I have a lot of material to review with you this morning and so, I’ll be moving at a good clip. As you may know, we intend to make this identical presentation tomorrow to analysts that may have missed the opportunity to be with us today. If the volume of information this morning overwhelms you, you are all more than welcome to join us tomorrow.
Manulife is diversified but focused. The businesses that we are in now are the ones we want to be in. Over the past eight years, we have divested of some 20 businesses and invested in many others. Geographically, the United States is the largest source of income at 32%, followed by Canada with 29%, and with Asia representing 26% and growing the fastest.

We enjoy leading market positions almost everywhere we do business. Latin America and Europe hold no particular interest for us at this time. We believe the opportunities are better for us in our existing geographies.
Our Canadian Division continues to perform well. Its net income grew 22% in 2001 from 2000. We enjoy a top three market position in all of our core businesses and we are increasing or maintaining our market shares. Our recent acquisitions have all been accretive in year one. These include Commercial Union’s Canadian life insurance operations, completed in April 1, 2001, Zurich Canada’s group life and health business, also completed in April 2001, and, in March of this year, Zurich Canada’s life insurance operations. Manulife has made significant penetration of non-traditional distribution channels in Canada. Over 50% of our sales to date in 2002 were from non-traditional sources. Investors Group is now our number two distributor in the National Accounts channel. This is the wholesaling channel that services the stockbrokers. In addition, with the Sun Life – Clarica deal earlier this year, a number of high end Sun Life producers chose to sign contracts with Manulife. I am also pleased that our Canadian operations will have effectively eliminated their expense gap by end of this year.
A few years ago, this gap was greater than $100 million. We are confident that, notwithstanding the restructuring that is occurring in the Canadian marketplace, Manulife will continue to do well.

We have three high growth businesses in the United States. Our high-end individual life insurance business is focused on estate planning and the variable market. It is interesting that about 80% of our sales are non-survivorship. This is important given concerns about the future of estate tax. Our Individual Wealth Management business has historically focused on variable annuities. To exploit the value of our wholesaling force, we have recently launched a college savings business and will shortly be entering the managed accounts business. We are also expanding distribution sources. You may have seen our recent announcement that Manulife will be manufacturing variable annuities for the Scudder distribution
system. We believe these strategies are better than entering the fixed annuity business, which we believe is not financially attractive. I would also remind you that Manulife reinsures the bulk of its GMDB and GMIB risk. Group Pensions is our third U.S. business and it has developed quite a niche in the small case 401(k) market. We expect to hit one million participants before the end of the year, which is almost a doubling since 1999 when we had 528,000 participants. Our U.S. Division has done an excellent job of controlling its expenses, expanding distribution and introducing new products. All three business units are gaining market share. Profitability is well above corporate targets.

![Graph showing growth in Asia]

Asia, which comprises our businesses in Hong Kong, Taiwan, China, Singapore, Indonesia, Vietnam and the Philippines, is our fastest growing operation. Particularly encouraging is the rapid growth in our agency distribution force,
which has grown to almost 17,000 at end of July from just over four thousand at end of 1997. Our agency force in Hong Kong increased 26% last year at a time when the overall industry agency force declined. In Hong Kong, our life insurance business ranks second, with a 13% market share. We also rank second, behind Hong Kong and Shanghai Banking Corporation, in the new Mandatory Provident Fund business. This business offers Manulife significant cross-selling opportunities. Growth is profitable growth in all other territories. In China, we launched operations in November 1995 and broke even in 2001. We will be opening our new branch in Guangzhou in the fourth quarter. We started operations in Vietnam in October 1999 and also broke even there last year. We appear to have resolved our difficulties in Indonesia and are pleased with the recent purchases we have made in the region – in Singapore, we purchased our joint venture’s interest and now own that operation 100%, in Indonesia, we also bought out our partner, and in Taiwan, we acquired CIGNA’s operations. Overall, the Asia Division performs very well and we expect it to continue to deliver premium returns.
As we have reported on several occasions before, the Japanese market is proving to be more difficult than we had originally expected. The unfavorable economic conditions and the very low interest rate environment are not conducive to rapid business growth. We continue to relaunch the business and are very pleased with the progress we have made in a number of areas. We have successfully launched a whole array of new products – ManuFlex, which we imported from Canada and ManuSolution, which was copied from our variable annuity program in the United States. We have reconfigured the sales network and introduced new compensation schemes. We have also taken out a lot of costs and are working on redoing all of the systems that manage the in force block acquired from Daihyaku. With the recent signing of agreements with several banks and credit unions, we have been successful in expanding our distribution channels.
We believe in the Japanese market and are committed to making our company there a huge success. Demographics and an under serviced consumer provide long-term growth opportunities.

