UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 40-F

(Check One)

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☑ **ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2022 **Commission file number 1-14942**

MANULIFE FINANCIAL CORPORATION
(Exact name of Registrant as specified in its charter)

Canada
(Province or other jurisdiction of incorporation or organization)

6311
(Primary Standard Industrial Classification Code Number (if applicable))

Not applicable
(I.R.S. Employer Identification Number (if applicable))

200 Bloor Street East, Toronto, Ontario, Canada M4W 1E5, (416) 926-3000
(Address and telephone number of Registrant's principal executive offices)

James D. Gallagher, Manulife Financial Corporation, 200 Berkeley Street, Boston, MA 02116, (617) 663-3000
(Name, address (including zip code) and telephone number
(including area code) of agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares	**MFC**	**New York Stock Exchange**

Securities registered or to be registered pursuant to Section 12(g) of the Act. **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act. **4.150% Senior Notes due 2026, 2.484% Senior Notes due 2027, 3.703% Senior Notes due 2032, 5.375% Senior Notes due 2046, and 4.061% Subordinated Notes due 2032**

For annual reports, indicate by check mark the information filed with this Form:

☑ **Annual Information Form** ☑ **Audited Annual Financial Statements**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

Common Shares	**1,864,897,726**
Class A Shares Series 2	**14,000,000**
Class A Shares Series 3	**12,000,000**
Class 1 Shares Series 3	**6,537,903**
Class 1 Shares Series 4	**1,462,097**
Class 1 Shares Series 9	**10,000,000**
Class 1 Shares Series 11	**8,000,000**
Class 1 Shares Series 13	**8,000,000**
Class 1 Shares Series 15	**8,000,000**
Class 1 Shares Series 17	**14,000,000**
Class 1 Shares Series 19	**10,000,000**
Class 1 Shares Series 25	**10,000,000**
Class 1 Shares Series 27[1]	**2,000,000**
Class 1 Shares Series 28[2]	**1,200,000**
Class 1 Shares Series 29[3]	**1,000,000**

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes ☑ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files).

Yes ☑ **No** ☐

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 12b-2 of the Exchange Act.

Emerging Growth Company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ☐

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Auditor Name: Ernst & Young LLP Auditor Location: Toronto, Ontario, Canada
The Public Company Accounting Oversight Board (United States) ID number for the Canadian firm of Ernst & Young LLP is 1263.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☑

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

[1] In connection with the issuance of C$2 billion principal amount of 3.375% Limited Recourse Capital Notes (LRCN) Series 1 (Subordinated Indebtedness) on February 19, 2021, the Registrant issued 2 million Class 1 Series 27 preferred shares (Series 27) at a price of C$1,000 per Series 27 share. The Series 27 shares were issued to the limited recourse trustee of a consolidated trust to be held as trust assets in connection with the LRCN structure.
[2] In connection with the issuance of C$1.2 billion principal amount of 4.100% LRCN Series 2 (Subordinated Indebtedness) on November 12, 2021, the Registrant issued 1.2 million Class 1 Series 28 preferred shares (Series 28) at a price of C$1,000 per Series 28 share. The Series 28 shares were issued to the limited recourse trustee of a consolidated trust to be held as trust assets in connection with the LRCN structure.
[3] In connection with the issuance of C$1 billion principal amount of 7.117% LRCN Series 3 (Subordinated Indebtedness) on June 16, 2022, the Registrant issued 1 million Class 1 Series 29 preferred shares (Series 29) at a price of C$1,000 per Series 29 share. The Series 29 shares were issued to the limited recourse trustee of a consolidated trust to be held as trust assets in connection with the LRCN structure.

Principal Documents

The following documents, filed as exhibits 99.1, 99.2 and 99.3 hereto, are hereby incorporated by reference into this Annual Report:

(a) Consolidated Financial Statements for the fiscal year ended December 31, 2022;

(b) Management's Discussion and Analysis for the fiscal year ended December 31, 2022; and

(c) Annual Information Form dated February 15, 2023 for the fiscal year ended December 31, 2022.

Certifications and Disclosure Regarding Controls and Procedures.

(a) Certifications. The Certificates required by Rule 13a-14(a) and (b) are set forth in Exhibits 99.4, 99.5, 99.6 and 99.7 to this Annual Report on Form 40-F.

(b) Disclosure Controls and Procedures. The conclusions of the principal executive and principal financial officers of Manulife Financial Corporation (the "Company") regarding the effectiveness of the Company's disclosure controls and procedures as at December 31, 2022 are set forth under the heading "Controls and Procedures – Disclosure Controls and Procedures" in the Company's Management's Discussion and Analysis for the fiscal year ended December 31, 2022, filed as Exhibit 99.2 to this Annual Report on Form 40-F.

(c) Management's Annual Report on Internal Control over Financial Reporting. Management's report on the Company's internal control over financial reporting is set forth under the heading "Controls and Procedures – Management's Report on Internal Control over Financial Reporting" in the Company's Management's Discussion and Analysis for the fiscal year ended December 31, 2022, filed as Exhibit 99.2 to this Annual Report on Form 40-F.

(d) Attestation Report of the Registered Public Accounting Firm. Ernst & Young LLP's attestation report on management's assessment of internal control over financial reporting is set forth under the heading "Report of Independent Registered Public Accounting Firm to the Shareholders and Board of Directors of Manulife Financial Corporation – Opinion on Internal Control Over Financial Reporting" in the Company's Consolidated Financial Statements for the fiscal year ended December 31, 2022, filed as Exhibit 99.1 to this Annual Report on Form 40-F.

(e) Changes in Internal Control over Financial Reporting. Information regarding any changes in the Company's internal control over financial reporting is set forth under the heading "Controls and Procedures – Changes in Internal Control over Financial Reporting" in the Company's Management's Discussion and Analysis for the fiscal year ended December 31, 2022, filed as Exhibit 99.2 to this Annual Report on Form 40-F.

Audit Committee Financial Expert.

Information regarding audit committee financial experts is set forth under the heading "Audit Committee" in the Company's Annual Information Form ("AIF") dated February 15, 2023 for the fiscal year ended December 31, 2022, filed as Exhibit 99.3 to this Annual Report on Form 40-F.

Code of Business Conduct and Ethics.

The Company has adopted a Code of Business Conduct and Ethics ("Code") that applies to all directors, officers and employees of the Company and that qualifies as a "code of ethics" as that term is defined in Form 40-F. The Code is posted on the corporate governance section of our website and is available for viewing at: https://www.manulife.com/content/dam/corporate/global/en/documents/corporate-governance/MFC_CODE_CONDUCT_2022_EN.pdf

In 2022, the Company made certain amendments to its Code, in addition to making administrative updates to the Code, including: adding text relating to the Code's Governance and Oversight, clarifying existing expectation that employees act professionally in the workplace, clarifying the existing expectation that employees fully and truthfully provide all relevant details when disclosing a potential conflict of interest and noting that paid sponsorships on social media are considered outside employment or business activity and must be disclosed. Additionally, the text of the Code was reformatted to be more user friendly by adding summary headings to each section. There were no waivers, including implied waivers, from any provision of the Code during 2022.

Principal Accountant Fees and Services.

Information regarding the fees billed by Ernst & Young LLP is set forth under the heading "Audit Committee – External Auditor Service Fees" in the Company's AIF dated February 15, 2023 for the fiscal year ended December 31, 2022, filed as Exhibit 99.3 to this Annual Report on Form 40-F.

Pre-Approval Policies and Procedures.

Information regarding the pre-approval policies and procedures of the Company's audit committee is set forth under the heading "Audit Committee – Pre-Approval Policies and Procedures" in the Company's AIF dated February 15, 2023 for the fiscal year ended December 31, 2022, filed as Exhibit 99.3 to this Annual Report on Form 40-F.

Hours Expended on Audit Attributed to Persons Other than the Principal Accountant's Employees.

Not Applicable.

Off-Balance Sheet Arrangements.

Information regarding the Company's off-balance sheet arrangements is set forth in the discussion of risk in the Company's Management's Discussion and Analysis for the fiscal year ended December 31, 2022, filed as Exhibit 99.2 to this Annual Report on Form 40-F. The notes to the Consolidated Financial Statements for the fiscal year ended December 31, 2022, filed as Exhibit 99.1 to this Annual Report on Form 40-F include the following disclosures related to off-balance sheet arrangements:

Note 9	Risk Management - Securities Lending, Repurchase and Reverse Repurchase Transactions
Note 18	Interests in Structured Entities
Note 19	Commitments and Contingencies

Tabular Disclosure of Contractual Obligations.

Information regarding the Company's contractual obligations is set forth under the heading "Contractual Obligations" in the Company's Management's Discussion and Analysis for the fiscal year ended December 31, 2022, filed as Exhibit 99.2 to this Annual Report on Form 40-F.

Identification of the Audit Committee.

Information regarding the Audit Committee of the Company's Board of Directors (the "Board") is set forth under the heading "Audit Committee – Composition of the Audit Committee" in the Company's AIF dated February 15, 2023 for the fiscal year ended December 31, 2022, filed as Exhibit 99.3 to this Annual Report on Form 40-F.

Independence of Directors.

A majority of the directors and all members of the Board's standing committees must be independent so that the Board operates independently of management.

A director is independent if he or she does not have a direct or indirect relationship with the Company that could reasonably be expected to interfere with the director's ability to exercise independent judgment. The Company has established an independence policy for the Board which is consistent with applicable legal and regulatory requirements, including those established under Canadian and U.S. securities law, the *Insurance Companies Act (Canada)* and the rules of the New York Stock Exchange. The independence policy is available on our website (www.manulife.com).

Each year the Board, with the assistance of the Corporate Governance and Nominating Committee, reviews the independence of each director and has determined that 13 of the 14 directors serving on the Board as of December 31, 2022 are independent and that the members of the Audit Committee and the Management Resources and Compensation Committee meet the additional independence requirements for those committees. As CEO, Roy Gori is not independent.

Presiding Director at Meetings of Non-Management Directors.

The independent directors meet regularly with senior executives and have an opportunity to meet privately without management present during closed sessions held at each Board and committee meeting. They may also use these sessions to meet privately with members of management or independent advisors.

In addition, the independent directors meet without the CEO present to review the performance and approve the compensation of the CEO, to review the Board's effectiveness assessments and to approve the Board's objectives for the following year.

Communication with Non-Management Directors.

Shareholders wishing to contact non-management directors of the Company may write to the Chair of the Board, in care of the Corporate Secretary, at the head office of the Company, 200 Bloor Street East, Toronto, Ontario, Canada, M4W 1E5.

Corporate Governance Guidelines.

The Company's governance practices are consistent in all material respects with the requirements of the *Insurance Companies Act* (Canada), the corporate governance guidelines established by the Office of the Superintendent of Financial Institutions (Canada) and by the Canadian Securities Administrators, the New York Stock Exchange corporate governance rules for domestic issuers and the applicable U.S. Securities and Exchange Commission rules and regulations. The Company's statement of corporate governance practices is posted on the corporate governance section of our website and is available at: https://www.manulife.com/en/about/corporate-governance.html

Board Committee Charters.

The Board has established four standing committees to assist it in fulfilling its mandate: Corporate Governance and Nominating Committee, Audit Committee, Risk Committee, and Management Resources and Compensation Committee.

All of the members of the standing committees are independent. Each committee reviews and, as necessary, updates its charter every year and monitors compliance with its charter on a regular basis. Each committee chair reports to the Board on the committee's deliberations and any recommendations that require Board approval.

The committee charters and the position description for the committee chairs are posted on the corporate governance section of our website and are available at: https://www.manulife.com/en/about/corporate-governance.html

Mine Safety Disclosure.

Not applicable.

UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

A. Undertaking.

Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

B. Consent to Service of Process.

The Company has previously filed a Form F-X in connection with the class of securities in relation to which the obligation to file this Annual Report arises.

Any change to the name or address of the Registrant's agent for service of process shall be communicated promptly to the Commission by amendment to the Form F-X referencing the file number of the Registrant.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this Annual Report to be signed on its behalf by the undersigned, thereto duly authorized, on February 15, 2023.

Manulife Financial Corporation

By: */s/ James D. Gallagher*
Name: James D. Gallagher
Title: General Counsel

EXHIBIT INDEX

Exhibit	Description
99.1	Consolidated Financial Statements for the fiscal year ended December 31, 2022
99.2	Management's Discussion and Analysis for the fiscal year ended December 31, 2022
99.3	Annual Information Form dated February 15, 2023 for the fiscal year ended December 31, 2022
99.4	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934
99.5	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934
99.6	Section 1350 Certification of Chief Executive Officer
99.7	Section 1350 Certification of Chief Financial Officer
99.8	Consent of Independent Registered Public Accounting Firm
99.9	Consent of Appointed Actuary
101	Interactive Data File (formatted as Inline XBRL)
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

Exhibit 99.1



Manulife Financial Corporation

Consolidated Financial Statements

For the year ended December 31, 2022

Responsibility for Financial Reporting

The accompanying consolidated financial statements of Manulife Financial Corporation are the responsibility of management and have been approved by the Board of Directors. It is also the responsibility of management to ensure that all information in the annual report to shareholders is consistent with these consolidated financial statements.

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards and the accounting requirements of the Office of the Superintendent of Financial Institutions, Canada. When alternative accounting methods exist, or when estimates and judgment are required, management has selected those amounts that present the Company's financial position and results of operations in a manner most appropriate to the circumstances.

Appropriate systems of internal control, policies and procedures have been maintained to ensure that financial information is both relevant and reliable. The systems of internal control are assessed on an ongoing basis by management and the Company's internal audit department.

The actuary appointed by the Board of Directors (the "Appointed Actuary") is responsible for ensuring that assumptions and methods used in the determination of policy liabilities are appropriate to the circumstances and that reserves will be adequate to meet the Company's future obligations under insurance and annuity contracts.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. These responsibilities are carried out primarily through an Audit Committee of unrelated and independent directors appointed by the Board of Directors.

The Audit Committee meets periodically with management, the internal auditors, the peer reviewers, the external auditors and the Appointed Actuary to discuss internal control over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee reviews the consolidated financial statements prepared by management, and then recommends them to the Board of Directors for approval. The Audit Committee also recommends to the Board of Directors and shareholders the appointment of external auditors and approval of their fees.

The consolidated financial statements have been audited by the Company's external auditors, Ernst & Young LLP, in accordance with the standards of the Public Company Accounting Oversight Board (United States). Ernst & Young LLP has full and free access to management and the Audit Committee.



Roy Gori
President and Chief Executive Officer



Philip Witherington
Chief Financial Officer

Toronto, Canada
February 15, 2023

Appointed Actuary's Report to the Shareholders

I have valued the policy liabilities and reinsurance recoverables of Manulife Financial Corporation for its Consolidated Statements of Financial Position as at December 31, 2022 and 2021 and their change in the Consolidated Statements of Income for the years then ended in accordance with actuarial practice generally accepted in Canada, including selection of appropriate assumptions and methods.

In my opinion, the amount of policy liabilities net of reinsurance recoverables makes appropriate provision for all policyholder obligations and the consolidated financial statements fairly present the results of the valuation.



Steven Finch
Appointed Actuary

Toronto, Canada
February 15, 2023

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Manulife Financial Corporation

Opinion on the Consolidated Financial Statements

We have audited the accompanying Consolidated Statements of Financial Position of Manulife Financial Corporation (the Company) as of December 31, 2022 and 2021, the related Consolidated Statements of Income, Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Equity and Consolidated Statements of Cash Flows for the years then ended, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2022 and 2021, its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 15, 2023, expressed an unqualified opinion thereon.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

	Valuation of Insurance Contract Liabilities
Description of the matter	The Company recorded insurance contract liabilities of $371 billion at December 31, 2022 on its consolidated statement of financial position. Insurance contract liabilities are reported gross of reinsurance ceded and represent management's estimate of the amount which, together with estimated future premiums and net investment income, will be sufficient to pay estimated future benefits, policyholder dividends and refunds, taxes (other than income taxes) and expenses on insurance policies in-force. Insurance contract liabilities are determined using the Canadian Asset Liability Method (CALM), as required by the Canadian Institute of Actuaries (CIA). The valuation of insurance contract liabilities is based on an explicit projection of cash flows using current assumptions for each material cash flow item. Cash flows related to insurance contract liabilities have two major components: a best estimate assumption and a provision for adverse deviation. Best estimates are made with respect to key assumptions including mortality, morbidity, investment returns, policy termination rates, premium persistency, expenses, and taxes. A provision for adverse deviation is recorded to reflect the inherent uncertainty related to the timing and amount of the best estimate assumptions and is determined by including a margin of conservatism for each assumption. Disclosures on this matter are found in Note 1 'Nature of Operations and Significant Accounting Policies' and Note 7 'Insurance Contract Liabilities and Reinsurance Assets' of the consolidated financial statements. Auditing the valuation of insurance contract liabilities was complex and required the application of significant auditor judgment due to the complexity of the cash flow models, the selection and use of assumptions, and the interrelationship of these variables in measuring insurance contract liabilities. The audit effort involved professionals with specialized skill and knowledge to assist in evaluating the audit evidence obtained.

	Valuation of Insurance Contract Liabilities
How we addressed the matter in our audit	We obtained an understanding, evaluated the design, and tested the operating effectiveness of management's controls over the valuation of insurance contract liabilities. The controls we tested related to, among other areas, actuarial methodology, integrity of data used, controls over relevant information technology, and the assumption setting and implementation processes used by management. To test the valuation of insurance contract liabilities, our audit procedures included, among other procedures, involving our actuarial specialists to assess the methodology and assumptions with respect to compliance with the Company's policies. We performed audit procedures over key assumptions, including the implementation of those assumptions into the models. These procedures included testing underlying support and documentation, including reviewing a sample of experience studies supporting specific assumptions, challenging the nature, timing, and completeness of changes recorded, assessing whether individual changes were errors or refinements of estimates, and comparing the level of margins for adverse deviation to suggested ranges established by the CIA. We also tested the methodology and calculation of the insurance contract liabilities through both review of the calculation logic within the models, and through calculating an independent estimate of the insurance contract liability for a sample of insurance contracts and comparing the results to the Company's results. In addition, we assessed the adequacy of the disclosures provided in the notes to the consolidated financial statements.
	Valuation of Invested Assets with Significant Non-Observable Market Inputs
Description of the matter	The Company recorded invested assets of $17.5 billion at December 31, 2022 on its consolidated statement of financial position which are both (a) measured at fair value and (b) subject to a valuation estimate that includes significant non-observable market inputs. These invested assets are classified as level 3 within the Company's hierarchy of fair value measurements and include real estate, timber and agriculture, high estimation uncertainty bonds, and private equities which are valued using internal models. There is increased measurement uncertainty in determining the fair value of these invested assets due to volatility in the current economic environment. These assets are valued based on internal models or third-party pricing sources that incorporate assumptions with a high-level of subjectivity. Examples of such assumptions include interest rates, yield curves, credit ratings and related spreads, expected future cash flows and transaction prices of comparable assets. Disclosures on this matter are found in Note 1 'Nature of Operations and Significant Accounting Policies' and Note 4 'Invested Assets and Investment Income' of the consolidated financial statements. Auditing the valuation of these invested assets was complex and required the application of significant auditor judgment in assessing the valuation methodologies and non-observable inputs used. The valuation of these assets is sensitive to the significant non-observable market inputs described above, which are inherently forward-looking and could be affected by future economic and market conditions. The audit effort involved professionals with specialized skill and knowledge to assist in evaluating the audit evidence obtained.
How we addressed the matter in our audit	We obtained an understanding, evaluated the design, and tested the operating effectiveness of management's controls over the investment valuation process. The controls we tested related to, among other areas, management's determination and approval of assumptions and methodologies used in model-based valuations and management's review of valuations provided by third-party pricing sources. To test the valuation of these invested assets, our audit procedures included, among other procedures, involving our valuation specialists to assess the methodologies and significant assumptions used by management. These procedures included assessing the valuation methodologies used with respect to the Company's policies, valuation guidelines, and industry practice and comparing a sample of valuation assumptions used against benchmarks, including comparable transactions and independent pricing sources where available. We also performed independent investment valuations on a sample of investments with high estimation uncertainty to evaluate management's recorded values. In addition, we assessed the adequacy of the disclosures provided in the notes to the consolidated financial statements.
	IFRS 17 Insurance Contracts Adoption Disclosure
Description of the matter	International Financial Reporting Standards 17, Insurance Contracts (IFRS 17) is effective for years beginning on January 1, 2023. As described in Note 2 of the accompanying financial statements, the Company will apply the Full Retrospective Approach to most contracts issued on or after January 1, 2021, applying the Fair Value Approach for contracts issued prior to this date. The Company discloses that the IFRS 17 adoption will result in a $12.0 billion net of tax reduction in total equity as at January 1, 2022. Note 2 of the accompanying financial statements also provides quantitative and qualitative information on the impact of the new standard and certain accounting policy choices made by the Company. Auditing the Company's disclosure of the effects of applying IFRS 17 was complex as it related to the measurement of the Company's insurance contract liabilities including the transition Contractual Service Margin (transition CSM) included therein. This required the application of significant auditor judgement due to the complexity of the cash flow models, the determination of the discount rate and risk adjustment relating to the measurement of the insurance contract liabilities, and the development of fair value assumptions used in the determination of the transition CSM. The audit effort involved professionals with specialized skills and knowledge to assist in evaluating the audit evidence obtained.

	IFRS 17 Insurance Contracts Adoption Disclosure
How we addressed the matter in our audit	We obtained an understanding, evaluated the design, and tested the operating effectiveness of management's controls over the disclosure of the effects of applying the new standard to insurance contract liabilities including the transition CSM. The controls we tested included, among others, controls related to management's selection of accounting policies and the related determination of the transition approach, as well as controls related to the development of fair value and actuarial models, the integrity of data used, implementation of new systems and models, and assumption setting and implementation processes. To test the Company's disclosure of the impact of IFRS 17 on the insurance contract liabilities including the transition CSM, our audit procedures included, among others, involving our actuarial specialists to evaluate the related accounting policies, the elections involved in transition, and to assess the appropriateness of the determination of where the Full Retrospective Approach was impracticable. In relation to the assumptions used in the measurement of the insurance contract liabilities including the transition CSM, disclosed in Note 2, we assessed the appropriateness and consistency of key assumptions by comparing to publicly available market data, our knowledge of the products and the requirements of IFRS 17. Key assumptions assessed by us, with the involvement of our actuarial specialists, included the discount rate and risk adjustment used in the measurement of the insurance contract liabilities and the fair value assumptions used in the determination of the transition CSM. These procedures also included testing underlying support and documentation, such as executed policyholder insurance contracts. We tested the methodology and calculations of the IFRS 17 insurance contract liabilities and transition CSM either through review of the calculation logic within the newly implemented models, or through calculating an independent estimate of the insurance contract liability for a sample of insurance contracts and comparing the results to the Company's results.

We have served as Manulife Financial Corporation's auditor since 1905.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada

February 15, 2023

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Manulife Financial Corporation

Opinion on Internal Control over Financial Reporting

We have audited Manulife Financial Corporation's internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Manulife Financial Corporation (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Consolidated Statements of Financial Position of the Company as of December 31, 2022 and 2021, and the related Consolidated Statements of Income, Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Equity and Consolidated Statements of Cash Flows for the years then ended, and the related notes and our report dated February 15, 2023, expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in Management's Report on Internal Control Over Financial Reporting contained in the Management's Discussion and Analysis. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada

February 15, 2023

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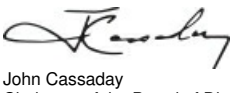
Consolidated Statements of Financial Position

As at December 31, (Canadian $ in millions)	2022	2021
Assets		
Cash and short-term securities	**$ 19,153**	$ 22,594
Debt securities	**203,904**	224,139
Public equities	**23,519**	28,067
Mortgages	**54,638**	52,014
Private placements	**47,057**	42,842
Policy loans	**6,894**	6,397
Loans to Bank clients	**2,781**	2,506
Real estate	**13,272**	13,233
Other invested assets	**42,783**	35,306
Total invested assets (note 4)	**414,001**	427,098
Other assets		
Accrued investment income	**2,813**	2,641
Outstanding premiums	**1,448**	1,294
Derivatives (note 5)	**8,588**	17,503
Reinsurance assets (notes 7 and 8)	**47,712**	44,579
Deferred tax assets (note 17)	**5,423**	5,254
Goodwill and intangible assets (note 6)	**10,519**	9,915
Miscellaneous	**9,875**	9,571
Total other assets	**86,378**	90,757
Segregated funds net assets (note 23)	**348,562**	399,788
Total assets	**$ 848,941**	$ 917,643
Liabilities and Equity		
Liabilities		
Insurance contract liabilities (note 7)	**$ 371,405**	$ 392,275
Investment contract liabilities (note 8)	**3,248**	3,117
Deposits from Bank clients	**22,507**	20,720
Derivatives (note 5)	**14,289**	10,038
Deferred tax liabilities (note 17)	**2,774**	2,769
Other liabilities	**17,421**	18,205
	431,644	447,124
Long-term debt (note 10)	**6,234**	4,882
Capital instruments (note 11)	**6,122**	6,980
Segregated funds net liabilities (note 23)	**348,562**	399,788
Total liabilities	**792,562**	858,774
Equity		
Preferred shares and other equity (note 12)	**6,660**	6,381
Common shares (note 12)	**22,178**	23,093
Contributed surplus	**238**	262
Shareholders' and other equity holders' retained earnings	**27,010**	23,492
Shareholders' accumulated other comprehensive income (loss) ("AOCI"):		
Pension and other post-employment plans	**(97)**	(114)
Available-for-sale securities	**(6,472)**	848
Cash flow hedges	**8**	(156)
Real estate revaluation reserve	**22**	23
Translation of foreign operations	**6,514**	4,579
Total shareholders' and other equity	**56,061**	58,408
Participating policyholders' equity	**(1,346)**	(1,233)
Non-controlling interests	**1,664**	1,694
Total equity	**56,379**	58,869
Total liabilities and equity	**$ 848,941**	$ 917,643

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



Roy Gori
President and Chief Executive Officer



John Cassaday
Chairman of the Board of Directors

Consolidated Statements of Income

For the years ended December 31, (Canadian $ in millions except per share amounts)	2022	2021
Revenue		
Premium income		
Gross premiums	**$ 44,102**	$ 44,344
Premiums ceded to reinsurers	**(6,249)**	(5,279)
Net premiums	**37,853**	39,065
Investment income (note 4)		
Investment income	**15,207**	15,627
Realized and unrealized gains (losses) on assets supporting insurance and investment contract liabilities and on the macro hedge program	**(45,077)**	(4,003)
Net investment income (loss)	**(29,870)**	11,624
Other revenue (note 14)	**9,164**	11,132
Total revenue	**17,147**	61,821
Contract benefits and expenses		
To contract holders and beneficiaries		
Gross claims and benefits (note 7)	**33,320**	31,110
Increase (decrease) in insurance contract liabilities (note 7)	**(34,971)**	10,719
Increase (decrease) in investment contract liabilities (note 8)	**41**	44
Benefits and expenses ceded to reinsurers	**(7,016)**	(6,805)
(Increase) decrease in reinsurance assets (note 7)	**(673)**	754
Net benefits and claims	**(9,299)**	35,822
General expenses	**7,782**	7,828
Investment expenses (note 4)	**1,863**	1,980
Commissions	**6,260**	6,638
Interest expense	**1,350**	1,011
Net premium taxes	**444**	417
Total contract benefits and expenses	**8,400**	53,696
Income before income taxes	**8,747**	8,125
Income tax expense (note 17)	**(1,565)**	(1,213)
Net income	**$ 7,182**	$ 6,912
Net income (loss) attributed to:		
Non-controlling interests	**$ (1)**	$ 255
Participating policyholders	**(111)**	(448)
Shareholders and other equity holders	**7,294**	7,105
	$ 7,182	$ 6,912
Net income attributed to shareholders	**7,294**	7,105
Preferred share dividends and other equity distributions	**(260)**	(215)
Common shareholders' net income	**$ 7,034**	$ 6,890
Earnings per share		
Basic earnings per common share (note 12)	**$ 3.68**	$ 3.55
Diluted earnings per common share (note 12)	**3.68**	3.54
Dividends per common share	**1.32**	1.17

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

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Consolidated Statements of Comprehensive Income

For the years ended December 31, (Canadian $ in millions)	2022	2021
Net income	**$ 7,182**	$ 6,912
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	**2,350**	(514)
Net investment hedges	**(415)**	100
Available-for-sale financial securities:		
Unrealized gains (losses) arising during the year	**(7,608)**	(980)
Reclassification of net realized (gains) losses and impairments to net income	**288**	(13)
Cash flow hedges:		
Unrealized gains (losses) arising during the year	**161**	77
Reclassification of realized gains (losses) to net income	**3**	(4)
Share of other comprehensive income (losses) of associates	**(5)**	(1)
Total items that may be subsequently reclassified to net income	**(5,226)**	(1,335)
Items that will not be reclassified to net income:		
Change in actuarial gains (losses) on pension and other post-employment plans	**17**	199
Real estate revaluation reserve	**(1)**	(11)
Total items that will not be reclassified to net income	**16**	188
Other comprehensive income (loss), net of tax	**(5,210)**	(1,147)
Total comprehensive income (loss), net of tax	**$ 1,972**	$ 5,765
Total comprehensive income (loss) attributed to:		
Non-controlling interests	**$ (4)**	$ 252
Participating policyholders	**(113)**	(449)
Shareholders and other equity holders	**2,089**	5,962

Income Taxes included in Other Comprehensive Income

For the years ended December 31, (Canadian $ in millions)	2022	2021
Income tax expense (recovery) on:		
Unrealized gains (losses) on available-for-sale financial securities	**$ (1,254)**	$ (181)
Reclassification of net realized (gains) losses and impairments to net income onavailable-for-sale financial securities	**30**	21
Unrealized gains (losses) on cash flow hedges	**55**	15
Reclassification of realized gains (losses) to net income on cash flow hedges	**1**	(1)
Unrealized foreign exchange gains (losses) on translation of foreign operations	**2**	–
Unrealized foreign exchange gains (losses) on net investment hedges	**(29)**	21
Share of other comprehensive income (loss) of associates	**(1)**	–
Change in actuarial gains (losses) on pension and other post-employment plans	**9**	61
Real estate revaluation reserve	**1**	–
Total income tax expense (recovery)	**$ (1,186)**	$ (64)

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

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Consolidated Statements of Changes in Equity

For the years ended December 31, (Canadian $ in millions)	2022	2021
Preferred shares and other equity		
Balance, beginning of year	**$ 6,381**	$ 3,822
Issued (note 12)	**1,000**	3,200
Redeemed (note 12)	**(711)**	(612)
Issuance costs, net of tax	**(10)**	(29)
Balance, end of year	**6,660**	6,381
Common shares		
Balance, beginning of year	**23,093**	23,042
Repurchased (note 12)	**(938)**	–
Issued on exercise of stock options and deferred share units	**23**	51
Balance, end of year	**22,178**	23,093
Contributed surplus		
Balance, beginning of year	**262**	261
Exercise of stock options and deferred share units	**(4)**	(8)
Stock option expense	**5**	9
Acquisition of non-controlling interest	**(25)**	–
Balance, end of year	**238**	262
Shareholders' and other equity holders' retained earnings		
Balance, beginning of year	**23,492**	18,887
Net income attributed to shareholders and other equity holders	**7,294**	7,105
Common shares repurchased (note 12)	**(946)**	–
Preferred share dividends and other equity distributions	**(260)**	(215)
Preferred shares redeemed (note 12)	**(14)**	(13)
Common share dividends	**(2,513)**	(2,272)
Acquisition of non-controlling interest	**(43)**	–
Balance, end of year	**27,010**	23,492
Shareholders' accumulated other comprehensive income (loss) ("AOCI")		
Balance, beginning of year	**5,180**	6,323
Change in unrealized foreign exchange gains (losses) on net foreign operations	**1,935**	(414)
Change in actuarial gains (losses) on pension and other post-employment plans	**17**	199
Change in unrealized gains (losses) on available-for-sale financial securities	**(7,315)**	(989)
Change in unrealized gains (losses) on derivative instruments designated as cash flow hedges	**164**	73
Change in real estate revaluation reserve	**(1)**	(11)
Share of other comprehensive income (losses) of associates	**(5)**	(1)
Balance, end of year	**(25)**	5,180
Total shareholders' and other equity, end of year	**56,061**	58,408
Participating policyholders' equity		
Balance, beginning of year	**(1,233)**	(784)
Net income (loss) attributed to participating policyholders	**(111)**	(448)
Other comprehensive income (losses) attributed to participating policyholders	**(2)**	(1)
Balance, end of year	**(1,346)**	(1,233)
Non-controlling interests		
Balance, beginning of year	**1,694**	1,455
Net income attributed to non-controlling interests	**(1)**	255
Other comprehensive income (losses) attributed to non-controlling interests	**(3)**	(3)
Contributions (distributions and acquisition), net	**(26)**	(13)
Balance, end of year	**1,664**	1,694
Total equity, end of year	**$ 56,379**	$ 58,869

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

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Consolidated Statements of Cash Flows

For the years ended December 31, (Canadian $ in millions)	2022	2021
Operating activities		
Net income	**$ 7,182**	$ 6,912
Adjustments:		
Increase (decrease) in insurance contract liabilities	**(33,413)**	10,719
Increase (decrease) in investment contract liabilities	**41**	44
(Increase) decrease in reinsurance assets excluding coinsurance transactions (note 7)	**159**	754
Amortization of (premium) discount on invested assets	**(32)**	181
Other amortization	**538**	529
Net realized and unrealized (gains) losses and impairment on assets	**47,270**	4,824
Gain on U.S. variable annuity reinsurance transaction (pre-tax) (note 7)	**(1,070)**	–
Gain on derecognition of Joint Venture interest during Manulife TEDA acquisition (pre-tax) (notes 3 & 6)	**(95)**	–
Deferred income tax expense (recovery)	**731**	(127)
Stock option expense	**5**	9
Cash provided by operating activities before undernoted items	**21,316**	23,845
Cash decrease due to U.S. variable annuity reinsurance transaction (note 7)	**(1,377)**	–
Changes in policy related and operating receivables and payables	**(2,204)**	(690)
Cash provided by (used in) operating activities	**17,735**	23,155
Investing activities		
Purchases and mortgage advances	**(111,768)**	(120,965)
Disposals and repayments	**93,407**	96,728
Change in investment broker net receivables and payables	**(67)**	(186)
Net cash increase (decrease) from sale (purchase) of subsidiary (notes 3 & 6)	**(182)**	(19)
Cash provided by (used in) investing activities	**(18,610)**	(24,442)
Financing activities		
Issue of long-term debt, net (note 10)	**946**	–
Redemption of long-term debt (note 10)	**–**	(1,250)
Redemption of capital instruments (note 11)	**(1,000)**	(818)
Secured borrowings (note 4(f))	**437**	26
Change in repurchase agreements and securities sold but not yet purchased	**(551)**	186
Change in deposits from Bank clients, net	**1,703**	(164)
Lease payments	**(120)**	(124)
Shareholders' dividends and other equity distributions	**(2,787)**	(2,500)
Common shares repurchased (note 12)	**(1,884)**	–
Common shares issued, net (note 12)	**23**	51
Preferred shares and other equity issued, net (note 12)	**990**	3,171
Preferred shares redeemed, net (note 12)	**(711)**	(612)
Contributions from (distributions to, acquisition of) non-controlling interests, net	**(51)**	(13)
Cash provided by (used in) financing activities	**(3,005)**	(2,047)
Cash and short-term securities		
Increase (decrease) during the year	**(3,880)**	(3,334)
Effect of foreign exchange rate changes on cash and short-term securities	**585**	(319)
Balance, beginning of year	**21,930**	25,583
Balance, December 31	**18,635**	21,930
Cash and short-term securities		
Beginning of year		
Gross cash and short-term securities	**22,594**	26,167
Net payments in transit, included in other liabilities	**(664)**	(584)
Net cash and short-term securities, January 1	**21,930**	25,583
End of year		
Gross cash and short-term securities	**19,153**	22,594
Net payments in transit, included in other liabilities	**(518)**	(664)
Net cash and short-term securities, December 31	**$ 18,635**	$ 21,930
Supplemental disclosures on cash flow information		
Interest received	**$ 12,133**	$ 11,376
Interest paid	**1,248**	981
Income taxes paid	**1,238**	571

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

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Notes to Consolidated Financial Statements

(Canadian $ in millions except per share amounts or unless otherwise stated)

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 Asia and Canada and as John Hancock in the United States.

