agreements and securities sold but not yet purchased	1,150	(163)
Changes in deposits from Bank clients, net	(846)	(288)
Lease payments	(32)	(34)
Shareholders' dividends paid in cash	(587)	(583)
Common shares repurchased	-	(253)
Common shares issued, net (note 9)	38	19
Preferred shares and other equity issued, net (note 9)	1,982	-
Contributions from (distributions to) non-controlling interests, net	5	4
Cash provided by (used in) financing activities	1,433	(958)
Cash and short-term securities		
Increase (decrease) during the period	(3,575)	5,763
Effect of foreign exchange rate changes on cash and short-term securities	(328)	1,092
Balance, beginning of period	25,583	19,548
Balance, end of period	21,680	26,403
Cash and short-term securities		
Beginning of period		
Gross cash and short-term securities	26,167	20,300
Net payments in transit, included in other liabilities	(584)	(752)
Net cash and short-term securities, beginning of period	25,583	19,548
End of period		
Gross cash and short-term securities	22,443	27,087
Net payments in transit, included in other liabilities	(763)	(684)
Net cash and short-term securities, end of period	$ 21,680	$ 26,403
Supplemental disclosures on cash flow information		
Interest received	$ 2,749	$ 2,685
Interest paid	189	294
Income taxes paid	52	216

The accompanying notes are an integral part of these unaudited Interim Consolidated Financial Statements.

Note 1 Nature of Operations and Significant Accounting Policies

(a) Reporting entity

Manulife Financial Corporation ("MFC") is a publicly traded company and the holding company of The Manufacturers Life Insurance Company ("MLI"), a Canadian life insurance company. MFC and its subsidiaries (collectively, "Manulife" or the "Company") is a leading financial services group with principal operations in Asia, Canada and the United States. Manulife's international network of employees, agents and distribution partners offers financial protection and wealth management products and services to personal and business clients as well as asset management services to institutional customers. The Company operates as Manulife in Canada and Asia and as John Hancock in the United States.

These Interim Consolidated Financial Statements and condensed notes have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"), using accounting policies which are consistent with those used in the Company's 2020 Annual Consolidated Financial Statements, except as disclosed in note 2.

These Interim Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements for the year ended December 31, 2020, included on pages 103 to 186 of the Company's 2020 Annual Report, as well as the disclosures on risk in denoted components of the "Risk Management' and Risk Factors" section the First Quarter 2021 Management's Discussion and Analysis. These risk disclosures are an integral part of these Interim Consolidated Financial Statements.

These Interim Consolidated Financial Statements as at and for the three months ended March 31, 2021 were authorized for issue by MFC's Board of Directors on May 5, 2021.

(b) Basis of preparation

Refer to note 1 of the 2020 Consolidated Financial Statements for a summary of the most significant estimation processes used in the preparation of the Consolidated Financial Statements under IFRS and description of the Company's measurement techniques in determining carrying values and respective fair values of its assets and liabilities.

The Company's results and operations have been and may continue to be adversely impacted by the COVID -19 pandemic and the recent economic downturn. Uncertainty regarding key inputs used in establishing the carrying amounts of certain invested assets are outlined in note 3. The Company has applied appropriate measurement techniques using reasonable judgments and estimates from a market participant perspective to reflect current economic conditions. The impact of these techniques has been reflected in these Interim Consolidated Financial Statements. Changes in the inputs used could materially impact the respective carrying values.

Note 2 Accounting and Reporting Changes

(a) Changes in accounting and reporting policy

(I) Interest Rate Benchmark Reform Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 were issued in August 2020, are related to interest rate benchmark reform and are effective retrospectively for annual periods beginning January 1, 2021. The amendments provide relief from modification of financial assets and liabilities, and discontinuation of hedge relationships, when changing risk free interest rate benchmarks due to interest rate benchmark reform. The amendments include a practical expedient to treat changes in risk free rates as a change to a floating interest rate with an update to the effective rate of interest, rather than as a change in future cash flows which might require adjustments to carrying values through recording a modification gain or loss. The Company's exposure to these changes through invested assets, derivatives and subordinate debt is not significant and has not resulted in significant changes to the Company's risk management strategies.

(b) Future accounting and reporting changes

(I) Amendments to IAS 1 "Presentation of Financial Statements"

Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2 "Making Materiality Judgements" were issued in February 2021 and are effective prospectively on or after January 1, 2023 with earlier application permitted. The amendments address the process of selecting accounting policy disclosures, which will be based on assessments of the materiality of the accounting policies to the entity's financial statements. Adoption of these amendments is not expected to have a significant impact on the Company's Consolidated Financial Statements.

(II) Amendments to IAS 8 "Accounting Policies, Changes to Accounting Estimates and Errors"

Amendments to IAS 8 "Accounting Policies, Changes to Accounting Estimates and Errors" were issued in February 2021, and are effective prospectively on or after January 1, 2023, with earlier application permitted. The amendments include new definitions of estimate and change in accounting estimate, intended to help clarify the distinction among changes in accounting estimates, changes in accounting policies, and corrections of errors. Adoption of these amendments is not expected to have a significant impact on the Company's Consolidated Financial Statements.

Note 3 Invested Assets and Investment Income

(a) Carrying values and fair values of invested assets

As at March 31, 2021	FVTPL(1)	AFS(2)	Other(3)	Total carrying value(6)	Total fair value
Cash and short-term securities(4)	**$ 2,309**	**$ 14,336**	**$ 5,798**	**$ 22,443**	**$ 22,443**
Debt securities(5)					
Canadian government and agency	**19,122**	**4,257**	**-**	**23,379**	**23,379**
U.S. government and agency	**9,895**	**17,848**	**-**	**27,743**	**27,743**
Other government and agency	**18,727**	**3,688**	**-**	**22,415**	**22,415**
Corporate	**122,986**	**7,298**	**-**	**130,284**	**130,284**
Mortgage/asset-backed securities	**2,780**	**140**	**-**	**2,920**	**2,920**
Public equities	**22,948**	**2,561**	**-**	**25,509**	**25,509**
Mortgages	**-**	**-**	**50,134**	**50,134**	**52,598**
Private placements	**-**	**-**	**41,351**	**41,351**	**45,374**
Policy loans	**-**	**-**	**6,290**	**6,290**	**6,290**
Loans to Bank clients	**-**	**-**	**2,105**	**2,105**	**2,109**
Real estate					
Own use property	**-**	**-**	**1,816**	**1,816**	**2,963**
Investment property	**-**	**-**	**10,881**	**10,881**	**10,881**
Other invested assets					
Alternative long-duration assets(6),(7)	**16,985**	**85**	**9,598**	**26,668**	**27,492**
Various other	**145**	**-**	**3,865**	**4,010**	**4,010**
Total invested assets	**$ 215,897**	**$ 50,213**	**$ 131,838**	**$ 397,948**	**$ 406,410**

As at December 31, 2020	FVTPL(1)	AFS(2)	Other(3)	Total carrying value(6)	Total fair value
Cash and short-term securities(4)	$ 2,079	$ 18,314	$ 5,774	$ 26,167	$ 26,167
Debt securities(5)					
Canadian government and agency	20,667	4,548	-	25,215	25,215
U.S. government and agency	11,449	19,787	-	31,236	31,236
Other government and agency	19,732	4,613	-	24,345	24,345
Corporate	128,297	6,566	-	134,863	134,863
Mortgage/asset-backed securities	2,916	149	-	3,065	3,065
Public equities	22,071	1,651	-	23,722	23,722
Mortgages	-	-	50,207	50,207	54,230
Private placements	-	-	40,756	40,756	47,890
Policy loans	-	-	6,398	6,398	6,398
Loans to Bank clients	-	-	1,976	1,976	1,982
Real estate					
Own use property	-	-	1,850	1,850	3,017
Investment property	-	-	10,982	10,982	10,982
Other invested assets					
Alternative long-duration assets(6),(7)	16,183	88	9,901	26,172	27,029
Various other	145	-	3,878	4,023	4,023
Total invested assets	$ 223,539	$ 55,716	$ 131,722	$ 410,977	$ 424,164

(1) FVTPL classification was elected for securities backing insurance contract liabilities to substantially reduce any accounting mismatch arising from changes in the fair value of these assets and changes in the value of the related insurance contract liabilities. If this election had not been made and instead the available-for-sale ("AFS") classification was selected, there would be an accounting mismatch because changes in insurance contract liabilities are recognized in net income rather than in OCI.

(2) Securities that are designated as AFS are not actively traded by the Company, but sales do occur as circumstances warrant. Such sales result in a reclassification of any accumulated unrealized gain (loss) in AOCI to net income as a realized gain (loss).

(3) Primarily includes assets classified as loans and carried at amortized cost, own use properties, investment properties, equity method accounted investments, oil and gas investments, and leveraged leases.

(4) Includes short-term securities with maturities of less than one year at acquisition amounting to $6,165 (December 31, 2020 – $7,062) cash equivalents with maturities of less than 90 days at acquisition amounting to $10,480 (December 31, 2020 – $13,331) and cash of $5,798 (December 31, 2020 – $5,774).

(5) Debt securities include securities which were acquired with maturities of less than one year and less than 90 days of $2,353 and $169, respectively (December 31, 2020 – $1,971 and $129, respectively).

(6) Floating rate invested assets above which are subject to interest rate benchmark reform, but have not yet transitioned to replacement reference rates, include

debt securities benchmarked to CDOR and USD LIBOR of $111 and $816 (December 31, 2020 - $109 and $842 respectively), and private placements benchmarked to USD LIBOR, AUD BBSW and NZD BKBM of $1,687, $179 and $46 (December 31, 2020 - $1,710, $180 and $46, respectively). Exposures indexed to USD LIBOR represent floating rate invested assets with a maturity date beyond June 30, 2023 while all other exposures represent floating rate invested assets with a maturity date beyond December 31, 2021. The interest rate benchmark reform is expected to have an impact on the valuation of invested assets whose value is tied to the affected interest rate benchmarks. The Company has assessed its exposure at the contract level, by benchmark and instrument type, and existing contracts' assessment is nearing completion. The Company is monitoring market developments with respect to alternative reference rates and the time horizon during which they will evolve. As of March 31, 2021, the interest rate benchmark reform has not resulted in significant changes in the Company's risk management strategy.

(7) Alternative long-duration assets ("ALDA") Include investments in private equity of $8,544, infrastructure of $9,538, oil and gas of $1,685, timber and agriculture of $4,772 and various other invested assets of $2,129 (December 31, 2020 – $7,954, $9,127, $2,296, $4,819 and $1,976, respectively).

(b) Investment income

For the three months ended March 31,	2021	2020
Interest income	**$ 2,894**	$ 2,933
Dividend and rental income	**689**	488
Impairments, provisions and recoveries, net	**(35)**	(547)
Realized and unrealized gains (losses) on surplus assets excluding the macro hedge program	**(335)**	410
	3,213	3,284
Realized and unrealized gains (losses) on assets supporting insurance and investment contract liabilities and, on the macro hedge program		
Debt securities	**(9,558)**	(3,144)
Public equities	**996**	(3,246)
Mortgages	**45**	(46)
Private placements	**222**	(156)
Real estate	**(41)**	86
Other invested assets	**662**	(341)
Derivatives, including macro hedge program	**(9,381)**	11,405
	(17,055)	4,558
Total investment income	**$ (13,842)**	$ 7,842

(c) Fair value measurement

The following table presents fair values and the fair value hierarchy of invested assets and segregated funds net assets measured at fair value in the Consolidated Statements of Financial Position.