Results have been choppy in our Reinsurance Division because of our decision to exit many A&H relationships and the impact of 9/11. Manulife is the largest life retrocessionaire in North America, with a 38% market share. Our exposure to September 11 has been more than adequately provided for. As you know, we set up a $150 million reserve in the third quarter of 2001 and since then, no new risks have been identified. I want to make a few comments on GMDB reinsurance. We have been a participant in the reinsurance of GMDBs. We have a small closed block of business and have written no new contracts in four years. Most of our exposure is with two counterparties. Under Canadian standards, we maintain
capital and reserves on this business. These requirements are not material to Manulife and we are comfortable with the current level of capital and reserves. We have compared our reserve ratio for GMDB exposure to that recently released by CIGNA and I can tell you that Manulife is materially more reserved than CIGNA.

The next few slides depict Manulife’s performance over the past nine years or so. Shareholders’ net income grew from $187 million in 1993 to $1,159 million in 2001, a compound annual growth rate of 26%. Over that same period, earnings per share grew from $0.37 to $2.40. Our growth in earnings per share has equaled growth in net income, as we have not diluted our earnings with share issuances. Our return on equity has increased from 7% in 1993 over 16% in the first half of this year.
Premiums and deposits have grown from $5.6 billion in 1993 to $25.8 billion in 2001, a compound annual growth rate of 21%. Weak equity markets, particularly over the last few years, have noticeably dampened growth in segregated funds. Nevertheless, our funds under management grew to $142.2 billion at the end of 2001 from $47.5 billion in 1993, representing a 15% compound annual growth rate.
Manulife has a well-diversified capital base and, as this slide shows, enjoys a capital ratio that is well above regulatory requirements. We are not uncomfortable with maintaining a strong capital position and feel no inclination to relax our disciplined approach to acquisitions. Our current mix of businesses, as we saw earlier, generates returns of close to 16% on our total equity. And so, we feel that any excess capital is being well serviced. Our strong capital position helps support the very strong ratings that are accorded us and gives us a high degree of flexibility. For example, with the softness in our stock price, we were able to repurchase more than 12 million shares to the end of August.
I now want to address a number of issues that have arisen since the release of our second quarter results. These have been grouped under the headings of credit quality, reserves and intangibles. But, basically, the issues all resolve around the quality of our reported earnings.

Because of the seriousness of the matter, we have gone to some lengths to explain our practices. As well, we are providing today a great deal of additional financial disclosure, which we hope will give you a better understanding of our business.

I will conclude with a few comments on our outlook for the full year.
Manulife’s bond portfolio is 96% investment grade. Below investment grade bonds, at 4% of the portfolio, are a little higher than our Canadian peers but well below levels held by U.S. companies.
This next slide provides a breakdown of our bond portfolio as of August 31. There has been no material change in the composition or quality of the portfolio since the end of June, except for the telecom sector where, as I will discuss in more detail in a minute, the market value / book value shortfall has declined.
**Telecom Exposures**