MFC is domiciled in Canada and incorporated under the Insurance Companies Act (Canada) ("ICA"). These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These Consolidated Financial Statements should be read in conjunction with "Risk Management and Risk Factors" in the 2022 Management's Discussion and Analysis ("MD&A") dealing with IFRS 7 "Financial Instruments: Disclosures" as the discussion on market risk and liquidity risk includes certain disclosures that are considered an integral part of these Consolidated Financial Statements.

These Consolidated Financial Statements as at and for the year ended December 31, 2022 were authorized for issue by MFC's Board of Directors on February 15, 2023.

(b) Basis of preparation

The preparation of Consolidated Financial Statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities as at the date of the Consolidated Financial Statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results may differ from these estimates. The most significant estimation processes relate to evaluating assumptions used in measuring insurance and investment contract liabilities, assessing assets for impairment, determining pension and other post-employment benefit obligation and expense assumptions, determining income taxes and uncertain tax positions, and estimating fair values of certain invested assets. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected. Although some variability is inherent in these estimates, management believes that the amounts recorded are appropriate. The significant accounting policies used and the most significant judgments made by management in applying these accounting policies in the preparation of these Consolidated Financial Statements are summarized below.

The Company's results and operations have been and may continue to be adversely impacted byCOVID-19 and the economic environment. The adverse effects include but are not limited to recessionary economic trends in markets the Company operates in, significant market volatility, increase in credit risk, strain on commodity markets and alternative long duration asset ("ALDA") prices, foreign currency exchange rate volatility, increases in insurance claims, persistency and redemptions, and disruption of business operations. The breadth and depth of these events and their duration contribute additional uncertainty around estimates used in determining the carrying value of certain assets and liabilities included in these Consolidated Financial Statements.

The Company has applied appropriate measurement techniques using reasonable judgment and estimates from the perspective of a market participant to reflect current economic conditions. The impact of these techniques has been reflected in these Consolidated Financial Statements. Changes in the inputs used could materially impact the respective carrying values.

(c) Fair value measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (not a forced liquidation or distress sale) between market participants at the measurement date; fair value is an exit value.

When available, quoted market prices are used to determine fair value. If quoted market prices are not available, fair value is typically based upon alternative valuation techniques such as discounted cash flows, matrix pricing, consensus pricing services and other techniques. Broker quotes are generally used when external public vendor prices are not available.

The Company has a valuation process in place that includes a review of price movements relative to the market, a comparison of prices between vendors, and a comparison to internal matrix pricing which uses predominately external observable data. Judgment is applied in adjusting external observable data for items including liquidity and credit factors.

The Company categorizes its fair value measurement results according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques based on their reliability. A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

Level 1 – Fair value measurements that reflect unadjusted, quoted prices in active markets for identical assets and liabilities that the Company can access at the measurement date, reflecting market transactions.

Level 2 – Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs that are observable that are not prices (such as interest rates, credit risks, etc.) and inputs that are derived from or corroborated by observable market data. Most debt securities are classified within Level 2. Also, included in the Level 2 category are derivative instruments that are priced using models with observable market inputs, including interest rate swaps, equity swaps, credit default swaps and foreign currency forward contracts.

Level 3 – Fair value measurements using significant non-market observable inputs. These include valuations for assets and liabilities that are derived using data, some or all of which is not market observable, including assumptions about risk. Level 3 security valuations include less liquid securities such as real estate properties, other invested assets, timber investments held within segregated funds, certain long-duration bonds and other securities that have little or no price transparency. Certain derivative financial instrument valuations are also included in Level 3.

(d) Basis of consolidation

MFC consolidates the financial statements of all entities it controls, including certain structured entities. Subsidiaries are entities controlled by the Company. The Company has control over an entity when the Company has the power to govern the financial and operating policies of the entity and is exposed to variable returns from its activities which are significant in relation to the total variable returns of the entity and the Company is able to use its power over the entity to affect the Company's share of variable returns of the entity. In assessing control, significant judgment is applied while considering all relevant facts and circumstances. When assessing decision making power over an entity, the Company considers the extent of its rights relative to the management of the entity, the level of voting rights held over the entity which are potentially or presently exercisable, the existence of any contractual management agreements which may provide the Company with power over the entity's financial and operating policies, and to the extent of other parties' ownership in the entity, if any, the possibility for de facto control being present. When assessing variable returns from an entity, the Company considers the significance of direct and indirect financial and non-financial variable returns to the Company from the entity's activities in addition to the proportionate significance of such returns to the total variability of the entity. The Company also considers the degree to which its interests are aligned with those of other parties investing in the entity and the degree to which the Company may act in its own interest while interacting with the entity.

The financial statements of subsidiaries are included in MFC's consolidated results from the date control is established and are excluded from consolidation from the date control ceases. The initial control assessment is performed at inception of the Company's involvement with the entity and is reconsidered if the Company acquires or loses power over key operating and financial policies of the entity; acquires additional interests or disposes of interests in the entity; the contractual arrangements of the entity are amended such that the Company's proportionate exposure to variable returns changes; or if the Company's ability to use its power to affect its variable returns from the entity changes. A change in control may lead to gains or losses on derecognition of a subsidiary when losing control, or on derecognition of previous interests in a subsidiary when gaining control.

The Company's Consolidated Financial Statements have been prepared using uniform accounting policies for like transactions and events in similar circumstances. Intercompany balances, and revenue and expenses arising from intercompany transactions, have been eliminated in preparing the Consolidated Financial Statements.

Non-controlling interests are interests of other parties in the equity of MFC's subsidiaries and are presented within total equity, separate from the equity of MFC's participating policyholders and shareholders. Non-controlling interests in the net income and other comprehensive income ("OCI") of MFC's subsidiaries are included in total net income and total OCI, respectively. An exception to this occurs where the subsidiary's shares are either puttable by the other parties or are redeemable for cash on a fixed or determinable date, in which case other parties' interests in the subsidiary's capital are presented as liabilities of the Company and other parties' interests in the subsidiary's net income and OCI are recorded as expenses of the Company.

The equity method of accounting is used to account for entities over which the Company has significant influence or joint control ("associates" or "joint ventures"), whereby the Company records its share of the associate's or joint venture's net assets and financial results using uniform accounting policies for similar transactions and events. Significant judgment is used to determine whether voting rights, contractual management rights and other relationships with the entity, if any, provide the Company with significant influence or joint control over the entity. Gains and losses on the sale of associates or joint ventures are included in income when realized, while impairment losses are recognized immediately when there is objective evidence of impairment. Gains and losses on commercial transactions with associates or joint ventures are eliminated to the extent of the Company's interest in the equity of the associate or joint venture. Investments in associates and joint ventures are included in other invested assets on the Company's Consolidated Statements of Financial Position.

(e) Invested assets

Invested assets that are considered financial instruments are classified as fair value through profit or loss ("FVTPL"), loans and receivables, or as available-for-sale ("AFS") financial assets. The Company determines the classification of its financial assets at initial recognition. Invested assets are recognized initially at fair value plus, in the case of investments not at FVTPL, directly attributable transaction costs. Invested assets are classified as financial instruments at FVTPL if they are held for trading, if they are designated by management under the fair value option, or if they are designated by management when they include one or more embedded derivatives. Invested assets classified as AFS are non-derivative financial assets that do not fall into any of the other categories described above.

Valuation methods for the Company's invested assets are described above. All fair value valuations are performed in accordance with IFRS 13 "Fair Value Measurement". Disclosure of fair value valuations within the three levels of the fair value hierarchy for invested assets carried at fair value or not carried at fair value on the Consolidated Statements of Financial Position are presented in note 4. Fair value valuations are performed by the Company and by third-party service providers. When third-party service providers are engaged, the Company performs a variety of procedures to corroborate pricing information. These procedures may include, but are not limited to, inquiry and review of valuation techniques, inputs to the valuation and vendor controls reports.

Cash and short-term securities comprise of cash, current operating accounts, overnight bank and term deposits, and debt securities held for meeting short-term cash commitments. Short-term securities are comprised of investments due to mature within one year of the date of purchase. Short-term securities are carried at fair value. Commercial paper and discount notes are classified as Level 2 for fair value disclosure purposes because these securities are typically not actively traded. Net payments in transit and overdraft bank balances are included in other liabilities.

Debt securities are carried at fair value or amortized cost. Debt securities are generally valued by independent pricing vendors using proprietary pricing models incorporating current market inputs for similar instruments with comparable terms and credit quality (matrix pricing). The significant inputs include, but are not limited to, yield curves, credit risks and spreads, prepayment rates and volatility of these inputs. These debt securities are classified as Level 2 for fair value disclosure purposes but can be Level 3 if significant inputs are market unobservable. Realized gains and losses on sale of debt securities and unrealized gains and losses on debt securities designated as FVTPL are recognized in investment income immediately. Unrealized gains and losses on AFS debt securities are recorded in OCI, except for unrealized gains and losses on foreign currency translation which are included in income. Impairment losses on AFS debt securities are recognized in income on an individual security basis when there is objective evidence of impairment. Impairment is considered to have occurred, based on management's judgment, when it is deemed probable that the Company will not be able to collect all amounts due according to the debt security's contractual terms. Debt securities which are classified as held-to-maturity are carried at amortized cost. This includes debt securities with fixed or determinable payments and fixed maturities, for which the Company has both positive intention and ability to hold to maturity, and which the Company has not designated at initial recognition as FVTPL or AFS.

Public equities are comprised of common and preferred equities and mutual fund shares and are carried at fair value. Public equities are generally classified as Level 1 for fair value disclosure purposes, as fair values are normally based on quoted market prices. Realized gains and losses on sale of equities and unrealized gains and losses on equities designated as FVTPL are recognized in investment income immediately. Unrealized gains and losses on AFS equities are recorded in OCI. Impairment losses on AFS equities are recognized in income on an individual security basis when there is objective evidence of impairment. Impairment is considered to have occurred when fair value has declined below cost by a significant amount or for a prolonged period. Significant judgment is applied in determining whether the decline is significant or prolonged.

Mortgages are carried at amortized cost and are classified as Level 3 for fair value disclosure purposes due to the lack of market observability of certain significant valuation inputs. Realized gains and losses are recorded in investment income immediately. Impairment losses are recorded on mortgages when there is no longer reasonable assurance as to the timely collection of the full amount of principal and interest and are measured based on the discounted value of expected future cash flows at the original effective interest rates inherent in the mortgage. Expected future cash flows of impaired mortgages are typically determined with reference to the fair value of collateral security underlying the mortgage, net of expected costs of realization and including any applicable insurance recoveries. Significant judgment is applied in the determination of impairment including the timing and amount of future collections.

The Company accounts for insured and uninsured mortgage securitizations as secured financing transactions since the criteria for sale accounting are not met. For these transactions, the Company continues to recognize the mortgages and records liabilities within other liabilities for the amounts owed at maturity. Interest income from these mortgages and interest expense on the borrowings are recorded using the effective interest rate method.

Private placements, which include corporate loans for which there is no active market, are carried at amortized cost and are generally classified as Level 2 for fair value disclosure purposes or Level 3 if significant inputs are market unobservable. Realized gains and losses are recorded in income immediately. Impairment losses are recorded on private placements when there is no longer assurance as to the timely collection of the full amount of principal and interest. Impairment is measured based on the discounted value of expected future cash flows at the original effective interest rate inherent in the loan. Significant judgment is applied in the determination of impairment including the timing and amount of future collections.

Policy loans are carried at an amount equal to their unpaid balances and are classified as Level 2 for fair value disclosure purposes. Policy loans are fully collateralized by the cash surrender value of the underlying policies.

Loans to Manulife Bank of Canada (“Manulife Bank” or “Bank”) clients are carried at amortized cost and are classified as Level 2 for fair value disclosure purposes. A loan to a Bank client is considered impaired when there is objective evidence of impairment because of one or more loss events that have occurred after initial recognition, with a negative impact on the estimated future cash flows of the loan.

Once established, allowances for impairment of mortgages, private placements and loans to Bank clients are reversed only if the conditions that caused the impairment no longer exist. Reversals of impairment charges on AFS debt securities are only recognized in income to the extent that subsequent increases in fair value can be attributed to events after the impairment loss being recorded. Impairment losses for AFS equity instruments are not reversed through income. On disposition of an impaired asset, any allowance for impairment is released.

In addition to impairments and provisions for loan losses (recoveries) reported in investment income, the measurement of insurance contract liabilities, via investment return assumptions, includes expected future credit losses on fixed income investments. Refer to note 7(d).

Interest income is recognized on debt securities, mortgages, private placements, policy loans, loans to Bank clients and certain other invested assets as it accrues and is calculated using the effective interest rate method. Premiums, discounts and transaction costs are amortized over the life of the underlying investment using the effective yield method for all debt securities as well as mortgages and private placements.

The Company records purchases and sales of invested assets on a trade date basis. Loans originated by the Company are recognized on a settlement date basis.

Real estate consists of both own use property and investment property. Own use property, held for use for the Company’s operations, is carried at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated based on the cost of an asset less its residual value and is recognized in income on a straight-line basis over the estimated useful life ranging from 30 to 60 years. Impairment losses are recorded in income to the extent the recoverable amount is less than the carrying amount. Where own use property is included in assets backing insurance contract liabilities, the fair value of the property is used in the valuation of insurance contract liabilities. Fair value of own use property is determined using the same processes as for investment property, described below. Own use property is classified as Level 3 for fair value disclosure purposes.

An investment property is a property held to earn rental income, for capital appreciation, or both. Investment properties are measured at fair value, with changes in fair value recognized in income. Fair value is determined using external appraisals that are based on the highest and best use of the property. The valuation techniques include discounted cash flows, the direct capitalization method as well as comparable sales analysis and include both observable and unobservable inputs. 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. Investment properties are classified as Level 3 for fair value disclosure purposes.

When a property changes from own use to investment property, any gain or loss arising on the remeasurement of the property to fair value at the date of transfer is recognized in OCI, to the extent that it is not reversing a previous impairment loss. Reversals of impairment losses are recognized in income.

Other invested assets include private equity and property investments held in infrastructure and timber, as well as in agriculture and oil and gas sectors. Private equity investments are accounted for as associates or joint ventures using the equity method (as described in note 1(d) above) or are classified as FVTPL or AFS and carried at fair value. Investments in oil and gas exploration and evaluation activities are measured on the cost basis using the “successful efforts” method. Timber and agriculture properties are measured at fair value with changes in fair value recognized in income, except for buildings, equipment and bearer plants which are measured at amortized cost. The fair value of other invested assets is determined using a variety of valuation techniques as described in note 4. Other invested assets that are measured or disclosed at fair value are primarily classified as Level 3.

Other invested assets also include investments in leveraged leases, which are accounted for using the equity method. The carrying value under the equity method reflects the amortized cost of the lease receivable and related non-recourse debt using the effective yield method.

(f) Goodwill and intangible assets

Goodwill represents the difference between the fair value of purchase consideration of an acquired business and the Company’s proportionate share of the net identifiable assets acquired. It is initially recorded at cost and subsequently measured at cost less any accumulated impairment.

Goodwill is tested for impairment at least annually and whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable at the cash generating unit (“CGU”) or group of CGUs level. The Company allocates goodwill to CGUs or group of CGUs for impairment testing at the lowest level within the entity where the goodwill is monitored for internal management purposes. The allocation is made to those CGUs or group of CGUs that are expected to benefit from the business combination in which the goodwill arose. Any potential impairment of goodwill is identified by comparing the recoverable amount with the carrying value of a CGU or group of CGUs. Goodwill is reduced by the amount of deficiency, if any. If the deficiency exceeds the carrying amount of goodwill, the carrying values of the remaining assets in the CGU or group of CGUs are subject to being reduced by the remaining deficiency on a pro-rata basis.

The recoverable amount of a CGU or group of CGUs is the higher of the estimated fair value less costs to sell or thevalue-in-use of the CGU or group of CGUs. In assessing value-in-use, estimated future cash flows are discounted using apre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU or group of CGUs. In some cases, the most recent detailed calculation made in a prior period of a recoverable amount is used in the current period impairment testing. This is the case only if there are no significant changes to the CGU or group of CGUs, the likelihood of impairment is remote based on the analysis of current events and circumstances, and the most recently calculated recoverable amount substantially exceeded the current carrying amount of the CGU or group of CGUs.

Intangible assets with indefinite useful lives include the John Hancock brand name, certain investment management contracts and certain agricultural water rights. The indefinite useful life assessment for the John Hancock brand name is based on the brand name being protected by indefinitely renewable trademarks in markets where branded products are sold, and for certain investment management contracts based on the ability to renew these contracts indefinitely. In addition, there are no legal, regulatory or contractual provisions that limit the useful lives of these intangible assets. Certain agricultural water rights are held in perpetuity. An intangible asset with an indefinite useful life is not amortized but is subject to an annual impairment test which is performed more frequently if an indication that it is not recoverable arises.

Intangible assets with finite useful lives include acquired distribution networks, customer relationships, capitalized software, and certain investment management contracts and other contractual rights. Distribution networks, customer relationships, and other finite life intangible assets are amortized over their estimated useful lives, six to 68 years, either based on straight-line or in relation to other asset consumption metrics. Software intangible assets are amortized on a straight-line basis over their estimated useful lives of three to 10 years. Finite life intangible assets are assessed for indicators of impairment at each reporting period. If indications of impairment arise, these assets are tested for impairment.

(g) Miscellaneous assets

Miscellaneous assets include assets held in a rabbi trust with respect to unfunded defined benefit obligations, defined benefit assets, if any, deferred acquisition costs and capital assets. Rabbi trust assets are carried at fair value. Defined benefit assets carrying value is explained in note 1(o). Deferred acquisition costs are carried at cost less accumulated amortization and are amortized over the period redemption fees may be charged or over the period revenue is earned. Capital assets are carried at cost less accumulated amortization computed on a straight-line basis over their estimated useful lives, which vary from two to 10 years.

(h) Segregated funds

The Company manages segregated funds on behalf of policyholders, which are presented as segregated fund net assets with offsetting segregated funds net liabilities to policyholders in the amount of their account balances. Amounts invested by the Company in segregated funds for seed purposes are presented within invested asset categories based on the nature of the underlying investments. The investment returns on these funds are passed directly to policyholders. In some cases, the Company has provided guarantees associated with these funds.

Segregated funds net assets are measured at fair value and include investments in mutual funds, debt securities, equities, cash, short-term investments and other investments. With respect to the consolidation requirement of IFRS, in assessing the Company's degree of control over the underlying investments, the Company considers the scope of its decision-making rights, the rights held by other parties, its remuneration as an investment manager and its exposure to variability of returns from the investments. The Company has determined that it does not have control over the underlying investments as it acts as an agent on behalf of segregated fund policyholders.

The methodology applied to determine the fair value of investments held in segregated funds is consistent with that applied to invested assets held by the general fund, as described above in note 1(e). Segregated funds liabilities are measured based on the value of the segregated funds net assets. Investment returns on segregated funds assets belong to policyholders and the Company does not bear the risk associated with these assets outside of guarantees offered on certain variable life and annuity products, for which the underlying investments are held within segregated funds. Accordingly, investment income earned by segregated funds and expenses incurred by segregated funds are offset and are not separately presented in the Consolidated Statements of Income. Fee income earned by the Company for managing and administering the segregated funds is included in other revenue.

Liabilities related to guarantees associated with certain segregated funds, as a result of certain variable life and annuity contracts, are recorded within the Company's insurance contract liabilities. The Company holds assets supporting these guarantees in the general fund, which are included in invested assets according to their investment type.

(i) Insurance and investment contract liabilities

Most contracts issued by the Company are considered insurance, investment or service contracts. Contracts under which the Company accepts significant insurance risk from a policyholder are classified as insurance contracts in the Consolidated Financial Statements. A contract is considered to have significant insurance risk if, and only if, an insured event could cause an insurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance at the inception of the contract. Contracts under which the Company does not accept significant insurance risk are either classified as investment contracts or considered service contracts and are accounted for in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" or IFRS 15 "Revenue from Contracts with Customers", respectively.

Once a contract has been classified as an insurance contract it remains an insurance contract even if the insurance risk reduces significantly. Investment contracts can be reclassified as insurance contracts if insurance risk subsequently becomes significant.

Insurance contract liabilities, net of reinsurance assets, represent the amount which, together with estimated future premiums and net investment income, will be sufficient to pay estimated future benefits, policyholder dividends and refunds, taxes (other than income taxes) and expenses on policies in-force. Insurance contract liabilities are presented gross of reinsurance assets on the Consolidated Statements of Financial Position. The Company's Appointed Actuary is responsible for determining the amount of insurance contract liabilities in accordance with standards established by the Canadian Institute of Actuaries. Insurance contract liabilities, net of reinsurance assets, have been determined using the Canadian Asset Liability Method ("CALM") as permitted by IFRS 4 "Insurance Contracts". Refer to note 7.

Investment contract liabilities include contracts issued to retail and institutional investors that do not contain significant insurance risk. Investment contract liabilities and deposits are measured at amortized cost or at FVTPL by election. The election reduces accounting mismatches between FVTPL assets supporting these contracts and the related contract liabilities. Investment contract liabilities are derecognized when the contract expires, is discharged or is cancelled.

Derivatives embedded within insurance contracts are separately accounted for as derivatives if they are not considered to be closely related to the host insurance contract and do not meet the definition of an insurance contract. These embedded derivatives are presented separately in other assets or other liabilities and are measured at FVTPL.

(j) Reinsurance assets

The Company uses reinsurance in the normal course of business to manage its risk exposure. Insurance ceded to a reinsurer does not relieve the Company from its obligations to policyholders. The Company remains liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet its obligations for reinsurance ceded to it under a reinsurance agreement.

Reinsurance assets represent the benefit derived from reinsurance agreementsin-force at the reporting date, considering the financial condition of the reinsurer. Amounts recoverable from reinsurers are estimated in accordance with the terms of the relevant reinsurance contract.

Gains or losses on reinsurance transactions are recognized in income immediately on the transaction date and are not amortized. Premiums ceded and claims reimbursed are presented on a gross basis on the Consolidated Statements of Income. Reinsurance assets are not offset against the related insurance contract liabilities and are presented separately on the Consolidated Statements of Financial Position. Refer to note 7(a).

(k) Other financial instruments accounted for as liabilities

The Company issues a variety of other financial instruments classified as liabilities, including notes payable, term notes, senior notes, senior debentures, subordinated notes, surplus notes and preferred shares. These financial liabilities are measured at amortized cost, with issuance costs deferred and amortized using the effective interest rate method.

(l) Income taxes

The provision for income taxes is calculated based on income tax laws and income tax rates substantively enacted as at the date of the Consolidated Statements of Financial Position. The income tax provision is comprised of current income taxes and deferred income taxes. Current and deferred income taxes relating to items recognized in OCI and directly in equity are similarly recognized in OCI and directly in equity, respectively.

Current income taxes are amounts expected to be payable or recoverable for the current year and any adjustments to taxes payable in respect of previous years.

Deferred income taxes are provided for using the liability method and result from temporary differences between the carrying values of assets and liabilities and their respective tax bases. Deferred income taxes are measured at the substantively enacted tax rates that are expected to be applied to temporary differences when they reverse.

A deferred tax asset is recognized to the extent that future realization of the tax benefit is probable. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the tax benefit will be realized. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities and they relate to income taxes levied by the same tax authority on the same taxable entity.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The Company records liabilities for uncertain tax positions if it is probable that the Company will make a payment on tax positions due to examinations by tax authorities. These provisions are measured at the Company's best estimate of the amount expected to be paid. Provisions are reversed to income in the period in which management assesses they are no longer required or determined by statute.

The Company is subject to income tax laws in various jurisdictions. Tax laws are complex and potentially subject to different interpretations by the taxpayer and the relevant tax authority. The provision for current income taxes and deferred income taxes represents management's interpretation of the relevant tax laws and its estimate of current and future income tax implications of the transactions and events during the year. The Company may be required to change its provision for income taxes or deferred income tax balances when the ultimate deductibility of certain items is successfully challenged by taxing authorities, or if estimates used in determining the amount of deferred tax balances to recognize change significantly, or when receipt of new information indicates the need for adjustment in the amount of deferred income taxes to be recognized. Additionally, future events, such as changes in tax laws, tax regulations, or interpretations of such laws or regulations, could have an impact on the provision for income taxes, deferred tax balances and the effective tax rate. Any such changes could materially affect the amounts reported in the Consolidated Financial Statements in the period these changes occur.

(m) Foreign currency translation

Items included in the financial statements of each of the Company's subsidiaries, joint ventures and associates are measured by each entity using the currency of the primary economic environment in which the entity operates (the "functional currency"). If their functional currency is other than Canadian dollar, these entities are foreign operations of the Company.

Transactions in a foreign currency are translated to the functional currency at the exchange rate prevailing at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate in effect at the reporting date. Revenue and expenses denominated in foreign currencies are translated at the average exchange rate prevailing during the quarter reported. Exchange gains and losses are recognized in income except for translation of net investments in foreign operations and the results of hedging these positions, and for non-monetary items designated as AFS. These foreign exchange gains and losses are recognized in OCI until such time that the foreign operation or non-monetary item is disposed of or control or significant influence over it is lost.

The Consolidated Financial Statements are presented in Canadian dollars. The financial statements of the Company's foreign operations are translated from their functional currencies to Canadian dollars; assets and liabilities are translated at the exchange rate at the reporting date, and revenue and expenses are translated using the average exchange rates for the period. Foreign exchange gains and losses on these translations are recognized in OCI, subject to reclassification to income upon disposal of a foreign operation.

(n) Stock-based compensation

The Company provides stock-based compensation to certain employees and directors as described in note 15. Compensation expense of equity instruments granted is accrued based on the best estimate of the number of instruments expected to vest, with revisions made to that estimate if subsequent information indicates that actual forfeitures are likely to differ from initial forfeiture estimates, unless forfeitures are due to market-based conditions.

Stock options are expensed with a corresponding increase in contributed surplus. Restricted share units and deferred share units are expensed with a corresponding liability accrued based on the market value of MFC's common shares at the end of each quarter. Performance share units are expensed with a corresponding liability accrued based on specific performance conditions and the market value of MFC's common shares at the end of each quarter. The change in the value of the awards resulting from changes in the market value of MFC's common shares or changes in the specific performance conditions and credited dividends is recognized in income, offset by the impact of total return swaps used to manage the variability of the related liabilities.

Stock-based compensation cost is recognized over the applicable vesting period, unless the employee is eligible to retire at the time of grant or will be eligible to retire during the vesting period. Compensation costs attributable to stock options, restricted share units, and performance share units granted to employees who are eligible to retire on the grant date or who will become eligible to retire during the vesting period, are recognized at the grant date or over the period from the grant date to the date of retirement eligibility, respectively.

The Company's contributions to the Global Share Ownership Plan ("GSOP") (refer to note 15(d)), are expensed as incurred. Under the GSOP, subject to certain conditions, the Company will match a percentage of an employee's eligible contributions to certain maximums. All contributions are used by the plan's trustee to purchase MFC common shares in the open market on behalf of participating employees.

(o) Employee future benefits

The Company maintains defined contribution and defined benefit pension plans and other post-employment plans for employees and agents including registered (tax qualified) pension plans that are typically funded as well as supplemental non-registered (non-qualified) pension plans for executives, retiree and disability welfare plans that are typically not funded.

The Company's obligation in respect of defined benefit pension and other post-employment benefits is calculated for each plan as the estimated present value of future benefits that eligible employees have earned in return for their service up to the reporting date using the projected benefit method. The discount rate used is based on the yield, as at the reporting date, of high-quality corporate debt securities that have approximately the same term as the benefit obligations and that are denominated in the same currency in which the benefits are expected to be paid.

To determine the Company's net defined benefit asset or liability, the fair value of plan assets is deducted from the defined benefit obligations. When this calculation results in a surplus, the asset that can be recognized is limited to the present value of future economic benefit available in the form of future refunds from the plan or reductions in future contributions to the plan (the asset limit). Defined benefit assets are included in other assets and defined benefit liabilities are included in other liabilities.

Changes in the net defined benefit asset or liability due tore-measurement of pension and retiree welfare plans are recorded in OCI in the period in which they occur and are not reclassified to income in subsequent periods. They consist of actuarial gains and losses, the impact of the asset limit, if any, and the return on plan assets, excluding amounts included in net interest income or expense. Changes in the net defined benefit asset or liability due to re-measurement of disability welfare plans are recorded in income in the period in which they occur.

The cost of defined benefit pension plans is recognized over the employee's years of service to retirement while the cost of retiree welfare plans is recognized over the employee's years of service to their date of full eligibility. The net benefit cost for the year is recorded in income and is calculated as the sum of the service cost in respect of the fiscal year, the net interest income or expense and any applicable administration expenses, plus past service costs or credits resulting from plan amendments or curtailments. The net interest income or expense is determined by applying the discount rate to the net defined benefit asset or liability. The current year cost of disability welfare plans is the year-over-year change in the defined benefit obligation, including any actuarial gains or losses.

The cost of defined contribution plans is the contribution provided by the Company and is recorded in income in the periods during which services are rendered by employees.

(p) Derivative and hedging instruments

The Company uses derivative financial instruments ("derivatives") including swaps, forward and futures agreements, and options to manage current and anticipated exposures to changes in interest rates, foreign exchange rates, commodity prices and equity market prices, and to replicate permissible investments. Derivatives embedded in other financial instruments are separately recorded as derivatives when their economic characteristics and risks are not closely related to those of the host instrument, the terms of the embedded derivative are the same as those of a standalone derivative and the host instrument itself is not recorded at FVTPL. Derivatives which are separate financial instruments are recorded at fair value, and those with unrealized gains reported as derivative assets and those with unrealized losses reported as derivative liabilities.

A determination is made for each derivative as to whether to apply hedge accounting. Where hedge accounting is not applied, changes in the fair value of derivatives are recorded in investment income. Refer to note 4(c).

Where the Company has elected to apply hedge accounting, a hedging relationship is designated and documented at inception. Hedge effectiveness is evaluated at inception and throughout the term of the hedge. Hedge accounting is only applied when the Company expects that the hedging relationship will be highly effective in achieving offsetting changes in fair value or changes in cash flows attributable to the risk being hedged. The assessment of hedge effectiveness is performed at the end of each reporting period both prospectively and retrospectively. When it is determined that a hedging relationship is no longer effective, or the hedging instrument or the hedged item has been sold or terminated, the Company discontinues hedge accounting prospectively. In such cases, if the derivatives are not sold or terminated, any subsequent changes in fair value of the derivatives are recognized in investment income.

For derivatives that are designated as hedging instruments, changes in fair value are recorded according to the nature of the risks being hedged, as discussed below.

In a fair value hedging relationship, changes in fair value of the hedging instruments are recorded in investment income, offsetting changes in fair value of the hedged items, which would otherwise not be carried at fair value. Hedge ineffectiveness is recognized in investment income and arises from differences between changes in the fair values of hedging instruments and hedged items. When hedge accounting is discontinued, the carrying value of the hedged item is no longer adjusted and the cumulative fair value adjustments are amortized to investment income over the remaining term of the hedged item unless the hedged item is sold, at which time the balance is recognized immediately in investment income.

In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging instrument is recorded in OCI while the ineffective portion is recognized in investment income. Gains and losses in accumulated other comprehensive income ("AOCI") are recognized in income during the same periods that the variability in the hedged cash flows or the hedged forecasted transactions are recognized in income. The reclassifications from AOCI are made to investment income, except for total return swaps that hedge stock-based compensation awards, which are reclassified to general expenses.

Gains and losses on cash flow hedges in AOCI are reclassified immediately to investment income when the hedged item is sold or the forecasted transaction is no longer expected to occur. When a hedge is discontinued, but the hedged forecasted transaction is expected to occur, the amounts in AOCI are reclassified to investment income in the periods during which variability in the cash flows hedged or the hedged forecasted transaction is recognized in income.

In a net investment in foreign operations hedging relationship, gains and losses relating to the effective portion of the hedge are recorded in OCI. Gains and losses in AOCI are recognized in income during the periods when gains or losses on the underlying hedged net investment in foreign operations are recognized in income upon disposal of the foreign operation.

(q) Premium income and related expenses

Gross premiums for all types of insurance contracts, and contracts with limited mortality or morbidity risk, are generally recognized as revenue when due. Premiums are reported gross of reinsurance ceded (refer to note 7).

(r) Revenue from service contracts

The Company recognizes revenue from service contracts in accordance with IFRS 15. The Company's service contracts generally impose single performance obligations, each consisting of a series of similar related services for each customer. Revenue is recorded as performance obligations are satisfied over time because the customers simultaneously receive and consume the benefits of the services rendered, measured using an output method. Revenue for variable consideration 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. Refer to note 14.

Note 2 Accounting and Reporting Changes

(a) Changes in accounting and reporting policy

(i) Annual Improvements 2018 – 2020 Cycle

Annual Improvements 2018–2020 Cycle was issued in May 2020 and is effective on or after January 1, 2022. The IASB issued four minor amendments to different standards as part of the Annual Improvements process, to be applied prospectively. Adoption of these amendments did not have a significant impact on the Company's Consolidated Financial Statements.

(ii) Amendments to IFRS 3 "Business Combinations"

Amendments to IFRS 3 "Business Combinations" were issued in May 2020, and are effective on or after January 1, 2022, with earlier application permitted. The amendments update references within IFRS 3 to the 2018 Conceptual Framework and require that the principles in IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" be used to identify liabilities and contingent assets arising from a business combination. Adoption of these amendments did not have a significant impact on the Company's Consolidated Financial Statements.