As at March 31, 2021	Total fair value	Level 1	Level 2	Level 3
Cash and short-term securities				
FVTPL	**$ 2,309**	**$ -**	**$ 2,309**	**$ -**
AFS	**14,336**	**-**	**14,336**	**-**
Other	**5,798**	**5,798**	**-**	**-**
Debt securities				
FVTPL				
Canadian government and agency	**19,122**	**-**	**19,122**	**-**
U.S. government and agency	**9,895**	**-**	**9,895**	**-**
Other government and agency	**18,727**	**-**	**18,727**	**-**
Corporate	**122,986**	**-**	**122,940**	**46**
Residential mortgage-backed securities	**9**	**-**	**9**	**-**
Commercial mortgage-backed securities	**1,125**	**-**	**1,125**	**-**
Other asset-backed securities	**1,646**	**-**	**1,609**	**37**
AFS				
Canadian government and agency	**4,257**	**-**	**4,257**	**-**
U.S. government and agency	**17,848**	**-**	**17,848**	**-**
Other government and agency	**3,688**	**-**	**3,688**	**-**
Corporate	**7,298**	**-**	**7,296**	**2**
Residential mortgage-backed securities	**1**	**-**	**1**	**-**
Commercial mortgage-backed securities	**88**	**-**	**88**	**-**
Other asset-backed securities	**51**	**-**	**51**	**-**
Public equities				
FVTPL	**22,948**	**22,948**	**-**	**-**
AFS	**2,561**	**2,559**	**2**	**-**
Real estate - investment property[1]	**10,881**	**-**	**-**	**10,881**
Other invested assets[2]	**19,928**	**102**	**-**	**19,826**
Segregated funds net assets[3]	**371,682**	**332,321**	**35,166**	**4,195**
Total	**$ 657,184**	**$ 363,728**	**$ 258,469**	**$ 34,987**

As at December 31, 2020	Total fair value	Level 1	Level 2	Level 3
Cash and short-term securities				
FVTPL	$ 2,079	$ -	$ 2,079	$ -
AFS	18,314	-	18,314	-
Other	5,774	5,774	-	-
Debt securities				
FVTPL				
Canadian government and agency	20,667	-	20,667	-
U.S. government and agency	11,449	-	11,449	-
Other government and agency	19,732	-	19,732	-
Corporate	128,297	-	127,787	510
Residential mortgage-backed securities	9	-	9	-
Commercial mortgage-backed securities	1,172	-	1,172	-
Other asset-backed securities	1,735	-	1,690	45
AFS				
Canadian government and agency	4,548	-	4,548	-
U.S. government and agency	19,787	-	19,787	-
Other government and agency	4,613	-	4,613	-
Corporate	6,566	-	6,563	3
Residential mortgage-backed securities	1	-	1	-
Commercial mortgage-backed securities	93	-	93	-
Other asset-backed securities	55	-	55	-
Public equities				
FVTPL	22,071	22,071	-	-
AFS	1,651	1,651	-	-
Real estate - investment property[(1)]	10,982	-	-	10,982
Other invested assets[(2)]	19,149	100	-	19,049
Segregated funds net assets[(3)]	367,436	327,437	35,797	4,202
Total	$ 666,180	$ 357,033	$ 274,356	$ 34,791

(1) For real estate investment properties, the significant unobservable inputs are capitalization rates (ranging from 2.75% to 9.00% during the period and ranging from 2.75% to 8.50% during the year 2020) and terminal capitalization rates (ranging from 3.25% to 9.25% during the period and ranging from 3.25% to 9.25% during the year 2020). Holding other factors constant, a lower capitalization or terminal capitalization rate will tend to increase the fair value of an investment property. Changes in fair value based on variations in unobservable inputs generally cannot be extrapolated because the relationship between the directional changes of each input is not usually linear.

(2) Other invested assets measured at fair value are held primarily in the power and infrastructure and timber sectors. The significant inputs used in the valuation of the Company's power and infrastructure investments are primarily future distributable cash flows, terminal values and discount rates. Holding other factors constant, an increase to future distributable cash flows or terminal values would tend to increase the fair value of a power and infrastructure investment, while an increase in the discount rate would have the opposite effect. Discount rates during the period ranged from 7.25% to 15.6% (for the year ended December 31, 2020 – ranged from 7.00% to 15.6%). Disclosure of distributable cash flow and terminal value ranges are not meaningful given the disparity in estimates by project. The significant inputs used in the valuation of the Company's investments in timberland are timber prices and discount rates. Holding other factors constant, an increase to timber prices would tend to increase the fair value of a timberland investment, while an increase in the discount rates would have the opposite effect. Discount rates during the period ranged from 5.0% to 7.0% (for the year ended December 31, 2020 – ranged from 5.0% to 7.0%). A range of prices for timber is not meaningful as the market price depends on factors such as property location and proximity to markets and export yards.

(3) Segregated funds net assets are measured at fair value. The Company's Level 3 segregated funds assets are predominantly invested in investment properties and timberland properties valued as described above.

As a result of COVID-19 and the recent economic downturn, significant measurement uncertainty exists in determining the fair value of real estate and other invested assets. For the methodologies used in determining carrying values of the invested assets, refer to note 1 of the 2020 Consolidated Financial Statements.

Real Estate – For real estate investment properties, valuation inputs include existing and assumed tenancies, market data from recent comparable transactions, future economic outlook and market risk assumptions, capitalization rates and internal rates of return. Measurement uncertainty is partially driven by a reduction in the availability of information, which could have a negative impact on the future carrying value of these assets.

Timberland and Farmland – For investments in timberland and farmland, valuation inputs include asset-specific production, relevant commodity prices and discount rates. There has been an increase in uncertainty regarding these inputs used, which could have a negative impact on the future carrying value of these assets.

Private Equity – Included in the Company's private equity investments are assets valued primarily based on net asset value as per financial statements provided by third party general partners or sponsors and reasonable techniques from a market participant perspective. Significant measurement uncertainty relating to volatility in underlying markets as well as the current absence of information from third parties could have an impact on the future carrying value of these assets.

Infrastructure – For infrastructure investments, valuation is largely based on discounted cash flow techniques reflecting estimates regarding future cash flows, terminal values and discount rates. These assets are defensive in nature and are supported by existing contractual revenue streams. There has been an increase in uncertainty regarding critical valuation inputs listed, partially driven by a reduction in the availability of information, which could have a negative impact on the future carrying value of these assets.

Oil and Gas – Investments in oil and gas comprise primarily of private equity interests. These investments are valued largely based on financial statements and inputs provided by third party general partners and sponsors of the respective funds. Significant measurement uncertainty relating to future prices for relevant commodities as well as the current absence of information from third parties could have an impact on the future carrying value of these assets.

The following table presents fair value of invested assets not measured at fair value by the fair value hierarchy.

As at March 31, 2021	Carrying value	Total fair value	Level 1	Level 2	Level 3
Mortgages	**$ 50,134**	**$ 52,598**	**$ -**	**$ -**	**$ 52,598**
Private placements	**41,351**	**45,374**	**-**	**39,056**	**6,318**
Policy loans	**6,290**	**6,290**	**-**	**6,290**	**-**
Loans to Bank clients	**2,105**	**2,109**	**-**	**2,109**	**-**
Real estate - own use property	**1,816**	**2,963**	**-**	**-**	**2,963**
Other invested assets[1]	**10,750**	**11,574**	**128**	**-**	**11,446**
Total invested assets disclosed at fair value	**$ 112,446**	**$ 120,908**	**$ 128**	**$ 47,455**	**$ 73,325**

As at December 31, 2020	Carrying value	Total fair value	Level 1	Level 2	Level 3
Mortgages	$ 50,207	$ 54,230	$ -	$ -	$ 54,230
Private placements	40,756	47,890	-	41,398	6,492
Policy loans	6,398	6,398	-	6,398	-
Loans to Bank clients	1,976	1,982	-	1,982	-
Real estate - own use property	1,850	3,017	-	-	3,017
Other invested assets[1]	11,046	11,903	128	-	11,775
Total invested assets disclosed at fair value	$ 112,233	$ 125,420	$ 128	$ 49,778	$ 75,514

[1] Other invested assets disclosed at fair value include $3,358 (December 31, 2020 - $3,371) of leveraged leases which are disclosed at their carrying values as fair value is not routinely calculated on these investments.

Transfers between Level 1 and Level 2

The Company records transfers of assets and liabilities between Level 1 and Level 2 at their fair values as at the end of each reporting period, consistent with the date of the determination of fair value. Assets are transferred out of Level 1 when they are no longer transacted with sufficient frequency and volume in an active market. Conversely, assets are transferred from Level 2 to Level 1 when transaction volume and frequency are indicative of an active market. During the three months ended March 31, 2021 and 2020, the Company had $nil transfers between Level 1 and Level 2.

For segregated funds net assets, the Company had $456 transfers from Level 1 to Level 2 for the three months ended March 31, 2021 (March 31, 2020 – $18). The Company had $134 transfers from Level 2 to Level 1 for the three months ended March 31, 2021 (March 31, 2020 – $28).

Invested assets and segregated funds net assets measured at fair value on the Consolidated Statements of Financial Position using significant unobservable inputs (Level 3)

The Company classifies the fair values of the invested assets and segregated funds net assets as Level 3 if there are no observable markets for these assets or, in the absence of an active markets, most of the inputs used to determine fair value are based on the Company's own assumptions about market participant assumptions. The Company prioritizes the use of market-based inputs over entity-based assumptions in determining Level 3 fair values. The gains and losses in the tables below include the changes in fair value due to both observable and unobservable factors.

The following table presents a roll forward of invested assets and segregated funds net assets measured at fair value using significant unobservable inputs (Level 3) for the three months ended March 31, 2021 and 2020.

For the three months ended March 31, 2021	Balance, January 1, 2021	Total gains (losses) included in net income[1]	Total gains (losses) included in AOCI[2]	Purchases	Sales	Settlements	Transfer in[3],[4]	Transfer out[3],[4]	Currency movement	**Balance, March 31, 2021**	Change in unrealized gains (losses) on assets still held
Debt securities											
FVTPL											
Corporate	**$ 510**	**$ 8**	**$ -**	**$ -**	**$ (73)**	**$ -**	**$ -**	**$ (397)**	**$ (2)**	**$ 46**	**$ (16)**
Other securitized assets	**45**	**2**	**-**	**-**	**(9)**	**-**	**-**	**-**	**(1)**	**37**	**1**
AFS											
Corporate	**3**	**1**	**(1)**	**-**	**(1)**	**-**	**-**	**-**	**-**	**2**	**-**
Investment property	**10,982**	**(43)**	**-**	**59**	**(15)**	**-**	**-**	**-**	**(102)**	**10,881**	**(44)**
Other invested assets	**19,049**	**611**	**1**	**869**	**(148)**	**(272)**	**-**	**-**	**(284)**	**19,826**	**646**
Total invested assets	**30,589**	**579**	**-**	**928**	**(246)**	**(272)**	**-**	**(397)**	**(389)**	**30,792**	**587**
Derivatives, net	**3,443**	**(3,110)**	**31**	**8**	**-**	**(34)**	**-**	**(258)**	**(20)**	**60**	**(3,135)**
Segregated funds net assets	**4,202**	**52**	**-**	**18**	**(49)**	**-**	**-**	**-**	**(28)**	**4,195**	**25**
Total	**$ 38,234**	**$ (2,479)**	**$ 31**	**$ 954**	**$(295)**	**$ (306)**	**$ -**	**$ (655)**	**$ (437)**	**$ 35,047**	**$ (2,523)**

For the three months ended March 31, 2020	Balance, January 1, 2020	Total gains (losses) included in net income[1]	Total gains (losses) included in AOCI[2]	Purchases	Sales	Settlements	Transfer in[3],[4]	Transfer out[3],[4]	Currency movement	**Balance, March 31, 2020**	Change in unrealized gains (losses) on assets still held
Debt securities											
FVTPL											
Corporate	$ 633	$ -	$ -	$ 36	$ -	$ (1)	$ 29	$ -	$ 53	$ 750	$ 1
Other securitized assets	-	-	-	-	-	-	-	-	-	-	-
AFS											
Corporate	15	-	-	-	-	-	-	(13)	-	2	-
Investment property	11,002	118	-	318	(253)	-	-	-	492	11,677	100
Other invested assets	18,103	(421)	(42)	790	(778)	(177)	91	-	1,257	18,823	(819)
Total invested assets	29,753	(303)	(42)	1,144	(1,031)	(178)	120	(13)	1,802	31,252	(718)
Derivatives, net	1,456	2,977	(69)	-	-	645	-	(185)	320	5,144	3,593
Segregated funds net assets	4,512	(34)	-	15	(32)	(9)	4	-	208	4,664	(43)
Total	$ 35,721	$ 2,640	$ (111)	$ 1,159	$(1,063)	$ 458	$ 124	$ (198)	$ 2,330	$ 41,060	$ 2,832

(1) These amounts are included in net investment income on the Consolidated Statements of Income except for the amount related to segregated funds net assets, where the amount is recorded in changes in segregated funds net assets, refer to note 14.
(2) These amounts are included in AOCI on the Consolidated Statements of Financial Position.
(3) The Company uses fair values of the assets at the beginning of the year for assets transferred into and out of Level 3 except for derivatives, refer to footnote 4 below.
(4) For derivatives transferred into or out of Level 3, the Company uses fair value at the end of the year and at the beginning of the year, respectively.