*Quality – August 31, 2002*

<table>
<thead>
<tr>
<th></th>
<th>$*</th>
<th>%</th>
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<tbody>
<tr>
<td>AAA</td>
<td>$0</td>
<td>0%</td>
</tr>
<tr>
<td>AA</td>
<td>551</td>
<td>16</td>
</tr>
<tr>
<td>A</td>
<td>1,347</td>
<td>39</td>
</tr>
<tr>
<td>BBB</td>
<td>1,025</td>
<td>29</td>
</tr>
<tr>
<td><strong>Investment Grade</strong></td>
<td>2,923</td>
<td>84</td>
</tr>
<tr>
<td><strong>Below Investment Grade</strong></td>
<td>555</td>
<td>16</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$3,478</td>
<td>100%</td>
</tr>
</tbody>
</table>

* CS millions book value

In July this year, we told you that our Telecom bond portfolio was 84% investment grade as of the end of June. As of the end of August, there has been no change. The portfolio remains at 84% investment grade. This table also provides you with additional breakdown of the investment grade holdings.
In our Q2 conference call, we explained that we had taken write downs of $220 million for our Telecom exposure, almost all of which was due to WorldCom. We went on to explain that this write down was charged to our actuarial reserves and, therefore, had no effect on net income. I will come back to this in a moment.

In our second quarter conference call, we also indicated that we had a market value to book value shortfall of about $280 million in our telecom portfolio, based on June 30 market prices. We earmarked $380 million of credit reserves in actuarial liabilities for this shortfall. I am pleased to update you that, as of the end of August, this shortfall had fallen to $198.9 million. While there has been no material change in the values of the “challenged” telecom, the balance of the telecom portfolio has improved. I would also point out that, of the total telecom holdings on August 31st, $711 million, book value, is in participating accounts with a market value of $666 million. This means that $45 million, or almost 25%,
of the $198.9 million shortfall, if realized, would be for the account of participating policyholders.

Manulife’s reserves for credit default have increased over time. At the same time, our percentage of below investment grade bonds has declined. As our host, Tom MacKinnon, has noted in a recent report, among our peers, Manulife is the most conservatively provisioned for credit default. This point was also made by Standard & Poor’s in its recent reaffirmation of our AA+ rating. It is our view that the credit default reserve is more than adequate to absorb any future credit event related to our bond portfolio. This reserve was created to absorb any unusual experience and that is why in the second quarter, we stated that we had earmarked $380 million for the telecom portfolio.
I want to pause for a moment on the June 30 balances. You will note that there has been no decrease in the total credit reserves so far this year. This is because the $220 million WorldCom write down in the second quarter was fully offset by a number of favorable developments including the reversal of specific provisions established last year for California utilities, a gain on the sale of Japanese assets and the absorption by the participating accounts of their share of the WorldCom loss. Our presentation of the WorldCom credit event in Q2 could have been better. In retrospect, we should have simply explained that the $220 million was offset by favorable experience elsewhere. There was no need to show the initial draw down of the credit reserve, which everyone focused on, followed by a replenishment of the same reserve, which seems to have been ignored by everyone!
Our total reserves, comprising expecteds and PfADs, amounted to almost $55 billion at the end of last year. Expected and PfADs are both established on a conservative basis, as you’ll see shortly when I describe Manulife’s sources of earnings over the past few years.

In addition to the PfAD for credit reserves, which I discussed a moment ago, we also maintain very substantial PfADs for mortality, expenses, lapses, investment returns and other items. We are confident that the level of PfADs on our books is unlikely to be matched by any of our competitors. Manulife has always been known for the conservatism of its actuarial practices. It is something of which we are very proud.
Our PfADs have increased from $4 billion in 1997 to over $7 billion at the end of 2001. Currently, our PfADs are in the upper portion of the historical range of 10% to 15%.