(iii) Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"

Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" were issued in May 2020, and are effective on or after January 1, 2022, with earlier application permitted. The amendments address identifying onerous contracts and specify the cost of fulfilling a contract which includes all costs directly related to the contract. These include incremental direct costs and allocations of other costs that relate directly to fulfilling the contract. Adoption of these amendments did not have a significant impact on the Company's Consolidated Financial Statements.

(b) Future accounting and reporting changes

(i) IFRS 17 "Insurance Contracts"

IFRS 17 "Insurance Contracts" was issued in May 2017 to be effective for years beginning on January 1, 2021. Amendments to IFRS 17 "Insurance Contracts" were issued in June 2020 and include a two-year deferral of the effective date. IFRS 17 as amended, is effective for years beginning on January 1, 2023, to be applied retrospectively. If full retrospective application to a group of contracts is impracticable the modified retrospective or fair value methods may be used. The standard replaced IFRS 4 "Insurance Contracts" and therefore replaced the Canadian Asset Liability Method ("CALM") and materially changed the recognition and measurement of insurance contracts and the corresponding presentation and disclosures in the Company's Consolidated Financial Statements.

Narrow-scope amendments to IFRS 17 "Insurance Contracts" were issued in December 2021 and were effective on initial application of IFRS 17 and IFRS 9 "Financial Instruments" which the Company has adopted on January 1, 2023. The amendments reduce accounting mismatches between insurance contract liabilities and financial assets in scope of IFRS 9 within comparative prior periods when initially applying IFRS 17 and IFRS 9. The amendments allow insurers to present comparative information on financial assets as if IFRS 9 were fully applicable during the comparative period. The amendments do not permit application of IFRS 9 hedge accounting principles to the comparative period.

The principles underlying IFRS 17 differ from CALM as permitted by IFRS 4. While there are many differences, the following outlines some of the key measurement differences:

- Under IFRS 17 new business gains are recorded on the Consolidated Statements of Financial Position (in the Contractual Service Margin ("CSM") component of the insurance contract liability) and amortized into income as services are provided. New business losses are recorded into income immediately. Under CALM, both new business gains and new business losses were recognized in income immediately.
- Under IFRS 17 the Company aggregates insurance contracts that are subject to similar risks and managed together into portfolios. Since new business gains and losses have different accounting treatments, insurance contracts are further aggregated into groups by

profitability and issuance period to limit offsetting of new business gains and losses. Such aggregation of contracts into groups is required on initial recognition and not reassessed subsequently. Under CALM, new business gains and new business losses offset each other in income.

- Under IFRS 17 the discount rate used to estimate the present value of insurance contract liabilities is based on the characteristics of the liabilities. Under CALM, the rates of returns for current and projected assets supporting insurance contract liabilities were used to value the liabilities. The difference in the discount rate approach also impacts the timing of investment results. Under IFRS 17, the impact of investing activities will emerge into earnings over the life of the assets. Under CALM, the impact of investing activities was capitalized into reserves and therefore earnings in the period they occurred.
- Under IFRS 17 the insurance contract liability discount rate is not related to the expected return on Alternative Long-Duration Assets ("ALDA") and public equity assets, and as a result, the earnings sensitivity of a change in return assumptions for ALDA and public equity assets will be significantly reduced.
- Under IFRS 17 the Company has elected the option to record changes in insurance contract liabilities arising from changes in interest rates through other comprehensive income, for substantially all insurance products, and classify debt instruments supporting these insurance contract liabilities as fair value through other comprehensive income ("FVOCI") under IFRS 9. Under CALM, changes in insurance contract liabilities were recorded in income and supporting debt instruments were classified as FVTPL.
- Under IFRS 17 the Company separates specific embedded derivatives and distinct investment components from insurance contracts and accounts for them under IFRS 9. Under IFRS 4 the treatment of embedded derivatives is consistent with IFRS 17, however under IFRS 4 the Company did not separate deposit components as this was not required by the standard.
- Under IFRS 17 insurance contracts with different features are measured by one of the three measurement models: General Measurement Model ("GMM"), Premium Allocation Approach ("PAA") and Variable Fee Approach ("VFA"). Under IFRS 4, insurance contracts were generally valued by one measurement model, although an unearned premium reserve method similar to PAA was allowed and used by Manulife for certain short duration / annually renewable business.

In addition, there are significant changes to presentation and disclosure of the financial statements. The following outlines some of the key presentation and disclosure changes:

- Consolidated Statements of Financial Position: Under IFRS 17 the Company presents portfolios of insurance and reinsurance contracts issued separately from portfolios of reinsurance contracts held, and portfolios in asset position are further presented separately from portfolios in liability position. Under CALM, contracts were not split and presented by asset and liability position.
- Consolidated Statements of Comprehensive Income: Under IFRS 17 the Company separately presents insurance revenue, insurance service expense, insurance finance income or expenses, and income or expenses from reinsurance contracts held. Under CALM the Company reported premium income, gross claims and benefits, changes in insurance contract liabilities, benefits and expenses ceded to reinsurers, and changes in reinsurance assets.

IFRS 17 Transition

The Company is required to prepare an opening balance sheet as at January 1, 2022, the date of transition to IFRS 17, which forms the starting point for its financial reporting in accordance with IFRS 17. Any differences between the carrying value and the presentation of assets, liabilities and equity determined in accordance with CALM and IFRS 17, as at January 1, 2022, will be recorded in opening retained earnings and accumulated other comprehensive income.

On the transition date, January 1, 2022, the Company;

- Identified, recognized, and measured each group of contracts as if IFRS 17 had always applied, unless it was impracticable (see Full Retrospective Approach and Fair Value Approach below);
- Identified, recognized, and measured assets for insurance acquisition cash flows as if IFRS 17 had always applied, unless it was impracticable. However, no recoverability assessment was performed before the transition date;
- Derecognized any balances that would not exist had IFRS 17 always applied;
- Measured own use real estate properties that were underlying items of insurance contracts with direct participation features at fair value; and
- Recognized any resulting net difference in equity.

Full Retrospective Approach

The Company has adopted IFRS 17 retrospectively unless the full retrospective approach was deemed impracticable. The Company has applied the full retrospective approach to most contracts issued on or after January 1, 2021, except for participating insurance contracts and variable annuity contracts for which the fair value approach was used.

Fair Value Approach

The Company has applied the fair value approach to all insurance contracts issued prior to January 1, 2021, as obtaining reasonable and supportable information to apply the full retrospective approach was deemed impracticable.

IFRS 17 allows the use of the fair value approach for groups of insurance contracts with direct participation features if the risk mitigation option is applied prospectively from the transition date and the Company used derivatives, reinsurance contracts held or non-derivative financial instruments held at FVTPL to mitigate financial risk on these groups of contracts. With these conditions met, the Company has elected to apply the fair value approach to participating insurance contracts and variable annuity contracts issued on or after January 1, 2021.

Under the fair value approach, the Company has determined the CSM of the GMM and VFA liabilities for remaining coverage at the transition date as the difference between the fair value of the groups of insurance contracts and the fulfilment cash flows measured at that date. In determining the fair value, the Company has applied the requirements of IFRS 13 “Fair Value Measurement”, except for the demand deposit floor requirement. The Company used the income approach to determine the fair value of the insurance contracts at the transition date, in which future cash flows are discounted to a single amount that reflects current market expectations about those future amounts.

To determine groups of insurance contracts under the fair value approach the Company has aggregated contracts issued more than one year apart as it did not have reasonable and supportable information to divide groups into those including only contracts issued within one year or less.

For the application of the fair value approach, the Company has used reasonable and supportable information available at the transition date in order to:

- Identify groups of insurance contracts;
- Determine whether an insurance contract meets the definition of an insurance contract with direct participation features;
- Identify discretionary cash flows for insurance contracts without direct participation features; and
- Determine whether an investment contract meets the definition of an investment contract with discretionary participation features.

For insurance contracts where the fair value approach was applied, the discount rate used to determine the fair value of the group of insurance contracts was determined at the transition date. For cash flows of insurance contracts that do not vary based on the returns on underlying items, the Company determines discount rates by adjusting a liquid risk-free yield curve to reflect the differences between the liquidity characteristics of the financial instruments that underlie the rates observed in the market and the liquidity characteristics of the insurance contracts (a bottom-up approach).

Other Comprehensive Income at Transition

Under IFRS 17 changes in the carrying amount of insurance contracts arising from the effect of and changes in the time value of money and in financial risk are presented as insurance finance income or expense (except for some changes for insurance contracts with direct participation features under certain circumstances). Under IFRS 17 the Company has the option to present all insurance finance income or expense in profit or loss or disaggregated between profit or loss and OCI (the “OCI option”). The Company has elected the OCI option and determined the cumulative OCI balance at transition as follows:

- For some GMM and PAA groups of contracts where the fair value approach was applied, the cumulative OCI was set retrospectively only if reasonable and supportable information was available, otherwise it was set to zero at the transition date.
- For GMM groups of contracts where the full retrospective approach was applied, the cumulative balance was calculated as if the Company had been applying the OCI option since inception of the contracts.
- For VFA contracts, the cumulative OCI at transition was set equal to the difference between the market value and carrying value of the underlying items.

Reclassification of Financial Assets for the Comparative Period of IFRS 17 Adoption

Under the amendments to IFRS 17 with regard to the “Initial Application of IFRS 17 and IFRS 9 – Comparative Information” (“IFRS 17 amendments”), the Company has elected the option to reclassify financial assets, including those held in respect of activities not connected to contracts within the scope of IFRS 17, on an instrument-by-instrument basis, for the comparative period in alignment with the expected classification on initial application of IFRS 9 as at January 1, 2023. These reclassification changes also led the Company to present certain investment results previously reported in net investment income or OCI under IAS 39, within OCI or net investment income in alignment with the expected classifications of IFRS 9, respectively.

The following table presents invested assets by type and measurement category as at December 31, 2021, with transitional measurement differences and presentation differences and then invested assets by type and category as at January 1, 2022.

	December 31, 2021 IAS 39 Measurement Category	Total carrying value	Impact of IFRS 17 Amendments: Measurement Differences	Impact of IFRS 17 Amendments: Presentation Differences	January 1, 2022 Total carrying value	January 1, 2022 Measurement Category
Cash and short-term securities	AFS	$ 14,339	$ –	$ 2,214	$ 16,553	FVOCI[1]
	FVTPL	2,214	–	(2,214)	–	FVTPL[2]
	Amortized cost	6,041	–	–	6,041	Amortized cost [3]
		22,594	–	–	22,594	
Debt securities	AFS	33,097	–	184,365	217,462	FVOCI[1]
	FVTPL	189,722	–	(184,365)	5,357	FVTPL[2]
	Amortized cost	1,320	–	–	1,320	Amortized cost [3]
		224,139	–	–	224,139	
Public equities	AFS	2,351	–	(2,351)	–	
	FVTPL	25,716	–	2,351	28,067	FVTPL[2]
		28,067	–	–	28,067	
Mortgages	AFS	–	1,897	29,901	31,798	FVOCI[1]
	FVTPL	–	37	1,166	1,203	FVTPL[2]
	Amortized cost	52,014	–	(31,067)	20,947	Amortized cost [3]
		52,014	1,934	–	53,948	
Private placements	AFS	–	4,407	42,175	46,582	FVOCI[1]
	FVTPL	–	40	667	707	FVTPL[2]
	Amortized cost	42,842	–	(42,842)	–	Amortized cost [3]
		42,842	4,447	–	47,289	
Policy loans	Amortized cost	6,397	–	(6,397)	–	N/A[4]
Loans to Bank clients	Amortized cost	2,506	–	–	2,506	Amortized cost[3]
Other invested assets	AFS	89	(4)	238	323	FVOCI[1]
	FVTPL	21,157	(10)	617	21,764	FVTPL[2]
	Amortized cost	855	–	(855)	–	Amortized cost [3]
		22,101	(14)	–	22,087	
Total in-scope invested assets		400,660	6,367	(6,397)	400,630	
Out-of-scope invested assets[5]	Other	26,438	1,035	–	27,473	Other[5]
Total Invested Assets		$ 427,098	$ 7,402	$ (6,397)	$ 428,103	

(1) The reclassification of unrealized gains (losses), net of tax, of $ 11,868 from retained earnings to accumulated other comprehensive income (AOCI) related to FVOCI classification of debt investments classified as FVTPL under IAS 39.

(2) The reclassification of unrealized gains (losses), net of tax, of $ 268 from AOCI to retained earnings related to FVTPL classification of debt securities classified as FVOCI under IAS 39.

(3) The remeasurement of debt securities from amortized cost to FVOCI or FVTPL resulted in an increase in carrying value of $ 6,367. The impact on AOCI and retained earnings, net of tax, was $ 5,041 and $952, respectively.

(4) Policy loans were reclassified from invested assets to insurance contract liabilities under IFRS 17 with no remeasurement and no impact to equity.

(5) Own use real estate properties which are underlying items for insurance contracts with direct participating features were remeasured to fair value as if they were investment properties, as permitted by IFRS 17. This remeasurement resulted in an increase of carrying value of $1,035. The impact to retained earnings, net of tax, was $ 915.

The Company has elected to apply the impairment requirements of IAS 39 (incurred losses) for the comparative period as provided for under IFRS 17. Accordingly, for assets that were classified as FVTPL under IAS 39, where no impairment was required, but were reclassified to FVOCI or amortized cost under IFRS 9 for the comparative period, the Company did not measure any impairment for the comparative period since IAS 39 impairment was not calculated.

(1)

Opening balance sheet under IFRS 17 “Insurance Contracts” including classification and measurement changes of financial assets

Effects from applying IFRS 17 resulted in a reduction of total equity of$11,997, net of tax, as at January 1, 2022. The opening IFRS 17 balance sheet and related adjustments as at January 1, 2022 are presented below:

		OPENING IFRS BALANCE SHEET ADJUSTMENTS			
		Measurement Differences			
	IFRS 4 & IAS 39 December 31, 2021	Transition CSM	Contract Measurement	Presentation Differences	**IFRS 17 & IAS 39 January 1, 2022**
Assets					
Total invested assets	**$ 427,098**	**$ –**	**$ 7,402**	**$ (6,397)**	**$ 428,103**
Total other assets	**90,757**	**2,877**	**5,617**	**1,078**	**100,329**
Segregated funds net assets	**399,788**	**–**	**–**	**–**	**399,788**
Total assets	**$ 917,643**	**$ 2,877**	**$ 13,019**	**$ (5,319)**	**$ 928,220**
Liabilities and Equity					
Insurance contract liabilities	**$ 392,275**	**$ 21,466**[1]	**$ 10,014**	**$ (18,134)**	**$ 405,621**
Segregated funds insurance net liabilities	**–**	**–**	**–**	**130,836**	**130,836**
Total insurance contract liabilities	**392,275**	**21,466**	**10,014**	**112,702**	**536,457**
Total investment contract liabilities	**3,116**	**–**	**–**	**275,900**	**279,016**
Other liabilities	**63,595**	**(2,823)**	**(784)**	**5,867**	**65,855**
Segregated funds net liabilities	**399,788**	**–**	**–**	**(399,788)**	**–**
Total liabilities	**858,774**	**18,643**	**9,230**	**(5,319)**	**881,328**
Equity					
Shareholders’ retained earnings	**23,492**	**(13,607)**	**(229)**	**–**	**9,656**
Shareholders’ accumulated other comprehensive income (loss)					
Net insurance finance expenses	**–**	**–**	**(17,117)**	**–**	**(17,117)**
Net reinsurance finance income	**–**	**–**	**984**	**–**	**984**
FVOCI investments	**848**	**–**	**16,916**	**–**	**17,764**
Other equity items	**34,068**	**–**	**–**		**34,068**
Total shareholders’ equity	**58,408**	**(13,607)**	**554**	**–**	**45,355**
Participating policyholders’ equity	**(1,233)**	**(1,440)**[1]	**2,774**	**–**	**101**
Non-controlling interests	**1,694**	**(719)**[1]	**461**	**–**	**1,436**
Total equity	**58,869**	**(15,766)**	**3,789**	**–**	**46,892**
Total liabilities and equity	**$ 917,643**	**$ 2,877**	**$ 13,019**	**$ (5,319)**	**$ 928,220**

[1] The post-tax CSM in the participating policyholders’ fund of $ 1.4 billion is expected to be recognized in shareholder net income over time. In addition, $ 0.7 billion of post-tax CSM is attributable to non-controlling interests.

The following table shows the nature and amount of the measurement adjustments made to the opening balancesheet:

Measurement Differences	Description
Transition CSM	Contractual Service Margin (CSM) is a new liability that represents future unearned profits on insurance contracts written. For this measurement step, the amount recognized as at the transition date, January 1, 2022, was $21,466. The impact on equity was $15,766, net of tax.
Contract Measurement	Under IFRS 17 other components of insurance contracts, aside from the CSM, are also remeasured. This measurement step includes the following changes: **Risk Adjustment (+2.1 billion to equity)[1]:** Changes to the provisions held within the Company’s insurance liabilities for non-economic risk on application of the IFRS 17 standard; **Discount Rates (-1.5 billion to equity)[1]:** Changes in the economic assumptions used in the determination of the Company’s insurance liabilities from the IFRS 4 CALM framework to IFRS 17, and changes in the carrying value of the Company’s assets backing insurance liabilities under IFRS 9; **Other Revaluation Changes (+3.1 billion to equity):** Includes other changes in equity created by the application of IFRS 17. This includes changes to accounting for contract classifications, variable annuity guarantee contracts, and contract boundaries which increases the capitalization of future profits into the CSM, changes to the provisions for future taxes, and other changes related to the application of IFRS 17.
Participating and Non-Controlling Interest (NCI) Equity	In previous steps all impacts to equity were shown in shareholders’ equity. This step shows the geography of the impacts between shareholders’ equity, participating policyholders’ equity and non-controlling interests.

[1] Excluding impacts on variable annuity guarantee contracts

The presentation differences are mainly comprised of the following:

- **Policy loans invested assets** – Reclassified to insurance contract liabilities as they are insurance contract related.
- **Contract classification** – Some contracts were reclassified from insurance contracts to investment contracts or service contracts, with some contracts reclassified from investment contracts to insurance contracts. The amount shown in presentation differences in the table above relates to where they appear in the opening balance sheet. Any changes to these contracts' measurement value are shown in the contract measurement step.
- **Insurance receivables & payables** – These amounts were previously reported either as separate line items in the financial statements or recorded in miscellaneous assets and liabilities. These amounts have been reclassified to insurance contract liabilities as they are insurance contract related.
- **Embedded derivatives** – These amounts were previously reported in miscellaneous assets and have been reclassified to insurance contract liabilities as they are insurance contract related.
- **Reinsurance funds withheld** – These amounts were previously reported in other liabilities and have been reclassified to reinsurance contract assets as they are reinsurance contract related.
- **Deferred acquisition cost** – These were previously reported in miscellaneous assets and have been reclassified to insurance contract liabilities as they are insurance contract related.
- **Segregated fund net liabilities** – Segregated fund net liabilities were previously reported together, and have been separated into segregated fund insurance net liabilities (those associated with insurance contracts) and segregated funds investment contract net liabilities (those associated with investment contracts) which form part of total investment contract liabilities.

(ii) IFRS 9 "Financial Instruments"
IFRS 9 "Financial Instruments" was issued in November 2009 and amended in October 2010, November 2013 and July 2014, and is effective for years beginning on or after January 1, 2018, to be applied retrospectively, or on a modified retrospective basis. Additionally, the IASB issued amendments in October 2017 that are effective for annual periods beginning on or after January 1, 2019. In conjunction with the amendments to IFRS 17 "Insurance Contracts" issued in June 2020, the IASB amended IFRS 4 "Insurance Contracts" to permit eligible insurers to apply IFRS 9 effective January 1, 2023, alongside IFRS 17. The standard replaced IAS 39 "Financial Instruments: Recognition and Measurement".

The project has been divided into three phases: classification and measurement, impairment of financial assets, and hedge accounting. IFRS 9's current classification and measurement methodology provides that financial assets are measured at either amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement for financial liabilities remains generally unchanged; however, for a financial liability designated as at fair value through profit or loss, revisions have been made in the accounting for changes in fair value attributable to changes in the credit risk of that liability. Gains or losses caused by changes in an entity's own credit risk on such liabilities are no longer recognized in profit or loss but instead are reflected in OCI.

Revisions to hedge accounting were issued in November 2013 as part of the overall IFRS 9 project. The amendment introduces a new hedge accounting model, together with corresponding disclosures about risk management activity for those applying hedge accounting. The new model represents a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in their financial statements. When IFRS 9 is first adopted, entities have the option to apply the hedge accounting requirements under IFRS 9 or to continue to apply the hedge accounting requirements under IAS 39. Such option will apply to all hedge accounting relationships.

Revisions issued in July 2014 replaced the existing incurred loss model used for measuring the allowance for credit losses with an expected loss model. Changes were also made to the existing classification and measurement model designed primarily to address specific application issues raised by early adopters of the standard. They also addressed the income statement accounting mismatches and short-term volatility issues which have been identified as a result of the insurance contracts project.

The Company has adopted IFRS 9 beginning on January 1, 2023, as permitted under the June 2020 amendments to IFRS 4 "Insurance Contracts". Consistent with IFRS 17 amendments, the adoption of IFRS 9 resulted in certain differences in the classification and measurement of financial assets when compared to their classification and measurement under IAS 39. The most significant changes included approximately $184 billion of debt securities previously classified as FVTPL which are classified as FVOCI (see note 2(b)(i)).

The Company has elected to apply the hedge accounting requirements under IFRS 9 to all hedge accounting relationships prospectively. As at January 1, 2023, all existing IAS 39 hedge accounting relationships were assessed and qualify for hedge accounting under IFRS 9. These existing relationships are treated as continuing hedge accounting relationships under IFRS 9 beginning on January 1, 2023; and will be disclosed with comparative information for 2022 under IAS 39.

The Company will also be designating new hedge accounting relationships with the objective to reduce accounting mismatches between existing derivatives' changes in income and financial risk changes in OCI for IFRS 17 insurance liabilities and IFRS 9 financial assets. New hedge accounting relationships are effective prospectively on January 1, 2023; and will not have comparative disclosure in the financial statements for 2022.

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Note 3 Acquisitions

(a) Manulife TEDA Fund Management

In November, 2022 the Company acquired control of Manulife TEDA Fund Management Co., LTD through the purchase of the remaining 51% of shares that it did not already own from its joint venture partner. The transaction furthers the Company's goals of expanding both its Asian and asset management businesses.

The transaction included $334 of cash consideration and derecognition of the Company's previous joint venture interest with a fair value of $321. The Company recorded a gain of $95 on derecognition of the previous joint venture interest. The Company recognized $160 of tangible net assets, $240 of intangible assets and $255 of goodwill.

Note 4 Invested Assets and Investment Income

(a) Carrying values and fair values of invested assets

As at December 31, 2022	FVTPL[1]	AFS[2]	Other[3]	Total carrying value[4]	Total fair value[5]
Cash and short-term securities[6]	$ 1,933	$ 10,926	$ 6,294	$ 19,153	$ 19,153
Debt securities[3],[7],[8]					
Canadian government and agency	14,798	6,468	–	21,266	21,266
U.S. government and agency	9,440	14,384	912	24,736	24,494
Other government and agency	22,986	3,487	–	26,473	26,473
Corporate	120,897	7,745	499	129,141	128,972
Mortgage/asset-backed securities	2,152	136	–	2,288	2,288
Public equities[9]	21,989	1,530	–	23,519	23,519
Mortgages	–	–	54,638	54,638	51,429
Private placements[8]	–	–	47,057	47,057	41,968
Policy loans	–	–	6,894	6,894	6,894
Loans to Bank clients	–	–	2,781	2,781	2,760
Real estate					
Own use property[10]	–	–	1,878	1,878	3,033
Investment property	–	–	11,394	11,394	11,394
Other invested assets					
Alternative long-duration assets[11]	26,348	79	12,012	38,439	39,225
Various other[12]	131	–	4,213	4,344	4,344
Total invested assets	$ 220,674	$ 44,755	$ 148,572	$ 414,001	$ 407,212

As at December 31, 2021	FVTPL[1]	AFS[2]	Other[3]	Total carrying value[4]	Total fair value[5]
Cash and short-term securities[6]	$ 2,214	$ 14,339	$ 6,041	$ 22,594	$ 22,594
Debt securities[7],[8]					
Canadian government and agency	18,706	3,964	–	22,670	22,670
U.S. government and agency	12,607	18,792	852	32,251	32,254
Other government and agency	21,888	2,871	–	24,759	24,759
Corporate	133,763	7,332	468	141,563	141,560
Mortgage/asset-backed securities	2,758	138	–	2,896	2,896
Public equities[9]	25,716	2,351	–	28,067	28,067
Mortgages	–	–	52,014	52,014	54,089
Private placements[8]	–	–	42,842	42,842	47,276
Policy loans	–	–	6,397	6,397	6,397
Loans to Bank clients	–	–	2,506	2,506	2,503
Real estate					
Own use property[10]	–	–	1,812	1,812	3,024
Investment property	–	–	11,421	11,421	11,421
Other invested assets					
Alternative long-duration assets[11]	21,022	89	10,093	31,204	31,863
Various other[12]	135	–	3,967	4,102	4,102
Total invested assets	$ 238,809	$ 49,876	$ 138,413	$ 427,098	$ 435,475

(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, and leveraged leases. Also includes debt securities classified as held-to-maturity which are accounted for at amortized cost. Refer to note 1(e).

(4) Invested assets above include debt securities, mortgages, private placements and approximately $ 302 (2021 – $323) of other invested assets, which primarily have contractual cash flows that qualify as Solely Payment of Principal and Interest ("SPPI"). Invested assets which do not have SPPI qualifying cash flows as at December 31, 2022 include debt securities, private placements and other invested assets with fair values of $nil, $98 and $507, respectively (2021 – $ nil, $181 and $518, respectively). The change in the fair value of these invested assets during the year was $(94) (2021 – $15).

(5) The methodologies used in determining fair values of invested assets are described in note 1(c) and note 4(g).

(6) Includes short-term securities with maturities of less than one year at acquisition amounting to $ 4,148 (2021 – $7,314) cash equivalents with maturities of less than 90 days at acquisition amounting to $8,711 (2021 – $9,239) and cash of $ 6,294 (2021 – $6,041).

(7) Debt securities include securities which were acquired with maturities of less than one year and less than 90 days of $ 1,787 and $870, respectively (2021 – $ 2,196 and $347, respectively).

(8) 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, USD LIBOR and AUD BBSW of $173, $892 and $15 (2021 – $176, $1,002 and $nil respectively), and private placements benchmarked to USD LIBOR, AUD BBSW and NZD BKBM of $ 1,613, $199 and $43 (2021 – $1,984, $166 and $43, respectively). Exposures indexed to USD LIBOR represent floating rate invested assets with maturity dates beyond June 30, 2023 while exposures to CDOR represent floating rate invested assets with maturity dates beyond June 28, 2024. 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. The Company is monitoring market developments with respect to alternative reference rates and the time horizon during which they will evolve. As at December 31, 2022, the interest rate benchmark reform has not resulted in significant changes in the Company's risk management strategy.

(9) Includes $1 (2021 – $5) of public equities that are managed in conjunction with the Company's ALDA strategy.

(10) Includes accumulated depreciation of $ 411 (2021 – $407).

(11) ALDA include investments in private equity of $ 14,279, infrastructure of $ 12,761, oil and gas of $ 2,221, timber and agriculture of $ 5,979 and various other invested assets of $ 3,199 (2021 – $11,598, $9,824, $1,950, $5,259 and $2,573, respectively).

(12) Includes $3,840 (2021 – $3,457) of leveraged leases. Refer to note 1(e).

(b) Equity method accounted invested assets

Other invested assets include investments in associates and joint ventures which are accounted for using the equity method of accounting as presented in the following table.

	2022		2021	
As at December 31,	Carrying value	% of total	Carrying value	% of total
Leveraged leases	**$ 3,840**	**37**	$ 3,457	40
Timber and agriculture	**822**	**8**	808	9
Real estate	**1,845**	**18**	1,528	17
Other	**3,785**	**37**	3,025	34
Total	**$ 10,292**	**100**	$ 8,818	100

The Company's share of profit and dividends from these investments for the year ended December 31, 2022 were $51 and $nil, respectively (2021 – $1,300 and $2).

(c) Investment income

For the year ended December 31, 2022	FVTPL	AFS	Other[1]	Total
Cash and short-term securities				
Interest income	$ 40	$ 272	$ –	$ 312
Gains (losses)[2]	26	85	–	111
Debt securities				
Interest income	6,221	738	66	7,025
Gains (losses)[2]	(32,732)	(549)	–	(33,281)
Recovery (impairment loss), net	(11)	–	–	(11)
Public equities				
Dividend income	500	45	–	545
Gains (losses)[2]	(3,819)	201	–	(3,618)
Impairment loss, net	–	(14)	–	(14)
Mortgages				
Interest income	–	–	1,913	1,913
Gains (losses)[2]	–	–	57	57
Provision, net	–	–	1	1
Private placements				
Interest income	–	–	2,021	2,021
Gains (losses)[2]	–	–	335	335
Impairment loss, net	–	–	(4)	(4)
Policy loans	–	–	385	385
Loans to Bank clients				
Interest income	–	–	138	138
Provision, net	–	–	(4)	(4)
Real estate				
Rental income, net of depreciation[3]	–	–	452	452
Gains (losses)[2]	–	–	(478)	(478)
Impairment loss, net	–	–	–	–
Derivatives				
Interest income, net	494	–	(24)	470
Gains (losses)[2]	(10,628)	–	(9)	(10,637)
Other invested assets				
Interest income	–	–	26	26
Oil and gas, timber, agriculture and other income	–	–	2,846	2,846
Gains (losses)[2]	1,172	13	474	1,659
Impairment loss, net	–	(119)	–	(119)
Total investment income	$ (38,737)	$ 672	$ 8,195	$ (29,870)
Investment income				
Interest income	$ 6,755	$ 1,010	$ 4,525	$ 12,290
Dividend, rental and other income	500	45	3,298	3,843
Impairments, provisions and recoveries, net	(11)	(133)	(7)	(151)
Other	(794)	(216)	235	(775)
	6,450	706	8,051	15,207
Realized and unrealized gains (losses) on assets supporting insurance and investment contract liabilities and on the macro hedge program				
Debt securities	(32,599)	(76)	–	(32,675)
Public equities	(3,626)	24	–	(3,602)
Mortgages	–	–	58	58
Private placements	–	–	336	336
Real estate	–	–	(471)	(471)
Other invested assets	1,572	18	230	1,820
Derivatives, including macro hedge program	(10,534)	–	(9)	(10,543)
	(45,187)	(34)	144	(45,077)
Total investment income	$ (38,737)	$ 672	$ 8,195	$ (29,870)

For the year ended December 31, 2021	FVTPL	AFS	Other[1]	Total
Cash and short-term securities				
Interest income	$ 12	$ 84	$ –	$ 96
Gains (losses)[2]	85	(22)	–	63
Debt securities				
Interest income	5,645	576	9	6,230
Gains (losses)[2]	(5,600)	(266)	–	(5,866)
Impairment loss, net	28	1	–	29
Public equities				
Dividend income	670	61	–	731
Gains (losses)[2]	3,221	250	–	3,471
Impairment loss, net	–	(3)	–	(3)
Mortgages				
Interest income	–	–	1,709	1,709
Gains (losses)[2]	–	–	133	133
Provision, net	–	–	1	1
Private placements				
Interest income	–	–	1,931	1,931
Gains (losses)[2]	–	–	270	270
Impairment loss, net	–	–	45	45
Policy loans	–	–	366	366
Loans to Bank clients				
Interest income	–	–	77	77
Provision, net	–	–	(2)	(2)
Real estate				
Rental income, net of depreciation[3]	–	–	453	453
Gains (losses)[2]	–	–	677	677
Derivatives				
Interest income, net	1,085	–	(35)	1,050
Gains (losses)[2]	(5,925)	–	(14)	(5,939)
Other invested assets				
Interest income	–	–	57	57
Oil and gas, timber, agriculture and other income	–	–	2,996	2,996
Gains (losses)[2]	2,554	23	527	3,104
Impairment loss, net	–	–	(55)	(55)
Total investment income	$ 1,775	$ 704	$ 9,145	$ 11,624
Investment income				
Interest income	$ 6,742	$ 661	$ 4,114	$ 11,517
Dividend, rental and other income	670	61	3,449	4,180
Impairments, provisions and recoveries, net	28	(2)	(11)	15
Other	(76)	(66)	57	(85)
	7,364	654	7,609	15,627
Realized and unrealized gains (losses) on assets supporting insurance and investment contract liabilities and on the macro hedge program				
Debt securities	(5,605)	20	–	(5,585)
Public equities	3,187	33	–	3,220
Mortgages	–	–	133	133
Private placements	–	–	270	270
Real estate	–	–	696	696
Other invested assets	2,628	(3)	451	3,076
Derivatives, including macro hedge program	(5,799)	–	(14)	(5,813)
	(5,589)	50	1,536	(4,003)
Total investment income	$ 1,775	$ 704	$ 9,145	$ 11,624

(1) Primarily includes investment income on loans carried at amortized cost, own use real estate properties, investment properties, derivative and hedging instruments in cash flow hedging relationships, equity method accounted investments, oil and gas investments, and leveraged leases.

(2) Includes net realized and unrealized gains (losses) for financial instruments at FVTPL, investment properties, and other invested assets measured at fair value. Also includes net realized gains (losses) for financial instruments at AFS and other invested assets carried at amortized cost.

(3) Rental income from investment properties is net of direct operating expenses.

(d) Investment expenses

The following table presents total investment expenses.

For the years ended December 31,	2022	2021
Related to invested assets	**$ 718**	$ 633
Related to segregated, mutual and other funds	**1,145**	1,347
Total investment expenses	**$ 1,863**	$ 1,980

(e) Investment properties

The following table presents the rental income and direct operating expenses of investment properties.

For the years ended December 31,	2022	2021
Rental income from investment properties	**$ 825**	$ 837
Direct operating expenses of rental investment properties	**(458)**	(464)
Total	**$ 367**	$ 373

(f) Mortgage securitization

The Company securitizes certain insured and uninsured fixed and variable rate residential mortgages and Home Equity Lines of Credit ("HELOC") through creation of mortgage-backed securities under the Canadian Mortgage Bond Program ("CMB"), and the HELOC securitization program.

Benefits received from the securitization include interest spread between the asset and associated liability. There is no credit exposure from securitized mortgages under the Canada Mortgage and Housing Corporation ("CMHC") sponsored CMB securitization program as they are insured by CMHC and other third-party insurance programs against borrowers' default. Mortgages securitized in the Platinum Canadian Mortgage Trust II ("PCMT II") program are uninsured.

Cash flows received from the underlying securitized assets/mortgages are used to settle the related secured borrowing liability. For CMB transactions, receipts of principal are deposited into a trust account for settlement of the liability at time of maturity. These transferred assets and related cash flows cannot be transferred or used for other purposes. For the HELOC transactions, investors are entitled to periodic interest payments, and the remaining cash receipts of principal are allocated to the Company (the "Seller") during the revolving period of the deal and are accumulated for settlement during an accumulation period or repaid to the investor monthly during a reduction period, based on the terms of the note.