Transfers into Level 3 primarily result from securities that were impaired during the periods or securities where a lack of observable market data (versus the previous period) resulted in reclassifying assets into Level 3. Transfers from Level 3 primarily result from observable market data now being available for the entire term structure of the debt security.

Note 4 Derivative and Hedging Instruments

Fair value of derivatives

The following table presents the gross notional amount and fair value of derivative instruments by the underlying risk exposure for derivatives in qualifying hedge accounting relationships and derivatives not designated in qualifying hedge accounting relationships.

As at		March 31, 2021			December 31, 2020		
		Notional	Fair value		Notional	Fair value	
Type of hedge	Instrument type	amount	Assets	Liabilities	amount	Assets	Liabilities
Qualifying hedge accounting relationships							
Fair value hedges	Interest rate swaps	**$ 62**	**$ 1**	**$ -**	$ 82	$ 1	$ -
	Foreign currency swaps	**57**	**-**	**3**	57	-	4
Cash flow hedges	Foreign currency swaps	**1,725**	**-**	**358**	1,756	24	468
	Equity contracts	**260**	**18**	**1**	127	6	-
Net investment hedges	Foreign currency contracts	**624**	**23**	**-**	628	1	10
Total derivatives in qualifying hedge accounting relationships		**2,728**	**42**	**362**	2,650	32	482
Derivatives not designated in qualifying hedge accounting relationships							
	Interest rate swaps	**285,701**	**12,193**	**7,583**	287,182	21,332	12,190
	Interest rate futures	**10,820**	**-**	**-**	16,750	-	-
	Interest rate options	**11,492**	**396**	**-**	11,622	663	-
	Foreign currency swaps	**32,168**	**604**	**1,664**	31,491	838	1,659
	Currency rate futures	**3,287**	**-**	**-**	3,467	-	-
	Forward contracts	**39,004**	**1,213**	**2,318**	38,853	3,833	565
	Equity contracts	**16,127**	**1,179**	**45**	15,738	1,092	66
	Credit default swaps	**222**	**2**	**-**	241	3	-
	Equity futures	**10,796**	**-**	**-**	10,984	-	-
Total derivatives not designated in qualifying hedge accounting relationships		**409,617**	**15,587**	**11,610**	416,328	27,761	14,480
Total derivatives		**$ 412,345**	**$ 15,629**	**$ 11,972**	$ 418,978	$ 27,793	$ 14,962

The total notional amount of $412 billion (December 31, 2020 – $419 billion) includes $128 billion (December 31, 2020 – $131 billion) related to derivatives utilized in the Company's variable annuity guarantee dynamic hedging and macro risk hedging programs. Due to the Company's variable annuity hedging practices, many trades are in offsetting positions, resulting in materially lower net fair value exposure to the Company than what the gross notional amount would suggest.

The total notional amount above includes $276 billion (December 31, 2020 - $274 billion) which refer to interest rates impacted under the interest rate benchmark reform, with a significant majority to USD LIBOR, CDOR and JPY LIBOR. Exposures indexed to USD LIBOR represent derivatives with a maturity date beyond June 30, 2023 while exposures to CDOR and JPY LIBOR represent derivatives with a maturity date beyond December 31, 2021. The exposure in the Company's hedge accounting programs is primarily to USD LIBOR and CDOR benchmarks. Compared to the overall risk exposure, the effect of interest rate benchmark reform on existing accounting hedges is not significant. The Company continues to apply high probability and high effectiveness expectation assumptions for cash flows and there would be no automatic de-designation due to the impact from interest rate benchmark reform.

The following table presents fair value of the derivative instruments by remaining term to maturity. Fair values disclosed below do not incorporate the impact of master netting agreements (refer to note 6).

	Remaining term to maturity				
As at March 31, 2021	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Derivative assets	**$ 1,035**	**$ 1,827**	**$ 771**	**$ 11,996**	**$ 15,629**
Derivative liabilities	**1,188**	**819**	**925**	**9,040**	**11,972**

	Remaining term to maturity				
As at December 31, 2020	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Derivative assets	$ 1,656	$ 3,524	$ 1,228	$ 21,385	$ 27,793
Derivative liabilities	386	250	555	13,771	14,962

The following table presents fair value of the derivative contracts within the fair value hierarchy.

As at March 31, 2021	Fair value	Level 1	Level 2	Level 3
Derivative assets				
Interest rate contracts	**$ 13,719**	**$ -**	**$ 12,406**	**$ 1,313**
Foreign exchange contracts	**711**	**-**	**711**	**-**
Equity contracts	**1,197**	**-**	**1,123**	**74**
Credit default swaps	**2**	**-**	**2**	**-**
Total derivative assets	**$ 15,629**	**$ -**	**$ 14,242**	**$ 1,387**
Derivative liabilities				
Interest rate contracts	**$ 9,829**	**$ -**	**$ 8,534**	**$ 1,295**
Foreign exchange contracts	**2,097**	**-**	**2,096**	**1**
Equity contracts	**46**	**-**	**15**	**31**
Total derivative liabilities	**$ 11,972**	**$ -**	**$ 10,645**	**$ 1,327**

As at December 31, 2020	Fair value	Level 1	Level 2	Level 3
Derivative assets				
Interest rate contracts	$ 25,735	$ -	$ 21,902	$ 3,833
Foreign exchange contracts	957	-	957	-
Equity contracts	1,098	-	1,051	47
Credit default swaps	3	-	3	-
Total derivative assets	$ 27,793	$ -	$ 23,913	$ 3,880
Derivative liabilities				
Interest rate contracts	$ 12,652	$ -	$ 12,271	$ 381
Foreign exchange contracts	2,244	-	2,239	5
Equity contracts	66	-	15	51
Total derivative liabilities	$ 14,962	$ -	$ 14,525	$ 437

Level 3 roll forward information for net derivative contracts measured using significant unobservable inputs is disclosed in note 3(c).

Note 5 Insurance and Investment Contract Liabilities

(a) Insurance and investment contracts

The Company monitors experience and reviews the assumptions used in the calculation of insurance and investment contract liabilities on an ongoing basis to ensure they appropriately reflect future expected experience and any changes in the risk profile of the business. Any changes to the methods and assumptions used in projecting future asset and liability cash flows will result in a change in insurance and investment contract liabilities.

For the three months ended March 31, 2021 and 2020, changes in assumptions and model enhancements did not impact insurance and investment contract liabilities or net income attributed to shareholders.

(b) Investment contracts – Fair value measurement

As at March 31, 2021, the fair value of investment contract liabilities measured at fair value was $875 (December

31, 2020 – $932). The carrying value and fair value of investment contract liabilities measured at amortized cost were $2,341 and $2,654, respectively (December 31, 2020 – $2,356 and $2,766, respectively). The carrying value and fair value of investment contract liabilities net of reinsurance assets were $2,281 and $2,587, respectively (December 31, 2020 – $2,289 and $2,690, respectively).

(c) Gross claims and benefits

The following table presents a breakdown of gross claims and benefits for the three months ended March 31, 2021 and 2020.

For the three months ended March 31,	2021	2020
Death, disability and other claims	$ 4,716	$ 4,607
Maturity and surrender benefits	2,066	2,319
Annuity payments	842	977
Policyholder dividends and experience rating refunds	229	288
Net transfers from segregated funds	(210)	(536)
Total	**$ 7,643**	$ 7,655

Note 6 Risk Management

The Company's policies and procedures for managing risk related to financial instruments and insurance contracts can be found in note 8 of the Company's 2020 Annual Consolidated Financial Statements as well as the denoted tables and text in the "Risk Management" section of the Company's Management Discussion and Analysis ("MD&A") in the 2020 Annual Report.

(a) Risk disclosures included in the First Quarter's MD&A

Market risk sensitivities related to variable annuity and segregated fund guarantees, publicly traded equity performance risk, interest rate and spread risk and alternative long-duration asset performance risk are disclosed in denoted text and tables in the "Risk Management and Risk Factors" section of the First Quarter 2021 Management Discussion and Analysis. These disclosures are in accordance with IFRS 7 "Financial Instruments: Disclosures" and IAS 34 "Interim Financial Reporting" and are an integral part of these Interim Consolidated Financial Statements.

(b) Credit risk

(I) Credit quality

The credit quality of commercial mortgages and private placements is assessed at least annually by using an internal rating based on regular monitoring of credit related exposures, considering both qualitative and quantitative factors.

The following table presents the credit quality and carrying value of the commercial mortgages and private placements.

As at March 31, 2021	AAA	AA	A	BBB	BB	B and lower	Total
Commercial mortgages							
Retail	$ 108	$ 1,332	$ 4,668	$ 2,203	$ 165	$ 1	$ 8,477
Office	65	1,282	5,919	1,175	142	43	8,626
Multi-family residential	614	1,701	3,027	607	32	-	5,981
Industrial	24	325	2,367	299	-	-	3,015
Other	226	948	967	967	349	7	3,464
Total commercial mortgages	1,037	5,588	16,948	5,251	688	51	29,563
Agricultural mortgages	-	-	123	73	103	-	299
Private placements	1,044	4,713	15,828	16,138	1,274	2,354	41,351
Total	$ 2,081	$ 10,301	$ 32,899	$ 21,462	$ 2,065	$ 2,405	$ 71,213

As at December 31, 2020	AAA	AA	A	BBB	BB	B and lower	Total
Commercial mortgages							
Retail	$ 110	$ 1,339	$ 4,761	$ 2,242	$ 168	$ 1	$ 8,621
Office	66	1,297	5,948	1,174	164	20	8,669
Multi-family residential	613	1,675	2,896	582	33	-	5,799
Industrial	25	320	2,353	259	3	-	2,960
Other	238	966	914	984	355	7	3,464
Total commercial mortgages	1,052	5,597	16,872	5,241	723	28	29,513
Agricultural mortgages	-	-	127	77	106	-	310
Private placements	1,061	4,829	15,585	15,825	1,206	2,250	40,756
Total	$ 2,113	$ 10,426	$ 32,584	$ 21,143	$ 2,035	$ 2,278	$ 70,579

The company assesses credit quality of residential mortgages and loans to Bank clients at least annually with the loan status as performing or non-performing being the key credit quality indicator.

The following table presents the carrying value of residential mortgages and loans to Bank clients.