This slide shows the relationship between payments to policyholders plus changes in reserves as the numerator and the total of premiums and investment income as the denominator. We do not track this measure internally as we do not consider it a meaningful indicator of anything, least of all the progress of our businesses. Nevertheless, an analyst has expressed the view that the downward trend in the ratio is driven by discretionary changes in reserves. In other words, income is being inflated through understatement of reserves. Needless to say, this is ridiculous.
The ratio will be affected by changes in the level of premiums, investment income and policy benefits. It will also be affected by other factors such as sales volumes, business mix and claims levels. Perhaps most significantly, and not obvious, it will be affected by the profitability of the business being written. Obviously, higher margin business will require less of the premium as a reserve. As the business mix shifts such that the proportion of higher margin business increases, the ratio, by definition, will decline.

As best as we can tell, this is exactly what has happened. The rapid growth over the past few years of our businesses in Asia, where we enjoy well above average margins, has brought about a favorable change in our total company business mix. This has caused the ratio to trend downwards. Growth in our off balance sheet business and the addition of Japan have also helped to push the ratio down.

We have identified the impact of certain one-time events and these are shown on the slide. In summary, we do not believe that this measure is a useful indicator of the health of our company.
It has also been suggested that we have been aggressive in the recognition of income as evidenced by the growth in the negative reserves reported in our OSFI filings. This is not right.

When a policy is issued, Canadian insurance accounting is applied which requires that all expected future revenues and expenses be discounted to present value and compared to the related provision for adverse deviation. If the PVFP is greater than the PfAD on the policy, a negative reserve is established and a profit is recognized. When this happens, the issuer has enjoyed a "pricing profit" which is recognized immediately, i.e. "up fronted", as required by Canadian GAAP accounting.

Since Manulife employs very conservative assumptions in setting up its reserves for expected experience and PfADs, there is far less up fronting of profits than one
would think. As the source of earnings statement that I will review with you in a moment shows, rather than recording pricing profits, as we believe some of our competitors do, Manulife, in the aggregate, reports strain on new business. In each of the last five years for example, the negative reserves on some new policies were more than offset by the deferral of profits, or strain, on the remainder of that year’s new business.

So why did negative reserves as reported on our OSFI-54 show an increase of $950 million from 1999 to 2001? Over 60% of the growth is due to a reallocation of reserves calculated on a policy-by-policy basis to reserves calculated on a portfolio basis. This had zero impact on the bottom line. If we had elected to leave the reserves on a policy-by-policy basis, which is permitted under Canadian GAAP, then $600 million of the negative reserves would not have been created. Correction of this presentation produces the pro forma bar shown on slide 19. $150 million of the growth was due to acquisitions, in Japan and Canada. The balance of the increase in negative reserves was due to increased sales of high profit margin products in Asia and North America.

One final point. Since negative reserves are all related to specific in force policies and will be charged to income over a relatively short period of time, it is totally inappropriate to compare them to goodwill or some other difficult to quantify intangible.
Concern has also been expressed about the growth in cash surrender value deficiencies, again as reported in our regulatory filing and that the effect is the same as using up our capital to finance a non-productive asset. It boggles my mind that anyone could come to such a conclusion.

This information on cash surrender value deficiencies is developed for OSFI purposes only. It is of limited use and is certainly not any sort of "intangible asset". It is a simple calculation of the theoretical loss that the company could suffer if every single policyholder whose policy was "in the money" chose to cancel their contracts with us. The loss on early surrender would occur because the cash values on certain policies, particularly during early years, are greater than the reserves we are currently maintaining. It is to be noted that the vast majority of policies have a cash value that is less than the corresponding reserves and
would, therefore, generate profits if they were cancelled. These policies are not in the calculations shown above.

We use conservative assumptions for lapse rates in setting up our reserves and we have never experienced an aggregate loss as a result of this early surrender risk. We do not expect to incur such losses in the future.