Securitized assets and secured borrowing liabilities

As at December 31, 2022	Securitized assets			
Securitization program	Securitized mortgages	Restricted cash and short-term securities	Total	Secured borrowing liabilities[2]
HELOC securitization[1]	**$ 2,880**	**$ 44**	**$ 2,924**	**$ 2,750**
CMB securitization	**2,318**	**–**	**2,318**	**2,273**
Total	**$ 5,198**	**$ 44**	**$ 5,242**	**$ 5,023**

As at December 31, 2021	Securitized assets			
Securitization program	Securitized mortgages	Restricted cash and short-term securities	Total	Secured borrowing liabilities[2]
HELOC securitization[1]	$ 2,618	$ 1	$ 2,619	$ 2,500
CMB securitization	2,075	–	2,075	2,098
Total	$ 4,693	$ 1	$ 4,694	$ 4,598

[1] Manulife Bank, a subsidiary, securitizes a portion of its HELOC receivables through Platinum Canadian Mortgage Trust II ("PCMT II"). PCMT II funds the purchase of the co-ownership interests from Manulife Bank by issuing term notes collateralized by an underlying pool of uninsured HELOCs to institutional investors. The restricted cash balance for the HELOC securitization reflects a cash reserve fund established in relation to the transactions. The reserve will be drawn upon only in the event of insufficient cash flows from the underlying HELOCs to satisfy the secured borrowing liability.

[2] The PCMT II notes payable have floating rates of interest and are secured by the PCMT II assets. Under the terms of the agreements, no principal is expected to be repaid within one year, $ 1,209 within 1-3 years, $1,049 within 3-5 years and $ 492 beyond 5 years. There is no specific maturity date for the contractual agreements. Under the terms of the notes, additional collateral must be provided to the series as added credit protection and the Series Purchase Agreements govern the amount of over-collateralization for each of the term notes outstanding. Manulife Bank also securitizes insured amortizing mortgages under the National Housing Act Mortgage-Backed Securities ("NHA MBS") program sponsored by CMHC. Manulife Bank participates in CMB programs by selling NHA MBS securities to Canada Housing Trust ("CHT"), as a source of fixed rate funding.

As at December 31, 2022, the fair value of securitized assets and associated liabilities were $5,167 and $4,865, respectively (2021 – $4,725 and $4,601).

(g) Fair value measurement

The following table presents the fair values of invested assets and segregated funds net assets measured at fair value categorized by the fair value hierarchy.

As at December 31, 2022	Total fair value	Level 1	Level 2	Level 3
Cash and short-term securities				
FVTPL	**$ 1,933**	**$ –**	**$ 1,933**	**$ –**
AFS	**10,926**	**–**	**10,926**	**–**
Other	**6,294**	**6,294**	**–**	**–**
Debt securities				
FVTPL				
Canadian government and agency	**14,798**	**–**	**14,798**	**–**
U.S. government and agency	**9,440**	**–**	**9,440**	**–**
Other government and agency	**22,986**	**–**	**22,986**	**–**
Corporate	**120,897**	**–**	**120,865**	**32**
Residential mortgage-backed securities	**7**	**–**	**7**	**–**
Commercial mortgage-backed securities	**570**	**–**	**570**	**–**
Other asset-backed securities	**1,575**	**–**	**1,549**	**26**
AFS				
Canadian government and agency	**6,468**	**–**	**6,468**	**–**
U.S. government and agency	**14,384**	**–**	**14,384**	**–**
Other government and agency	**3,487**	**–**	**3,478**	**9**
Corporate	**7,745**	**–**	**7,745**	**–**
Residential mortgage-backed securities	**1**	**–**	**1**	**–**
Commercial mortgage-backed securities	**24**	**–**	**24**	**–**
Other asset-backed securities	**111**	**–**	**111**	**–**
Public equities				
FVTPL	**21,989**	**21,918**	**–**	**71**
AFS	**1,530**	**1,530**	**–**	**–**
Real estate – investment property[1]	**11,394**	**–**	**–**	**11,394**
Other invested assets[2]	**30,256**	**26**	**–**	**30,230**
Segregated funds net assets[3]	**348,562**	**314,436**	**30,141**	**3,985**
Total	**$ 635,377**	**$ 344,204**	**$ 245,426**	**$ 45,747**

As at December 31, 2021	Total fair value	Level 1	Level 2	Level 3
Cash and short-term securities				
FVTPL	$ 2,214	$ –	$ 2,214	$ –
AFS	14,339	–	14,339	–
Other	6,041	6,041	–	–
Debt securities				
FVTPL				
Canadian government and agency	18,706	–	18,706	–
U.S. government and agency	12,607	–	12,607	–
Other government and agency	21,888	–	21,888	–
Corporate	133,763	–	133,723	40
Residential mortgage-backed securities	8	–	8	–
Commercial mortgage-backed securities	1,103	–	1,103	–
Other asset-backed securities	1,647	–	1,619	28
AFS				
Canadian government and agency	3,964	–	3,964	–
U.S. government and agency	18,792	–	18,792	–
Other government and agency	2,871	–	2,871	–
Corporate	7,332	–	7,331	1
Residential mortgage-backed securities	1	–	1	–
Commercial mortgage-backed securities	79	–	79	–
Other asset-backed securities	58	–	58	–
Public equities				
FVTPL	25,716	25,716	–	–
AFS	2,351	2,349	2	–
Real estate – investment property[1]	11,421	–	–	11,421
Other invested assets[2]	24,300	257	–	24,043
Segregated funds net assets[3]	399,788	361,447	34,060	4,281
Total	$ 708,989	$ 395,810	$ 273,365	$ 39,814

(1) For investment properties, the significant unobservable inputs are capitalization rates (ranging from 2.25% to 9.00% during the year and ranging from 2.25% to 9.00% during 2021), terminal capitalization rates (ranging from 3.25% to 9.50% during the year and ranging from 3.25% to 9.25% during 2021) and discount rates (ranging from 3.30% to 11.00% during the year and ranging from 3.80% to 10.50% during 2021). Holding other factors constant, a higher capitalization, terminal capitalization, and/or discount rate will decrease the fair value of an investment property; while decreases in these rates would have the opposite effect. 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 infrastructure and timber sectors. The significant inputs used in the valuation of the Company's 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 an infrastructure investment, while an increase in the discount rate would have the opposite effect. Discount rates during the year ranged from 7.15% to 15.6% (2021 – ranged from 7.25% to 20.0%). 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 year ranged from 4.25% to 7.0% (2021 – ranged from 4.5% 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 in investment properties and timberland properties valued as described above.

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

As at December 31, 2022	Carrying value	Total fair value	Level 1	Level 2	Level 3
Mortgages[1]	**$ 54,638**	**$ 51,429**	**$ –**	**$ –**	**$ 51,429**
Private placements[2]	**47,057**	**41,968**	**–**	**34,110**	**7,858**
Policy loans[3]	**6,894**	**6,894**	**–**	**6,894**	**–**
Loans to Bank clients[4]	**2,781**	**2,760**	**–**	**2,760**	**–**
Real estate – own use property[5]	**1,878**	**3,033**	**–**	**–**	**3,033**
Public Bonds HTM	**1,411**	**1,000**	**–**	**1,000**	**–**
Other invested assets[6]	**12,527**	**13,313**	**72**	**–**	**13,241**
Total invested assets disclosed at fair value	**$ 127,186**	**$ 120,397**	**$ 72**	**$ 44,764**	**$ 75,561**
As at December 31, 2021	Carrying value	Total fair value	Level 1	Level 2	Level 3
Mortgages[1]	$ 52,014	$ 54,089	$ –	$ –	$ 54,089
Private placements[2]	42,842	47,276	–	42,110	5,166
Policy loans[3]	6,397	6,397	–	6,397	–
Loans to Bank clients[4]	2,506	2,503	–	2,503	–
Real estate – own use property[5]	1,812	3,024	–	–	3,024
Public Bonds HTM	1,320	1,320	–	1,320	–
Other invested assets[6]	11,006	11,665	120	–	11,545
Total invested assets disclosed at fair value	$ 117,897	$ 126,274	$ 120	$ 52,330	$ 73,824

(1) Fair value of commercial mortgages is determined through an internal valuation methodology using both observable and unobservable inputs. Unobservable inputs include credit assumptions and liquidity spread adjustments. Fair value of fixed-rate residential mortgages is determined using the discounted cash flow method. Inputs used for valuation are primarily comprised of prevailing interest rates and prepayment rates, if applicable. Fair value of variable-rate residential mortgages is assumed to be their carrying value.

(2) Fair value of private placements is determined through an internal valuation methodology using both observable and unobservable inputs. Unobservable inputs include credit assumptions and liquidity spread adjustments. Private placements are classified within Level 2 unless the liquidity adjustment constitutes a significant price impact, in which case the securities are classified as Level 3.

(3) Fair value of policy loans is equal to their unpaid principal balances.

(4) Fair value of fixed-rate loans to Bank clients is determined using the discounted cash flow method. Inputs used for valuation are primarily comprised of current interest rates. Fair value of variable-rate loans is assumed to be their carrying value.

(5) Fair value of own use real estate and the fair value hierarchy are determined in accordance with the methodologies described for investment property in note 1.

(6) Primarily include leveraged leases, oil and gas properties (disposed of during 2021) and equity method accounted other invested assets. Fair value of leveraged leases is disclosed at their carrying values as fair value is not routinely calculated on these investments. Fair value for oil and gas properties is determined using external appraisals based on discounted cash flow methodology. Inputs used in valuation are primarily comprised of forecasted price curves, planned production, as well as capital expenditures, and operating costs. Fair value of equity method accounted other invested assets is determined using a variety of valuation techniques including discounted cash flows and market comparable approaches. Inputs vary based on the specific investment.

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. The Company had $nil of assets transferred between Level 1 and Level 2 during the years ended December 31, 2022 (2021 – $5).

For segregated funds net assets, the Company had $nil transfers from Level 1 to Level 2 for the year ended December 31, 2022 (2021 – $5). The Company had $nil transfers from Level 2 to Level 1 for the year ended December 31, 2022 (2021 – $249).

Invested assets and segregated funds net assets measured at fair value using significant unobservable inputs (Level 3)

The Company classifies fair values of invested assets and segregated funds net assets as Level 3 if there are no observable markets for these assets or, in the absence of 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 table below includes the changes in fair value due to both observable and unobservable factors.

The following table presents a roll forward for invested assets, net derivatives and segregated funds net assets measured at fair value using significant unobservable inputs (Level 3) for the years ended December 31, 2022 and 2021.

For the year ended December 31, 2022	Balance, January 1, 2022	Total gains (losses) included in net income[1]	Total gains (losses) included in AOCI[2]	Purchases	Sales	Settlements	Transfer in[3]	Transfer out[3]	Currency movement	**Balance, December 31, 2022**	Change in unrealized gains (losses) on assets still held
Debt securities											
FVTPL											
Corporate	**$ 40**	**$ (1)**	**$ –**	**$ 27**	**$ –**	**$ (1)**	**$ 6**	**$ (40)**	**$ 1**	**$ 32**	**$ (1)**
Other securitized assets	**28**	**2**	**–**	**–**	**–**	**(4)**	**–**	**–**	**–**	**26**	**2**
AFS											
Other government & agency	**–**	**–**	**–**	**–**	**–**	**–**	**10**	**–**	**(1)**	**9**	**–**
Corporate	**1**	**–**	**–**	**–**	**–**	**–**	**–**	**(1)**	**–**	**–**	**–**
Public equities											
FVTPL	**–**	**(6)**	**–**	**69**	**(84)**	**–**	**87**	**–**	**5**	**71**	**(15)**
AFS	**–**	**(1)**	**1**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Investment property	**11,421**	**(443)**	**–**	**312**	**(237)**	**–**	**15**	**–**	**326**	**11,394**	**(446)**
Other invested assets	**24,043**	**1,922**	**7**	**4,934**	**(666)**	**(1,474)**	**248**	**–**	**1,216**	**30,230**	**2,046**
Total invested assets	**35,533**	**1,473**	**8**	**5,342**	**(987)**	**(1,479)**	**366**	**(41)**	**1,547**	**41,762**	**1,586**
Derivatives, net	**2,101**	**(5,413)**	**(7)**	**(109)**	**–**	**775**	**–**	**(356)**	**(163)**	**(3,172)**	**(3,511)**
Segregated funds net assets	**4,281**	**475**	**–**	**246**	**(1,113)**	**(46)**	**–**	**(1)**	**143**	**3,985**	**79**
Total	**$ 41,915**	**$ (3,465)**	**$ 1**	**$ 5,479**	**$ (2,100)**	**$ (750)**	**$ 366**	**$ (398)**	**$ 1,527**	**$ 42,575**	**$ (1,846)**

For the year ended December 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]	Transfer out[3]	Currency movement	**Balance, December 31, 2021**	Change in unrealized gains (losses) on assets still held
Debt securities											
FVTPL											
Corporate	$ 510	$ 11	$ –	$ 11	$ (93)	$ –	$ 11	$ (409)	$ (1)	$ 40	$ (8)
Other securitized assets	45	3	–	–	(9)	(39)	28	–	–	28	(4)
AFS											
Corporate	3	1	–	–	(3)	–	–	–	–	1	–
Public equities											
FVTPL	–	–	–	62	(62)	–	–	–	–	–	–
Investment property	10,982	702	–	186	(376)	–	–	–	(73)	11,421	626
Other invested assets	19,049	2,731	2	5,058	(1,131)	(1,453)	5	–	(218)	24,043	2,569
Total invested assets	30,589	3,448	2	5,317	(1,674)	(1,492)	44	(409)	(292)	35,533	3,183
Derivatives, net	3,443	(897)	–	14	–	(182)	–	(309)	32	2,101	(547)
Segregated funds net assets	4,202	350	–	68	(303)	(28)	–	–	(8)	4,281	116
Total	$ 38,234	$ 2,901	$ 2	$ 5,399	$ (1,977)	$ (1,702)	$ 44	$ (718)	$ (268)	$ 41,915	$ 2,752

(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 notes 1(h) and 23.
(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, where 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 year 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 becoming available for the entire term structure of the debt security.

Note 5 Derivative and Hedging Instruments

Derivatives are financial contracts, the value of which is derived from underlying interest rates, foreign exchange rates, other financial instruments, commodity prices or indices. The Company uses derivatives including swaps, forward and futures agreements, and options to manage current and anticipated exposures to changes in interest rates, foreign exchange rates, commodity prices and equity market prices, and to replicate permissible investments.

Swaps are over-the-counter ("OTC") contractual agreements between the Company and a third party to exchange a series of cash flows based upon rates applied to a notional amount. For interest rate swaps, counterparties generally exchange fixed or floating interest rate payments based on a notional value in a single currency. Cross currency swaps involve the exchange of principal amounts between parties as well as the exchange of interest payments in one currency for the receipt of interest payments in another currency. Total return swaps are contracts that involve the exchange of payments based on changes in the values of a reference asset, including any returns such as interest earned on these assets, in return for amounts based on reference rates specified in the contract.

Forward and futures agreements are contractual obligations to buy or sell a financial instrument, foreign currency or other underlying commodity on a predetermined future date at a specified price. Forward contracts are OTC contracts negotiated between counterparties, whereas futures agreements are contracts with standard amounts and settlement dates that are traded on regulated exchanges.

Options are contractual agreements whereby the holder has the right, but not the obligation, to buy (call option) or sell (put option) a security, exchange rate, interest rate, or other financial instrument at a predetermined price/rate within a specified time.

See variable annuity dynamic hedging strategy in the "Risk Management and Risk Factors" section of the Company's 2022 MD&A for an explanation of the Company's dynamic hedging strategy for its variable annuity product guarantees.

(a) Fair value of derivatives

The pricing models used to value OTC derivatives are based on market standard valuation methodologies and the inputs to these models are consistent with what a market participant would use when pricing the instruments. Derivative valuations can be affected by changes in interest rates, currency exchange rates, financial indices, credit spreads, default risk (including the counterparties to the contract), and market volatility. The significant inputs to the pricing models for most OTC derivatives are inputs that are observable or can be corroborated by observable market data and are classified as Level 2. Inputs that are observable generally include interest rates, foreign currency exchange rates and interest rate curves. However, certain OTC derivatives may rely on inputs that are significant to the fair value that are not observable in the market or cannot be derived principally from, or corroborated by, observable market data and these derivatives are classified as Level 3. Inputs that are unobservable generally include broker quoted prices, volatilities and inputs that are outside of the observable portion of the interest rate curve or other relevant market measures. These unobservable inputs may involve significant management judgment or estimation. Even though unobservable, these inputs are based on assumptions deemed appropriate given the circumstances and consistent with what market participants would use when pricing such instruments. The credit risk of both the counterparty and the Company are considered in determining the fair value for all OTC derivatives after considering the effects of netting agreements and collateral arrangements.

The following table presents gross notional amount and fair value of derivative instruments by the underlying risk exposure.

As at December 31,		2022			2021		
		Notional	Fair value		Notional	Fair value	
Type of hedge	Instrument type	amount	Assets	Liabilities	amount	Assets	Liabilities
Derivatives in qualifying hedge accounting relationships							
Fair value hedges	Foreign currency swaps	**$ 48**	**$ 5**	**$ –**	$ 57	$ 1	$ 1
Cash flow hedges	Foreign currency swaps	**1,155**	**40**	**203**	1,251	5	379
	Equity contracts	**173**	**3**	**–**	145	10	–
Net investment hedges	Forward contracts	**626**	**–**	**28**	671	9	–
Total derivatives in qualifying hedge accounting relationships		**2,002**	**48**	**231**	2,124	25	380
Derivatives not designated in qualifying hedge accounting relationships							
	Interest rate swaps	**268,081**	**5,751**	**7,557**	300,556	11,832	7,347
	Interest rate futures	**11,772**	**–**	**–**	11,944	–	–
	Interest rate options	**6,090**	**98**	**–**	10,708	514	–
	Foreign currency swaps	**39,667**	**2,029**	**1,579**	36,405	790	1,722
	Currency rate futures	**2,319**	**–**	**–**	3,086	–	–
	Forward contracts	**45,124**	**295**	**4,697**	45,295	2,674	562
	Equity contracts	**16,930**	**363**	**225**	18,577	1,667	27
	Credit default swaps	**159**	**4**	**–**	44	1	–
	Equity futures	**3,813**	**–**	**–**	11,359	–	–
Total derivatives not designated in qualifying hedge accounting relationships		**393,955**	**8,540**	**14,058**	437,974	17,478	9,658
Total derivatives		**$ 395,957**	**$ 8,588**	**$ 14,289**	$ 440,098	$ 17,503	$ 10,038

The total notional amount above includes $211 billion (2021 – $258 billion) of derivative instruments which reference rates that are impacted under the interest rate benchmark reform, with a significant majority to USD LIBOR, and CDOR. Exposures indexed to USD LIBOR and CDOR represent derivatives with maturity dates beyond June 30, 2023 and June 28, 2024, respectively. 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 of qualifying hedge relationships due to the impact from interest rate benchmark reform.

The following table presents the fair values of the derivative instruments by the remaining term to maturity. Fair values disclosed below do not incorporate the impact of master netting agreements (refer to note 9).

	Remaining term to maturity				
As at December 31, 2022	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Derivative assets	**$ 580**	**$ 556**	**$ 556**	**$ 6,896**	**$ 8,588**
Derivative liabilities	**2,656**	**1,956**	**1,146**	**8,531**	**14,289**

	Remaining term to maturity				
As at December 31, 2021	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Derivative assets	$ 2,500	$ 1,803	$ 1,000	$ 12,200	$ 17,503
Derivative liabilities	294	387	379	8,978	10,038

The following table presents gross notional amount by the remaining term to maturity, total fair value (including accrued interest), credit equivalent amount and capital requirement by contract type.

	Remaining term to maturity (notional amounts)				Fair value				
As at December 31, 2022	Under 1 year	1 to 5 years	Over 5 years	Total	Positive	Negative	Net	Credit equivalent amount[1]	Capital requirement[2]
Interest rate contracts									
OTC swap contracts	**$ 8,817**	**$ 19,253**	**$ 98,380**	**$ 126,450**	**$ 5,992**	**$ (8,135)**	**$ (2,143)**	**$ 419**	**$ 9**
Cleared swap contracts	**2,494**	**16,823**	**122,314**	**141,631**	**254**	**(219)**	**35**	**–**	**–**
Forward contracts	**14,290**	**13,926**	**198**	**28,414**	**70**	**(4,468)**	**(4,398)**	**8**	**–**
Futures	**11,772**	**–**	**–**	**11,772**	**–**	**–**	**–**	**–**	**–**
Options purchased	**1,199**	**1,069**	**3,822**	**6,090**	**98**	**–**	**98**	**64**	**4**
Subtotal	**38,572**	**51,071**	**224,714**	**314,357**	**6,414**	**(12,822)**	**(6,408)**	**491**	**13**
Foreign exchange									
Swap contracts	**2,026**	**10,475**	**28,369**	**40,870**	**2,067**	**(1,846)**	**221**	**1,166**	**23**
Forward contracts	**17,336**	**–**	**–**	**17,336**	**226**	**(258)**	**(32)**	**89**	**–**
Futures	**2,319**	**–**	**–**	**2,319**	**–**	**–**	**–**	**–**	**–**
Credit derivatives	**15**	**144**	**–**	**159**	**4**	**–**	**4**	**–**	**–**
Equity contracts									
Swap contracts	**547**	**396**	**–**	**943**	**26**	**(7)**	**19**	**24**	**–**
Futures	**3,813**	**–**	**–**	**3,813**	**–**	**–**	**–**	**–**	**–**
Options purchased	**12,634**	**3,526**	**–**	**16,160**	**335**	**(218)**	**117**	**232**	**2**
Subtotal including accrued interest	**77,262**	**65,612**	**253,083**	**395,957**	**9,072**	**(15,151)**	**(6,079)**	**2,002**	**38**
Less accrued interest	**–**	**–**	**–**	**–**	**484**	**(862)**	**(378)**	**–**	**–**
Total	**$ 77,262**	**$ 65,612**	**$ 253,083**	**$ 395,957**	**$ 8,588**	**$ (14,289)**	**$ (5,701)**	**$ 2,002**	**$ 38**

	Remaining term to maturity (notional amounts)				Fair value				
As at December 31, 2021	Under 1 year	1 to 5 years	Over 5 years	Total	Positive	Negative	Net	Credit equivalent amount[1]	Capital requirement[2]
Interest rate contracts									
OTC swap contracts	$ 4,554	$ 21,884	$ 90,592	$ 117,030	$ 12,112	$ (7,717)	$ 4,395	$ 1,582	$ 29
Cleared swap contracts	21,722	27,665	134,139	183,526	441	(453)	(12)	–	–
Forward contracts	14,636	15,791	741	31,168	2,625	(483)	2,142	299	5
Futures	11,944	–	–	11,944	–	–	–	–	–
Options purchased	1,406	2,789	6,513	10,708	515	–	515	113	9
Subtotal	54,262	68,129	231,985	354,376	15,693	(8,653)	7,040	1,994	43
Foreign exchange									
Swap contracts	1,941	8,869	26,903	37,713	801	(2,181)	(1,380)	1,302	25
Forward contracts	14,798	–	–	14,798	58	(79)	(21)	85	–
Futures	3,086	–	–	3,086	–	–	–	–	–
Credit derivatives	11	33	–	44	1	–	1	–	–
Equity contracts									
Swap contracts	669	323	–	992	57	(10)	47	29	–
Futures	11,359	–	–	11,359	–	–	–	–	–
Options purchased	10,974	6,716	40	17,730	1,616	(17)	1,599	766	8
Subtotal including accrued interest	97,100	84,070	258,928	440,098	18,226	(10,940)	7,286	4,176	76
Less accrued interest	–	–	–	–	723	(902)	(179)	–	–
Total	$ 97,100	$ 84,070	$ 258,928	$ 440,098	$ 17,503	$ (10,038)	$ 7,465	$ 4,176	$ 76

(1) Credit equivalent amount is the sum of replacement cost and the potential future credit exposure less any collateral held. Replacement cost represents the current cost of replacing all contracts with a positive fair value. The amounts take into consideration legal contracts that permit offsetting of positions. The potential future credit exposure is calculated based on a formula prescribed by OSFI.

(2) Capital requirement represents the credit equivalent amount, weighted according to the creditworthiness of the counterparty, as prescribed by OSFI.

The total notional amount of $396 billion (2021 – $440 billion) includes $77 billion (2021 – $121 billion) related to derivatives utilized in the Company's variable annuity guarantee dynamic hedging and macro risk hedging programs. During 2022, the Company discontinued the dynamic hedging program for the John Hancock Life Insurance Company (U.S.A.) ("JHUSA") legacy variable annuities, reinsured with Venerable Holdings, Inc. as disclosed in note 7(k). 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.

Fair value and the fair value hierarchy of derivative instruments

As at December 31, 2022	Fair value	Level 1	Level 2	Level 3
Derivative assets				
Interest rate contracts	**$ 5,919**	**$ –**	**$ 5,766**	**$ 153**
Foreign exchange contracts	**2,299**	**–**	**2,298**	**1**
Equity contracts	**366**	**–**	**361**	**5**
Credit default swaps	**4**	**–**	**4**	**–**
Total derivative assets	**$ 8,588**	**$ –**	**$ 8,429**	**$ 159**
Derivative liabilities				
Interest rate contracts	**$ 12,025**	**$ –**	**$ 8,689**	**$ 3,336**
Foreign exchange contracts	**2,039**	**–**	**2,037**	**2**
Equity contracts	**225**	**–**	**216**	**9**
Total derivative liabilities	**$ 14,289**	**$ –**	**$ 10,942**	**$ 3,347**

As at December 31, 2021	Fair value	Level 1	Level 2	Level 3
Derivative assets				
Interest rate contracts	$ 14,971	$ –	$ 12,510	$ 2,461
Foreign exchange contracts	854	–	854	–
Equity contracts	1,677	–	1,616	61
Credit default swaps	1	–	1	–
Total derivative assets	$ 17,503	$ –	$ 14,981	$ 2,522
Derivative liabilities				
Interest rate contracts	$ 7,829	$ –	$ 7,419	$ 410
Foreign exchange contracts	2,182	–	2,181	1
Equity contracts	27	–	17	10
Total derivative liabilities	$ 10,038	$ –	$ 9,617	$ 421

Level 3 roll forward information for net derivative contracts measured using significant unobservable inputs is disclosed in note 4(g).

(b) Hedging relationships

The Company uses derivatives for economic hedging purposes. In certain circumstances, these hedges also meet the requirements of hedge accounting. Risk management strategies eligible for hedge accounting are designated as fair value hedges, cash flow hedges or net investment hedges, as described below.

Fair value hedges

The Company uses interest rate swaps to manage its exposure to changes in the fair value of fixed rate financial instruments due to changes in interest rates. The Company also uses cross currency swaps to manage its exposure to foreign exchange rate fluctuations, interest rate fluctuations, or both.

The Company recognizes gains and losses on derivatives and the related hedged items in fair value hedges in investment income. These investment gains (losses) are shown in the following table.

For the year ended December 31, 2022	Hedged items in qualifying fair value hedging relationships	Gains (losses) recognized on derivatives	Gains (losses) recognized for hedged items	Ineffectiveness recognized in investment income
Foreign currency swaps	Fixed rate assets	**$ 7**	**$ (5)**	**$ 2**
Total		**$ 7**	**$ (5)**	**$ 2**

For the year ended December 31, 2021	Hedged items in qualifying fair value hedging relationships	Gains (losses) recognized on derivatives	Gains (losses) recognized for hedged items	Ineffectiveness recognized in investment income
Foreign currency swaps	Fixed rate assets	$ 4	$ (2)	$ 2
Total		$ 4	$ (2)	$ 2

Cash flow hedges

The Company uses interest rate swaps to hedge the variability in cash flows from variable rate financial instruments and forecasted transactions. The Company also uses cross currency swaps and foreign currency forward contracts to hedge the variability from foreign currency financial instruments and foreign currency expenses. Total return swaps are used to hedge the variability in cash flows associated with certain stock-based compensation awards. Inflation swaps are used to reduce inflation risk generated from inflation-indexed liabilities.

The effects of derivatives in cash flow hedging relationships on the Consolidated Statements of Income and the Consolidated Statements of Comprehensive Income are shown in the following table.

For the year ended December 31, 2022	Hedged items in qualifying cash flow hedging relationships	Gains (losses) deferred in AOCI on derivatives	Gains (losses) reclassified from AOCI into investment income	Ineffectiveness recognized in investment income
Foreign currency swaps	Fixed rate assets	**$ (1)**	**$ (1)**	**$ –**
	Floating rate liabilities	**175**	**(49)**	**–**
	Fixed rate liabilities	**34**	**35**	**–**
Equity contracts	Stock-based compensation	**2**	**6**	**–**
Total		**$ 210**	**$ (9)**	**$ –**

For the year ended December 31, 2021	Hedged items in qualifying cash flow hedging relationships	Gains (losses) deferred in AOCI on derivatives	Gains (losses) reclassified from AOCI into investment income	Ineffectiveness recognized in investment income
Foreign currency swaps	Fixed rate assets	$ (1)	$ (1)	$ –
	Floating rate liabilities	89	3	–
	Fixed rate liabilities	(19)	(21)	–
Equity contracts	Stock-based compensation	5	5	–
Total		$ 74	$ (14)	$ –

The Company anticipates that net losses of approximately $9 will be reclassified from AOCI to net income within the next 12 months. The maximum time frame for which variable cash flows are hedged is 14 years.

Hedges of net investments in foreign operations

The Company primarily uses forward currency contracts, cross currency swaps andnon-functional currency denominated debt to manage its foreign currency exposures to net investments in foreign operations.

The effects of net investment hedging relationships on the Consolidated Statements of Income and the Consolidated Statements of Other Comprehensive Income are shown in the following table.

For the year ended December 31, 2022	Gains (losses) deferred in AOCI	Gains (losses) reclassified from AOCI into investment income	Ineffectiveness recognized in investment income
Non-functional currency denominated debt	**$ (458)**	**$ –**	**$ –**
Forward contracts	**14**	**–**	**–**
Total	**$ (444)**	**$ –**	**$ –**

For the year ended December 31, 2021	Gains (losses) deferred in AOCI	Gains (losses) reclassified from AOCI into investment income	Ineffectiveness recognized in investment income
Non-functional currency denominated debt	$ 61	$ –	$ –
Forward contracts	59	–	–
Total	$ 120	$ –	$ –

(c) Derivatives not designated in qualifying hedge accounting relationships

Derivatives used in portfolios supporting insurance contract liabilities are generally not designated in qualifying hedge accounting relationships because the change in the value of the insurance contract liabilities economically hedged by these derivatives is recorded through net income. Since changes in fair value of these derivatives and related hedged risks are recognized in investment income as they occur, they generally offset the change in hedged risk to the extent the hedges are economically effective. Interest rate and cross currency swaps are used in the portfolios supporting insurance contract liabilities to manage duration and currency risks.

Investment income on derivatives not designated in qualifying hedge accounting relationships

For the years ended December 31,	2022	2021
Interest rate swaps	**$ (3,428)**	$ (1,986)
Interest rate futures	**(431)**	(687)
Interest rate options	**(258)**	(133)
Foreign currency swaps	**1,171**	(166)
Currency rate futures	**(103)**	66
Forward contracts	**(7,561)**	(1,751)
Equity futures	**794**	(2,140)
Equity contracts	**(818)**	871
Credit default swaps	**–**	(2)
Total	**$ (10,634)**	$ (5,928)

(d) Embedded derivatives

Certain insurance contracts contain features that are classified as embedded derivatives and are measured separately at FVTPL, including reinsurance contracts related to guaranteed minimum income benefits and contracts containing certain credit and interest rate features.

Certain reinsurance contracts related to guaranteed minimum income benefits contain embedded derivatives requiring separate measurement at FVTPL as the financial component contained in the reinsurance contracts does not contain significant insurance risk. As at December 31, 2022, reinsurance ceded guaranteed minimum income benefits had a fair value of $585 (2021 – $734) and reinsurance assumed guaranteed minimum income benefits had a fair value of $65 (2021 – $86). Claims recovered under reinsurance ceded contracts offset claims expenses and claims paid on the reinsurance assumed are reported as contract benefits.

The Company's credit and interest rate embedded derivatives promise to pay the returns on a portfolio of assets to the contract holder. These embedded derivatives contain credit and interest rate risks that are financial risks embedded in the underlying insurance contract. As at December 31, 2022, these embedded derivatives had a fair value of $395 (2021 – $11).

Other financial instruments classified as embedded derivatives but exempt from separate measurement at fair value include variable universal life and variable life products' minimum guaranteed credited rates, no lapse guarantees, guaranteed annuitization options, CPI indexing of benefits, and segregated fund minimum guarantees other than reinsurance ceded/assumed guaranteed minimum income benefits. These embedded derivatives are measured and reported within insurance contract liabilities and are exempt from separate fair value measurement as they contain insurance risk and/or are closely related to the insurance host contract.

Note 6 Goodwill and Intangible Assets

(a) Change in the carrying value of goodwill and intangible assets

The following table presents the change in carrying value of goodwill and intangible assets.

As at December 31, 2022	Balance, January 1	Net additions/ (disposals)[1][2]	Amortization expense	Effect of changes in foreign exchange rates	Balance, December 31
Goodwill	**$ 5,651**	**$ 255**	**$ n/a**	**$ 108**	**$ 6,014**
Indefinite life intangible assets					
Brand	**761**	**–**	**n/a**	**52**	**813**
Fund management contracts and other[3]	**788**	**228**	**n/a**	**32**	**1,048**
	1,549	**228**	**n/a**	**84**	**1,861**
Finite life intangible assets[4]					
Distribution networks	**888**	**6**	**47**	**34**	**881**
Customer relationships	**687**	**–**	**56**	**12**	**643**
Software	**1,091**	**192**	**235**	**20**	**1,068**
Other	**49**	**7**	**6**	**2**	**52**
	2,715	**205**	**344**	**68**	**2,644**
Total intangible assets	**4,264**	**433**	**344**	**152**	**4,505**
Total goodwill and intangible assets	**$ 9,915**	**$ 688**	**$ 344**	**$ 260**	**$ 10,519**

As at December 31, 2021	Balance, January 1	Net additions/ (disposals)[5]	Amortization expense	Effect of changes in foreign exchange rates	Balance, December 31
Goodwill	$ 5,714	$ (5)	$ n/a	$ (58)	$ 5,651
Indefinite life intangible assets					
Brand	764	–	n/a	(3)	761
Fund management contracts and other[3]	796	(3)	n/a	(5)	788
	1,560	(3)	n/a	(8)	1,549
Finite life intangible assets[4]					
Distribution networks	806	131	44	(5)	888
Customer relationships	738	(2)	48	(1)	687
Software	1,059	198	148	(18)	1,091
Other	52	2	6	1	49
	2,655	329	246	(23)	2,715
Total intangible assets	4,215	326	246	(31)	4,264
Total goodwill and intangible assets	$ 9,929	$ 321	$ 246	$ (89)	$ 9,915

(1) In November 2022, the Company acquired control of Manulife TEDA Fund Management Company, LTD. through the purchase of the remaining 51% of shares that it did not already own from its joint venture partner. The transaction included cash consideration of $334 and derecognition of the Company's previous joint venture interest with a fair value of $321. Goodwill, indefinite life fund management contracts and distribution networks, and finite life management contracts of $255, $185, $52 and $3 were recognized.