As at	**March 31, 2021**			December 31, 2020		
	Insured	Uninsured	Total	Insured	Uninsured	Total
Residential mortgages						
Performing	**$ 7,568**	**$ 12,680**	**$ 20,248**	$ 6,349	$ 13,980	$ 20,329
Non-performing[1]	**4**	**20**	**24**	9	46	55
Loans to Bank clients						
Performing	**n/a**	**2,105**	**2,105**	n/a	1,976	1,976
Non-performing[1]	**n/a**	**-**	**-**	n/a	-	-
Total	**$ 7,572**	**$ 14,805**	**$ 22,377**	$ 6,358	$ 16,002	$ 22,360

[1] Non-performing refers to assets that are 90 days or more past due.

(II) Past due or credit impaired financial assets

The following table presents past due but not impaired and impaired financial assets and the allowance for credit losses.

	Past due but not impaired				
As at March 31, 2021	Less than 90 days	90 days and greater	Total	Total impaired	Allowance for credit losses
Debt securities					
FVTPL	**$ 14**	**$ -**	**$ 14**	**$ 61**	**$ -**
AFS	**-**	**-**	**-**	**2**	**-**
Private placements	**362**	**-**	**362**	**135**	**76**
Mortgages and loans to Bank clients	**24**	**-**	**24**	**62**	**26**
Other financial assets	**148**	**32**	**180**	**1**	**-**
Total	**$ 548**	**$ 32**	**$ 580**	**$ 261**	**$ 102**

	Past due but not impaired				
As at December 31, 2020	Less than 90 days	90 days and greater	Total	Total impaired	Allowance for credit losses
Debt securities					
FVTPL	$ -	$ -	$ -	$ 54	$ -
AFS	-	-	-	1	-
Private placements	30	-	30	170	79
Mortgages and loans to Bank clients	66	-	66	69	28
Other financial assets	56	58	114	2	-
Total	$ 152	$ 58	$ 210	$ 296	$ 107

(c) Securities lending, repurchase and reverse repurchase transactions

As at March 31, 2021, the Company had loaned securities (which are included in invested assets), with a market value of $1,381 (December 31, 2020 – $889). The Company holds collateral with a current market value that exceeds the value of securities lent in all cases.

As at March 31, 2021, the Company had engaged in reverse repurchase transactions of $966 (December 31, 2020 – $716) which are recorded as receivables. In addition, the Company had engaged in repurchase transactions of $1,503 as at March 31, 2021 (December 31, 2020 – $353) which are recorded as payables.

(d) Credit default swaps

The Company replicates exposure to specific issuers by selling credit protection via credit default swaps ("CDS") to complement its cash debt securities investing. The Company does not write CDS protection in excess of its government bond holdings.

The following table presents details of the credit default swap protection sold by type of contract and external agency rating for the underlying reference security.

As at March 31, 2021	Notional amount(1)	Fair value	Weighted average maturity (in years)(2)
Single name CDS(3),(4) – Corporate debt			
A	**$ 125**	**$ 1**	**1**
BBB	**97**	**1**	**1**
Total single name CDS	**$ 222**	**$ 2**	**1**
Total CDS protection sold	**$ 222**	**$ 2**	**1**

As at December 31, 2020	Notional amount(1)	Fair value	Weighted average maturity (in years)(2)
Single name CDS(3),(4) – Corporate debt			
A	$ 136	$ 2	1
BBB	105	1	2
Total single name CDS	$ 241	$ 3	1
Total CDS protection sold	$ 241	$ 3	1

(1) Notional amounts represent the maximum future payments the Company would have to pay its counterparties assuming a default of the underlying credit and zero recovery on the underlying issuer obligations.
(2) The weighted average maturity of the CDS is weighted based on notional amounts.
(3) Ratings are based on S&P where available followed by Moody's, DBRS, and Fitch. If no rating is available from a rating agency, an internally developed rating is used.
(4) The Company held no purchased credit protection.

(e) Derivatives

The Company's point-in-time exposure to losses related to credit risk of a derivative counterparty is limited to the amount of any net gains that may have accrued with a particular counterparty. Gross derivative counterparty exposure is measured as the total fair value (including accrued interest) of all outstanding contracts in a gain position excluding any offsetting contracts in a loss position and the impact of collateral on hand. The Company limits the risk of credit losses from derivative counterparties by: using investment grade counterparties; entering into master netting arrangements which permit the offsetting of contracts in a loss position in the case of a counterparty default; and entering into Credit Support Annex agreements, whereby collateral must be provided when the exposure exceeds a certain threshold.

All contracts are held with counterparties rated BBB+ or higher. As at March 31, 2021, the percentage of the Company's derivative exposure which was with counterparties rated AA- or higher amounted to 19 per cent (December 31, 2020 – 20 per cent). As at March 31, 2021, the largest single counterparty exposure, without taking into consideration the impact of master netting agreements or the benefit of collateral held, was $2,685 (December 31, 2020 – $4,110). The net exposure to this counterparty, after taking into consideration master netting agreements and the fair value of collateral held, was $nil (December 31, 2020 – $nil).

(f) Offsetting financial assets and financial liabilities

Certain derivatives, securities lent and repurchase agreements have conditional offset rights. The Company does not offset these financial instruments in the Consolidated Statements of Financial Position, as the rights of offset are conditional. In the case of derivatives, collateral is collected from and pledged to counterparties and clearing houses to manage credit risk exposure in accordance with Credit Support Annexes to swap agreements and clearing agreements. Under master netting agreements, the Company has a right of offset in the event of default, insolvency, bankruptcy or other early termination.

In the case of reverse repurchase and repurchase transactions, additional collateral may be collected from or pledged to counterparties to manage credit exposure according to bilateral reverse repurchase or repurchase agreements. In the event of default by a counterparty, the Company is entitled to liquidate the collateral held to offset against the same counterparty's obligation.

The following table presents the effect of conditional master netting and similar arrangements. Similar arrangements may include global master repurchase agreements, global master securities lending agreements, and any related rights to financial collateral.

		Related amounts not set off in the Consolidated Statements of Financial Position			
As at March 31, 2021	Gross amounts of financial instruments[1]	Amounts subject to an enforceable master netting arrangement or similar agreements	Financial and cash collateral pledged (received)[2]	Net amount including financing entities[3]	Net amounts excluding financing entities
Financial assets					
Derivative assets	**$ 16,412**	**$ (9,748)**	**$ (6,638)**	**$ 26**	**$ 26**
Securities lending	**1,381**	**-**	**(1,381)**	**-**	**-**
Reverse repurchase agreements	**966**	**(100)**	**(865)**	**1**	**1**
Total financial assets	**$ 18,759**	**$ (9,848)**	**$ (8,884)**	**$ 27**	**$ 27**
Financial liabilities					
Derivative liabilities	**$ (13,025)**	**$ 9,748**	**$ 2,987**	**$ (290)**	**$ (103)**
Repurchase agreements	**(1,503)**	**100**	**1,401**	**(2)**	**(2)**
Total financial liabilities	**$ (14,528)**	**$ 9,848**	**$ 4,388**	**$ (292)**	**$ (105)**

		Related amounts not set off in the Consolidated Statements of Financial Position			
As at December 31, 2020	Gross amounts of financial instruments[1]	Amounts subject to an enforceable master netting arrangement or similar agreements	Financial and cash collateral pledged (received)[2]	Net amount including financing entities[3]	Net amounts excluding financing entities
Financial assets					
Derivative assets	$ 28,685	$ (13,243)	$ (15,323)	$ 119	$ 119
Securities lending	889	-	(889)	-	-
Reverse repurchase agreements	716	-	(715)	1	1
Total financial assets	$ 30,290	$ (13,243)	$ (16,927)	$ 120	$ 120
Financial liabilities					
Derivative liabilities	$ (16,076)	$ 13,243	$ 2,482	$ (351)	$ (71)
Repurchase agreements	(353)	-	353	-	-
Total financial liabilities	$ (16,429)	$ 13,243	$ 2,835	$ (351)	$ (71)

(1) Financial assets and liabilities in the above table include accrued interest of $789 and $1,053 respectively (December 31, 2020 – $892 and $1,114 respectively).

(2) Financial and cash collateral excludes over-collateralization. As at March 31, 2021, the Company was over-collateralized on OTC derivative assets, OTC derivative liabilities, securities lending and reverse repurchase agreements and repurchase agreements in the amounts of $1,091, $917, $90 and $69, respectively (December 31, 2020 – $1,373, $627, $74 and $nil respectively). As at March 31, 2021, collateral pledged (received) does not include collateral in transit on OTC instruments or include initial margin on exchange traded contracts or cleared contracts.

(3) Includes derivative contracts entered between the Company and its unconsolidated financing trusts. The Company does not exchange collateral on derivative contracts entered with this trust.

The Company also has certain credit linked note assets and variable surplus note liabilities which have unconditional offsetting rights. Under the netting agreements, the Company has rights of offset including in the event of the Company's default, insolvency, or bankruptcy. These financial instruments are offset in the Company's Consolidated Statements of Financial Position.

A credit linked note is a fixed income instrument the term of which, in this case, is linked to a variable surplus note. A surplus note is a subordinated debt obligation that often qualifies as surplus (the U.S. statutory equivalent of equity) by some U.S. state insurance regulators. Interest payments on surplus notes are made after all other contractual payments are made. The following table presents the effect of unconditional netting.

As at March 31, 2021	Gross amounts of financial instruments	Amounts subject to an enforceable netting arrangement	Net amounts of financial instruments
Credit linked note	**$ 960**	**$ (960)**	**$ -**
Variable surplus note	**(960)**	**960**	**-**

As at December 31, 2020	Gross amounts of financial instruments	Amounts subject to an enforceable netting arrangement	Net amounts of financial instruments
Credit linked note	$ 932	$ (932)	$ -
Variable surplus note	(932)	932	-

Note 7 Long-Term Debt

(a) Carrying value of long-term debt instruments

As at	Issue date	Maturity date	Par value	**March 31, 2021**	December 31, 2020
3.050% Senior notes[1]	August 27, 2020	August 27, 2060	US$1,155	**$ 1,442**	$ 1,460
4.70% Senior notes[1],[2]	June 23, 2016	June 23, 2046	US$1,000	**1,250**	1,265
5.375% Senior notes[1]	March 4, 2016	March 4, 2046	US$750	**931**	943
2.396% Senior notes[1]	June 1, 2020	June 1, 2027	US$200	**250**	254
2.484% Senior notes[1]	May 19, 2020	May 19, 2027	US$500	**625**	632
3.527% Senior notes[1]	December 2, 2016	December 2, 2026	US$270	**339**	343
4.150% Senior notes[1]	March 4, 2016	March 4, 2026	US$1,000	**1,252**	1,267
Total				**$ 6,089**	$ 6,164

(1) These U.S. dollar senior notes have been designated as hedges of the Company's net investment in its U.S. operations which reduces the earnings volatility that would otherwise arise from the re-measurement of these senior notes into Canadian dollars.
(2) Subsequent to March 31, 2021, the Company announced its intention to redeem in full the 4.70% Senior notes at par on June 23, 2021, the earliest par redemption date.

(b) Fair value measurement

Fair value of long-term debt instruments is determined using the following hierarchy:

Level 1 – Fair value is determined using quoted market prices where available.

Level 2 – When quoted market prices are not available, fair value is determined with reference to quoted prices of similar debt instruments or estimated using discounted cash flows based on observable market rates.

The Company measures long-term debt at amortized cost in the Consolidated Statements of Financial Position. As at March 31, 2021, the fair value of long-term debt was $6,600 (December 31, 2020 – $7,042). Fair value of long-term debt was determined using Level 2 valuation techniques (December 31, 2020 – Level 2).