<table>
<thead>
<tr>
<th>Source of Earnings</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>1H02</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Expected profit from in force business</td>
<td>616</td>
<td>681</td>
<td>733</td>
<td>818</td>
<td>460</td>
</tr>
<tr>
<td>2. Strain on new business</td>
<td>(59)</td>
<td>(180)</td>
<td>(71)</td>
<td>(118)</td>
<td>(52)</td>
</tr>
<tr>
<td>3. Experience gains (losses)</td>
<td>20</td>
<td>140</td>
<td>130</td>
<td>141</td>
<td>140</td>
</tr>
<tr>
<td>4. Changes in assumptions</td>
<td>(24)</td>
<td>(3)</td>
<td>(93)</td>
<td>(131)</td>
<td>33</td>
</tr>
<tr>
<td>5. Earnings on surplus</td>
<td>398</td>
<td>538</td>
<td>649</td>
<td>645</td>
<td>276</td>
</tr>
<tr>
<td>6. Net income before taxes</td>
<td>951</td>
<td>1,176</td>
<td>1,348</td>
<td>1,355</td>
<td>857</td>
</tr>
<tr>
<td>8. Shareholders’ net income</td>
<td>710</td>
<td>874</td>
<td>1,075</td>
<td>1,159</td>
<td>679</td>
</tr>
</tbody>
</table>

The source of earnings is one of the tools that we use to help understand and manage our business. We have been using this metric for a number of years and continue to refine the presentation. As can be appreciated, the summarization of the operations of an organization as complex as Manulife, of necessity, requires that we make a number of subjective decisions on how some items are
characterized. Nevertheless, the information is very useful. Here is what it is telling us.

Line 1, which we have labeled expected profit from in force business, represents the earnings generated on the total block of insurance business plus an amount for the net income generated on fee only business. In large measure, it represents the unwinding of the PfADs applicable to the insurance policies that were in effect at the beginning of the year.

Line 2, strain on new business, is very important. You will recall that earlier in today’s presentation, I explained that at the time an insurance policy is issued, CGAP requires that the expected amounts of future premiums and expenses be discounted to present value. This amount, called the PVFP, is compared with the PfADs that are set up on the policy. Line 2 is the difference between the PVFP and PfADs for all of the year’s new business. Because the amount is negative, it tells us that on a company wide basis, we have established PfADs that are well in excess of the expected profits on the business written that year. In other words, rather than up fronting profits, we have been deferring them to later periods.

Although only the net difference between PVFP and PfADs is presented on line 2, it can be inferred that the individual amounts are very substantial. For example, in 2001 the economic value, or PVFP, created by writing new insurance and annuity business exceeded $800 million. In the financial statements, this has been largely offset by PfADs.

Line 3, experience gains and losses, represents the difference between the levels of mortality, lapses, expenses and investment results actually experienced during the
year and the expected amounts for these items that are included in the company's reserves. Because the amount is positive in all years, it tells us that the amount of expected reserves, not to be confused with PfADs, are very conservatively established.

Line 4, changes in assumptions, reflects changes made to the actuarial assumptions used in determining the expected reserves. Because of the dynamic nature of the business, it is necessary to continuously review and test our estimates. Not only can the behavior of identified risk items such as mortality or lapsation change, but also entirely new risks may emerge for which we need to provide. As can be seen on line 4, in all the years from 1997 to 2001, we strengthened reserves by $250 million and these amounts were charged to income. In the first half of 2002, there was a modest reserve release that was explained in our June accounts.

Line 5, earnings on surplus, represents the net income generated by the pool of assets in which we have invested our surplus. The amounts are substantial and consistent.

As I said earlier, the source of earnings statement represents very meaningful disclosure. Among the many things that it illustrates is the high level of predictability of an insurance company's earnings. For example, lines 1 and 5 provide a good indication of the profits that can be expected to emerge from the company's existing book of business. The source of earnings also allows an informed reader to make judgments about the quality of the company's reported earnings. It is our intention to make an SOE available on an annual basis concurrent with the release of our embedded value information.
A final concern I want to deal with today has to do with the vulnerability of our future income resulting from the recent sharp declines in equity values. An important point to bear in mind is that all of the declines that have occurred to June 30 are already reflected in the “run rate” of quarterly earnings. So, it is only the future changes, those after June 30, which will move the quarterly level of earnings up or down.