(2) In January 2022, the Company paid $256 to VietinBank for an extension of the life of the distribution agreement acquired from Aviva Plc in December 2021.

(3) Fund management contracts are mostly allocated to Canada WAM and U.S. WAM CGUs with carrying values of $ 273 (2021 – $273) and $397 (2021 – $371), respectively.

(4) Gross carrying amount of finite life intangible assets was $ 1,517 for distribution networks, $1,146 for customer relationships, $2,736 for software and $136 for other (2021 – $1,456, $1,132, $2,484 and $124), respectively.

(5) In December 2021, the Company purchased the Vietnamese operations of Aviva Plc including rights to an exclusive distribution agreement with VietinBank.

(b) Goodwill impairment testing

The Company completed its annual goodwill impairment testing in the fourth quarter of 2022 by determining the recoverable amounts of its businesses using valuation techniques discussed below (refer to notes 1(f) and 6(c)). The testing indicated that there was no impairment of goodwill in 2022 (2021 – $nil).

The following tables present the carrying value of goodwill by CGU or group of CGUs.

As at December 31, 2022 CGU or group of CGUs	Balance, January 1	Net additions/ (disposals)	Effect of changes in foreign exchange rates	Balance, December 31
Asia				
Asia Insurance (excluding Japan)	**$ 152**	**$ –**	**$ 10**	**$ 162**
Japan Insurance	**386**	**–**	**(26)**	**360**
Canada Insurance	**1,955**	**–**	**5**	**1,960**
U.S. Insurance	**336**	**–**	**24**	**360**
Global Wealth and Asset Management				
Asia WAM	**183**	**255**	**12**	**450**
Canada WAM	**1,436**	**–**	**–**	**1,436**
U.S. WAM	**1,203**	**–**	**83**	**1,286**
Total	**$ 5,651**	**$ 255**	**$ 108**	**$ 6,014**

As at December 31, 2021 CGU or group of CGUs	Balance, January 1	Net additions/ (disposals)	Effect of changes in foreign exchange rates	Balance, December 31
Asia				
Asia Insurance (excluding Japan)	$ 159	$ (5)	$ (2)	$ 152
Japan Insurance	433	–	(47)	386
Canada Insurance	1,955	–	–	1,955
U.S. Insurance	338	–	(2)	336
Global Wealth and Asset Management				
Asia WAM	185	–	(2)	183
Canada WAM	1,436	–	–	1,436
U.S. WAM	1,208	–	(5)	1,203
Total	$ 5,714	$ (5)	$ (58)	$ 5,651

The valuation techniques, significant assumptions and sensitivities, where applicable, applied in the goodwill impairment testing are described below.

(c) Valuation techniques

When determining if a CGU is impaired, the Company compares its recoverable amount to the allocated capital for that unit, which is aligned with the Company's internal reporting practices. The recoverable amounts were based on fair value less costs to sell ("FVLCS") for Asia Insurance (excluding Japan) and Asia WAM. For other CGUs, value-in-use ("VIU") was used.

Under the FVLCS approach, the Company determines the fair value of the CGU or group of CGUs using an earnings-based approach which incorporates forecasted earnings, excluding interest and equity market impacts and normalized new business expenses multiplied by an earnings-multiple derived from the observable price-to-earnings multiples of comparable financial institutions. The price-to-earnings multiple used by the Company for testing was 11.6 (2021 – 11.6). These FVLCS valuations are categorized as Level 3 of the fair value hierarchy (2021 – Level 3).

Under the VIU approach, used for CGUs with insurance business, an embedded appraisal value is determined from a projection of future distributable earnings derived from both the in-force business and new business expected to be sold in the future, and therefore, reflects the economic value for each CGU's or group of CGUs' profit potential under a set of assumptions. This approach requires assumptions including sales and revenue growth rates, capital requirements, interest rates, equity returns, mortality, morbidity, policyholder behaviour, tax rates and discount rates. For non-insurance CGUs, the VIU is based on discounted cash flow analysis which incorporates relevant aspects of the embedded appraisal value approach.

(d) Significant assumptions

To calculate embedded appraisal value, the Company discounted projected earnings from in-force contracts and valued 20 years of new business growing at expected plan levels, consistent with the periods used for forecasting long-term businesses such as insurance. In arriving at its projections, the Company considered past experience, economic trends such as interest rates, equity returns and product mix as well as industry and market trends. Where growth rate assumptions for new business cash flows were used in the embedded appraisal value calculations, they ranged from zero per cent to nine per cent (2021 – zero per cent to six per cent).

Interest rate assumptions are based on prevailing market rates at the valuation date.

For 2022, tax rates applied to the projections include the impact of internal reinsurance treaties and amounted to 28.0 per cent, 27.5 per cent and 21.0 per cent for the Japan, Canada and U.S. jurisdictions, respectively. For 2021, tax rates applied to the projections include the impact of internal reinsurance treaties and amounted to 28.0 per cent, 26.5 per cent and 21.0 per cent for the Japan, Canada, and U.S. jurisdictions, respectively. Tax assumptions are sensitive to changes in tax laws as well as assumptions about the jurisdictions in which profits are earned. It is possible that actual tax rates could differ from those assumed.

Discount rates assumed in determining the value-in-use for applicable CGUs or group of CGUs ranged from 10.0 per cent to 12.0 per cent on an after-tax basis or 12.5 per cent to 15.0 per cent on a pre-tax basis (2021 – 8.0 per cent to 10.1 per cent on an after-tax basis or 10.0 per cent to 12.7 per cent on a pre-tax basis).

Key assumptions may change as economic and market conditions change, which may lead to impairment charges in the future. Adverse changes in discount rates (including from changes in interest rates) and growth rate assumptions for new business cash flow projections used in the determination of embedded appraisal values or reductions in market-based earnings multiples calculations may result in impairment charges in the future which could be material.

Note 7 Insurance Contract Liabilities and Reinsurance Assets

(a) Insurance contract liabilities and reinsurance assets

Insurance contract liabilities are reported gross of reinsurance ceded and the ceded liabilities are reported separately as reinsurance assets. Insurance contract liabilities include actuarial liabilities, benefits payable, provision for unreported claims and policyholder amounts on deposit. The components of gross and net insurance contract liabilities are shown below.

As at December 31,	2022	2021
Insurance contract liabilities	**$ 352,153**	$ 374,890
Benefits payable and provision for unreported claims	**5,610**	5,251
Policyholder amounts on deposit	**13,642**	12,134
Gross insurance contract liabilities	**371,405**	392,275
Reinsurance assets[1]	**(47,674)**	(44,531)
Net insurance contract liabilities	**$ 323,731**	$ 347,744

[1] Reinsurance assets of $ 38 (2021 – $ 48) are related to investment contract liabilities, refer to note 8(b).

Net insurance contract liabilities represent the amount which, together with estimated future premiums and net investment income, will be sufficient to pay estimated future benefits, policyholder dividends and refunds, taxes (other than income taxes) and expenses on policies in-force net of reinsurance premiums and recoveries.

Net insurance contract liabilities are determined using CALM, as required by the Canadian Institute of Actuaries.

The determination of net insurance contract liabilities is based on an explicit projection of cash flows using current assumptions for each material cash flow item. Investment returns are projected using the current asset portfolios and projected reinvestment strategies.

Each assumption is based on the best estimate adjusted by a margin for adverse deviation. For fixed income returns, this margin is established by scenario testing a range of prescribed and company-developed scenarios consistent with Canadian Actuarial Standards of Practice. For all other assumptions, this margin is established by directly adjusting the best estimate assumption.

Cash flows used in the net insurance contract liabilities valuation adjust the gross policy cash flows to reflect projected cash flows from ceded reinsurance. The cash flow impact of ceded reinsurance varies depending upon the amount of reinsurance, the structure of reinsurance treaties, the expected economic benefit from treaty cash flows and the impact of margins for adverse deviation. Gross insurance contract liabilities are determined by discounting gross policy cash flows using the same discount rate as the net CALM model discount rate.

The reinsurance asset is determined by taking the difference between the gross insurance contract liabilities and the net insurance contract liabilities. The reinsurance asset represents the benefit derived from reinsurance arrangements in force at the date of the Consolidated Statements of Financial Position.

The period used for the projection of cash flows is the policy lifetime for most individual insurance contracts. For other types of contracts, a shorter projection period may be used, with the contract generally ending at the earlier of the first renewal date on or after the Consolidated Statements of Financial Position date where the Company can exercise discretion in renewing its contractual obligations or terms of those obligations and the renewal or adjustment date that maximizes the insurance contract liabilities. For segregated fund products with guarantees, the projection period is generally set as the period that leads to the largest insurance contract liability. Where the projection period is less than the policy lifetime, insurance contract liabilities may be reduced by an allowance for acquisition expenses expected to be recovered from policy cash flows beyond the projection period used for the liabilities. Such allowances are tested for recoverability using assumptions that are consistent with other components of the actuarial valuation.

(b) Composition

The composition of insurance contract liabilities and reinsurance assets by the line of business and reporting segment is as follows.

Gross insurance contract liabilities

As at December 31, 2022	Individual insurance		Annuities and pensions	Other insurance contract liabilities[1]	Total, net of reinsurance ceded	Total reinsurance ceded	Total, gross of reinsurance ceded
	Participating	Non-participating					
Asia	**$ 66,294**	**$ 34,684**	**$ 6,221**	**$ 4,142**	**$ 111,341**	**$ 2,727**	**$ 114,068**
Canada	**12,637**	**38,325**	**13,593**	**14,095**	**78,650**	**1,676**	**80,326**
U.S.	**7,867**	**67,789**	**11,273**	**46,849**	**133,778**	**43,137**	**176,915**
Corporate and Other	**–**	**(640)**	**24**	**578**	**(38)**	**134**	**96**
Total, net of reinsurance ceded	**86,798**	**140,158**	**31,111**	**65,664**	**323,731**	**47,674**	**371,405**
Total reinsurance ceded	**8,552**	**22,434**	**15,793**	**895**	**47,674**		
Total, gross of reinsurance ceded	**$ 95,350**	**$ 162,592**	**$ 46,904**	**$ 66,559**	**$ 371,405**		

As at December 31, 2021	Individual insurance		Annuities and pensions	Other insurance contract liabilities[1]	Total, net of reinsurance ceded	Total reinsurance ceded	Total, gross of reinsurance ceded
	Participating	Non-participating					
Asia	$ 64,586	$ 36,387	$ 6,869	$ 3,590	$ 111,432	$ 2,749	$ 114,181
Canada	13,518	44,320	16,554	14,981	89,373	430	89,803
U.S.	8,591	71,077	14,007	53,555	147,230	41,150	188,380
Corporate and Other	–	(676)	22	363	(291)	202	(89)
Total, net of reinsurance ceded	86,695	151,108	37,452	72,489	347,744	44,531	392,275
Total reinsurance ceded	8,144	20,767	14,681	939	44,531		
Total, gross of reinsurance ceded	$ 94,839	$ 171,875	$ 52,133	$ 73,428	$ 392,275		

[1] Other insurance contract liabilities include group insurance and individual and group health including long-term care insurance.

Separate sub-accounts were established for participating policies in-force at the demutualization of MLI and John Hancock Mutual Life Insurance Company. These sub-accounts permit this participating business to be operated as separate “closed blocks” of participating policies. As at December 31, 2022, $26,289 (2021 – $29,000) of both reinsurance assets and insurance contract liabilities were related to these closed blocks of participating policies.

(c) Assets backing insurance contract liabilities, other liabilities and capital

Assets are segmented and matched to liabilities with similar underlying characteristics by product line and major currency. The Company has established target investment strategies and asset mixes for each asset segment supporting insurance contract liabilities which consider the risk attributes of the liabilities supported by the assets and expectations of market performance. Liabilities with rate and term guarantees are predominantly backed by fixed-rate instruments on a cash flow matching basis for a targeted duration horizon. Longer duration cash flows on these liabilities as well as on adjustable products such as participating life insurance are backed by a broader range of asset classes, including equity and alternative long-duration investments. The Company’s capital is invested in a range of debt and equity investments, both public and private.

Changes in the fair value of assets backing net insurance contract liabilities, that the Company considers to be other than temporary, would have a limited impact on the Company’s net income wherever there is an effective matching of assets and liabilities, as these changes would be substantially offset by corresponding changes in the value of net insurance contract liabilities. The fair value of assets backing net insurance contract liabilities as at December 31, 2022, excluding reinsurance assets, was estimated at $317,854 (2021 – $354,587).

As at December 31, 2022, the fair value of assets backing capital and other liabilities was estimated at $24,297 (2021 – $571,431).

The following table presents the carrying value of assets backing net insurance contract liabilities, other liabilities and capital.

As at December 31, 2022	Individual insurance		Annuities and pensions	Other insurance contract liabilities[1]	Other liabilities[2]	Capital[3]	Total
	Participating	Non-participating					
Assets							
Debt securities	**$ 42,279**	**$ 72,706**	**$ 15,686**	**$ 31,998**	**$ 9,739**	**$ 31,496**	**$ 203,904**
Public equities	**12,253**	**6,792**	**336**	**562**	**675**	**2,901**	**23,519**
Mortgages	**4,378**	**14,101**	**4,350**	**8,766**	**22,997**	**46**	**54,638**
Private placements	**6,810**	**19,498**	**8,038**	**10,497**	**2,003**	**211**	**47,057**
Real estate	**3,346**	**7,030**	**913**	**1,875**	**(66)**	**174**	**13,272**
Other	**17,732**	**20,031**	**1,788**	**11,966**	**427,369**	**27,665**	**506,551**
Total	**$ 86,798**	**$ 140,158**	**$ 31,111**	**$ 65,664**	**$ 462,717**	**$ 62,493**	**$ 848,941**

As at December 31, 2021	Individual insurance		Annuities and pensions	Other insurance contract liabilities[1]	Other liabilities[2]	Capital[3]	Total
	Participating	Non-participating					
Assets							
Debt securities	$ 43,278	$ 82,050	$ 19,575	$ 36,207	$ 10,723	$ 32,306	$ 224,139
Public equities	14,667	8,112	453	374	626	3,835	28,067
Mortgages	3,799	13,295	4,572	8,526	21,802	20	52,014
Private placements	6,005	17,741	7,370	9,775	1,723	228	42,842
Real estate	3,467	6,814	987	1,782	6	177	13,233
Other	15,479	23,096	4,495	15,825	469,014	29,439	557,348
Total	$ 86,695	$ 151,108	$ 37,452	$ 72,489	$ 503,894	$ 66,005	$ 917,643

(1) Other insurance contract liabilities include group insurance and individual and group health including long-term care insurance.
(2) Other liabilities are non-insurance contract liabilities which include segregated funds, bank deposits, long-term debt, deferred tax liabilities, derivatives, investment contracts, embedded derivatives and other miscellaneous liabilities.
(3) Capital is defined in note 13.

(d) Significant insurance contract liability valuation assumptions

The determination of insurance contract liabilities involves the use of estimates and assumptions. Insurance contract liabilities have two major components: a best estimate amount and a provision for adverse deviation.

Best estimate assumptions

Best estimate assumptions are made with respect to mortality and morbidity, investment returns, rates of policy termination, operating expenses and certain taxes. Actual experience is monitored to ensure that assumptions remain appropriate and assumptions are changed as warranted. Assumptions are discussed in more detail in the following table.

Nature of factor and assumption methodology		Risk management
Mortality and morbidity	Mortality relates to the occurrence of death. Mortality is a key assumption for life insurance and certain forms of annuities. Mortality assumptions are based on the Company's internal experience as well as past and emerging industry experience. Assumptions are differentiated by sex, underwriting class, policy type and geographic market. Assumptions are made for future mortality improvements. Morbidity relates to the occurrence of accidents and sickness for insured risks. Morbidity is a key assumption for long-term care insurance, disability insurance, critical illness and other forms of individual and group health benefits. Morbidity assumptions are based on the Company's internal experience as well as past and emerging industry experience and are established for each type of morbidity risk and geographic market. Assumptions are made for future morbidity improvements.	The Company maintains underwriting standards to determine the insurability of applicants. Claim trends are monitored on an ongoing basis. Exposure to large claims is managed by establishing policy retention limits, which vary by market and geographic location. Policies in excess of the limits are reinsured with other companies. Mortality is monitored monthly and the overall 2022 experience was unfavourable (2021 – unfavourable) when compared to the Company's assumptions. Morbidity is also monitored monthly and the overall 2022 experience was favourable (2021 – favourable) when compared to the Company's assumptions.

Nature of factor and assumption methodology		Risk management
Investment returns	The Company segments assets to support liabilities by business segment and geographic market and establishes investment strategies for each liability segment. Projected cash flows from these assets are combined with projected cash flows from future asset purchases/sales to determine expected rates of return on these assets for future years. Investment strategies are based on the target investment policies for each segment and the reinvestment returns are derived from current and projected market rates for fixed income investments and a projected outlook for other alternative long-duration assets. Investment return assumptions include expected future credit losses on fixed income investments. Credit losses are projected based on past experience of the Company and industry as well as specific reviews of the current investment portfolio. Investment return assumptions for each asset class and geographic market also incorporate expected investment management expenses that are derived from internal cost studies. The costs are attributed to each asset class to develop unitized assumptions per dollar of asset for each asset class and geographic market.	The Company's policy of closely matching asset cash flows with those of the corresponding liabilities is designed to mitigate the Company's exposure to future changes in interest rates. The interest rate risk positions in business segments are monitored on an ongoing basis. Under CALM, the reinvestment rate is developed using interest rate scenario testing and reflects the interest rate risk positions. In 2022, the movement in interest rates positively (2021 – negatively) impacted the Company's net income. This positive impact was primarily due to increase in risk-free interest rates in the U.S., Canada, and Asia. The exposure to credit losses is managed against policies that limit concentrations by issuer, corporate connections, ratings, sectors and geographic regions. On participating policies and some non-participating policies, credit loss experience is passed back to policyholders through the investment return crediting formula. For other policies, premiums and benefits reflect the Company's assumed level of future credit losses at contract inception or most recent contract adjustment date. The Company holds explicit provisions in actuarial liabilities for credit risk including provisions for adverse deviation. In 2022, credit loss experience on debt securities and mortgages was favourable (2021 – favourable) when compared to the Company's assumptions. Equities, real estate and other alternative long-duration assets are used to support liabilities where investment return experience is passed back to policyholders through dividends or credited investment return adjustments. Equities, real estate, and other alternative long-duration assets are also used to support long-dated obligations in the Company's annuity and pension businesses and for long-dated insurance obligations on contracts where the investment return risk is borne by the Company. In 2022, investment experience related to alternative long-duration assets backing policyholder liabilities was favourable (2021 – favourable) primarily driven by gains in private equities, timber and agriculture properties, partially offset by losses in real estate properties. In 2022, alternative long-duration asset origination exceeded (2021 – did not exceed) valuation requirements. In 2022, for the business that is dynamically hedged, segregated fund guarantee experience on residual, non-dynamically hedged market risks were unfavourable (2021 – unfavourable). For the business that is not dynamically hedged, experience on segregated fund guarantees due to changes in the market value of assets under management was also unfavourable (2021 – unfavourable). This excludes the experience on the macro equity hedges. In 2022, investment expense experience was favourable (2021 – unfavourable) when compared to the Company's assumptions.

Nature of factor and assumption methodology		Risk management
Policy termination and premium persistency	Policies are terminated through lapses and surrenders, where lapses represent the termination of policies due to non-payment of premiums and surrenders represent the voluntary termination of policies by policyholders. Premium persistency represents the level of ongoing deposits on contracts where there is policyholder discretion as to the amount and timing of deposits. Policy termination and premium persistency assumptions are primarily based on the Company's recent experience adjusted for expected future conditions. Assumptions reflect differences by type of contract within each geographic market.	The Company seeks to design products that minimize financial exposure to lapse, surrender and premium persistency risk. The Company monitors lapse, surrender and persistency experience. In aggregate, 2022 policyholder termination and premium persistency experience was unfavourable (2021 – unfavourable) when compared to the Company's assumptions used in the computation of actuarial liabilities.
Expenses and taxes	Operating expense assumptions reflect the projected costs of maintaining and servicing in-force policies, including associated overhead expenses. The expenses are derived from internal cost studies projected into the future with an allowance for inflation. For some developing businesses, there is an expectation that unit costs will decline as these businesses grow. Taxes reflect assumptions for future premium taxes and other non-income related taxes. For income taxes, policy liabilities are adjusted only for temporary tax timing and permanent tax rate differences on the cash flows available to satisfy policy obligations.	The Company prices its products to cover the expected costs of servicing and maintaining them. In addition, the Company monitors expenses monthly, including comparisons of actual expenses to expense levels allowed for in pricing and valuation. Maintenance expenses for 2022 were unfavourable (2021 – unfavourable) when compared to the Company's assumptions used in the computation of actuarial liabilities. The Company prices its products to cover the expected cost of taxes.
Policyholder dividends, experience rating refunds, and other adjustable policy elements	The best estimate projections for policyholder dividends and experience rating refunds, and other adjustable elements of policy benefits are determined to be consistent with management's expectation of how these elements will be managed should experience emerge consistently with the best estimate assumptions used for mortality and morbidity, investment returns, rates of policy termination, operating expenses and taxes.	The Company monitors policy experience and adjusts policy benefits and other adjustable elements to reflect this experience. Policyholder dividends are reviewed annually for all businesses under a framework of Board-approved policyholder dividend policies.
Foreign currency	Foreign currency risk results from a mismatch of the currency of liabilities and the currency of the assets designated to support these obligations. Where a currency mismatch exists, the assumed rate of return on the assets supporting the liabilities is reduced to reflect the potential for adverse movements in foreign exchange rates.	The Company generally matches the currency of its assets with the currency of the liabilities they support, with the objective of mitigating the risk of loss arising from movements in currency exchange rates.

The Company reviews actuarial methods and assumptions on an annual basis. If changes are made to assumptions (refer to note 7(h)), the full impact is recognized in income immediately.

(e) Sensitivity of insurance contract liabilities to changes innon-economic assumptions

The sensitivity of net income attributed to shareholders to changes innon-economic assumptions underlying insurance contract liabilities is shown below, assuming a simultaneous change in the assumption across all business units. The sensitivity of net income attributed to shareholders to a deterioration or improvement in non-economic assumptions for Long-Term Care ("LTC") as at December 31, 2022 is also shown below.

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; changes in business mix, effective tax rates and other market factors; and the general limitations of internal models.

Potential impact on net income attributed to shareholders arising from changes tonon-economic assumptions[1]

As at December 31,	Decrease in after-tax net income attributed to shareholders 2022	2021
Policy related assumptions		
2% adverse change in future mortality rates[2],[4]		
Products where an increase in rates increases insurance contract liabilities	**$ (500)**	$ (500)
Products where a decrease in rates increases insurance contract liabilities	**(500)**	(500)
5% adverse change in future morbidity rates (incidence and termination)[3],[4],[5]	**(4,500)**	(5,500)
10% adverse change in future policy termination rates[4]	**(2,200)**	(2,400)
5% increase in future expense levels	**(600)**	(600)

(1) 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 non-economic assumptions. Experience gains or losses would generally result in changes to future dividends, with no direct impact to shareholders.
(2) An increase in mortality rates will generally increase policy liabilities for life insurance contracts whereas a decrease in mortality rates will generally increase policy liabilities for policies with longevity risk such as payout annuities.
(3) No amounts related to morbidity risk are included for policies where the policy liability provides only for claims costs expected over a short period, generally less than one year, such as Group Life and Health.
(4) The impacts of the adverse sensitivities on LTC for morbidity, mortality and lapse do not assume any partial offsets from the Company's ability to contractually raise premium rates in such events, subject to state regulatory approval. In practice, the Company would plan to file for rate increases equal to the amount of deterioration resulting from the sensitivities.
(5) 5% deterioration in incidence rates and 5% deterioration in claim termination rates.

Potential impact on net income attributed to shareholders arising from changes tonon-economic assumptions for Long-Term Care included in the above table[1],[2]

As at December 31,	Decrease in after-tax net income attributed to shareholders 2022	2021
Policy related assumptions		
2% adverse change in future mortality rates	**$ (300)**	$ (300)
5% adverse change in future morbidity incidence rates	**(1,700)**	(2,000)
5% adverse change in future morbidity claims termination rates	**(2,400)**	(3,100)
10% adverse change in future policy termination rates	**(300)**	(400)
5% increase in future expense levels	**(100)**	(100)

(1) The impacts of the adverse sensitivities on LTC for morbidity, mortality and lapse do not assume any partial offsets from the Company's ability to contractually raise premium rates in such events, subject to state regulatory approval. In practice, the Company would plan to file for rate increases equal to the amount of deterioration resulting from the sensitivities.
(2) The impact of favourable changes to all the sensitivities is relatively symmetrical.

(f) Provision for adverse deviation assumptions

The assumptions made in establishing insurance contract liabilities reflect expected best estimates of future experience. To recognize the uncertainty in these best estimate assumptions, to allow for possible misestimation of and deterioration in experience and to provide a greater degree of assurance that the insurance contract liabilities are adequate to pay future benefits, the Appointed Actuary is required to include a margin in each assumption.

Margins are released into future earnings as the policy is released from risk. Margins for interest rate risk are included by testing a number of scenarios of future interest rates. The margin can be established by testing a limited number of scenarios, some of which are prescribed by the Canadian Actuarial Standards of Practice, and determining the liability based on the worst outcome. Alternatively, the margin can be set by testing many scenarios, which are developed according to actuarial guidance. Under this approach the liability would be the average of the outcomes above a percentile in the range prescribed by the Canadian Actuarial Standards of Practice.

Specific guidance is also provided for other risks such as market, credit, mortality and morbidity risks. For other risks which are not specifically addressed by the Canadian Institute of Actuaries, a range is provided of five per cent to 20 per cent of the expected experience assumption. The Company uses assumptions within the permissible ranges, with the determination of the level set considering the risk profile of the business. On occasion, in specific circumstances for additional prudence, a margin may exceed the high end of the range, which is permissible under the Canadian Actuarial Standards of Practice. This additional margin would be released if the specific circumstances which led to it being established were to change.

Each margin is reviewed annually for continued appropriateness.

(g) Change in insurance contract liabilities

The change in insurance contract liabilities was a result of the following business activities and changes in actuarial estimates.

For the year ended December 31, 2022	Net actuarial liabilities	Other insurance contract liabilities[1]	Net insurance contract liabilities	Reinsurance assets	Gross insurance contract liabilities
Balance, January 1	**$ 332,272**	**$ 15,472**	**$ 347,744**	**$ 44,531**	**$ 392,275**
New policies[2]	**5,365**	**–**	**5,365**	**116**	**5,481**
Normal in-force movement[2]	**(39,174)**	**1,216**	**(37,958)**	**(1,042)**	**(39,000)**
Changes in methods and assumptions[2]	**112**	**(192)**	**(80)**	**349**	**269**
Reinsurance transactions[2],[3]	**(2,419)**	**–**	**(2,419)**	**950**	**(1,469)**
Impact of changes in foreign exchange rates	**10,439**	**640**	**11,079**	**2,770**	**13,849**
Balance, December 31	**$ 306,595**	**$ 17,136**	**$ 323,731**	**$ 47,674**	**$ 371,405**

For the year ended December 31, 2021	Net actuarial liabilities	Other insurance contract liabilities[1]	Net insurance contract liabilities	Reinsurance assets	Gross insurance contract liabilities
Balance, January 1	$ 325,408	$ 14,377	$ 339,785	$ 45,769	$ 385,554
New policies[4]	5,947	–	5,947	276	6,223
Normal in-force movement[4]	4,689	1,283	5,972	(1,812)	4,160
Changes in methods and assumptions[4]	287	–	287	455	742
Reinsurance transactions	–	–	–	–	–
Impact of changes in foreign exchange rates	(4,059)	(188)	(4,247)	(157)	(4,404)
Balance, December 31	$ 332,272	$ 15,472	$ 347,744	$ 44,531	$ 392,275

(1) Other insurance contract liabilities are comprised of benefits payable and provisions for unreported claims and policyholder amounts on deposit.

(2) In 2022, the $ 34,971 decrease reported as the change in insurance contract liabilities on the 2022 Consolidated Statements of Income primarily consists of changes due to normal in-force movement, new policies, changes in methods and assumptions, and reinsurance transactions. These four items in the gross insurance contract liabilities were netted off by a decrease of $34,719, of which $ 35,830 is included in the Consolidated Statements of Income as a decrease in insurance contract liabilities and $1,111 increase is included in gross claims and benefits. The Consolidated Statements of Income change in insurance contract liabilities also includes the change in embedded derivatives associated with insurance contracts, however these embedded derivatives are included in other liabilities on the Consolidated Statements of Financial Position.

(3) In 2022, we completed two transactions to reinsure blocks of legacy U.S. variable annuity ("VA") policies. Under the terms of the transactions, the Company will retain responsibility for the maintenance of the policies with no intended impact to VA policyholders. The transactions were structured as coinsurance for the general fund liabilities and modified coinsurance for the segregated fund liabilities.

(4) In 2021, the $ 10,719 increase reported as the change in insurance contract liabilities on the Consolidated Statements of Income primarily consists of changes due to normal in-force movement, new policies and changes in methods and assumptions. These three items in the gross insurance contract liabilities were netted off by an increase of $11,125, of which $ 9,868 is included in the Consolidated Statements of Income increase in insurance contract liabilities and $1,257 is included in gross claims and benefits. The Consolidated Statements of Income change in insurance contract liabilities also includes the change in embedded derivatives associated with insurance contracts.

(h) Actuarial methods and assumptions

A comprehensive review of actuarial methods and assumptions is performed annually. The review is designed to reduce the Company's exposure to uncertainty by ensuring assumptions for both asset and liability related risks remain appropriate. This is accomplished by monitoring experience and selecting assumptions which represent a current best estimate view of expected future experience, and margins for adverse deviations that are appropriate for the risks assumed. While the assumptions selected represent the Company's current best estimates and assessment of risk, the ongoing monitoring of experience and changes in the economic environment are likely to result in future changes to the actuarial assumptions, which could materially impact the measurement of insurance contract liabilities.

2022 Review of Actuarial Methods and Assumptions

The completion of the 2022 annual review of actuarial methods and assumptions resulted in a decrease in insurance contract liabilities, net of reinsurance, of $80, and a net gain to net income attributed to shareholders of $36 post-tax.

	Change in insurance contract liabilities, net of reinsurance			
For the year ended December 31, 2022	Total	Attributed to participating policyholders' account[1]	Attributed to shareholders' account	Change in net income attributed to shareholders (post-tax)
Long-term care triennial review	**$ 19**	**$ –**	**$ 19**	**$ (15)**
Mortality and morbidity updates	**157**	**(5)**	**162**	**(126)**
Lapses and policyholder behaviour updates	**317**	**74**	**243**	**(192)**
Investment related updates	**(210)**	**(1)**	**(209)**	**157**
Other updates	**(363)**	**(145)**	**(218)**	**212**
Net impact	**$ (80)**	**$ (77)**	**$ (3)**	**$ 36**

(1) The change in insurance contract liabilities, net of reinsurance, attributable to the participating policyholders' account was primarily driven by an increase in expected long-term interest rates within the valuation models to reflect the higher interest rate environment, partially offset by the lapse assumption update in Canada.

Long-term care triennial review
U.S. Insurance completed a comprehensive long-term care ("LTC") experience study. The review included all aspects of claim assumptions, as well as the progress on future premium rate increases. The impact of the LTC review resulted in a net $15 post-tax charge to net income attributed to shareholders.

The experience study showed that claim costs established in the last triennial review remain appropriate in aggregate for the older blocks of business[1] supported by robust claims data on this mature block. Insurance contract liabilities were strengthened for claim costs on the newer block of business[2]. This was driven by lower active life mortality[3] supported by Company experience and a recent industry study, as well as higher utilization of benefits, which included the impact of reflecting higher inflation in the cost-of-care up to the current year. The Company also reviewed and updated incidence and claim termination assumptions which, on a net basis, provided a partial offset to the increase in insurance contract liabilities on active life mortality and utilization. In addition, some policyholders are electing to reduce their benefits in lieu of paying increased premiums which resulted in a reduction in insurance contract liabilities. The overall claims experience review led to a post-tax charge to net income attributed to shareholders of approximately $2.3 billion (US$1.7 billion).

Experience continues to support the assumptions of both future morbidity and mortality improvement, resulting in no changes to these assumptions.

As of September 30, 2022, the Company has received actual premium increase approvals of $2.5 billion pre-tax (US$1.9 billion pre-tax) on a present value basis since the last triennial review in 2019. This aligns with the full amount assumed in the Company's insurance contract liabilities at that time and demonstrates the Company's continued strong track record of progress in securing premium rate increases[4]. In 2022, the review of future premium increases assumed in insurance contract liabilities resulted in a post-tax gain to net income attributed to shareholders of approximately $2.1 billion (US$1.6 billion). This reflects expected future premium increases that are due to the Company's 2022 review of morbidity, mortality, and lapse assumptions, as well as outstanding amounts from prior state filings. Premium increases averaging approximately 30% will be sought on about one-half of the business, excluding the carryover of 2019 amounts requested. The Company's assumptions reflect the estimated timing and amount of state approved premium increases.

Other refinements to LTC valuation resulted in a post-tax gain of approximately $0.2 billion (US$0.2 billion) to net income attributed to shareholders.

Mortality and morbidity updates
Mortality and morbidity updates resulted in a $126 post-tax charge to net income attributed to shareholders, driven by a detailed review of the mortality and morbidity assumptions for the Company's Canada insurance business, and by updates to morbidity assumptions in Vietnam to align with experience.

Lapses and policyholder behaviour updates
Updates to lapses and policyholder behaviour assumptions resulted in a $192 post-tax charge to net income attributed to shareholders.

The Company completed a detailed review of lapse assumptions for Singapore, and increased lapse rates to align with experience on index-linked products, which reduced projected future fee income to be received on these products.

The Company also increased lapse rates on Canada's term insurance products for policies approaching their renewal date, reflecting emerging experience in the Company's study.

Investment-related updates
Updates to investment return assumptions resulted in a $157 post-tax gain to net income attributed to shareholders, primarily driven by annual updates to the Company's valuation models to reflect market movements during the year. No changes were made to the Company's long-term assumed returns.

Other updates
Other updates resulted in a $212 post-tax gain to net income attributed to shareholders, which included refinements to the projection of the Company's tax and liability cash flows, as well as various other modelling updates.

1 First generation policies issued prior to 2002.
2 Second generation policies with an average issue date of 2007 and Group policies with an average issue date of 2003.
3 The mortality rate of LTC policyholders who are currently not on claim.
4 Actual experience obtaining premium increases could be materially different than what the Company has assumed, resulting in further increases or decreases in insurance contract liabilities, which could be material.