Note 8 Capital Instruments

(a) Carrying value of capital instruments

As at	Issue date	Earliest par redemption date	Maturity date	Par value	March 31, 2021	December 31, 2020
JHFC Subordinated notes[1]	December 14, 2006	n/a	December 15, 2036	$650	**$ 647**	$ 647
2.818% MFC Subordinated debentures[1]	May 12, 2020	May 13, 2030	May 13, 2035	$1,000	**995**	995
4.061% MFC Subordinated notes[2]	February 24, 2017	February 24, 2027	February 24, 2032	US$750	**939**	951
2.237% MFC Subordinated debentures[1]	May 12, 2020	May 12, 2025	May 12, 2030	$1,000	**996**	996
3.00% MFC Subordinated notes[1]	November 21, 2017	November 21, 2024	November 21, 2029	S$500	**466**	480
3.049% MFC Subordinated debentures[1]	August 18, 2017	August 20, 2024	August 20, 2029	$750	**748**	748
3.317% MFC Subordinated debentures[1]	May 9, 2018	May 9, 2023	May 9, 2028	$600	**598**	598
3.181% MLI Subordinated debentures[1]	November 20, 2015	November 22, 2022	November 22, 2027	$1,000	**999**	999
3.85% MFC Subordinated notes[1],[3]	May 25, 2016	May 25, 2021	May 25, 2026	S$500	**468**	481
2.389% MLI Subordinated debentures[4]	June 1, 2015	January 5, 2021	January 5, 2026	$350	**-**	350
7.375% JHUSA Surplus notes	February 25, 1994	n/a	February 15, 2024	US$450	**576**	584
Total					**$ 7,432**	$ 7,829

(1) The Company is monitoring regulatory and market developments globally with respect to the interest rate benchmark reform. As these rates could potentially be discontinued in the future, the Company will take appropriate actions in due course to affect the necessary transitions or replacements. As of March 31, 2021, $647 of capital instruments has interest rate referencing the CDOR. In addition, $4,336 of capital instruments has interest rate reset in the future referencing the CDOR and $934 of capital instruments has interest rate reset in the future referencing the SGD swap rate, of which $468 will be redeemed on May 25, 2021 as noted in footnote 3.

(2) Designated as a hedge of the Company's net investment in its U.S. operations which reduces the earnings volatility that would otherwise arise from the re-measurement of the subordinated notes into Canadian dollars.

(3) Subsequent to March 31, 2021, the Company announced its intention to redeem in full the 3.85% MFC Subordinated notes at par on May 25, 2021, the earliest par redemption date.

(4) MLI redeemed in full the 2.389% subordinated debentures at par, on January 5, 2021, the earliest par redemption date.

(b) Fair value measurement

Fair value of capital instruments is determined using the following hierarchy:

Level 1 – Fair value is determined using quoted market prices where available.

Level 2 – When quoted market prices are not available, fair value is determined with reference to quoted prices of similar debt instruments or estimated using discounted cash flows based on observable market rates.

The Company measures capital instruments at amortized cost in the Consolidated Statements of Financial Position. As at March 31, 2021, the fair value of capital instruments was $7,804 (December 31, 2020 – $8,295). Fair value of capital instruments was determined using Level 2 valuation techniques (December 31, 2020 – Level 2).

Note 9 Share Capital and Earnings Per Share

(a) Preferred shares and other equity instruments

The following table presents information about the outstanding preferred shares and other equity instruments as at March 31, 2021 and December 31, 2020.

As at	Issue date	Annual dividend rate/ interest rate[1]	Earliest redemption date[2],[3]	Number of shares (in millions)	Face amount	Net amount[4] March 31, 2021	Net amount[4] December 31, 2020
Preferred shares							
Class A preferred shares							
Series 2	February 18, 2005	4.65%	n/a	14	$ 350	**$ 344**	$ 344
Series 3	January 3, 2006	4.50%	n/a	12	300	**294**	294
Class 1 preferred shares							
Series 3[5],[6]	March 11, 2011	2.178%	June 19, 2021	6	158	**155**	155
Series 4[7]	June 20, 2016	floating	June 19, 2021	2	42	**41**	41
Series 5[5],[6]	December 6, 2011	3.891%	December 19, 2021	8	200	**195**	195
Series 7[5],[6]	February 22, 2012	4.312%	March 19, 2022	10	250	**244**	244
Series 9[5],[6]	May 24, 2012	4.351%	September 19, 2022	10	250	**244**	244
Series 11[5],[6]	December 4, 2012	4.731%	March 19, 2023	8	200	**196**	196
Series 13[5],[6]	June 21, 2013	4.414%	September 19, 2023	8	200	**196**	196
Series 15[5],[6]	February 25, 2014	3.786%	June 19, 2024	8	200	**195**	195
Series 17[5],[6]	August 15, 2014	3.80%	December 19, 2024	14	350	**343**	343
Series 19[5],[6]	December 3, 2014	3.675%	March 19, 2025	10	250	**246**	246
Series 21[5],[6],[8]	February 25, 2016	5.60%	June 19, 2021	17	425	**417**	417
Series 23[5],[6]	November 22, 2016	4.85%	March 19, 2022	19	475	**467**	467
Series 25[5],[6]	February 20, 2018	4.70%	June 19, 2023	10	250	**245**	245
Other equity instruments							
Limited recourse capital notes Series 1[9],[10]	February 19, 2021	3.375%	May 19, 2026	n/a	2,000	**1,982**	-
Total				156	$ 5,900	**$ 5,804**	$ 3,822

(1) Holders of Class A and Class 1 preferred shares are entitled to receive non-cumulative preferential cash dividends on a quarterly basis, as and when declared by the Board of Directors. Non-deferrable interest is payable to LRCN – Series 1 holders semi-annually at the Company's discretion.

(2) Redemption of all preferred shares is subject to regulatory approval. MFC may redeem each series, in whole or in part, at par, on the earliest redemption date or every five years thereafter, except for Class A Series 2, Class A Series 3 and Class 1 Series 4 preferred shares. Class A Series 2 and Series 3 preferred shares are past their respective earliest redemption date and MFC may redeem these shares, in whole or in part, at par at any time, subject to regulatory approval, as noted. MFC may redeem the Class 1 Series 4, in whole or in part, at any time, at $25.00 per share if redeemed on June 19, 2021 and on June 19 every five years thereafter, or at $25.50 per share if redeemed on any other date after June 19, 2016, subject to regulatory approval, as noted.

(3) Redemption of the LRCN - Series 1 is subject to regulatory approval. MFC may at its option redeem the notes in whole or in part, at a redemption price equal to par, together with accrued and unpaid interest. The redemption period is every five years during the period from May 19 and including June 19, commencing in 2026.

(4) Net of after-tax issuance costs.

(5) On the earliest redemption date and every five years thereafter, the annual dividend rate will be reset to the five-year Government of Canada bond yield plus a yield specified for each series. The specified yield for Class 1 shares is: Series 3 – 1.41%, Series 5 – 2.90%, Series 7 – 3.13%, Series 9 – 2.86%, Series 11 – 2.61%, Series 13 – 2.22%, Series 15 – 2.16%, Series 17 – 2.36%, Series 19 – 2.30%, Series 21 – 4.97%, Series 23 – 3.83% and Series 25 – 2.55%.

(6) On the earliest redemption date and every five years thereafter, Class 1 preferred shares are convertible at the option of the holder into a new series that is one number higher than their existing series, and the holders are entitled to non-cumulative preferential cash dividends, payable quarterly if and when declared by the Board of Directors, at a rate equal to the three month Government of Canada Treasury bill yield plus the rate specified in footnote 5 above.

(7) The floating dividend rate for the Class 1 Shares Series 4 equals the three-month Government of Canada Treasury bill yield plus 1.41%.

(8) Subsequent to March 31, 2021, MFC announced its intention to redeem in full the Class 1 Series 21 shares at par, on June 19, 2021, the earliest redemption date.

(9) On February 19, 2021, MFC issued $2,000 million aggregate principal amount of Limited Recourse Capital Notes – Series 1 (LRCN – Series 1), maturing on June 19, 2081. The LRCN – Series 1 bear interest at a fixed rate of 3.375% payable semi-annually, until June 18, 2026. On June 19, 2026 and every five years thereafter until June 19, 2076, the interest rate on the LRCN – Series 1 will be reset at an interest rate equal to the five-year Government of Canada yield as defined in the prospectus, plus 2.839%.

(10) Non-deferrable interest is payable semi-annually on the LRCN – Series 1 at the Company's discretion. Non-payment of interest or principal when due will result in a recourse event, with the noteholders' sole remedy being receipt of their proportionate share of Class 1 Series 27 Preferred Shares held in a newly formed consolidated trust (the Limited Recourse Trust). All claims of the holders of LRCN – Series 1 against MFC will be extinguished upon receipt of the corresponding trust assets. The Class 1 Series 27 Preferred Shares are eliminated on the Company's Consolidated Statements of Financial Position while being held within the Limited Recourse Trust.

(b) Common shares

As at March 31, 2021, there were 25 million outstanding stock options and deferred share units that entitle the holder to receive common shares or payment in cash or common shares, at the option of the holder (December 31, 2020 – 25 million).

For the Number of common shares (in millions)	three months ended March 31, 2021	year ended December 31, 2020
Balance, beginning of period	**1,940**	1,949
Repurchased for cancellation	**-**	(10)
Issued on exercise of stock options and deferred share units	**2**	1
Balance, end of period	**1,942**	1,940

(c) Earnings per share

The following is a reconciliation of the denominator (number of shares) in the calculation of basic and diluted earnings per share.

For the three months ended March 31,	2021	2020
Weighted average number of common shares (in millions)	**1,941**	1,943
Dilutive stock-based awards(1) (in millions)	**4**	4
Weighted average number of diluted common shares (in millions)	**1,945**	1,947

(1) The dilutive effect of stock-based awards was calculated using the treasury stock method. This method calculates the number of incremental shares by assuming the outstanding stock-based awards are (i) exercised and (ii) then reduced by the number of shares assumed to be repurchased from the issuance proceeds, using the average market price of MFC common shares for the period.

Note 10 Revenue from Service Contracts

The Company provides investment management services, administrative services and distribution and related services to proprietary and third-party investment funds, retirement plans, group benefit plans and other arrangements. The Company also provides real estate management services to tenants of the Company's investment properties.

The Company's service contracts generally impose single performance obligations, each consisting of a series of similar related services for each customer.

The Company's performance obligations within service arrangements are generally satisfied over time as the customer simultaneously receives and consumes the benefits of the services rendered, measured using an output method. Fees typically include variable consideration and the related revenue is recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty is subsequently resolved.

Asset based fees vary with asset values of accounts under management, subject to market conditions and investor behaviors beyond the Company's control. Transaction processing and administrative fees vary with activity volume, also beyond the Company's control. Some fees, including distribution fees, are based on account balances and transaction volumes. Fees related to account balances and transaction volumes are measured daily. Real estate management service fees include fixed portions plus recovery of variable costs of services rendered to tenants. Fees related to services provided are generally recognized as services are rendered, which is when it becomes highly probable that no significant reversal of cumulative revenue recognized will occur. The Company has determined that its service contracts have no significant financing components as fees are collected monthly. The Company has no significant contract assets or contract liabilities.

The following tables present revenue from service contracts by service lines and reporting segments as disclosed in note 13.

For the three months ended March 31, 2021	Asia	Canada	U.S.	Global WAM	Corporate and Other	Total
Investment management and other related fees	**$ 56**	**$ 55**	**$ 122**	**$ 744**	**$ (56)**	**$ 921**
Transaction processing, administration, and service fees	**71**	**214**	**4**	**599**	**(4)**	**884**
Distribution fees and other	**74**	**4**	**17**	**193**	**(6)**	**282**
Total included in other revenue	**201**	**273**	**143**	**1,536**	**(66)**	**2,087**
Revenue from non-service lines	**316**	**78**	**157**	**(3)**	**2**	**550**
Total other revenue	**$ 517**	**$ 351**	**$ 300**	**$ 1,533**	**$ (64)**	**$ 2,637**
Real estate management services included in net investment income	**$ 10**	**$ 34**	**$ 29**	**$ -**	**$ 2**	**$ 75**

For the three months ended March 31, 2020	Asia	Canada	U.S.	Global WAM	Corporate and Other	Total
Investment management and other related fees	$ 57	$ 55	$ 127	$ 691	$ (44)	$ 886
Transaction processing, administration, and service fees	57	201	4	535	(1)	796
Distribution fees and other	52	-	17	185	(15)	239
Total included in other revenue	166	256	148	1,411	(60)	1,921
Revenue from non-service lines	626	(6)	572	7	(140)	1,059
Total other revenue	$ 792	$ 250	$ 720	$ 1,418	$ (200)	$ 2,980
Real estate management services included in net investment income	$ 9	$ 37	$ 34	$ -	$ 2	$ 82

Note 11 Employee Future Benefits

The Company maintains a number of pension plans, both defined benefit and defined contribution, and retiree welfare plans for eligible employees and agents. Information about the cost of the Company's material pension and retiree welfare plans in the U.S. and Canada is as follows.