This slide shows realized and unrealized net gains on total invested assets of the company. While equity gains have declined in recent periods given declining markets, about one third of equities are for the participating policyholders’ account. Therefore, only about two thirds of the impact of equity market declines is for the shareholders’ account. In addition, the realized and unrealized net gains
in other asset classes, such as bonds, have somewhat mitigated the impact of declining realized and unrealized net gains in equities.

It is also interesting to note that total realized and unrealized net gains have held up in a period when the S&P 500 has declined from almost 1,500 at the end of 1999 to under 1,000 at the end of the second quarter. Also, the amount of amortized gains has held up relatively well during the market downturn.

### ADDITIONAL DISCLOSURE

**Equity Market Sensitivity**

- Impact of a 10% decline in equity markets on July 1, 2002

<table>
<thead>
<tr>
<th>Source of Exposure</th>
<th>Impact</th>
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<tbody>
<tr>
<td>Equities held in surplus</td>
<td>$32 million (after tax) evenly over four quarters</td>
</tr>
<tr>
<td>Asset management fees</td>
<td>$38 million (after tax) evenly over four quarters</td>
</tr>
<tr>
<td>Segregated fund guarantees</td>
<td>$20 million (after tax) one time charge in current period</td>
</tr>
<tr>
<td>Deferred acquisition costs</td>
<td>No impact</td>
</tr>
</tbody>
</table>

This slide shows the impact of a 10% decline in equity markets on July 1, 2002, assuming no recovery. After tax annual income would be reduced by $32 million, evenly over 4 quarters, as a result of reduced values of equities held in surplus. This means an impact of $16 million for the balance of this year. As a result of lower asset management fees, after tax annual income would be reduced by
$38 million, again evenly over 4 quarters. This would mean an impact of $19 million for the balance of the year. After tax income would be impacted by a $20 million one-time charge in the current period as a result of segregated fund guarantees. Our DAC would continue to be recoverable. These impacts assume no mitigating actions by management. This equity market sensitivity guidance is unchanged from that which we provided in previous periods.

**ADDITIONAL DISCLOSURE**

**Corporate Governance Practices**
- Independent Board of Directors
- Audit Committee’s charter compliant with the requirements of the NYSE
- Separation of Chairman and CEO roles
- Stock options to be expensed effective January 1, 2003
- CEO and CFO attestation of financial statements

I want to spend just a few minutes on corporate governance, an issue that is receiving a lot of attention and something that has always been practiced at Manulife. A story that I like to tell is that our Board of Directors hired me; I did not hire them. The independence and commitment of our Board is very important. Also, I did not know that I was not already attesting to the integrity of our quarterly financial statements so to do this prospectively would be very easy.
In closing, 2002 results have been challenged by equity market conditions, but our individual insurance businesses continue to perform well in most geographies with double digit sales increases over last year and our wealth management sales have held up well despite market turbulence with strong sales in several businesses.

Assuming equity markets remain at current levels, we are not uncomfortable with current consensus forecasts of $2.84 earnings per share for 2002. Our operational and financial strength gives us confidence in our ability to meet our financial targets over the medium term. We expect continued strong organic growth, supplemented by contributions from new initiatives and businesses that are delivering attractive rates of growth.

Thank you.
Important Notice

This presentation may contain forward-looking statements as defined in the U.S. Private Securities Litigation Reform Act of 1995.

Investors are cautioned that all forward-looking statements involve risk and uncertainties and actual results may differ materially from those implied by such statements.

Investors are directed to consider the risks and uncertainties in our business that may affect future performance and that are discussed in the Management’s Discussion & Analysis section of our most recent Annual Report filed with the U.S. Securities and Exchange Commission on Form 40-F.