2021 Review of Actuarial Methods and Assumptions
The completion of the 2021 annual review of actuarial methods and assumptions resulted in an increase in insurance contract liabilities of $287, net of reinsurance, and a decrease in net income attributed to shareholders of $41 post-tax.

	Change in insurance contract liabilities, net of reinsurance			
For the year ended December 31, 2021	Total	Attributed to participating policyholders' account[1]	Attributed to shareholders' account	Change in net income attributed to shareholders (post-tax)
U.S. variable annuity product review	$ 51	$ –	$ 51	$ (40)
Mortality and morbidity updates	350	–	350	(257)
Lapses and policyholder behaviour updates	686	18	668	(534)
Expense updates	(653)	(25)	(628)	503
Investment related updates	(257)	(2)	(255)	168
Other updates	110	231	(121)	119
Net impact	$ 287	$ 222	$ 65	$ (41)

[1] The change in insurance contract liabilities, net of reinsurance, attributable to the participating policyholders' account was primarily driven by a reduction in the expected long-term interest rates within the valuation models to reflect the low interest rate environment.

U.S. variable annuity product review
The review of the Company's variable annuity products in the U.S. resulted in a $40 post-tax charge to net income attributed to shareholders.

The charge was primarily driven by updates to lapse assumptions to reflect emerging experience, partially offset by refinements to the Company's segregated fund guaranteed minimum withdrawal benefit valuation models.

Mortality and morbidity updates
Mortality and morbidity updates resulted in a $257 post-tax charge to net income attributed to shareholders.

The charge was driven by updates to older age mortality on certain products in the Company's U.S. life insurance business, mortality assumption updates in Indonesia to reflect recent experience, as well as from refining assumptions on several reinsurance arrangements in Canada.

Lapses and policyholder behaviour updates
Updates to lapses and policyholder behaviour assumptions resulted in a $534 post-tax charge to net income attributed to shareholders.

The Company completed a detailed review of lapse assumptions fornon-participating policies within the Company's U.S. life insurance business including those for universal life, variable universal life, and term products. The Company observed a trend of low lapse rates on the protection-focused universal life insurance products as consumers continue to value the product guarantees in the prolonged low interest rate environment. The Company lowered the overall lapse assumptions for these products to reflect actual experience, which resulted in a post-tax charge to net income attributed to shareholders.

Other updates to lapse and policyholder behaviour assumptions were made across several products in Canada and Japan to reflect recent experience, resulting in a modest post-tax charge to net income attributed to shareholders.

Expense updates
Updates to expense assumptions resulted in a $503 post-tax gain to net income attributed to shareholders.

The Company completed a detailed review of the investment expense assumptions across the Company. This resulted in a $263 post-tax gain to net income attributed to shareholders, primarily driven by scale benefits.

The Company also completed a global expense study, which resulted in a $256 post-tax gain to net income attributed to shareholders. The favourable result primarily reflects a reallocation of expenses across certain business lines to align with actual experience, as well as from expense savings related to various expense efficiency initiatives.

Investment-related updates
Updates to investment return assumptions resulted in a $168 post-tax gain to net income attributed to shareholders.

The primary driver of the gain was an update to the Company's corporate bond default rates to reflect recent experience; the Company reduced default assumptions for certain credit ratings in Canada, the U.S., and Japan. This was partially offset by a reduction to the Company's Canadian real estate investment return assumptions.

Other updates
Other updates resulted in a $119 post-tax gain to net income attributed to shareholders.

This was primarily driven by Japan, whereby investment fees for certain mandates in the general account provided by affiliate investment managers were reviewed and updated to align with broader market levels.

(i) Insurance contracts contractual obligations

Insurance contracts give rise to obligations fixed by agreement. As at December 31, 2022, the Company's contractual obligations and commitments relating to insurance contracts are as follows.

Payments due by period	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Insurance contract liabilities[1]	**$ 11,498**	**$ 12,365**	**$ 18,496**	**$ 1,012,611**	**$ 1,054,970**

(1) Insurance contract liability cash flows include estimates related to the timing and payment of death and disability claims, policy surrenders, policy maturities, annuity payments, minimum guarantees on segregated fund products, policyholder dividends, commissions and premium taxes offset by contractual future premiums on in-force contracts. These estimated cash flows are based on the best estimate assumptions used in the determination of insurance contract liabilities. These amounts are undiscounted and reflect recoveries from reinsurance agreements. Due to the use of assumptions, actual cash flows may differ from these estimates. Cash flows include embedded derivatives measured separately at fair value.

(j) Gross claims and benefits

The following table presents a breakdown of gross claims and benefits.

For the years ended December 31,	2022	2021
Death, disability and other claims	**$ 19,404**	$ 18,583
Maturity and surrender benefits	**10,662**	8,728
Annuity payments	**3,242**	3,276
Policyholder dividends and experience rating refunds	**1,279**	1,255
Net transfers from segregated funds	**(1,267)**	(732)
Total	**$ 33,320**	$ 31,110

(k) Reinsurance transaction

On November 15, 2021 and October 3, 2022, the Company, through its subsidiaries John Hancock Life Insurance Company (U.S.A.) ("JHUSA") and John Hancock Life Insurance Company of New York ("JHNY") entered into reinsurance agreements with Venerable Holdings, Inc. to reinsure blocks of legacy U.S. variable annuity ("VA") policies. Under the terms of the transactions, the Company will retain responsibility for the maintenance of the policies with no intended impact to VA policyholders. The transactions were structured as coinsurance for the general fund liabilities and modified coinsurance for the segregated fund liabilities.

The transactions closed on February 1, 2022 and October 3, 2022, respectively, resulting in a cumulativeafter-tax gain of $806, comprising a cumulative after-tax gain of $846 recognized in 2022, and a one-time after-tax loss of $40 recognized in the fourth quarter 2021.

Note 8 Investment Contract Liabilities

Investment contract liabilities are contractual obligations that do not contain significant insurance risk. These contracts are measured either at fair value or at amortized cost.

(a) Investment contract liabilities measured at fair value

Investment contract liabilities measured at fair value include certain investment savings and pension products sold primarily in Hong Kong and mainland China. The following table presents the movement in investment contract liabilities measured at fair value.

For the years ended December 31,	2022	2021
Balance, January 1	**$ 802**	$ 932
New policies	**93**	54
Changes in market conditions	**(39)**	(38)
Redemptions, surrenders and maturities	**(106)**	(138)
Impact of changes in foreign exchange rates	**46**	(8)
Balance, December 31	**$ 796**	$ 802

(b) Investment contract liabilities measured at amortized cost

Investment contract liabilities measured at amortized cost include several fixed annuity products sold in the U.S. and Canada that provide guaranteed income payments for a contractually determined period and are not contingent on survivorship.

The following table presents carrying and fair values of investment contract liabilities measured at amortized cost.

	2022		2021	
As at December 31,	Amortized cost, gross of reinsurance ceded[1]	Fair value	Amortized cost, gross of reinsurance ceded[1]	Fair value
U.S. fixed annuity products	**$ 1,575**	**$ 1,547**	$ 1,380	$ 1,602
Canadian fixed annuity products	**877**	**956**	935	1,016
Investment contract liabilities	**$ 2,452**	**$ 2,503**	$ 2,315	$ 2,618

[1] As at December 31, 2022, investment contract liabilities with the carrying value and fair value of $ 38 and $38, respectively (2021 – $ 48 and $52, respectively), were reinsured by the Company. The net carrying value and fair value of investment contract liabilities were $2,414 and $2,465 (2021 – $2,267 and $2,566), respectively.

The changes in investment contract liabilities measured at amortized cost was a result of the following business activities.

For the years ended December 31,	**2022**	2021
Balance, January 1	**$ 2,315**	$ 2,356
Policy deposits	**200**	92
Interest	**67**	71
Withdrawals	**(236)**	(191)
Fees	**(1)**	(1)
Other	**–**	(5)
Impact of changes in foreign exchange rates	**107**	(7)
Balance, December 31	**$ 2,452**	$ 2,315

Carrying value of fixed annuity products is amortized at a rate that exactly discounts the projected actual cash flows to the net carrying amount of the liability at the date of issue.

Fair value of fixed annuity products is determined by projecting cash flows according to the contract terms and discounting the cash flows at current market rates adjusted for the Company's own credit standing. As at December 31, 2022 and 2021, fair value of all investment contract liabilities was determined using Level 2 valuation techniques.

(c) Investment contracts contractual obligations

As at December 31, 2022, the Company's contractual obligations and commitments relating to the investment contracts are as follows.

Payments due by period	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Investment contract liabilities[1]	**$ 300**	**$ 511**	**$ 514**	**$ 3,365**	**$ 4,690**

[1] Due to the nature of the products, the timing of net cash flows may be before contract maturity. Cash flows are undiscounted.

Note 9 Risk Management

The Company's policies and procedures for managing risks of financial instruments are disclosed in denoted components of the "Risk Management and Risk Factors" section of the MD&A for the year ended December 31, 2022. These MD&A disclosures are in accordance with IFRS 7 "Financial Instruments: Disclosures" and are an integral part of these Consolidated Financial Statements.

(a) Credit risk

Credit risk is the risk of loss due to inability or unwillingness of a borrower, or counterparty, to fulfill its payment obligations. Worsening regional and global economic conditions, segment or industry sector challenges, or company specific factors could result in defaults or downgrades and could lead to increased provisions or impairments related to the Company's general fund invested assets, derivative financial instruments and reinsurance assets and an increase in provisions for future credit impairments that are included in actuarial liabilities.

The Company's exposure to credit risk is managed through risk management policies and procedures which include a defined credit evaluation and adjudication process, delegated credit approval authorities and established exposure limits by borrower, corporate connection, credit rating, industry and geographic region. The Company measures derivative counterparty exposure as net potential credit exposure, which takes into consideration mark-to-market values of all transactions with each counterparty, net of any collateral held, and an allowance to reflect future potential exposure. Reinsurance counterparty exposure is measured reflecting the level of ceded liabilities.

The Company also ensures where warranted, that mortgages, private placements and loans to Bank clients are secured by collateral, the nature of which depends on the credit risk of the counterparty.

An allowance for losses on loans is established when a loan becomes impaired. Allowances for loan losses are calculated to reduce the carrying value of the loans to estimated net realizable value. The establishment of such allowances takes into consideration normal historical credit loss levels and future expectations, with an allowance for adverse deviations. In addition, policy liabilities include general provisions for credit losses from future asset impairments. Impairments are identified 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. Allowances for losses on reinsurance contracts are established when a reinsurance counterparty becomes unable or unwilling to fulfill its contractual obligations. The allowance for loss is based on current recoverable amounts and ceded policy liabilities.

Credit risk associated with derivative counterparties is discussed in note 9(d) and credit risk associated with reinsurance counterparties is discussed in note 9(i).

(i) Credit exposure

The following table presents the gross carrying amount of financial instruments subject to credit exposure, without considering any collateral held or other credit enhancements.

As at December 31,	2022	2021
Debt securities		
FVTPL	**$ 170,273**	$ 189,722
AFS	**32,220**	33,097
Other	**1,411**	1,320
Mortgages	**54,638**	52,014
Private placements	**47,057**	42,842
Policy loans	**6,894**	6,397
Loans to Bank clients	**2,781**	2,506
Derivative assets	**8,588**	17,503
Accrued investment income	**2,813**	2,641
Reinsurance assets	**47,712**	44,579
Other financial assets	**6,077**	6,242
Total	**$ 380,464**	$ 398,863

As at December 31, 2022, 96% (2021 – 97%) of debt securities were investment grade-rated with ratings ranging between AAA to BBB.

(ii) Credit quality

Credit quality of commercial mortgages and private placements

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.

A provision is recorded when the internal risk ratings indicate that a loss represents the most likely outcome. These assets are designated as non-accrual and an allowance is established based on an analysis of the security and repayment sources.

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

As at December 31, 2022	AAA	AA	A	BBB	BB	B and lower	Total
Commercial mortgages							
Retail	**$ 113**	**$ 1,526**	**$ 4,872**	**$ 2,055**	**$ 194**	**$ 2**	**$ 8,762**
Office	**102**	**1,460**	**5,950**	**1,471**	**57**	**33**	**9,073**
Multi-family residential	**500**	**2,213**	**3,751**	**892**	**11**	**–**	**7,367**
Industrial	**72**	**929**	**3,312**	**407**	**–**	**–**	**4,720**
Other	**180**	**990**	**798**	**764**	**–**	**–**	**2,732**
Total commercial mortgages	**967**	**7,118**	**18,683**	**5,589**	**262**	**35**	**32,654**
Agricultural mortgages	**–**	**–**	**119**	**240**	**–**	**–**	**359**
Private placements	**904**	**6,991**	**16,534**	**17,176**	**1,105**	**4,347**	**47,057**
Total	**$ 1,871**	**$ 14,109**	**$ 35,336**	**$ 23,005**	**$ 1,367**	**$ 4,382**	**$ 80,070**

As at December 31, 2021	AAA	AA	A	BBB	BB	B and lower	Total
Commercial mortgages							
Retail	$ 113	$ 1,340	$ 5,179	$ 1,936	$ 228	$ 2	$ 8,798
Office	56	1,256	6,004	1,291	87	40	8,734
Multi-family residential	557	1,869	3,771	767	32	–	6,996
Industrial	47	376	2,808	328	–	–	3,559
Other	212	1,010	787	956	47	–	3,012
Total commercial mortgages	985	5,851	18,549	5,278	394	42	31,099
Agricultural mortgages	–	–	119	242	–	–	361
Private placements	976	5,720	16,147	16,220	1,161	2,618	42,842
Total	$ 1,961	$ 11,571	$ 34,815	$ 21,740	$ 1,555	$ 2,660	$ 74,302

Credit quality of residential mortgages and loans to Bank clients

Credit quality of residential mortgages and loans to Bank clients is assessed at least annually with the loan being performing or non-performing as the key credit quality indicator.

Full or partial write-offs of loans are recorded when management believes that there is no realistic prospect of full recovery. Write-offs, net of recoveries, are deducted from the allowance for credit losses. All impairments are captured in the allowance for credit losses.

The following table presents credit quality of residential mortgages and loans to Bank clients.

	2022			2021		
As at December 31,	Insured	Uninsured	Total	Insured	Uninsured	Total
Residential mortgages						
Performing	**$ 7,015**	**$ 14,569**	**$ 21,584**	$ 7,264	$ 13,272	$ 20,536
Non-performing[1]	**8**	**33**	**41**	6	12	18
Loans to Bank clients						
Performing	**n/a**	**2,778**	**2,778**	n/a	2,506	2,506
Non-performing[1]	**n/a**	**3**	**3**	n/a	–	–
Total	**$ 7,023**	**$ 17,383**	**$ 24,406**	$ 7,270	$ 15,790	$ 23,060

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

The carrying value of government-insured mortgages was 13% of the total mortgage portfolio as at December 31, 2022 (2021 – 14%). Most of these insured mortgages are residential loans as classified in the table above.

(iii) Past due or credit impaired financial assets

The Company provides for credit risk by establishing allowances against the carrying value of impaired loans and recognizing impairment losses on AFS debt securities. In addition, the Company reports as impairment losses certain declines in the fair value of debt securities designated as FVTPL which it deems represent impairments due to non-recoverability of due amounts.

The following table presents the carrying value of financial assets with some or all of their contractual payments past due but which are not impaired and impaired financial assets.

As at December 31, 2022	Past due but not impaired: Less than 90 days	Past due but not impaired: 90 days and greater	Past due but not impaired: Total	Total impaired
Debt securities[1],[2]				
FVTPL	**$ 2,059**	**$ 71**	**$ 2,130**	**$ 9**
AFS	**922**	**–**	**922**	**–**
Private placements[1]	**317**	**152**	**469**	**229**
Mortgages and loans to Bank clients	**103**	**–**	**103**	**74**
Other financial assets	**36**	**34**	**70**	**1**
Total	**$ 3,437**	**$ 257**	**$ 3,694**	**$ 313**

As at December 31, 2021	Past due but not impaired: Less than 90 days	Past due but not impaired: 90 days and greater	Past due but not impaired: Total	Total impaired
Debt securities[1],[2]				
FVTPL	$ 20	$ –	$ 20	$ 2
AFS	–	–	–	–
Private placements[1]	63	–	63	175
Mortgages and loans to Bank clients	61	–	61	51
Other financial assets	261	47	308	–
Total	$ 405	$ 47	$ 452	$ 228

(1) Payments of $12 on $3,297 (December 31, 2021 – $ nil and $20, respectively) of financial assets past due less than 90 days are delayed.
(2) Payments of $4 on $224 (December 31, 2021 – $ nil and $nil, respectively) of financial assets past due greater than 90 days are delayed.

The following table presents gross carrying value and allowances for loan losses for impaired loans.

As at December 31, 2022	Gross carrying value	Allowances for loan losses	Net carrying value
Private placements	**$ 254**	**$ 25**	**$ 229**
Mortgages and loans to Bank clients	**96**	**22**	**74**
Total	**$ 350**	**$ 47**	**$ 303**

As at December 31, 2021	Gross carrying value	Allowances for loan losses	Net carrying value
Private placements	$ 197	$ 22	$ 175
Mortgages and loans to Bank clients	73	22	51
Total	$ 270	$ 44	$ 226

The following table presents movement of allowance for loan losses during the year.

	2022			2021		
For the years ended December 31,	Private placements	Mortgages and loans to Bank clients	Total	Private placements	Mortgages and loans to Bank clients	Total
Balance, January 1	**$ 22**	**$ 22**	**$ 44**	$ 79	$ 28	$ 107
Provisions	**22**	**4**	**26**	14	12	26
Recoveries	**(18)**	**(2)**	**(20)**	(58)	(16)	(74)
Write-offs[1]	**(1)**	**(2)**	**(3)**	(13)	(2)	(15)
Balance, December 31	**$ 25**	**$ 22**	**$ 47**	$ 22	$ 22	$ 44

(1) Includes disposals and impact of changes in foreign exchange rates.

(b) Securities lending, repurchase and reverse repurchase transactions

The Company engages in securities lending to generate fee income. Collateral exceeding the market value of the loaned securities is retained by the Company until the underlying security has been returned to the Company. The market value of the loaned securities is monitored daily and additional collateral is obtained or refunded as the market value of the underlying loaned securities fluctuates. As at December 31, 2022, the Company had loaned securities (which are included in invested assets) with a market value of $723 (2021 – $564). The Company holds collateral with a current market value that exceeds the value of securities lent in all cases.

The Company engages in reverse repurchase transactions to generate fee income to take possession of securities to cover short positions in similar instruments and to meet short-term funding requirements. As at December 31, 2022, the Company had engaged in reverse repurchase transactions of $895 (2021 – $1,490) which are recorded as short-term receivables. In addition, the Company had engaged in repurchase transactions of $895 as at December 31, 2022 (2021 – $536) which are recorded as payables.

(c) 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 more than its government bond holdings. A CDS is a derivative instrument representing an agreement between two parties to exchange the credit risk of a single specified entity or an index based on the credit risk of a group of entities (all commonly referred to as the "reference entity" or a portfolio of "reference entities"), in return for a periodic premium. CDS contracts typically have a five-year term.

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 December 31, 2022	Notional amount[1]	Fair value	Weighted average maturity (in years)[2]
Single name CDS[3] – Corporate debt			
A	**$ 133**	**$ 4**	**4**
BBB	**26**	**–**	**1**
Total single name CDS	**$ 159**	**$ 4**	**4**
Total CDS protection sold	**$ 159**	**$ 4**	**4**

As at December 31, 2021	Notional amount[1]	Fair value	Weighted average maturity (in years)[2]
Single name CDS[3] – Corporate debt			
A	$ 16	$ –	1
BBB	28	1	2
Total single name CDS	$ 44	$ 1	2
Total CDS protection sold	$ 44	$ 1	2

(1) Notional amounts represent the maximum future payments the Company would have to pay its CDS 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.

The Company held no purchased credit protection as at December 31, 2022 and 2021.

(d) 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 the 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 or guaranteed by investment grade counterparties, the majority of whom are rated A- or higher. As at December 31, 2022, the percentage of the Company's derivative exposure with counterparties rated AA- or higher was 36 per cent (2021 – 17 per cent). The Company's exposure to credit risk was mitigated by $2,194 fair value of collateral held as security as at December 31, 2022 (2021 – $10,121).

As at December 31, 2022, the largest single counterparty exposure, without taking into consideration the impact of master netting agreements or the benefit of collateral held, was $1,582 (2021 – $2,132). The net exposure to this counterparty, after taking into consideration master netting agreements and the fair value of collateral held, was $nil (2021 – $nil). As at December 31, 2022, the total maximum credit exposure related to derivatives across all counterparties, without taking into consideration the impact of master netting agreements and the benefit of collateral held, was $9,072 (2021 – $18,226).

(e) 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 reverse purchase transaction 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 pledged or received.

		Related amounts not set off in the Consolidated Statements of Financial Position			
As at December 31, 2022	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 entity[3]	Net amounts excluding financing entity
Financial assets					
Derivative assets	**$ 9,072**	**$ (7,170)**	**$ (1,687)**	**$ 215**	**$ 215**
Securities lending	**723**	**–**	**(723)**	**–**	**–**
Reverse repurchase agreements	**895**	**(779)**	**(116)**	**–**	**–**
Total financial assets	**$ 10,690**	**$ (7,949)**	**$ (2,526)**	**$ 215**	**$ 215**
Financial liabilities					
Derivative liabilities	**$ (15,151)**	**$ 7,170**	**$ 7,834**	**$ (147)**	**$ (103)**
Repurchase agreements	**(895)**	**779**	**116**	**–**	**–**
Total financial liabilities	**$ (16,046)**	**$ 7,949**	**$ 7,950**	**$ (147)**	**$ (103)**

		Related amounts not set off in the Consolidated Statements of Financial Position			
As at December 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 entity[3]	Net amounts excluding financing entity
Financial assets					
Derivative assets	$ 18,226	$ (8,410)	$ (9,522)	$ 294	$ 294
Securities lending	564	–	(564)	–	–
Reverse repurchase agreements	1,490	(183)	(1,307)	–	–
Total financial assets	$ 20,280	$ (8,593)	$ (11,393)	$ 294	$ 294
Financial liabilities					
Derivative liabilities	$ (10,940)	$ 8,410	$ 2,250	$ (280)	$ (79)
Repurchase agreements	(536)	183	353	–	–
Total financial liabilities	$ (11,476)	$ 8,593	$ 2,603	$ (280)	$ (79)

(1) Financial assets and liabilities include accrued interest of $ 488 and $862, respectively (2021 – $ 725 and $902, respectively).

(2) Financial and cash collateral exclude over-collateralization. As at December 31, 2022, 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 $507, $1,528, $63 and $nil, respectively (2021 – $ 599, $875, $36 and $2, respectively). As at December 31, 2022, collateral pledged (received) does not include collateral-in-transit on OTC instruments or initial margin on exchange traded contracts or cleared contracts.

(3) Includes derivative contracts entered between the Company and its financing entity which it does not consolidate. The Company does not exchange collateral on derivative contracts entered with this entity. Refer to note 18.

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 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 December 31, 2022	Gross amounts of financial instruments	Amounts subject to an enforceable netting arrangement	Net amounts of financial instruments
Credit linked note[1]	**$ 1,242**	**$ (1,242)**	**$ –**
Variable surplus note	**(1,242)**	**1,242**	**–**

As at December 31, 2021	Gross amounts of financial instruments	Amounts subject to an enforceable netting arrangement	Net amounts of financial instruments
Credit linked note[1]	$ 1,054	$ (1,054)	$ –
Variable surplus note	(1,054)	1,054	–

(1) As at December 31, 2022 and 2021, the Company had no fixed surplus notes outstanding, refer to note 19(g).

(f) Risk concentrations

The Company defines enterprise-wide investment portfolio level targets and limits to ensure that portfolios are diversified across asset classes and individual investment risks. The Company monitors actual investment positions and risk exposures for concentration risk and reports its findings to the Executive Risk Committee and the Risk Committee of the Board of Directors.

As at December 31,	**2022**	2021
Debt securities and private placements rated as investment grade BBB or higher[1]	**96%**	97%
Government debt securities as a per cent of total debt securities	**36%**	36%
Government private placements as a per cent of total private placements	**10%**	11%
Highest exposure to a single non-government debt security and private placement issuer	**$ 1,006**	$ 1,167
Largest single issuer as a per cent of the total equity portfolio	**2%**	2%
Income producing commercial office properties (2022 – 41% of real estate, 2021 – 47%)	**$ 5,486**	$ 6,244
Largest concentration of mortgages and real estate[2] – Ontario Canada (2022 – 27%, 2021 – 28%)	**$ 18,343**	$ 18,253

(1) Investment grade debt securities and private placements include 39% rated A, 17% rated AA and 14% rated AAA (2021 – 39%, 17% and 15%) investments based on external ratings where available.
(2) Mortgages and real estate investments are diversified geographically and by property type.

The following table presents debt securities and private placements portfolio by sector and industry.

	2022		2021	
As at December 31,	Carrying value	% of total	Carrying value	% of total
Government and agency	**$ 77,236**	**31**	$ 84,244	32
Utilities	**46,315**	**18**	48,372	18
Financial	**38,808**	**15**	38,905	15
Consumer	**31,556**	**13**	32,671	12
Energy	**16,314**	**7**	19,637	7
Industrial	**23,823**	**9**	24,727	9
Other	**16,909**	**7**	18,425	7
Total	**$ 250,961**	**100**	$ 266,981	100

(g) Insurance risk

Insurance risk is the risk of loss due to actual experience for mortality and morbidity claims, policyholder behaviour and expenses emerging differently than assumed when a product was designed and priced. A variety of assumptions are made related to these experience factors, for reinsurance costs, and for sales levels when products are designed and priced, as well as in the determination of policy liabilities. Assumptions for future claims are generally based on both Company and industry experience, and assumptions for future policyholder behaviour and expenses are generally based on Company experience. Such assumptions require significant professional judgment, and actual experience may be materially different than the assumptions made by the Company. Claims may be impacted unexpectedly by changes in the prevalence of diseases or illnesses, medical and technology advances, widespread lifestyle changes, natural disasters, large-scale man-made disasters and acts of terrorism. Policyholder behaviour including premium payment patterns, policy renewals, lapse rates and withdrawal and surrender activity are influenced by many factors including market and general economic conditions, and the availability and relative attractiveness of other products in the marketplace. Some reinsurance rates are not guaranteed and may be changed unexpectedly. Adjustments the Company seeks to make to Non-Guaranteed elements to reflect changing experience factors may be challenged by regulatory or legal action and the Company may be unable to implement them or may face delays in implementation.

The Company manages insurance risk through global policies, standards and best practices with respect to product design, pricing, underwriting and claim adjudication, and a global underwriting manual. Each business unit establishes underwriting policies and procedures, including criteria for approval of risks and claims adjudication policies and procedures. The current global life retention limit is US$30 for individual policies (US$35 for survivorship life policies) and is shared across businesses. Lower limits are applied in some markets and jurisdictions. The Company aims to further reduce exposure to claims concentrations by applying geographical aggregate retention limits for certain covers. Enterprise-wide, the Company aims to reduce the likelihood of high aggregate claims by operating globally, insuring a wide range of unrelated risk events, and reinsuring some risk.

(h) Concentration risk

The geographic concentration of the Company's insurance and investment contract liabilities, including embedded derivatives, is shown below. The disclosure is based on the countries in which the business is written.

As at December 31, 2022	Gross liabilities	Reinsurance assets	Net liabilities
U.S. and Canada	**$ 251,305**	**$ (45,898)**	**$ 205,407**
Asia and Other	**123,808**	**(1,814)**	**121,994**
Total	**$ 375,113**	**$ (47,712)**	**$ 327,401**

As at December 31, 2021	Gross liabilities	Reinsurance assets	Net liabilities
U.S. and Canada	$ 271,090	$ (42,806)	$ 228,284
Asia and Other	124,398	(1,773)	122,625
Total	$ 395,488	$ (44,579)	$ 350,909

(i) Reinsurance risk

In the normal course of business, the Company limits the amount of loss on any one policy by reinsuring certain levels of risk with other insurers. In addition, the Company accepts reinsurance from other reinsurers. Reinsurance ceded does not discharge the Company's liability as the primary insurer. Failure of reinsurers to honour their obligations could result in losses to the Company; consequently, allowances are established for amounts deemed uncollectible. To minimize losses from reinsurer insolvency, the Company monitors the concentration of credit risk both geographically and with any one reinsurer. In addition, the Company selects reinsurers with high credit ratings.

As at December 31, 2022, the Company had $47,712 (2021 – $44,579) of reinsurance assets. Of this, 91 per cent (2021 – 94 per cent) were ceded to reinsurers with Standard and Poor's ratings of A- or above. The Company's exposure to credit risk was mitigated by $25,247 fair value of collateral held as security as at December 31, 2022 (2021 – $25,466). Net exposure after considering offsetting agreements and the benefit of the fair value of collateral held was $22,465 as at December 31, 2022 (2021 – $19,113).

Note 10 Long-Term Debt

(a) Carrying value of long-term debt instruments

As at December 31,	Issue date	Maturity date	Par value	**2022**	2021
3.050% Senior notes[1],[2]	August 27, 2020	August 27, 2060	US$ 1,155	**$ 1,559**	$ 1,455
5.375% Senior notes[1],[3]	March 4, 2016	March 4, 2046	US$ 750	**1,004**	939
3.703% Senior notes[1],[4]	March 16, 2022	March 16, 2032	US$ 750	**1,011**	–
2.396% Senior notes[1],[5]	June 1, 2020	June 1, 2027	US$ 200	**270**	253
2.484% Senior notes[1],[5]	May 19, 2020	May 19, 2027	US$ 500	**674**	630
3.527% Senior notes[1],[3]	December 2, 2016	December 2, 2026	US$ 270	**365**	342
4.150% Senior notes[1],[3]	March 4, 2016	March 4, 2026	US$ 1,000	**1,351**	1,263
Total				**$ 6,234**	$ 4,882

(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) MFC may redeem the notes in whole, but not in part, on August 27, 2025, and thereafter on every August 27 at a redemption price equal to par, together with accrued and unpaid interest. Issue costs are amortized to the earliest par redemption date.

(3) MFC may redeem the senior notes in whole or in part, at any time, at a redemption price equal to the greater of par and a price based on the yield of a corresponding U.S. Treasury bond, from redemption date to the respective maturity date, plus a specified number of basis points. The specified number of basis points is as follows: 5.375% -40 bps, 3.527% - 20 bps, and 4.150% - 35 bps. Issue costs are amortized over the term of the debt.

(4) Issued by MFC during the first quarter, interest is payable semi-annually. The Company may redeem the senior notes in whole or in part, at any time, at a redemption price equal to the greater of par and a price based on the yield of a corresponding U.S. Treasury bond, from redemption date to December 16, 2031, plus 25 bps, together with accrued and unpaid interest. Issue costs are amortized over the term of the debt.

(5) MFC may redeem the senior notes in whole or in part, at any time, at a redemption price equal to the greater of par and a price based on the yield of a corresponding U.S. Treasury bond, from redemption date to two months before the respective maturity date, plus a specified number of basis points. The specified number of basis points is as follows: 2.396% - 30 bps, and 2.484% - 30 bps. Issuance costs are amortized over the term of the debt.

The cash amount of interest paid on long-term debt during the year ended December 31, 2022 was $204 (2021 – $210).

(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 December 31, 2022, the fair value of long-term debt was $5,587 (2021 – $5,439). Fair value of long-term debt was determined using Level 2 valuation techniques (2021 – Level 2).

(c) Aggregate maturities of long-term debt

As at December 31	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
2022	**$ –**	**$ –**	**$ 2,661**	**$ 3,573**	**$ 6,234**
2021	–	–	1,605	3,277	4,882

Note 11 Capital Instruments

(a) Carrying value of capital instruments

As at December 31,	Issuance date	Earliest par redemption date	Maturity date	Par value	2022	2021
JHFC Subordinated notes[1],[2]	December 14, 2006	n/a	December 15, 2036	$ 650	**$ 647**	$ 647
2.818% MFC Subordinated debentures[1],[3]	May 12, 2020	May 13, 2030	May 13, 2035	$ 1,000	**996**	995
4.061% MFC Subordinated notes[1],[4],[5]	February 24, 2017	February 24, 2027	February 24, 2032	US$ 750	**1,013**	947
2.237% MFC Subordinated debentures[1],[6]	May 12, 2020	May 12, 2025	May 12, 2030	$ 1,000	**998**	997
3.00% MFC Subordinated notes[1],[7]	November 21, 2017	November 21, 2024	November 21, 2029	S$ 500	**504**	469
3.049% MFC Subordinated debentures[1],[8]	August 18, 2017	August 20, 2024	August 20, 2029	$ 750	**749**	748
3.317% MFC Subordinated debentures[1],[8]	May 9, 2018	May 9, 2023	May 9, 2028	$ 600	**600**	599
3.181% MLI Subordinated debentures[9]	November 20, 2015	November 22, 2022	November 22, 2027	$ 1,000	**–**	999
7.375% JHUSA Surplus notes[10]	February 25, 1994	n/a	February 15, 2024	US$ 450	**615**	579
Total					**$ 6,122**	$ 6,980

(1) The Company is monitoring regulatory and market developments globally with respect to the interest rate benchmark reform. As reference interest rates for these capital instruments could potentially be discontinued in the future, the Company will take appropriate actions in due course to accomplish the necessary transitions or replacements. As at December 31, 2022, capital instruments of $647 (2021 – $647) have interest rate referencing CDOR. In addition, capital instruments of $ 3,343, $1,013, and $504 (2021 – $4,338, $947, and $469, respectively) have interest rate reset in the future referencing CDOR, the USD Mid-Swap rate, and the SGD swap rate, respectively.

(2) Issued by Manulife Holdings (Delaware) LLC ("MHDLL"), now John Hancock Financial Corporation ("JHFC"), a wholly owned subsidiary of MFC, to Manulife Finance (Delaware) LLC ("MFLLC"), a subsidiary of Manulife Finance (Delaware) L.P. ("MFLP"). MFLP and its subsidiaries are wholly owned unconsolidated related parties of the Company. The notes bear interest at a floating rate equal to the 90-day Bankers' Acceptance rate plus 0.72%. With regulatory approval, JHFC may redeem the note, in whole or in part, at any time, at par, together with accrued and unpaid interest. Refer to note 18.

(3) Issued by MFC, interest is payable semi-annually. After May 13, 2030, the interest rate will reset to equal 3-month CDOR plus 1.82%. With regulatory approval, MFC may redeem the debentures, in whole, or in part, on or after May 13, 2025, at a redemption price together with accrued and unpaid interest. If the redemption date is on or after May 13, 2025, but prior to May 13, 2030, the redemption price shall be the greater of: (i) the Canada yield price as defined in the prospectus; and (ii) par. If the redemption date is on or after May 13, 2030, the redemption price shall be equal to par.