	Pension plans		Retiree welfare plans[1]	
For the three months ended March 31,	**2021**	2020	**2021**	2020
Defined benefit current service cost	**$ 11**	$ 10	**$ -**	$ -
Defined benefit administrative expenses	**2**	2	**-**	-
Service cost	**13**	12	**-**	-
Interest on net defined benefit (asset) liability	**1**	2	**-**	-
Defined benefit cost	**14**	14	**-**	-
Defined contribution cost	**22**	24	**-**	-
Net benefit cost reported in earnings	**$ 36**	$ 38	**$ -**	$ -
Actuarial (gain) loss on economic assumption changes	**$ (231)**	$ -	**$ (30)**	$ -
Investment (gain) loss (excluding interest income)	**160**	-	**16**	-
Remeasurement (gain) loss recorded in AOCI	**$ (71)**	$ -	**$ (14)**	$ -

(1) There is no service cost for the retiree welfare plans as they are closed and mostly frozen. The remeasurement gain or loss on these plans is due to the volatility of discount rates and investment returns.

Note 12 Commitments and Contingencies

(a) Legal proceedings

The Company is regularly involved in legal actions, both as a defendant and as a plaintiff. The legal actions where the Company is a party ordinarily relate to its activities as a provider of insurance protection or wealth management products, reinsurance, or in its capacity as an investment adviser, employer, or taxpayer. Other life insurers and asset managers, operating in the jurisdictions in which the Company does business, have been subject to a wide variety of other types of actions, some of which resulted in substantial judgments or settlements against the defendants; it is possible that the Company may become involved in similar actions in the future. In addition, government and regulatory bodies in Canada, the United States, Asia and other jurisdictions where the Company conducts business regularly make inquiries and, from time to time, require the production of information or conduct examinations concerning the Company's compliance with, among other things, insurance laws, securities laws, and laws governing the activities of broker-dealers.

In June 2018, a class action was initiated against John Hancock Life Insurance Company (U.S.A.) (“JHUSA”) and John Hancock Life Insurance Company of New York (“JHNY”) in the U.S. District Court for the Southern District of New York on behalf of owners of approximately 1,500 Performance Universal Life (“UL”) policies issued between 2003 and 2009 whose policies were subject to a Cost of Insurance (“COI”) increase announced in 2018. In October 2018, a second and almost identical class action was initiated against JHUSA and JHNY in the U.S. District Court for the Southern District of New York. The two cases were determined to be related, and they were consolidated and assigned to the same judge. Discovery has commenced in these cases. No hearings on substantive matters have been scheduled. It is too early to assess the range of potential outcomes for these two related lawsuits. In addition to the consolidated class action, there are eight non-class lawsuits opposing the Performance UL COI increases that also have been filed. Each of the lawsuits, except one, is brought by plaintiffs owning multiple policies and by entities managing them for investment purposes. Three of the non-class lawsuits are pending in New York state court; two of the lawsuits are pending in the U.S. District Court for the Southern District of New York; and three lawsuits are pending in the U.S. District Court for the Central District of California. Whether individually or on a combined basis, it remains premature, given the procedural status of these cases, as well as the relatively early development of parties’ respective legal theories, to suggest a reliable estimate of potential outcomes.

(b) Guarantees

(i) Guarantees regarding Manulife Finance (Delaware), L.P. (“MFLP”)

MFC has guaranteed the payment of amounts on the $650 subordinated debentures due on December 15, 2041 issued by MFLP, a wholly-owned unconsolidated partnership.

(ii) Guarantees regarding The Manufacturers Life Insurance Company

MFC has provided a subordinated guarantee for the $1,000 subordinated debentures issued by MLI on November 20, 2015.

The following table sets forth certain condensed consolidated financial information for MFC and MFLP.

Condensed Consolidated Statements of Income Information

For the three months ended March 31, 2021	MFC (Guarantor)	MLI consolidated	Other subsidiaries of MFC on a combined basis	Consolidation adjustments	Total consolidated amounts	**MFLP**
Total revenue	**$ -**	**$ (1,591)**	**$ -**	**$ (6)**	**$ (1,597)**	**$ 10**
Net income (loss) attributed to shareholders	**783**	**866**	**-**	**(866)**	**783**	**2**

For the three months ended March 31, 2020	MFC (Guarantor)	MLI consolidated	Other subsidiaries of MFC on a combined basis	Consolidation adjustments	Total consolidated amounts	MFLP
Total revenue	$ (19)	$ 20,216	$ -	$ (20)	$ 20,177	$ 27
Net income (loss) attributed to shareholders	1,296	1,393	-	(1,393)	1,296	14

Condensed Consolidated Statements of Financial Position Information

As at March 31, 2021	MFC (Guarantor)	MLI consolidated	Other subsidiaries of MFC on a combined basis	Consolidation adjustments	Total consolidated amounts	MFLP
Invested assets	**$ 54**	**$ 397,904**	**$ (10)**	**$ -**	**$ 397,948**	**$ 3**
Total other assets	**63,963**	**90,540**	**2,079**	**(67,200)**	**89,382**	**1,074**
Segregated funds net assets	**-**	**371,682**	**-**	**-**	**371,682**	**-**
Insurance contract liabilities	**-**	**366,371**	**-**	**-**	**366,371**	**-**
Investment contract liabilities	**-**	**3,216**	**-**	**-**	**3,216**	**-**
Segregated funds net liabilities	**-**	**371,682**	**-**	**-**	**371,682**	**-**
Total other liabilities	**12,779**	**54,471**	**55**	**(1,554)**	**65,751**	**840**

As at December 31, 2020	MFC (Guarantor)	MLI consolidated	Other subsidiaries of MFC on a combined basis	Consolidation adjustments	Total consolidated amounts	MFLP
Invested assets	$ 47	$ 410,919	$ 11	$ -	$ 410,977	$ 5
Total other assets	64,419	102,439	3	(64,925)	101,936	1,166
Segregated funds net assets	-	367,436	-	-	367,436	-
Insurance contract liabilities	-	385,554	-	-	385,554	-
Investment contract liabilities	-	3,288	-	-	3,288	-
Segregated funds net liabilities	-	367,436	-	-	367,436	-
Total other liabilities	12,131	59,683	-	(749)	71,065	936

(iii) Guarantees regarding John Hancock Life Insurance Company (U.S.A.) (“JHUSA”)
Details of guarantees regarding certain securities issued or to be issued by JHUSA are outlined in note 15.

Note 13 Segment and Geographic Reporting

The Company’s reporting segments are Asia, Canada, U.S., Global WAM and Corporate and Other. Each reporting segment is responsible for managing its operating results, developing products, defining strategies for services and distribution based on the profile and needs of its business and market. The Company’s significant product and service offerings by the reporting segments are mentioned below.

Wealth and asset management businesses (Global WAM) – include mutual funds and exchange traded funds, group retirement and savings products, and institutional asset management services across all major asset classes. These products and services are distributed through multiple distribution channels, including agents and brokers affiliated with the Company, independent securities brokerage firms and financial advisors pension plan consultants and banks.

Insurance and annuity products (Asia, Canada and U.S.) – includes a variety of individual life insurance, individual and group long-term care insurance and guaranteed and partially guaranteed annuity products. Products are distributed through multiple distribution channels, including insurance agents, brokers, banks, financial planners and direct marketing. Manulife Bank of Canada offers a variety of deposit and credit products to Canadian customers.

Corporate and Other Segment – comprised of investment performance on assets backing capital, net of amounts allocated to operating segments; costs incurred by the corporate office related to shareholder activities (not allocated to the operating segments); financing costs; Property and Casualty Reinsurance Business; and run-off reinsurance operations including variable annuities and accident and health.

(a) By Segment

For the three months ended March 31, 2021	Asia	Canada	U.S.	Global WAM	Corporate and Other	Total
Revenue						
Life and health insurance	**$ 5,413**	**$ 2,114**	**$ 1,427**	**$ -**	**$ 32**	**$ 8,986**
Annuities and pensions	**506**	**110**	**6**	**-**	**-**	**622**
Net premium income	**5,919**	**2,224**	**1,433**	**-**	**32**	**9,608**
Net investment income	**(596)**	**(5,152)**	**(7,724)**	**(6)**	**(364)**	**(13,842)**
Other revenue	**517**	**351**	**299**	**1,533**	**(63)**	**2,637**
Total revenue	**5,840**	**(2,577)**	**(5,992)**	**1,527**	**(395)**	**(1,597)**
Contract benefits and expenses						
Life and health insurance	**2,826**	**1,686**	**(5,487)**	**-**	**2**	**(973)**
Annuities and pensions	**424**	**(5,201)**	**(1,272)**	**12**	**-**	**(6,037)**
Net benefits and claims	**3,250**	**(3,515)**	**(6,759)**	**12**	**2**	**(7,010)**
Interest expense	**61**	**62**	**10**	**-**	**117**	**250**
Other expenses	**1,411**	**821**	**673**	**1,149**	**237**	**4,291**
Total contract benefits and expenses	**4,722**	**(2,632)**	**(6,076)**	**1,161**	**356**	**(2,469)**
Income (loss) before income taxes	**1,118**	**55**	**84**	**366**	**(751)**	**872**
Income tax recovery (expense)	**(178)**	**17**	**19**	**(53)**	**188**	**(7)**
Net income (loss)	**940**	**72**	**103**	**313**	**(563)**	**865**
Less net income (loss) attributed to:						
Non-controlling interests	**90**	**-**	**-**	**1**	**-**	**91**
Participating policyholders	**(107)**	**91**	**7**	**-**	**-**	**(9)**
Net income (loss) attributed to shareholders	**$ 957**	**$ (19)**	**$ 96**	**$ 312**	**$ (563)**	**$ 783**
Total assets	**$ 144,419**	**$ 160,687**	**$ 275,683**	**$240,800**	**$ 37,423**	**$ 859,012**

For the three months ended March 31, 2020	Asia	Canada	U.S.	Global WAM	Corporate and Other	Total
Revenue						
Life and health insurance	$ 4,675	$ 2,174	$ 1,574	$ -	$ 31	$ 8,454
Annuities and pensions	714	102	85	-	-	901
Net premium income	5,389	2,276	1,659	-	31	9,355
Net investment income	(1,704)	859	8,284	8	395	7,842
Other revenue	792	250	720	1,418	(200)	2,980
Total revenue	4,477	3,385	10,663	1,426	226	20,177
Contract benefits and expenses						
Life and health insurance	2,773	1,614	2,900	-	60	7,347
Annuities and pensions	593	1,488	4,613	48	-	6,742
Net benefits and claims	3,366	3,102	7,513	48	60	14,089
Interest expense	65	170	13	1	120	369
Other expenses	1,248	810	770	1,089	98	4,015
Total contract benefits and expenses	4,679	4,082	8,296	1,138	278	18,473
Income (loss) before income taxes	(202)	(697)	2,367	288	(52)	1,704
Income tax recovery (expense)	73	(134)	(515)	(38)	17	(597)
Net income (loss)	(129)	(831)	1,852	250	(35)	1,107
Less net income (loss) attributed to:						
Non-controlling interests	(43)	-	-	-	-	(43)
Participating policyholders	(181)	35	-	-	-	(146)
Net income (loss) attributed to shareholders	$ 95	$ (866)	$ 1,852	$ 250	$ (35)	$ 1,296
Total assets	$135,884	$154,544	$294,780	$198,284	$ 47,938	$831,430