(4) On the earliest par redemption date, the interest rate will reset to equal the 5-Year US Dollar Mid-Swap Rate plus 1.647%. With regulatory approval, MFC may redeem the debentures, in whole, but not in part, on the earliest par redemption date, at a redemption price equal to par, together with accrued and unpaid interest.

(5) 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.

(6) Issued by MFC, interest is payable semi-annually. After May 12, 2025, the interest rate will reset to equal 3-month CDOR plus 1.49%. With regulatory approval, MFC may redeem the debentures, in whole, or in part, on or after May 12, 2025, at a redemption price equal to par, together with accrued and unpaid interest.

(7) On the earliest par redemption date, the interest rate will reset to equal the 5-Year Singapore Dollar Swap Rate plus 0.832%. With regulatory approval, MFC may redeem the debentures, in whole, but not in part, on the earliest par redemption date and thereafter on each interest payment date, at a redemption price equal to par, together with accrued and unpaid interest.

(8) Interest is fixed for the period up to the earliest par redemption date, thereafter, the interest rate will reset to a floating rate equal to the 3-month CDOR plus a specified number of basis points. The specified number of basis points is as follows: 3.049% - 105 bps, 3.317% - 78 bps. With regulatory approval, MFC may redeem the debentures, in whole or in part, on or after the earliest par redemption date, at a redemption price equal to par, together with accrued and unpaid interest.

(9) MLI redeemed in full the 3.181% MLI subordinated debentures at par, on November 22, 2022, the earliest par redemption date.

(10) Issued by John Hancock Mutual Life Insurance Company, now John Hancock Life Insurance Company (U.S.A.). Any payment of interest or principal on the surplus notes requires prior approval from the Department of Insurance and Financial Services of the State of Michigan. The carrying value of the surplus notes reflects an unamortized fair value increment of US$5 (2021 – US$9), which arose as a result of the acquisition of John Hancock Financial Services, Inc. The amortization of the fair value adjustment is recorded in interest expense.

(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 December 31, 2022, the fair value of capital instruments was $5,737 (2021 – $7,213). Fair value of capital instruments was determined using Level 2 valuation techniques (2021 – Level 2).

Note 12 Equity Capital and Earnings Per Share

The authorized capital of MFC consists of:

- an unlimited number of common shares without nominal or par value; and
- an unlimited number of Class A, Class B and Class 1 preferred shares without nominal or par value, issuable in series.

(a) Preferred shares and other equity instruments

The following table presents information about the outstanding preferred shares and other equity instruments as at December 31, 2022 and 2021.

As at December 31, 2022	Issue date	Annual dividend/ distribution rate[1]	Earliest redemption date[2],[3]	Number of shares (in millions)	Face amount	Net amount[4] 2022	Net amount[4] 2021
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	2.348%	June 19, 2026	7	163	**160**	160
Series 4[7]	June 20, 2016	floating	June 19, 2026	1	37	**36**	36
Series 7[8]	February 22, 2012	4.312%	March 19, 2022	10	250	**–**	244
Series 9[5],[6],[9]	May 24, 2012	5.978%	September 19, 2027	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 23[8]	November 22, 2016	4.85%	March 19, 2022	19	475	**–**	467
Series 25[5],[6]	February 20, 2018	4.70%	June 19, 2023	10	250	**245**	245
Other equity instruments							
Limited recourse capital notes[10]							
Series 1[11]	February 19, 2021	3.375%	May 19, 2026	n/a	2,000	**1,982**	1,982
Series 2[11]	November 12, 2021	4.100%	February 19, 2027	n/a	1,200	**1,189**	1,189
Series 3[11]	June 16, 2022	7.117%	June 19, 2027	n/a	1,000	**990**	–
Total				131	$ 7,475	**$ 6,660**	$ 6,381

(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 distributions are payable to all LRCN 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 preferred 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 preferred shares, in whole or in part, at any time, at $25.00 per share if redeemed on June 19, 2026 (the earliest redemption date) and on June 19 every five years thereafter, or at $25.50 per share if redeemed on any other date after June 19, 2021, subject to regulatory approval, as noted.

(3) Redemption of all LRCN series notes is subject to regulatory approval. MFC may at its option redeem each series in whole or in part, at a redemption price equal to par, together with accrued and unpaid interest. The redemption period for Series 1 is every five years during the period from May 19 to and including June 19, commencing in 2026. The redemption period for Series 2 is every five years during the period from February 19 to and including March 19, commencing in 2027. After the first redemption date, the redemption period for Series 3 is every five years during the period from May 19 to and including June 19, commencing in 2032.

(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 preferred shares is: Series 3 – 1.41%, Series 9 – 2.86%, Series 11 – 2.61%, Series 13 – 2.22%, Series 15 – 2.16%, Series 17 – 2.36%, Series 19 – 2.30% 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 Series 4 preferred shares equals the three-month Government of Canada Treasury bill yield plus 1.41%.
(8) MFC redeemed in full the Class 1 Series 7 and Class 1 Series 23 preferred shares at par, on March 19, 2022, which is the earliest redemption date.
(9) MFC did not exercise its right to redeem all or any of the outstanding Class 1 Series 9 preferred shares on September 19, 2022, which is the earliest redemption date. The dividend rate was reset as specified in footnote 5 above to an annual fixed rate of 5.978%, for a five-year period commencing on September 20, 2022.
(10) Non-payment of distributions or principal on any LRCN series notes when due will result in a recourse event. The recourse of each noteholder will be limited to their proportionate amount of the Limited Resource Trust's assets which comprise of Class 1 Series 27 preferred shares for LRCN Series 1 notes, Class 1 Series 28 preferred shares for LRCN Series 2 notes, and Class 1 Series 29 preferred shares for LRCN Series 3 notes. All claims of the holders of LRCN series notes against MFC will be extinguished upon receipt of the corresponding trust assets. The Class 1 Series 27, Class 1 Series 28, and Class 1 Series 29 preferred shares are eliminated on consolidation while being held in the Limited Recourse Trust.
(11) The LRCN Series 1 distribute 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 rate will be reset at a rate equal to the five-year Government of Canada yield as defined in the prospectus, plus 2.839%. The LRCN Series 2 distribute at a fixed rate of 4.10% payable semi-annually, until March 18, 2027; on March 19, 2027 and every five years thereafter until March 19, 2077, the rate will be reset at a rate equal to the five-year Government of Canada yield as defined in the prospectus, plus 2.704%. The LRCN Series 3 distribute at a fixed rate of 7.117% payable semi-annually, until June 18, 2027; on June 19, 2027 and every five years thereafter until June 19, 2077, the rate will be reset at a rate equal to the five-year Government of Canada yield as defined in the prospectus, plus 3.95%.

(b) Common shares

The following table presents changes in common shares issued and outstanding.

	2022		2021	
For the years ended December 31,	Number of shares (in millions)	Amount	Number of shares (in millions)	Amount
Balance, January 1	**1,943**	**$ 23,093**	1,940	$ 23,042
Repurchased for cancellation	**(79)**	**(938)**	–	–
Issued on exercise of stock options and deferred share units	**1**	**23**	3	51
Total	**1,865**	**$ 22,178**	1,943	$ 23,093

Normal Course Issuer Bid

On February 1, 2022, the Company announced that the Toronto Stock Exchange ("TSX") approved a normal course issuer bid ("NCIB") permitting the purchase for cancellation of up to 97 million common shares. Under this NCIB which commenced on February 3, 2022, and expired on February 2, 2023, MFC purchased for cancellation 85.8 million of its common shares at an average price of $23.99 per share for a total cost of $2,060, which represent 4.4% of its issued and outstanding common shares.

During the year ended December 31, 2022, the Company purchased and subsequently cancelled 78.9 million shares for $1,884. Of this, $938 was recorded in common shares and $946 was recorded in retained earnings in the Consolidated Statements of Changes in Equity.

On February 15, 2023, the Company announced, subject to the approval of the TSX, its intention to launch an NCIB permitting the purchase for cancellation of up to 55.7 million common shares, representing approximately 3% of its issued and outstanding common shares. Purchases under the NCIB may commence after the TSX has accepted the notice of intention and continue for up to one year, or such earlier date as the Company completes its purchases.

(c) Earnings per share

The following table presents basic and diluted earnings per common share of the Company.

For the years ended December 31,	**2022**	2021
Basic earnings per common share	**$ 3.68**	$ 3.55
Diluted earnings per common share	**3.68**	3.54

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

For the years ended December 31,	**2022**	2021
Weighted average number of common shares (in millions)	**1,910**	1,942
Dilutive stock-based awards(1) (in millions)	**3**	4
Weighted average number of diluted common shares (in millions)	**1,913**	1,946

(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 year. Excluded from the calculation was a weighted average of 9 million (2021 – nil million) anti-dilutive stock-based awards.

(d) Quarterly dividend declaration subsequent to year end

On February 15, 2023, the Company's Board of Directors approved a quarterly dividend of $0.365 per share on the common shares of MFC, payable on or after March 20, 2023 to shareholders of record at the close of business on February 28, 2023.

The Board also declared dividends on the following non-cumulative preferred shares, payable on or after March 19, 2023 to shareholders of record at the close of business on February 28, 2023.

Class A Shares Series 2 – $0.29063 per share
Class A Shares Series 3 – $0.28125 per share
Class 1 Shares Series 3 – $0.14675 per share
Class 1 Shares Series 4 – $0.34089 per share
Class 1 Shares Series 9 – $0.373625 per share
Class 1 Shares Series 11 – $0.295688 per share
Class 1 Shares Series 13 – $0.275875 per share
Class 1 Shares Series 15 – $0.236625 per share
Class 1 Shares Series 17 – $0.2375 per share
Class 1 Shares Series 19 – $0.229688 per share
Class 1 Shares Series 25 – $0.29375 per share

Note 13 Capital Management

(a) Capital management

The Company monitors and manages its consolidated capital in compliance with the Life Insurance Capital Adequacy Test ("LICAT") guideline, the capital framework issued by the Office of the Superintendent of Financial Institutions ("OSFI"). Under the capital framework, the Company's consolidated capital resources, including available capital, surplus allowance, and eligible deposits, are measured against the base solvency buffer, which is the risk-based capital requirement determined in accordance with the guideline.

The Company's operating activities are primarily conducted within MLI and its subsidiaries. MLI is also regulated by OSFI and is therefore subject to consolidated risk-based capital requirements using the OSFI LICAT framework.

The Company seeks to manage its capital with the objectives of:

- Operating with sufficient capital to be able to honour all commitments to its policyholders and creditors with a high degree of confidence;
- Retaining the ongoing confidence of regulators, policyholders, rating agencies, investors and other creditors in order to ensure access to capital markets; and
- Optimizing return on capital to meet shareholders' expectations subject to constraints and considerations of adequate levels of capital established to meet the first two objectives.

Capital is managed and monitored in accordance with the Capital Management Policy. The policy is reviewed and approved by the Board of Directors annually and is integrated with the Company's risk and financial management frameworks. It establishes guidelines regarding the quantity and quality of capital, internal capital mobility, and proactive management of ongoing and future capital requirements.

The capital management framework considers the requirements of the Company as a whole as well as the needs of each of the Company's subsidiaries. Internal capital targets are set above the regulatory requirements, and consider a number of factors, including expectations of regulators and rating agencies, results of sensitivity and stress testing and the Company's own risk assessments. The Company monitors against these internal targets and initiates actions appropriate to achieving its business objectives.

Consolidated capital, based on accounting standards, is presented in the table below for MFC. For regulatory reporting purposes, under the LICAT framework, the numbers are further adjusted for various additions or deductions to capital as mandated by the guidelines used by OSFI.

Consolidated capital

As at December 31,	2022	2021
Total equity	**$ 56,379**	$ 58,869
Exclude AOCI gain/(loss) on cash flow hedges	**8**	(156)
Total equity excluding AOCI on cash flow hedges	**56,371**	59,025
Qualifying capital instruments	**6,122**	6,980
Consolidated capital	**$ 62,493**	$ 66,005

(b) Restrictions on dividends and capital distributions

Dividends and capital distributions are restricted under the Insurance Companies Act ("ICA"). These restrictions apply to both MFC and its primary operating subsidiary MLI. The ICA prohibits the declaration or payment of any dividend on shares of an insurance company if there are reasonable grounds for believing a company does not have adequate capital and adequate and appropriate forms of liquidity or the declaration or the payment of the dividend would cause the company to be in contravention of any regulation made under the ICA respecting the maintenance of adequate capital and adequate and appropriate forms of liquidity, or of any direction made to the company

by OSFI. The ICA also requires an insurance company to notify OSFI of the declaration of a dividend at least 15 days prior to the date fixed for its payment. Similarly, the ICA prohibits the purchase for cancellation of any shares issued by an insurance company or the redemption of any redeemable shares or other similar capital transactions, if there are reasonable grounds for believing that the company does not have adequate capital and adequate and appropriate forms of liquidity or the payment would cause the company to be in contravention of any regulation made under the ICA respecting the maintenance of adequate capital and adequate and appropriate forms of liquidity, or any direction made to the company by OSFI. These latter transactions would require the prior approval of OSFI.

The ICA requires Canadian insurance companies to maintain adequate levels of capital at all times.

Since MFC is a holding company that conducts all of its operations through regulated insurance subsidiaries (or companies owned directly or indirectly by these subsidiaries), its ability to pay future dividends will depend on the receipt of sufficient funds from its regulated insurance subsidiaries. These subsidiaries are also subject to certain regulatory restrictions under laws in Canada, the United States and certain other countries that may limit their ability to pay dividends or make other upstream distributions.

Note 14 Revenue from Service Contracts

The Company provides investment management services, transaction processing and administrative services and distribution and related services to proprietary and third-party investment funds, retirement plans, group benefit plans, institutional investors 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 because 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 20.

For the year ended December 31, 2022	Asia	Canada	U.S.	Global WAM	Corporate and Other	Total
Investment management and other related fees	**$ 234**	**$ 242**	**$ 445**	**$ 3,079**	**$ (250)**	**$ 3,750**
Transaction processing, administration, and service fees	**292**	**866**	**13**	**2,416**	**(8)**	**3,579**
Distribution fees and other	**143**	**43**	**76**	**868**	**(44)**	**1,086**
Total included in other revenue	**669**	**1,151**	**534**	**6,363**	**(302)**	**8,415**
Revenue from non-service lines	**789**	**275**	**(76)**	**(13)**	**(226)**	**749**
Total other revenue	**$ 1,458**	**$ 1,426**	**$ 458**	**$ 6,350**	**$ (528)**	**$ 9,164**
Real estate management services included in net investment income	**$ 35**	**$ 136**	**$ 126**	**$ –**	**$ 8**	**$ 305**

For the year ended December 31, 2021	Asia	Canada	U.S.	Global WAM	Corporate and Other	Total
Investment management and other related fees	$ 217	$ 230	$ 499	$ 3,198	$ (247)	$ 3,897
Transaction processing, administration, and service fees	287	918	12	2,517	(11)	3,723
Distribution fees and other	251	20	65	799	(54)	1,081
Total included in other revenue	755	1,168	576	6,514	(312)	8,701
Revenue from non-service lines	941	168	1,248	(1)	75	2,431
Total other revenue	$ 1,696	$ 1,336	$ 1,824	$ 6,513	$ (237)	$ 11,132
Real estate management services included in net investment income	$ 37	$ 126	$ 128	$ –	$ 7	$ 298

Note 15 Stock-Based Compensation

(a) Stock options

The Company grants stock options under its Executive Stock Option Plan ("ESOP") to selected individuals.The options provide the holder the right to purchase MFC common shares at an exercise price equal to the higher of the prior day, prior five-day or prior ten-day average closing market price of the shares on the Toronto Stock Exchange on the date the options are granted. The options vest over a period not exceeding four years and expire not more than 10 years from the grant date. Effective with the 2015 grant, options may only be exercised after the fifth-year anniversary. A total of 73,600,000 common shares have been reserved for issuance under the ESOP.

Options outstanding

	2022		2021	
For the years ended December 31,	Number of options (in millions)	Weighted average exercise price	Number of options (in millions)	Weighted average exercise price
Outstanding, January 1	**21**	**$ 22.09**	24	$ 21.74
Granted	**–**	**–**	–	–
Exercised	**(1)**	**16.15**	(3)	18.34
Expired	**–**	**24.63**	–	24.73
Forfeited	**–**	**23.96**	–	23.96
Outstanding, December 31	**20**	**$ 22.42**	21	$ 22.09
Exercisable, December 31	**10**	**$ 20.91**	8	$ 18.94

	Options outstanding			Options exercisable		
For the year ended December 31, 2022	Number of options (in millions)	Weighted average exercise price	Weighted average remaining contractual life (in years)	Number of options (in millions)	Weighted average exercise price	Weighted average remaining contractual life (in years)
$12.64—$20.99	**4**	**$ 17.42**	**2.91**	**4**	**$ 17.42**	**2.91**
$21.00—$24.83	**16**	**$ 23.58**	**4.94**	**6**	**$ 23.08**	**2.95**
Total	**20**	**$ 22.42**	**4.56**	**10**	**$ 20.91**	**2.93**

No stock options were granted in 2022 or 2021.

Compensation expense related to stock options was $5 for the year ended December 31, 2022 (2021 – $9).

(b) Deferred share units

In 2000, the Company granted deferred share units ("DSUs") on a one-time basis to certain employees under the ESOP. These DSUs vest over a three-year period and each DSU entitles the holder to receive one common share on retirement or termination of employment. When dividends are paid on common shares, holders of DSUs are deemed to receive dividends at the same rate, payable in the form of additional DSUs. The number of these DSUs outstanding was 166,000 as at December 31, 2022 (2021 – 188,000).

In addition, for certain employees and pursuant to the Company's deferred compensation program, the Company grants DSUs under the Restricted Share Units ("RSUs") Plan which entitle the holder to receive payment in cash equal to the value of the same number of common shares plus credited dividends on retirement or termination of employment. In 2022, the Company granted 30,000 DSUs to certain employees which vest after 36 months (2021 – 34,000). In 2022, 106,000 DSUs (2021 – 26,000) were granted to certain employees who elected to defer receipt of all or part of their annual bonus. These DSUs vested immediately.

Under the Stock Plan for Non-Employee Directors, each eligible director may elect to receive his or her annual director's retainer and fees in DSUs (which vest immediately) or common shares in lieu of cash. In 2022, 116,000 DSUs (2021 – 101,000) were issued under this arrangement. Upon termination of the Board service, an eligible director who has elected to receive DSUs will be entitled to receive cash equal to the value of the DSUs accumulated in his or her account, or at his or her direction, an equivalent number of common shares. The Company is allowed to issue up to one million common shares under this plan after which awards may be settled using shares purchased in the open market.

The fair value of 252,000 DSUs issued during the year was $24.15 per unit as at December 31, 2022 (2021 – 161,000 at $24.11 per unit).

For the years ended December 31, Number of DSUs (in thousands)	2022	2021
Outstanding, January 1	**2,079**	2,169
Issued	**252**	161
Reinvested	**126**	100
Redeemed	**(75)**	(345)
Forfeitures and cancellations	**(9)**	(6)
Outstanding, December 31	**2,373**	2,079

Of the DSUs outstanding as at December 31, 2022, 166,000 (2021 – 188,000) entitle the holder to receive common shares, 977,000 (2021 – 840,000) entitle the holder to receive payment in cash and 1,230,000 (2021 – 1,051,000) entitle the holder to receive payment in cash or common shares, at the option of the holder.

Compensation expense related to DSUs was $7 for the year ended December 31, 2022 (2021 – $6).

The carrying and fair value of the DSUs liability as at December 31, 2022 was $53 (2021 – $46) and was included in other liabilities.

(c) Restricted share units and performance share units

For the year ended December 31, 2022, 8.6 million RSUs (2021 – 6.8 million) and 1.7 million PSUs (2021 – 1.5 million) were granted to certain eligible employees under MFC's Restricted Share Unit Plan. The fair value of the RSUs and PSUs granted during the year was $24.15 per unit as at December 31, 2022 (2021 – $24.11 per unit). Each RSU and PSU entitles the holder to receive payment equal to the market value of one common share, plus credited dividends, at the time of vesting, subject to any performance conditions.

RSUs and PSUs granted in March 2022 will vest after 36 months from their grant date and the related compensation expense is recognized over this period, unless the employee is eligible to retire at the time of grant or will be eligible to retire during the vesting period, in which case the cost is recognized at the grant date or over the period between the grant date and the date on which the employee is eligible to retire, respectively. Compensation expense related to RSUs and PSUs was $158 and $23, respectively, for the year ended December 31, 2022 (2021 – $135 and $31, respectively).

The carrying and fair value of the RSUs and PSUs liability as at December 31, 2022 was $388 (2021 – $362) and was included in other liabilities.

(d) Global share ownership plan

The Company's Global Share Ownership Plan allows qualifying employees to apply up to five per cent of their annual base earnings toward the purchase of common shares. The Company matches a percentage of the employee's eligible contributions up to a maximum amount. The Company's contributions vest immediately. All contributions are used to purchase common shares in the open market on behalf of participating employees.

Note 16 Employee Future Benefits

The Company maintains defined contribution and defined benefit pension plans and other post-employment plans for employees and agents including registered (tax-qualified) pension plans that are typically funded, as well as supplemental non-registered (non-qualified) pension plans for executives, retiree welfare plans and disability welfare plans that are typically not funded.

(a) Plan characteristics

The Company's final average pay defined benefit pension plans and retiree welfare plans are closed to new members. All employees may participate in capital accumulation plans including defined benefit cash balance plans, 401(k) plans and/or defined contribution plans, depending on the country of employment.

All pension arrangements are governed by local pension committees or management, but significant plan changes require approval from the Company's Board of Directors.

The Company's funding policy for defined benefit pension plans is to make the minimum annual contributions required by regulations in the countries in which the plans are offered. Assumptions and methods prescribed for regulatory funding purposes typically differ from those used for accounting purposes.

The Company's remaining defined benefit pension and/or retiree welfare plans are in the U.S., Canada, Japan and Taiwan (China). There are also disability welfare plans in the U.S. and Canada.

The largest defined benefit pension and retiree welfare plans are the primary plans for employees in the U.S. and Canada. These are the material plans that are discussed in the balance of this note. The Company measures its defined benefit obligations and fair value of plan assets for accounting purposes as at December 31 each year.

U.S. defined benefit pension and retiree welfare plans
The Company operates a qualified cash balance plan that is open to new members, a closednon-qualified cash balance plan, and a closed retiree welfare plan.

Actuarial valuations to determine the Company's minimum funding contributions for the qualified cash balance plan are required annually. Deficits revealed in the funding valuations must generally be funded over a period of up to seven years. It is expected that there will be no required funding for this plan in 2023. There are no plan assets set aside for the non-qualified cash balance plan.

The retiree welfare plan subsidizes the cost of life insurance and medical benefits. The majority of those who retired after 1991 receive a fixed-dollar subsidy from the Company based on service. The plan was closed to all employees hired after 2004. While assets have been set aside in a qualified trust to pay future retiree welfare benefits, this funding is optional. Retiree welfare benefits offered under the plan coordinate with the U.S. Medicare program to make optimal use of available federal financial support.

The qualified pension and retiree welfare plans are governed by the U.S. Benefits Committee, while thenon-qualified pension plan is governed by the U.S. Non-Qualified Plans Subcommittee.

Canadian defined benefit pension and retiree welfare plans
The Company's defined benefit plans in Canada include two registered final average pay pension plans, anon-registered supplemental final average pay pension plan and a retiree welfare plan, all of which have been closed to new members.

Actuarial valuations to determine the Company's minimum funding contributions for the registered pension plans are required at least once every three years. Deficits revealed in the funding valuation must generally be funded over a period of ten years. For 2023, the required funding for these plans is expected to be $3. The non-registered supplemental pension plan is not funded.

The retiree welfare plan subsidizes the cost of life insurance, medical and dental benefits. These subsidies are a fixed-dollar amount for those who retired after April 30, 2013 and have been eliminated for those who retire after 2019. There are no assets set aside for this plan.

The registered pension plans are governed by Pension Committees, while the supplementalnon-registered plan is governed by the Board of Directors. The retiree welfare plan is governed by management.

(b) Risks
In final average pay pension plans and retiree welfare plans, the Company generally bears the material risks which include interest rate, investment, longevity and health care cost inflation risks. In defined contribution plans, these risks are typically borne by the employee. In cash balance plans, the interest rate, investment and longevity risks are partially transferred to the employee.

Material sources of risk to the Company for all plans include:

- A decline in discount rates that increases the defined benefit obligations by more than the change in value of plan assets;
- Lower than expected rates of mortality; and
- For retiree welfare plans, higher than expected health care costs.

The Company has managed these risks through plan design and eligibility changes that have limited the size and growth of the defined benefit obligations. Investment risks for funded plans are managed by investing significantly in asset classes which are highly correlated with the plans' liabilities.

In the U.S., delegated committee representatives and management review the financial status of the qualified defined benefit pension plan at least monthly, and steps are taken in accordance with an established dynamic investment policy to increase the plan's allocation to asset classes which are highly correlated with the plan's liabilities and reduce investment risk as the funded status improves. As at December 31, 2022, the target asset allocation for the plan was 30% return-seeking assets and 70% liability-hedging assets (2021 - 30% and 70%).

In Canada, internal committees and management review the financial status of the registered defined benefit pension plans on at least a quarterly basis. As at December 31, 2022, the target asset allocation for the plans was 20% return-seeking assets and 80% liability-hedging assets (2021 - 20% and 80%).

Certain long-term impacts of the COVID-19 pandemic (on future mortality and inflation, for example) are still unknown. The Company will continue to closely monitor experience related to COVID-19, as well as emerging research, and will adjust its long-term assumptions accordingly in the future.

(c) Pension and retiree welfare plans

The following tables present the reconciliation of defined benefit obligation and fair value of plan assets for the pension plans and retiree welfare plans.

For the years ended December 31,	Pension plans 2022	Pension plans 2021	Retiree welfare plans 2022	Retiree welfare plans 2021
Changes in defined benefit obligation:				
Opening balance	**$ 4,560**	$ 4,901	**$ 584**	$ 638
Current service cost	**43**	44	**–**	–
Past service cost - amendment	**(6)**	–	**–**	–
Interest cost	**127**	115	**16**	15
Plan participants' contributions	**–**	–	**3**	3
Actuarial losses (gains) due to:				
Experience	**5**	3	**(13)**	–
Demographic assumption changes	**–**	7	**–**	1
Economic assumption changes	**(835)**	(194)	**(112)**	(29)
Benefits paid	**(299)**	(303)	**(40)**	(42)
Impact of changes in foreign exchange rates	**199**	(13)	**28**	(2)
Defined benefit obligation, December 31	**$ 3,794**	$ 4,560	**$ 466**	$ 584

For the years ended December 31,	Pension plans 2022	Pension plans 2021	Retiree welfare plans 2022	Retiree welfare plans 2021
Change in plan assets:				
Fair value of plan assets, opening balance	**$ 4,510**	$ 4,595	**$ 587**	$ 606
Interest income	**127**	109	**16**	14
Return on plan assets (excluding interest income)	**(869)**	70	**(91)**	(1)
Employer contributions	**59**	61	**11**	11
Plan participants' contributions	**–**	–	**3**	3
Benefits paid	**(299)**	(303)	**(40)**	(42)
Administration costs	**(11)**	(9)	**(2)**	(2)
Impact of changes in foreign exchange rates	**205**	(13)	**39**	(2)
Fair value of plan assets, December 31	**$ 3,722**	$ 4,510	**$ 523**	$ 587

(d) Amounts recognized in the Consolidated Statements of Financial Position

The following table presents the deficit (surplus) and net defined benefit liability (asset) for the pension plans and retiree welfare plans.

As at December 31,	Pension plans 2022	Pension plans 2021	Retiree welfare plans 2022	Retiree welfare plans 2021
Development of net defined benefit liability				
Defined benefit obligation	**$3,794**	$ 4,560	**$ 466**	$ 584
Fair value of plan assets	**3,722**	4,510	**523**	587
Deficit (surplus)	**72**	50	**(57)**	(3)
Effect of asset limit[1]	**48**	37	**–**	–
Deficit (surplus) and net defined benefit liability (asset)	**120**	87	**(57)**	(3)
Deficit is comprised of:				
Funded or partially funded plans	**(441)**	(600)	**(168)**	(154)
Unfunded plans	**561**	687	**111**	151
Deficit (surplus) and net defined benefit liability (asset)	**$ 120**	$ 87	**$ (57)**	$ (3)

[1] The asset limit relates to a registered pension plan in Canada. The surplus in that plan is above the present value of economic benefits that can be derived by the Company through reductions in future contributions. For the other funded pension plans, the present value of the economic benefits available in the form of reductions in future contributions to the plans remains greater than the current surplus.

(e) Disaggregation of defined benefit obligation

The following table presents components of the defined benefit obligation between active members and inactive and retired members.

	U.S. plans				Canadian plans			
	Pension plans		Retiree welfare plans		Pension plans		Retiree welfare plans	
As at December 31,	2022	2021	2022	2021	2022	2021	2022	2021
Active members	**$ 509**	$ 537	**$ 11**	$ 17	**$ 125**	$ 184	**$ –**	$ –
Inactive and retired members	**2,006**	2,371	**344**	416	**1,154**	1,468	**111**	151
Total	**$ 2,515**	$ 2,908	**$ 355**	$ 433	**$ 1,279**	$ 1,652	**$ 111**	$ 151

(f) Fair value measurements

The following tables present major categories of plan assets and the allocation to each category.

	U.S. plans[1]				Canadian plans[2]			
	Pension plans		Retiree welfare plans		Pension plans		Retiree welfare plans	
As at December 31, 2022	Fair value	% of total	Fair value	% of total	Fair value	% of total	Fair value	% of total
Cash and cash equivalents	**$ 35**	**1%**	**$ 22**	**4%**	**$ 9**	**1%**	**$ –**	**–**
Public equity securities[3]	**377**	**15%**	**41**	**8%**	**233**	**20%**	**–**	**–**
Public debt securities	**1,509**	**58%**	**445**	**85%**	**898**	**79%**	**–**	**–**
Other investments[4]	**660**	**26%**	**15**	**3%**	**1**	**0%**	**–**	**–**
Total	**$ 2,581**	**100%**	**$ 523**	**100%**	**$ 1,141**	**100%**	**$ –**	**–**

	U.S. plans[1]				Canadian plans[2]			
	Pension plans		Retiree welfare plans		Pension plans		Retiree welfare plans	
As at December 31, 2021	Fair value	% of total	Fair value	% of total	Fair value	% of total	Fair value	% of total
Cash and cash equivalents	$ 90	3%	$ 21	4%	$ 14	1%	$ –	–
Public equity securities[3]	600	20%	57	10%	322	22%	–	–
Public debt securities	1,863	61%	501	85%	1,144	77%	–	–
Other investments[4]	475	16%	8	1%	2	0%	–	–
Total	$ 3,028	100%	$ 587	100%	$ 1,482	100%	$ –	–

(1) The U.S. pension and retiree welfare plan assets have daily quoted prices in active markets, except for the private debt, infrastructure, private equity, real estate, timber and agriculture assets. In the aggregate, the latter assets represent approximately 15% of all U.S. pension and retiree welfare plan assets as at December 31, 2022 (2021 – 7%).

(2) All the Canadian pension plan assets have daily quoted prices in active markets, except for the group annuity contract assets that represent approximately 0.1% of all Canadian pension plan assets as at December 31, 2022 (2021 – 0.1%).

(3) Equity securities include direct investments in MFC common shares of $ 1.2 (2021 – $ 1.2) in the U.S. retiree welfare plan and $ nil (2021 – $ nil) in Canada.

(4) Other U.S. plan assets include investment in real estate, private debt, infrastructure, private equity, timberland and agriculture, and managed futures. Other Canadian pension plan assets include investment in the group annuity contract.

(g) Net benefit cost recognized in the Consolidated Statements of Income

The following table presents components of the net benefit cost for the pension plans and retiree welfare plans.

	Pension plans		Retiree welfare plans	
For the years ended December 31,	**2022**	2021	**2022**	2021
Defined benefit current service cost[1]	**$ 43**	$ 44	**$ –**	$ –
Defined benefit administrative expenses	**11**	9	**2**	2
Past service cost-plan amendments and curtailments	**(6)**	–	**–**	–
Service cost	**48**	53	**2**	2
Interest on net defined benefit (asset) liability	**2**	6	**–**	1
Defined benefit cost	**50**	59	**2**	3
Defined contribution cost	**85**	90	**–**	–
Net benefit cost	**$135**	$ 149	**$ 2**	$ 3

(1) There are no significant current service costs 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.

(h) Re-measurement effects recognized in Other Comprehensive Income

The following table presents components of the re-measurement effects recognized in Other Comprehensive Income for the pension plans and retiree welfare plans.

	Pension plans		Retiree welfare plans	
For the years ended December 31,	**2022**	2021	**2022**	2021
Actuarial gains (losses) on defined benefit obligations due to:				
Experience	**$ (5)**	$ (3)	**$ 13**	$ –
Demographic assumption changes	**–**	(7)	**–**	(1)
Economic assumption changes	**835**	194	**112**	29
Return on plan assets (excluding interest income)	**(869)**	70	**(91)**	(1)
Change in effect of asset limit (excluding interest)	**(10)**	(37)	**–**	–
Total re-measurement effects	**$ (49)**	$ 217	**$ 34**	$ 27

(i) Assumptions

The following table presents key assumptions used by the Company to determine the defined benefit obligation and net benefit cost for the defined benefit pension plans and retiree welfare plans.

	U.S. Plans				Canadian Plans			
	Pension plans		Retiree welfare plans		Pension plans		Retiree welfare plans	
For the years ended December 31,	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
To determine the defined benefit obligation at end of year[1]:								
Discount rate	**5.0%**	2.7%	**5.0%**	2.7%	**5.3%**	3.1%	**5.3%**	3.2%
Initial health care cost trend rate[2]	**n/a**	n/a	**7.8%**	7.0%	**n/a**	n/a	**5.3%**	5.4%
To determine the defined benefit cost for the year[1]:								
Discount rate	**2.7%**	2.4%	**2.7%**	2.4%	**3.1%**	2.5%	**3.2%**	2.6%
Initial health care cost trend rate[2]	**n/a**	n/a	**7.0%**	7.3%	**n/a**	n/a	**5.4%**	5.5%

(1) Inflation and salary increase assumptions are not shown as they do not materially affect obligations and cost.

(2) The health care cost trend rate used to measure the U.S. based retiree welfare obligation was 7.8% grading to 4.8% for 2035 and years thereafter (2021 – 7.0% grading to 4.5% for 2032) and to measure the net benefit cost was 7.0% grading to 4.5% for 2032 and years thereafter (2021 – 7.3% grading to 4.5% for 2032). In Canada, the rate used to measure the retiree welfare obligation was 5.3% grading to 4.8% for 2026 and years thereafter (2021 – 5.4% grading to 4.8% for 2026) and to measure the net benefit cost was 5.4% grading to 4.8% for 2026 and years thereafter (2021 – 5.5% grading to 4.8% for 2026).

Assumptions regarding future mortality are based on published statistics and mortality tables.The following table presents current life expectancies underlying the values of the obligations in the defined benefit pension and retiree welfare plans.