(b) By Geographic Location

For the three months ended **March 31, 2021**	Asia	Canada	U.S.	Other	Total
Revenue					
Life and health insurance	**$ 5,437**	**$ 2,027**	**$ 1,427**	**$ 95**	**$ 8,986**
Annuities and pensions	**506**	**110**	**6**	**-**	**622**
Net premium income	**5,943**	**2,137**	**1,433**	**95**	**9,608**
Net investment income	**(571)**	**(5,556)**	**(7,742)**	**27**	**(13,842)**
Other revenue	**787**	**841**	**1,009**	**-**	**2,637**
Total revenue	**$ 6,159**	**$ (2,578)**	**$ (5,300)**	**$ 122**	**$ (1,597)**

For the three months ended March 31, 2020	Asia	Canada	U.S.	Other	Total
Revenue					
Life and health insurance	$ 4,696	$ 2,093	$ 1,574	$ 91	$ 8,454
Annuities and pensions	714	102	85	-	901
Net premium income	5,410	2,195	1,659	91	9,355
Net investment income	(1,576)	1,118	8,286	14	7,842
Other revenue	1,037	609	1,334	-	2,980
Total revenue	$ 4,871	$ 3,922	$ 11,279	$ 105	$ 20,177

Note 14 Segregated Funds

The Company manages a number of segregated funds on behalf of policyholders. Policyholders are provided with the opportunity to invest in different categories of segregated funds that respectively hold a range of underlying investments. The underlying investments of the segregated funds consist of both individual securities and mutual funds. The carrying value and change in segregated funds net assets are as follows.

Segregated funds net assets

As at	**March 31, 2021**	December 31, 2020
Investments at market value		
Cash and short-term securities	**$ 4,001**	$ 4,054
Debt securities	**17,143**	17,913
Equities	**14,552**	14,227
Mutual funds	**333,031**	326,889
Other investments	**4,570**	4,599
Accrued investment income	**297**	1,670
Other assets and liabilities, net	**(1,530)**	(1,543)
Total segregated funds net assets	**$ 372,064**	$ 367,809
Composition of segregated funds net assets		
Held by policyholders	**$ 371,682**	$ 367,436
Held by the Company	**382**	373
Total segregated funds net assets	**$ 372,064**	$ 367,809

Changes in segregated funds net assets

For the three months ended March 31,	2021	2020
Net policyholder cash flow		
Deposits from policyholders	**$ 12,395**	$ 11,215
Net transfers to general fund	**(210)**	(536)
Payments to policyholders	**(13,040)**	(13,033)
	(855)	(2,354)
Investment related		
Interest and dividends	**1,718**	1,287
Net realized and unrealized investment gains (losses)	**7,598**	(47,566)
	9,316	(46,279)
Other		
Management and administration fees	**(1,091)**	(1,051)
Impact of changes in foreign exchange rates	**(3,115)**	18,780
	(4,206)	17,729
Net additions (deductions)	**4,255**	(30,904)
Segregated funds net assets, beginning of period	**367,809**	343,477
Segregated funds net assets, end of period	**$ 372,064**	$ 312,573

Segregated funds assets may be exposed to a variety of financial and other risks. These risks are primarily mitigated by investment guidelines that are actively monitored by professional and experienced portfolio advisors. The Company is not exposed to these risks beyond the liabilities related to the guarantees associated with certain variable life and annuity products. Accordingly, the Company's exposure to loss from segregated fund products is limited to the value of these guarantees.

These guarantees are recorded within the Company's insurance contract liabilities. Assets supporting these guarantees are recognized in invested assets according to their investment type. The "Risk Management and Risk Factors Update" section of the Company's First Quarter 2021 Management Discussion and Analysis provides information regarding the risks associated with variable annuity and segregated fund guarantees.

Note 15 Information Provided in Connection with Investments in Deferred Annuity Contracts and SignatureNotes Issued or Assumed by John Hancock Life Insurance Company (U.S.A.)

The following condensed consolidating financial information, presented in accordance with IFRS, and the related disclosure have been included in these Interim Consolidated Financial Statements with respect to JHUSA in compliance with Regulation S-X and Rule 12h-5 of the United States Securities and Exchange Commission (the "Commission"). These financial statements are (i) incorporated by reference in the registration statements of MFC and JHUSA that relate to MFC's guarantee of certain securities to be issued by JHUSA and (ii) are provided in reliance on an exemption from continuous disclosure obligations of JHUSA. For information about JHUSA, the MFC guarantees and restrictions on the ability of MFC to obtain funds from its subsidiaries by dividend or loan, refer to note 23 to the Company's 2020 Annual Consolidated Financial Statements.

Condensed Consolidated Statement of Financial Position

As at March 31, 2021	MFC (Guarantor)	JHUSA (Issuer)	Other subsidiaries	Consolidation adjustments	Consolidated MFC
Assets					
Invested assets	**$ 54**	**$ 108,673**	**$ 289,545**	**$ (324)**	**$ 397,948**
Investments in unconsolidated subsidiaries	**63,684**	**8,067**	**17,723**	**(89,474)**	**-**
Reinsurance assets	**-**	**63,008**	**10,993**	**(28,879)**	**45,122**
Other assets	**279**	**17,862**	**47,260**	**(21,141)**	**44,260**
Segregated funds net assets	**-**	**193,784**	**180,150**	**(2,252)**	**371,682**
Total assets	**$ 64,017**	**$ 391,394**	**$ 545,671**	**$ (142,070)**	**$ 859,012**
Liabilities and equity					
Insurance contract liabilities	**$ -**	**$ 158,222**	**$ 237,731**	**$ (29,582)**	**$ 366,371**
Investment contract liabilities	**-**	**1,208**	**2,009**	**(1)**	**3,216**
Other liabilities	**1,480**	**21,881**	**49,776**	**(20,907)**	**52,230**
Long-term debt	**6,089**	**-**	**-**	**-**	**6,089**
Capital instruments	**5,210**	**576**	**1,646**	**-**	**7,432**
Segregated funds net liabilities	**-**	**193,784**	**180,150**	**(2,252)**	**371,682**
Shareholders' equity	**51,238**	**15,723**	**73,605**	**(89,328)**	**51,238**
Participating policyholders' equity	**-**	**-**	**(794)**	**-**	**(794)**
Non-controlling interests	**-**	**-**	**1,548**	**-**	**1,548**
Total liabilities and equity	**$ 64,017**	**$ 391,394**	**$ 545,671**	**$ (142,070)**	**$ 859,012**

Condensed Consolidated Statement of Financial Position

As at December 31, 2020	MFC (Guarantor)	JHUSA (Issuer)	Other subsidiaries	Consolidation adjustments	Consolidated MFC
Assets					
Invested assets	$ 47	$ 112,735	$ 298,524	$ (329)	$ 410,977
Investments in unconsolidated subsidiaries	64,209	8,078	17,194	(89,481)	-
Reinsurance assets	-	65,731	11,172	(31,067)	45,836
Other assets	210	25,489	52,648	(22,247)	56,100
Segregated funds net assets	-	191,955	178,224	(2,743)	367,436
Total assets	$ 64,466	$ 403,988	$ 557,762	$ (145,867)	$ 880,349
Liabilities and equity					
Insurance contract liabilities	$ -	$ 167,453	$ 249,909	$ (31,808)	$ 385,554
Investment contract liabilities	-	1,208	2,081	(1)	3,288
Other liabilities	718	25,594	52,761	(22,001)	57,072
Long-term debt	6,164	-	-	-	6,164
Capital instruments	5,249	584	1,996	-	7,829
Segregated funds net liabilities	-	191,955	178,224	(2,743)	367,436
Shareholders' equity	52,335	17,194	72,120	(89,314)	52,335
Participating policyholders' equity	-	-	(784)	-	(784)
Non-controlling interests	-	-	1,455	-	1,455
Total liabilities and equity	$ 64,466	$ 403,988	$ 557,762	$ (145,867)	$ 880,349

Condensed Consolidated Statement of Income

For the three months ended March 31, 2021	MFC (Guarantor)	JHUSA (Issuer)	Other subsidiaries	Consolidation adjustments	Consolidated MFC
Revenue					
Net premium income	$ -	$ 1,078	$ 8,526	$ 4	$ 9,608
Net investment income (loss)	(29)	(6,733)	(7,069)	(11)	(13,842)
Net other revenue	29	290	316	2,002	2,637
Total revenue	-	(5,365)	1,773	1,995	(1,597)
Contract benefits and expenses					
Net benefits and claims	-	(5,562)	(3,827)	2,379	(7,010)
Commissions, investment and general expenses	6	896	3,633	(346)	4,189
Other expenses	107	44	239	(38)	352
Total contract benefits and expenses	113	(4,622)	45	1,995	(2,469)
Income (loss) before income taxes	(113)	(743)	1,728	-	872
Income tax (expense) recovery	30	184	(221)	-	(7)
Income (loss) after income taxes	(83)	(559)	1,507	-	865
Equity in net income (loss) of unconsolidated subsidiaries	866	380	(179)	(1,067)	-
Net income (loss)	$ 783	$ (179)	$ 1,328	$ (1,067)	$ 865
Net income (loss) attributed to:					
Non-controlling interests	$ -	$ -	$ 91	$ -	$ 91
Participating policyholders	-	-	(9)	-	(9)
Shareholders	783	(179)	1,246	(1,067)	783
	$ 783	$ (179)	$ 1,328	$ (1,067)	$ 865

Condensed Consolidated Statement of Income

For the three months ended March 31, 2020	MFC (Guarantor)	JHUSA (Issuer)	Other subsidiaries	Consolidation adjustments	Consolidated MFC
Revenue					
Net premium income	$ -	$ 1,202	$ 8,153	$ -	$ 9,355
Net investment income (loss)	(13)	8,226	(363)	(8)	7,842
Net other revenue	(6)	479	6,812	(4,305)	2,980
Total revenue	(19)	9,907	14,602	(4,313)	20,177
Contract benefits and expenses					
Net benefits and claims	-	6,879	11,129	(3,919)	14,089
Commissions, investment and general expenses	7	884	3,380	(361)	3,910
Other expenses	104	61	342	(33)	474
Total contract benefits and expenses	111	7,824	14,851	(4,313)	18,473
Income (loss) before income taxes	(130)	2,083	(249)	-	1,704
Income tax (expense) recovery	35	(384)	(248)	-	(597)
Income (loss) after income taxes	(95)	1,699	(497)	-	1,107
Equity in net income (loss) of unconsolidated subsidiaries	1,391	(66)	1,633	(2,958)	-
Net income (loss)	$ 1,296	$ 1,633	$ 1,136	$ (2,958)	$ 1,107
Net income (loss) attributed to:					
Non-controlling interests	$ -	$ -	$ (43)	$ -	$ (43)
Participating policyholders	-	-	(146)	-	(146)
Shareholders	1,296	1,633	1,325	(2,958)	1,296
	$ 1,296	$ 1,633	$ 1,136	$ (2,958)	$ 1,107

Consolidated Statement of Cash Flows

For the three months ended March 31, 2021	MFC (Guarantor)	JHUSA (Issuer)	Other subsidiaries	Consolidation adjustments	Consolidated MFC
Operating activities					
Net income (loss)	$ 783	$ (179)	$ 1,328	$ (1,067)	$ 865
Adjustments:					
Equity in net income of unconsolidated subsidiaries	(866)	(380)	179	1,067	-
Increase (decrease) in insurance contract liabilities	-	(7,494)	(5,531)	-	(13,025)
Increase (decrease) in investment contract liabilities	-	12	(10)	-	2
(Increase) decrease in reinsurance assets excluding coinsurance transactions	-	1,865	(1,707)	-	158
Amortization of (premium) discount on invested assets	-	4	30	-	34
Other amortization	2	31	99	-	132
Net realized and unrealized (gains) losses and impairment on assets	28	7,897	10,388	-	18,313
Deferred income tax expense (recovery)	(30)	(123)	(353)	-	(506)
Stock option expense	-	(1)	5	-	4
Cash provided by (used in) operating activities before undernoted items	(83)	1,632	4,428	-	5,977
Dividends from unconsolidated subsidiary	-	93	-	(93)	-
Changes in policy related and operating receivables and payables	(5)	(2,518)	437	-	(2,086)
Cash provided by (used in) operating activities	(88)	(793)	4,865	(93)	3,891
Investing activities					
Purchases and mortgage advances	-	(9,038)	(24,193)	-	(33,231)
Disposals and repayments	-	7,616	16,482	-	24,098
Changes in investment broker net receivables and payables	-	(108)	346	-	238
Investment in common shares of subsidiaries	(4,000)	-	-	4,000	-
Net cash flows from acquisition and disposal of subsidiaries and businesses	-	-	(4)	-	(4)
Notes receivable from parent	-	-	(764)	764	-
Notes receivable from subsidiaries	(101)	-	-	101	-
Cash provided by (used in) investing activities	(4,101)	(1,530)	(8,133)	4,865	(8,899)
Financing activities					
Change in repurchase agreements and securities sold but not yet purchased	-	1,099	51	-	1,150
Redemption of capital instruments	-	-	(350)	-	(350)
Secured borrowings	-	-	73	-	73
Changes in deposits from Bank clients, net	-	-	(846)	-	(846)
Lease payments	-	(2)	(30)	-	(32)
Shareholders' dividends paid in cash	(587)	-	-	-	(587)
Dividends paid to parent	-	-	(93)	93	-
Contributions from (distributions to) non-controlling interests, net	-	-	5	-	5
Common shares issued, net	38	-	4,000	(4,000)	38
Other equity issued, net	1,982	-	-	-	1,982
Preferred share issued	2,000	-	(2,000)	-	-
Notes payable to parent	-	-	101	(101)	-
Notes payable to subsidiaries	764	-	-	(764)	-
Cash provided by (used in) financing activities	4,197	1,097	911	(4,772)	1,433
Cash and short-term securities					
Increase (decrease) during the period	8	(1,226)	(2,357)	-	(3,575)
Effect of foreign exchange rate changes on cash and short-term securities	(1)	(58)	(269)	-	(328)
Balance, beginning of period	47	4,907	20,629	-	25,583
Balance, end of period	54	3,623	18,003	-	21,680
Cash and short-term securities					
Beginning of period					
Gross cash and short-term securities	47	5,213	20,907	-	26,167
Net payments in transit, included in other liabilities	-	(306)	(278)	-	(584)
Net cash and short-term securities, beginning of period	47	4,907	20,629	-	25,583
End of period					
Gross cash and short-term securities	54	4,072	18,317	-	22,443
Net payments in transit, included in other liabilities	-	(449)	(314)	-	(763)
Net cash and short-term securities, end of period	$ 54	$ 3,623	$ 18,003	$ -	$ 21,680
Supplemental disclosures on cash flow information:					
Interest received	$ 9	$ 1,047	$ 1,738	$ (45)	$ 2,749
Interest paid	120	5	109	(45)	189
Income taxes paid (refund)	-	(84)	136	-	52

Consolidated Statement of Cash Flows

For the three months ended March 31, 2020	MFC (Guarantor)	JHUSA (Issuer)	Other subsidiaries	Consolidation adjustments	Consolidated MFC
Operating activities					
Net income (loss)	$ 1,296	$ 1,633	$ 1,136	$ (2,958)	$ 1,107
Adjustments:					
Equity in net income of unconsolidated subsidiaries	(1,391)	66	(1,633)	2,958	-
Increase (decrease) in insurance contract liabilities	-	(1,107)	9,207	-	8,100
Increase (decrease) in investment contract liabilities	-	12	34	-	46
(Increase) decrease in reinsurance assets excluding coinsurance transactions	-	1,960	(1,843)	-	117
Amortization of (premium) discount on invested assets	-	11	17	-	28
Other amortization	1	39	134	-	174
Net realized and unrealized (gains) losses and impairment on assets	(6)	(7,189)	2,891	-	(4,304)
Deferred income tax expense (recovery)	(36)	144	343	-	451
Stock option expense	-	(1)	4	-	3
Cash provided by (used in) operating activities before undernoted items	(136)	(4,432)	10,290	-	5,722
Dividends from unconsolidated subsidiary	-	90	168	(258)	-
Changes in policy related and operating receivables and payables	(31)	8,122	(9,044)	-	(953)
Cash provided by (used in) operating activities	(167)	3,780	1,414	(258)	4,769
Investing activities					
Purchases and mortgage advances	-	(8,748)	(18,236)	-	(26,984)
Disposals and repayments	-	8,348	20,277	-	28,625
Changes in investment broker net receivables and payables	-	(351)	662	-	311
Notes receivable from parent	-	-	(1,076)	1,076	-
Notes receivable from subsidiaries	(100)	-	-	100	-
Cash provided by (used in) investing activities	(100)	(751)	1,627	1,176	1,952
Financing activities					
Change in repurchase agreements and securities sold but not yet purchased	-	-	(163)	-	(163)
Redemption of capital instruments	-	-	(500)	-	(500)
Secured borrowings	-	709	131	-	840
Changes in deposits from Bank clients, net	-	-	(288)	-	(288)
Lease payments	-	(2)	(32)	-	(34)
Shareholders' dividends paid in cash	(583)	-	-	-	(583)
Dividends paid to parent	-	(168)	(90)	258	-
Contributions from (distributions to) non-controlling interests, net	-	-	4	-	4
Common shares repurchased	(253)	-	-	-	(253)
Common shares issued, net	19	-	-	-	19
Notes payable to parent	-	-	100	(100)	-
Notes payable to subsidiaries	1,076	-	-	(1,076)	-
Cash provided by (used in) financing activities	259	539	(838)	(918)	(958)
Cash and short-term securities					
Increase (decrease) during the period	(8)	3,568	2,203	-	5,763
Effect of foreign exchange rate changes on cash and short-term securities	3	281	808	-	1,092
Balance, beginning of period	22	2,564	16,962	-	19,548
Balance, end of period	17	6,413	19,973	-	26,403
Cash and short-term securities					
Beginning of period					
Gross cash and short-term securities	22	3,058	17,220	-	20,300
Net payments in transit, included in other liabilities	-	(494)	(258)	-	(752)
Net cash and short-term securities, beginning of period	22	2,564	16,962	-	19,548
End of period					
Gross cash and short-term securities	17	6,856	20,214	-	27,087
Net payments in transit, included in other liabilities	-	(443)	(241)	-	(684)
Net cash and short-term securities, end of period	$ 17	$ 6,413	$ 19,973	$ -	$ 26,403
Supplemental disclosures on cash flow information:					
Interest received	$ 25	$ 1,010	$ 1,741	$ (91)	$ 2,685
Interest paid	142	11	232	(91)	294
Income taxes paid (refund)	-	1	215	-	216

SHAREHOLDER INFORMATION

MANULIFE FINANCIAL CORPORATION
HEAD OFFICE
200 Bloor Street East
Toronto, ON Canada M4W 1E5
Telephone: 416 926-3000
Online: www.manulife.com

INVESTOR RELATIONS
Financial analysts, portfolio managers and other investors requiring financial information may contact our Investor Relations Department or access our website at www.manulife.com
Email: InvestRel@manulife.com

SHAREHOLDER SERVICES
For information or assistance regarding your share account, including dividends, changes of address or ownership, lost certificates, to eliminate duplicate mailings or to receive shareholder material electronically, please contact our Transfer Agents in Canada, the United States, Hong Kong or the Philippines. If you live outside one of these countries, please contact our Canadian Transfer Agent.

TRANSFER AGENTS
Canada
AST Trust Company (Canada)
P.O. Box 700, Station B
Montreal, QC Canada H3B 3K3
Toll Free: 1 800 783-9495
Collect: 416 682-3864
Email:
manulifeinquiries@astfinancial.com
Online: www.astfinancial.com/ca-en
AST Trust Company (Canada) offices are also located in Toronto, Vancouver and Calgary.

United States
American Stock Transfer & Trust Company, LLC
P.O. Box 199036
Brooklyn, NY 11219
United States
Toll Free: 1 800 249-7702
Collect: 416 682-3864
Email:
manulifeinquiries@astfinancial.com
Online: www.astfinancial.com

Hong Kong
Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East,
Wan Chai, Hong Kong
Telephone: 852 2980-1333
Email:
is-enquiries@hk.tricorglobal.com
Online: www.tricoris.com

Philippines
Rizal Commercial Banking Corporation
Ground Floor, West Wing
GPL (Grepalife) Building
221 Senator Gil Puyat Avenue
Makati City, Metro Manila, Philippines
Telephone: 632 5318-8567
Email: rcbcstocktransfer@rcbc.com
Online: www.rcbc.com/stocktransfer

AUDITORS
Ernst & Young LLP
Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada

The following Manulife documents are available online at www.manulife.com

- Annual Report and Proxy Circular
- Notice of Annual Meeting
- Shareholders Reports
- Public Accountability Statement
- Corporate Governance material

Rating

Financial strength is a key factor in generating new business, maintaining and expanding distribution relations and providing a base for expansion, acquisitions and growth. As at March 31, 2021, Manulife had total capital of C$59.5 billion, including C$51.2 billion of total shareholders' equity. The Manufacturers Life Insurance Company's financial strength ratings are among the strongest in the insurance industry.

Rating Agency	MLI Rating	Rank
S&P Global Ratings	AA-	(4th of 21 ratings)
Moody's Investors Service Inc.	A1	(5th of 21 ratings)
Fitch Ratings Inc.	AA-	(4th of 21 ratings)
DBRS Morningstar	AA	(3rd of 22 ratings)
AM Best Company	A+ (Superior)	(2nd of 13 ratings)

Common Stock Trading Data

The following values are the high, low and close prices, including the average daily trading volume for Manulife Financial Corporation's common stock on the Canadian exchanges, the U.S. exchanges, The Stock Exchange of Hong Kong and the Philippine Stock Exchange for the first quarter. The common stock symbol is **MFC** on all exchanges except Hong Kong where it is **945**.

As at March 31, 2021, there were 1,942 million common shares outstanding.

January 1 – March 31, 2021	**Canada** Canadian $	**U.S.** United States $	**Hong Kong** Hong Kong $	**Philippines** Philippine Pesos
High	$27.68	$22.25	$169.00	P 975
Low	$17.98	$17.46	$135.00	P 775
Close	$27.03	$21.50	$166.30	P 970
Average Daily Volume (000)	12,634	3,444	52	0.03

Consent to receive documents electronically

Electronic documents available from Manulife

Manulife is pleased to offer Electronic Documents. Access the information when you want, no more waiting for the mail.

The Manulife documents available electronically are:

- Annual Report and Proxy Circular
- Notice of Annual Meeting
- Shareholder Reports
- Public Accountability Statement
- Corporate Governance material

These documents will be available to you on our website 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 website at least until the next version is available.

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

This information is also available for viewing or download under quarterly reports from the Investor Relations section of our website at www.manulife.com

....Detach Here...

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

I have read and understand the statement on the reverse and consent to receive electronically the Manulife documents listed in the manner described. I acknowledge that I have the computer requirements to access the documents that are made available on Manulife's website. 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 email 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 Email Address

____

Shareholder Signature

____

Date