As at December 31, 2022	U.S.	Canada
Life expectancy (in years) for those currently age 65		
Males	**22.1**	**23.9**
Females	**23.6**	**25.7**
Life expectancy (in years) at age 65 for those currently age 45		
Males	**23.5**	**24.8**
Females	**25.0**	**26.6**

(j) Sensitivity of assumptions on obligations

Assumptions used can have a significant effect on the obligations reported for defined benefit pension and retiree welfare plans.The following table sets out the potential impact on the obligations arising from changes in the key assumptions. The sensitivities assume all other assumptions are held constant. In actuality, inter-relationships with other assumptions may exist.

As at December 31, 2022	Pension plans	Retiree welfare plans
Discount rate:		
Impact of a 1% increase	**$ (279)**	**$ (39)**
Impact of a 1% decrease	**322**	**45**
Health care cost trend rate:		
Impact of a 1% increase	**n/a**	**10**
Impact of a 1% decrease	**n/a**	**(9)**
Mortality rates[1]		
Impact of a 10% decrease	**93**	**8**

(1) If the actuarial estimates of mortality are adjusted in the future to reflect unexpected decreases in mortality, the effect of a 10% decrease in mortality rates at each future age would be an increase in life expectancy at age 65 of 0.8 years for U.S. males and females, 0.8 years for Canadian females and 0.7 years for Canadian males, respectively.

(k) Maturity profile

The following table presents weighted average duration (in years) of the defined benefit obligations.

	Pension plans		Retiree welfare plans	
As at December 31,	**2022**	2021	**2022**	2021
U.S. plans	**8.2**	9.7	**8.2**	9.5
Canadian plans	**10.6**	12.4	**11.1**	13.3

(l) Cash flows – contributions

The following table presents total cash payments for all employee future benefits, comprised of cash contributed by the Company to funded defined benefit pension and retiree welfare plans, cash payments directly to beneficiaries in respect of unfunded pension and retiree welfare plans, and cash contributed to defined contribution pension plans.

	Pension plans		Retiree welfare plans	
For the years ended December 31,	**2022**	2021	**2022**	2021
Defined benefit plans	**$ 59**	$ 61	**$ 11**	$ 11
Defined contribution plans	**85**	90	**–**	–
Total	**$ 144**	$ 151	**$ 11**	$ 11

The Company's best estimate of expected cash payments for employee future benefits for the year ending December 31, 2023 is $55 for defined benefit pension plans, $89 for defined contribution pension plans and $13 for retiree welfare plans.

Note 17 Income Taxes

(a) Income tax expense

The following table presents income tax expense (recovery) recognized in the Consolidated Statements of Income.

For the years ended December 31,	**2022**	2021
Current tax		
Current year	**$ 1,097**	$ 1,390
Adjustments related to prior years	**(263)**	(50)
Total current tax	**834**	1,340
Deferred tax		
Change related to temporary differences	**706**	(139)
Adjustments related to prior years	**226**	12
Effects of change in tax rates in Canada	**(201)**	–
Total deferred tax	**731**	(127)
Income tax expense	**$ 1,565**	$ 1,213

The following table discloses income tax expense (recovery) recognized directly in equity.

For the years ended December 31,	**2022**	2021
Recognized in other comprehensive income		
Current income tax expense (recovery)	**$ (323)**	$ (3)
Deferred income tax expense (recovery)	**(863)**	(61)
Total recognized in other comprehensive income	**$ (1,186)**	$ (64)
Recognized in equity, other than other comprehensive income		
Current income tax expense (recovery)	**$ 5**	$ 5
Deferred income tax expense (recovery)	**(8)**	(15)
Total income tax recognized directly in equity	**$ (3)**	$ (10)

(b) Current tax receivable and payable

As at December 31, 2022, the Company had approximately $1,135 of current tax receivable included in other assets (2021 – $660) and a current tax payable of $195 included in other liabilities (2021 – $357).

(c) Tax reconciliation

The effective income tax rate reflected in the Consolidated Statements of Income varies from the Canadian tax rate of 27.50 per cent for the year ended December 31, 2022 (2021 – 26.50 per cent) for the items outlined in the following table. The Canadian tax rate became substantively enacted in December 2022 with an effective date of April 7, 2022.

For the years ended December 31,	**2022**	2021
Income before income taxes	**$ 8,747**	$ 8,125
Income tax expense at Canadian statutory tax rate	**$ 2,406**	$ 2,153
Increase (decrease) in income taxes due to:		
Tax-exempt investment income	**(214)**	(261)
Differences in tax rate on income not subject to tax in Canada	**(835)**	(917)
Adjustments to taxes related to prior years	**(37)**	(38)
Tax losses and temporary differences not recognized as deferred taxes	**86**	53
Tax rate change in Canada	**(201)**	–
Other differences	**360**	223
Income tax expense	**$ 1,565**	$ 1,213

(d) Deferred tax assets and liabilities

The following table presents the Company's deferred tax assets and liabilities reflected on the Consolidated Statement of Financial Position.

As at December, 31	2022	2021
Deferred tax assets	**$ 5,423**	$ 5,254
Deferred tax liabilities	**(2,774)**	(2,769)
Net deferred tax assets (liabilities)	**$ 2,649**	$ 2,485

The following table presents movement of deferred tax assets and liabilities.

As at December 31, 2022	Balance, January 1, 2022	Disposals	Recognized in Income Statement	Recognized in Other Comprehensive Income	Recognized in Equity	Translation and Other	Balance, December 31, 2022
Loss carryforwards	**$ 517**	**$ –**	**$ 184**	**$ –**	**$ –**	**$ –**	**$ 701**
Actuarial liabilities	**8,703**	**–**	**(5,537)**	**–**	**1**	**374**	**3,541**
Pensions and post-employment benefits	**161**	**–**	**(1)**	**(17)**	**–**	**–**	**143**
Tax credits	**46**	**–**	**63**	**–**	**–**	**–**	**109**
Accrued interest	**1**	**–**	**–**	**–**	**–**	**–**	**1**
Real estate	**(1,171)**	**–**	**(20)**	**(1)**	**–**	**(36)**	**(1,228)**
Securities and other investments	**(5,139)**	**–**	**4,552**	**879**	**(1)**	**(250)**	**41**
Sale of investments	**(40)**	**–**	**10**	**–**	**–**	**–**	**(30)**
Goodwill and intangible assets	**(804)**	**–**	**(4)**	**–**	**–**	**(17)**	**(825)**
Other	**211**	**–**	**22**	**2**	**8**	**(47)**	**196**
Total	**$ 2,485**	**$ –**	**$ (731)**	**$ 863**	**$ 8**	**$ 24**	**$ 2,649**

As at December 31, 2021	Balance, January 1, 2021	Disposals	Recognized in Income Statement	Recognized in Other Comprehensive Income	Recognized in Equity	Translation and Other	Balance, December 31, 2021
Loss carryforwards	$ 497	$ (10)	$ 22	$ –	$ –	$ 8	$ 517
Actuarial liabilities	9,372	–	(666)	–	–	(3)	8,703
Pensions and post-employment benefits	215	–	7	(61)	–	–	161
Tax credits	34	–	11	1	–	–	46
Accrued interest	1	–	–	–	–	–	1
Real estate	(1,033)	–	(145)	–	–	7	(1,171)
Securities and other investments	(5,950)	–	643	119	–	49	(5,139)
Sale of investments	(56)	–	16	–	–	–	(40)
Goodwill and intangible assets	(849)	–	29	–	–	16	(804)
Other	(3)	1	210	2	15	(14)	211
Total	$ 2,228	$ (9)	$ 127	$ 61	$ 15	$ 63	$ 2,485

The total deferred tax assets as at December 31, 2022 of $5,423 (2021 – $5,254) include $40 (2021 – $942) where the Company has suffered losses in either the current or preceding year and where the recognition is dependent on future taxable profits in the relevant jurisdictions and feasible management actions.

As at December 31, 2022, tax loss carryforwards available were approximately $3,902 (2021 – $2,689) of which $3,684 expire between the years 2025 and 2042 while $218 have no expiry date, and capital loss carryforwards available were approximately $1 (2021 – $1) and have no expiry date. A $701 (2021 – $517) tax benefit related to these tax loss carryforwards has been recognized as a deferred tax asset as at December 31, 2022, and a benefit of $211 (2021 – $120) has not been recognized. The Company has approximately $273 (2021 – $200) of tax credit carryforwards which will expire between the years 2026 and 2042 of which a benefit of $164 (2021 – $154) has not been recognized. In addition, the Company has not recognized a deferred tax asset of $507 (2021 – $490) on other temporary differences of $1,829 (2021 – $1,867).

The total deferred tax liability as at December 31, 2022 was $2,774 (2021 – $2,769). This amount includes the deferred tax liability of consolidated entities. The aggregate amount of taxable temporary differences associated with the Company's own investments in subsidiaries is not included in the Consolidated Financial Statements and was $20,625 (2021 – $24,034).

Note 18 Interests in Structured Entities

The Company is involved with both consolidated and unconsolidated structured entities ("SEs") which are established to generate investment and fee income. The Company is also involved with SEs that are used to facilitate financing for the Company. These entities may have some or all the following features: control is not readily identified based on voting rights; restricted activities designed to achieve a narrow objective; high amount of leverage; and/or highly structured capital.

The Company only discloses its involvement in significant consolidated and unconsolidated SEs. In assessing the significance, the Company considers the nature of its involvement with the SE, including whether it is sponsored by the Company (i.e. initially organized and managed by the Company). Other factors considered include the Company's investment in the SE as compared to total investments, its returns from the SE as compared to total net investment income, the SE's size as compared to total funds under management, and its exposure to any other risks from its involvement with the SE.

The Company does not provide financial or other support to its SEs, when it does not have a contractual obligation to do so.

(a) Consolidated SEs

Investment SEs
The Company acts as an investment manager of timberlands and timber companies. The Company's general fund and segregated funds invest in many of these companies. The Company has control over one timberland company which it manages, Hancock Victoria Plantations Holdings PTY Limited ("HVPH"). HVPH is a SE primarily because the Company's employees exercise voting rights over it on behalf of other investors. As at December 31, 2022, the Company's consolidated timber assets relating to HVPH were $1,264 (2021 – $979). The Company does not provide guarantees to other parties against the risk of loss from HVPH.

Financing SEs
The Company securitizes certain HELOC collateralized by residential property. This activity is facilitated by consolidated entities that are SEs because their operations are limited to issuing and servicing the Company's funding. Further information regarding the Company's mortgage securitization program is included in note 4.

(b) Unconsolidated SEs

Investment SEs
The following table presents the Company's investments and maximum exposure to loss from significant unconsolidated investment SEs, some of which are sponsored by the Company. The Company does not provide guarantees to other parties against the risk of loss from these SEs.

	Company's investment[1]		Company's maximum exposure to loss[2]	
As at December 31,	**2022**	2021	**2022**	2021
Leveraged leases[3]	**$ 3,840**	$ 3,457	**$ 3,840**	$ 3,457
Timberland companies[4]	**816**	842	**816**	842
Real estate companies[5]	**465**	513	**465**	513
Total	**$ 5,121**	$ 4,812	**$ 5,121**	$ 4,812

(1) The Company's investments in these unconsolidated SEs are included in invested assets and the Company's returns from them are included in net investment income and AOCI.
(2) The Company's maximum exposure to loss from each SE is limited to amounts invested in each, plus unfunded capital commitments, if any. The Company's investment commitments are disclosed in note 19. The maximum loss is expected to occur only upon the entity's bankruptcy/liquidation, or in case a natural disaster in the case of the timber companies.
(3) These entities are statutory business trusts which use capital provided by the Company and senior debt provided by other parties to finance the acquisition of assets. These assets are leased to third-party lessees under long-term leases. The Company owns equity capital in these business trusts. The Company does not consolidate any of the trusts that are party to the lease arrangements because the Company does not have decision-making power over them.
(4) These entities own and operate timberlands. The Company invests in their equity and debt. The Company's returns include investment income, investment advisory fees, forestry management fees and performance advisory fees. The Company does not control these entities because it either does not have the power to govern their financial and operating policies or does not have significant variable returns from them, or both.
(5) These entities, which include the Manulife U.S. REIT, own and manage commercial real estate. The Company invests in their equity. The Company's returns include investment income, investment management fees, property management fees, acquisition/disposition fees and leasing fees. The Company does not control these entities because it either does not have the power to govern their financial and operating policies or does not have significant variable returns from them, or both.

Financing SEs
The Company's interests in and maximum exposure to loss from significant unconsolidated financing SEs are as follows.

	Company's interests[1]	
As at December 31,	**2022**	2021
Manulife Finance (Delaware), L.P.[2]	**$ 691**	$ 850
Total	**$ 691**	$ 850

(1) The Company's interests include amounts borrowed from the SE; the Company's investment in its equity and subordinated capital; and foreign currency and interest rate swaps with it.
(2) This entity is a wholly owned partnership used to facilitate the Company's financing. Refer to notes 11 and 19.

(i) Other invested assets
The Company has investment relationships with a variety of other entities, which result from its direct investment in their debt and/or equity and which have been assessed for control. These other entities' investments include but are not limited to investments in power and

infrastructure, oil and gas, private equity, real estate and agriculture, organized as limited partnerships and limited liability companies. Most of these other entities are not sponsored by the Company. The Company's involvement with these other entities is not individually significant. As such, the Company neither provides summary financial data for these entities nor individually assesses whether they are SEs. The Company's maximum exposure to losses because of its involvement with these other entities is limited to its investment in them and amounts committed to be invested but not yet funded. The Company records its income from these entities in net investment income and AOCI. The Company does not provide guarantees to other parties against the risk of loss from these other entities.

(ii) Interest in securitized assets

The Company invests in mortgage/asset-backed securities issued by securitization vehicles sponsored by other parties, including private issuers and government sponsored issuers, to generate investment income. The Company does not own a controlling financial interest in any of the issuers. These securitization vehicles are SEs based on their narrow scope of activities and highly leveraged capital structures. Investments in mortgage/asset-backed securities are reported on the Consolidated Statements of Financial Position as debt securities and private placements, and their fair value and carrying value are disclosed in note 4. The Company's maximum loss from these investments is limited to amounts invested.

Commercial mortgage-backed securities ("CMBS") are secured by commercial mortgages and residential mortgage backed securities ("RMBS") are secured by residential mortgages. Asset-backed securities ("ABS") may be secured by various underlying assets including credit card receivables, automobile loans and aviation leases. The mortgage/asset-backed securities that the Company invests in primarily originate in North America.

The following table presents investments in securitized holdings by the type and asset quality.

	2022				2021
As at December 31,	CMBS	RMBS	ABS	Total	Total
AAA	**$ 675**	**$ 5**	**$ 1,095**	**$ 1,775**	$ 2,346
AA	**–**	**3**	**6**	**9**	11
A	**56**	**–**	**534**	**590**	641
BBB	**–**	**–**	**232**	**232**	227
BB and below	**–**	**–**	**3**	**3**	4
Total company exposure	**$ 731**	**$ 8**	**$ 1,870**	**$ 2,609**	$ 3,229

(iii) Mutual funds

The Company sponsors and may invest in a range of public mutual funds with a broad range of investment styles. As sponsor, the Company organizes mutual funds that implement investment strategies on behalf of current and future investors. The Company earns fees which are at market rates for providing advisory and administrative services to these mutual funds. Generally, the Company does not control its sponsored mutual funds because either the Company does not have power to govern their financial and operating policies, or its returns in the form of fees and ownership interests are not significant, or both. Certain mutual funds are SEs because their decision-making rights are not vested in voting equity interests and their investors are provided with redemption rights.

The Company's relationships with these mutual funds are not individually significant. As such, the Company neither provides summary financial data for these mutual funds nor individually assesses whether they are SEs. The Company's interest in mutual funds is limited to its investment and fees earned, if any. The Company's investments in mutual funds are recorded as part of its investment in public equities within the Consolidated Statements of Financial Position. For information regarding the Company's invested assets, refer to note 4. The Company does not provide guarantees to other parties against the risk of loss from these mutual funds.

As sponsor, the Company's investment in ("seed") startup capital of mutual funds as at December 31, 2022 was $1,296 (2021 – $1,361). The Company's retail mutual fund assets under management as at December 31, 2022 were $258,183 (2021 – $290,863).

Note 19 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 ("PerfUL") policies issued between 2003 and 2010 whose policies were subject to a Cost of Insurance ("COI") increase announced in 2018. On May 17, 2022, at a Fairness Hearing, the Court approved the class Settlement Agreement that it had preliminary approved on January 5, 2022. The settlement has been implemented. In the Class Notice process, an institutional investor which owns approximately 150 of the policies that met the class definition "opted out" of the settlement. No subsequent action has thus far been taken with respect to those opt out policies.

In addition to the class action, eleven individual lawsuits opposing the Performance UL COI increases were also filed. Each of the lawsuits, except two, is brought by plaintiffs owning multiple policies and/or by entities managing them for investment purposes. Three of the pending federal cases have now been settled and these involved a combined 46 PerfUL policies. On September 8, 2022, two new individual lawsuits were filed in New York and California federal courts, with respect to the 16 policies owned by Skellig Capital. There are now five lawsuits pending in federal courts in New York and California and three in New York state court. In the aggregate, approximately 135 PerfUL policies are involved in these cases. There are also approximately 140 policies that have been "opted out" of the class settlement, and although no litigation is pending with respect to those policies, future litigation is possible if not probable. Of the remaining non-class/individual lawsuits, discovery has commenced. With respect to thenon-class/individual lawsuits pending in the New York federal district court (not including the recently filed Skellig lawsuits), the court has approved a briefing schedule and set the final pre-trial hearing for February 23, 2023. The Company continues to defend the individual lawsuits. In 2021, the Company recorded an accrual in relation to the class and individual lawsuits. In Q3 2022, the accrual was increased.

(b) Investment commitments

In the normal course of business, various investment commitments are outstanding which are not reflected in the Consolidated Financial Statements. There were $14,193 (2021 – $12,233) of outstanding investment commitments as at December 31, 2022, of which $1,095 (2021 – $957) mature in 30 days, $3,359 (2021 – $3,205) mature in 31 to 365 days and $9,739 (2021 – $8,071) mature after one year.

(c) Letters of credit

In the normal course of business, third-party relationship banks issue letters of credit on the Company's behalf. The Company's businesses utilize letters of credit for which third parties are the beneficiaries, as well as for affiliate reinsurance transactions between its subsidiaries. As at December 31, 2022, letters of credit for which third parties are beneficiary, in the amount of $215 (2021 – $99), were outstanding.

(d) 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 financing entity.

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

Condensed Consolidated Statements of Income Information

For the year ended December 31, 2022	MFC (Guarantor)	Other subsidiaries of MFC on a combined basis	Consolidation adjustments	Total consolidated amounts	MFLP
Total revenue	**$ 518**	**$ 17,732**	**$ (1,103)**	**$ 17,147**	**$ 64**
Net income (loss) attributed to shareholders	**7,294**	**7,071**	**(7,071)**	**7,294**	**21**

For the year ended December 31, 2021	MFC (Guarantor)	Other subsidiaries on a combined basis	Consolidation adjustments	Total consolidated amounts	MFLP
Total revenue	$ 563	$ 62,323	$ (1,065)	$ 61,821	$ 41
Net income (loss) attributed to shareholders	7,105	6,842	(6,842)	7,105	3

Condensed Consolidated Statements of Financial Position

As at December 31, 2022	MFC (Guarantor)	Other subsidiaries on a combined basis	Consolidation adjustments	Total consolidated amounts	MFLP
Invested assets	**$ 63**	**$ 413,938**	**$ –**	**$ 414,001**	**$ 21**
Total other assets	**67,543**	**90,687**	**(71,852)**	**86,378**	**950**
Segregated funds net assets	**–**	**348,562**	**–**	**348,562**	**–**
Insurance contract liabilities	**–**	**371,405**	**–**	**371,405**	**–**
Investment contract liabilities	**–**	**3,248**	**–**	**3,248**	**–**
Segregated funds net liabilities	**–**	**348,562**	**–**	**348,562**	**–**
Total other liabilities	**11,545**	**58,246**	**(444)**	**69,347**	**712**

As at December 31, 2021	MFC (Guarantor)	Other subsidiaries on a combined basis	Consolidation adjustments	Total consolidated amounts	MFLP
Invested assets	$ 78	$ 427,020	$ –	$ 427,098	$ 3
Total other assets	68,866	94,615	(72,724)	90,757	1,088
Segregated funds net assets	–	399,788	–	399,788	–
Insurance contract liabilities	–	392,275	–	392,275	–
Investment contract liabilities	–	3,117	–	3,117	–
Segregated funds net liabilities	–	399,788	–	399,788	–
Total other liabilities	10,536	53,962	(904)	63,594	852

(ii) 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 24.

(e) Pledged assets

In the normal course of business, the Company pledges its assets in respect of liabilities incurred, strictly for providing collateral to the counterparty. In the event of the Company's default, the counterparty is entitled to apply the collateral to settle the liability. The pledged assets are returned to the Company if the underlying transaction is terminated or, in the case of derivatives, if there is a decrease in the net exposure due to market value changes.

The amounts pledged are as follows.

	2022		2021	
As at December 31,	Debt securities	Other	Debt securities	Other
In respect of:				
Derivatives	**$ 11,944**	**$ 23**	$ 5,525	$ 23
Secured borrowings	**–**	**2,385**	–	2,575
Regulatory requirements	**320**	**77**	367	78
Repurchase agreements	**886**	**–**	535	–
Non-registered retirement plans in trust	**–**	**326**	–	377
Other	**–**	**404**	2	414
Total	**$ 13,150**	**$ 3,215**	$ 6,429	$ 3,467

(f) Participating business

In some territories where the Company maintains participating accounts, there are regulatory restrictions on the amounts of profit that can be transferred to shareholders. Where applicable, these restrictions generally take the form of a fixed percentage of policyholder dividends. For participating businesses operating as separate "closed blocks", transfers are governed by the terms of MLI's and John Hancock Mutual Life Insurance Company's plans of demutualization.

(g) Fixed surplus notes

A third party contractually provides standby financing arrangements for the Company's U.S. operations under which, in certain circumstances, funds may be provided in exchange for the issuance of fixed surplus notes. As at December 31, 2022, the Company had no fixed surplus notes outstanding.

Note 20 Segmented Information

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)– branded as Manulife Investment Management, provides investment advice and innovative solutions to retirement, retail, and institutional clients. 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.)– include 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 of 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.

Reporting segments

The following table presents results by reporting segments.

As at and for the year ended December 31, 2022	Asia	Canada	U.S.	Global WAM	Corporate and Other	Total
Revenue						
Life and health insurance	$ 18,690	$ 9,945	$ 6,579	$ –	$ 269	$ 35,483
Annuities and pensions	2,786	447	(863)	–	–	2,370
Net premium income	21,476	10,392	5,716	–	269	37,853
Net investment income (loss)	(7,972)	(7,911)	(13,003)	(39)	(945)	(29,870)
Other revenue	1,458	1,426	458	6,350	(528)	9,164
Total revenue	14,962	3,907	(6,829)	6,311	(1,204)	17,147
Contract benefits and expenses						
Life and health insurance	4,976	5,945	(11,868)	–	431	(516)
Annuities and pensions	2,667	(8,738)	(2,753)	41	–	(8,783)
Net benefits and claims	7,643	(2,793)	(14,621)	41	431	(9,299)
Interest expense	234	573	67	7	469	1,350
Other expenses	5,024	3,506	2,847	4,717	255	16,349
Total contract benefits and expenses	12,901	1,286	(11,707)	4,765	1,155	8,400
Income (loss) before income taxes	2,061	2,621	4,878	1,546	(2,359)	8,747
Income tax recovery (expense)	(308)	(777)	(886)	(223)	629	(1,565)
Net income (loss)	1,753	1,844	3,992	1,323	(1,730)	7,182
Less net income (loss) attributed to:						
Non-controlling interests	(4)	–	–	2	1	(1)
Participating policyholders	(467)	314	42	–	–	(111)
Net income (loss) attributed to shareholders	$ 2,224	$ 1,530	$ 3,950	$ 1,321	$ (1,731)	$ 7,294
Total assets	$ 158,036	$ 155,049	$ 267,653	$ 231,154	$ 37,049	$ 848,941

As at and for the year ended December 31, 2021	Asia	Canada	U.S.	Global WAM	Corporate and Other	Total
Revenue						
Life and health insurance	$ 20,428	$ 9,217	$ 6,338	$ –	$ 147	$ 36,130
Annuities and pensions	2,558	344	33	–	–	2,935
Net premium income	22,986	9,561	6,371	–	147	39,065
Net investment income (loss)	4,889	1,469	5,061	28	177	11,624
Other revenue	1,696	1,336	1,824	6,513	(237)	11,132
Total revenue	29,571	12,366	13,256	6,541	87	61,821
Contract benefits and expenses						
Life and health insurance	18,240	10,276	9,307	–	159	37,982
Annuities and pensions	2,638	(3,371)	(1,528)	101	–	(2,160)
Net benefits and claims	20,878	6,905	7,779	101	159	35,822
Interest expense	232	269	47	1	462	1,011
Other expenses	5,273	3,401	2,947	4,798	444	16,863
Total contract benefits and expenses	26,383	10,575	10,773	4,900	1,065	53,696
Income (loss) before income taxes	3,188	1,791	2,483	1,641	(978)	8,125
Income tax recovery (expense)	(445)	(336)	(385)	(233)	186	(1,213)
Net income (loss)	2,743	1,455	2,098	1,408	(792)	6,912
Less net income (loss) attributed to:						
Non-controlling interests	253	–	–	2	–	255
Participating policyholders	(567)	101	18	–	–	(448)
Net income (loss) attributed to shareholders	$ 3,057	$ 1,354	$ 2,080	$ 1,406	$ (792)	$ 7,105
Total assets	$ 162,970	$ 169,736	$ 290,838	$ 259,363	$ 34,736	$ 917,643

Geographical location

The results of the Company's reporting segments differ from its geographical location primarily due to the allocation of Global WAM and Corporate and Other segments into the geographical location to which its businesses relate.

The following table presents results by geographical location.

For the year ended December 31, 2022	Asia	Canada	U.S.	Other	Total
Revenue					
Life and health insurance	**$ 18,786**	**$ 9,615**	**$ 6,580**	**$ 502**	**$ 35,483**
Annuities and pensions	**2,786**	**447**	**(863)**	–	**2,370**
Net premium income	**21,572**	**10,062**	**5,717**	**502**	**37,853**
Net investment income (loss)	**(8,468)**	**(8,435)**	**(13,288)**	**321**	**(29,870)**
Other revenue	**2,702**	**3,246**	**3,217**	**(1)**	**9,164**
Total revenue	**$ 15,806**	**$ 4,873**	**$ (4,354)**	**$ 822**	**$ 17,147**

For the year ended December 31, 2021	Asia	Canada	U.S.	Other	Total
Revenue					
Life and health insurance	$ 20,515	$ 8,905	$ 6,340	$ 370	$ 36,130
Annuities and pensions	2,558	344	33	–	2,935
Net premium income	23,073	9,249	6,373	370	39,065
Net investment income (loss)	5,313	1,255	4,830	226	11,624
Other revenue	2,818	3,363	4,952	(1)	11,132
Total revenue	$ 31,204	$ 13,867	$ 16,155	$ 595	$ 61,821

Note 21 Related Parties

The Company enters into transactions with related parties in the normal course of business and at the terms that would exist in arm's-length transactions.

(a) Transactions with certain related parties

Transactions with MFLP, a wholly owned unconsolidated partnership, are described in notes 11, 18 and 19.

(b) Compensation of key management personnel

The Company's key management personnel are those personnel who have the authority and responsibility for planning, directing and controlling the activities of the Company. Directors (both executive and non-executive) and senior management are considered key management personnel. A summary of compensation of key management personnel is as follows.

For the years ended December 31,	2022	2021
Short-term employee benefits	**$ 73**	$ 65
Post-employment benefits	**6**	5
Share-based payments	**73**	57
Termination benefits	**–**	–
Other long-term benefits	**3**	2
Total	**$ 155**	$ 129

Note 22 Subsidiaries

The following is a list of Manulife's directly and indirectly held major operating subsidiaries.

As at December 31, 2022 (100% owned unless otherwise noted in brackets beside company name)	Equity Interest	Address	Description
The Manufacturers Life Insurance Company	**$ 65,848**	Toronto, Canada	Leading Canadian-based financial services company that offers a diverse range of financial protection products and wealth management services
Manulife Holdings (Alberta) Limited	$ 21,640	Calgary, Canada	Holding company
John Hancock Financial Corporation		Boston, U.S.A.	Holding company
The Manufacturers Investment Corporation		Boston, U.S.A.	Holding company
John Hancock Reassurance Company Ltd.		Boston, U.S.A.	Captive insurance subsidiary that provides life, annuity and long-term care reinsurance to affiliates
John Hancock Life Insurance Company (U.S.A.)		Boston, U.S.A.	U.S. life insurance company licensed in all states, except New York
John Hancock Subsidiaries LLC		Boston, U.S.A.	Holding company
John Hancock Financial Network, Inc.		Boston, U.S.A.	Financial services distribution organization
John Hancock Investment Management LLC		Boston, U.S.A.	Investment advisor
John Hancock Investment Management Distributors LLC		Boston, U.S.A.	Broker-dealer
Manulife Investment Management (US) LLC		Boston, U.S.A.	Investment advisor
Manulife Investment Management Timberland and Agriculture Inc.		Boston, U.S.A.	Manager of globally diversified timberland and agricultural portfolios
John Hancock Life Insurance Company of New York		New York, U.S.A.	U.S. life insurance company licensed in New York
John Hancock Variable Trust Advisers LLC		Boston, U.S.A.	Investment advisor for open-end mutual funds
John Hancock Life & Health Insurance Company		Boston, U.S.A.	U.S. life insurance company licensed in all states
John Hancock Distributors LLC		Boston, U.S.A.	Broker-dealer
John Hancock Insurance Agency, Inc.		Boston, U.S.A.	Insurance agency
Manulife Reinsurance Limited		Hamilton, Bermuda	Provides life and financial reinsurance to affiliates
Manulife Reinsurance (Bermuda) Limited		Hamilton, Bermuda	Provides life and annuity reinsurance to affiliates
Manulife Bank of Canada	$ 1,788	Waterloo, Canada	Provides integrated banking products and service options not available from an insurance company
Manulife Investment Management Holdings (Canada) Inc.	$ 1,179	Toronto, Canada	Holding company
Manulife Investment Management Limited		Toronto, Canada	Provides investment counseling, portfolio and mutual fund management in Canada
First North American Insurance Company	$ 7	Toronto, Canada	Property and casualty insurance company
Manulife Securities Investment Services Inc.	$ 80	Oakville, Canada	Mutual fund dealer for Canadian operations
Manulife Holdings (Bermuda) Limited	$ 22,841	Hamilton, Bermuda	Holding company
Manufacturers P&C Limited		St. Michael, Barbados	Provides property and casualty reinsurance
Manulife Financial Asia Limited		Hong Kong, China	Holding company

As at December 31, 2022 (100% owned unless otherwise noted in brackets beside company name)	Equity Interest	Address	Description
Manulife (Cambodia) PLC		Phnom Penh, Cambodia	Life insurance company
Manulife Myanmar Life Insurance Company Limited		Yangon, Myanmar	Life insurance company
Manufacturers Life Reinsurance Limited		St. Michael, Barbados	Provides life and annuity reinsurance to affiliates
Manulife (Vietnam) Limited		Ho Chi Minh City, Vietnam	Life insurance company
Manulife Investment Fund Management (Vietnam) Company Limited		Ho Chi Minh City, Vietnam	Fund management company
Manulife International Holdings Limited		Hong Kong, China	Holding company
Manulife (International) Limited		Hong Kong, China	Life insurance company
Manulife-Sinochem Life Insurance Co. Ltd. (51%)		Shanghai, China	Life insurance company
Manulife Investment Management International Holdings Limited		Hong Kong, China	Holding company
Manulife Investment Management (Hong Kong) Limited		Hong Kong, China	Investment management and advisory company marketing mutual funds
Manulife Investment Management (Taiwan) Co., Ltd.		Taipei, Taiwan (China)	Investment management company
Manulife Life Insurance Company (Japan)		Tokyo, Japan	Life insurance company
Manulife Investment Management (Japan) Limited		Tokyo, Japan	Investment management and advisory company and mutual fund business
Manulife Holdings Berhad (61.6%)		Kuala Lumpur, Malaysia	Holding company
Manulife Insurance Berhad (61.6%)		Kuala Lumpur, Malaysia	Life insurance company
Manulife Investment Management (Malaysia) Berhad (61.6%)		Kuala Lumpur, Malaysia	Asset management company
Manulife (Singapore) Pte. Ltd.		Singapore	Life insurance company
Manulife Investment Management (Singapore) Pte. Ltd.		Singapore	Asset management company
The Manufacturers Life Insurance Co. (Phils.), Inc.		Makati City, Philippines	Life insurance company
Manulife Chinabank Life Assurance Corporation (60%)		Makati City, Philippines	Life insurance company
PT Asuransi Jiwa Manulife Indonesia		Jakarta, Indonesia	Life insurance company
PT Manulife Aset Manajemen Indonesia		Jakarta, Indonesia	Investment management and investment advisor
Manulife TEDA Fund Management Co., Ltd		Beijing, China	Mutual fund company in China
Manulife Investment Management (Europe) Limited	$ 34	London, England	Investment management company for Manulife Financial's international funds
Manulife Assurance Company of Canada	$ 64	Toronto, Canada	Life insurance company
EIS Services (Bermuda) Limited	$ 902	Hamilton, Bermuda	Investment holding company
Berkshire Insurance Services Inc.	$ 1,868	Toronto, Canada	Investment holding company
JH Investments (Delaware) LLC		Boston, U.S.A.	Investment holding company
Manulife Securities Incorporated	$ 151	Oakville, Canada	Investment dealer
Manulife Investment Management (North America) Limited	$ 4	Toronto, Canada	Investment advisor

Note 23 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 Company retains legal title to the underlying investments; however, returns from these investments belong to the policyholders. Accordingly, the Company does not bear the risk associated with these assets outside of guarantees offered on certain variable life and annuity products. The "Risk Management and Risk Factors" section of the Company's 2022 MD&A provides information regarding the variable annuity and segregated fund guarantees.

The composition of net assets by categories of segregated funds was within the following ranges for the years ended December 31, 2022 and 2021.

	Ranges in per cent	
Type of fund	**2022**	2021
Money market funds	**2% to 3%**	2% to 3%
Fixed income funds	**13% to 14%**	14% to 15%
Balanced funds	**22% to 23%**	22% to 23%
Equity funds	**61% to 62%**	60% to 62%

Money market funds consist of investments that have a term to maturity of less than one year. Fixed income funds primarily consist of investments in fixed grade income securities and may contain smaller investments in diversified equities or high-yield bonds. Relative to fixed income funds, balanced funds consist of fixed income securities and a larger equity investment component. The types of equity funds available to policyholders range from low volatility equity funds to aggressive equity funds. Equity funds invest in a varying mix of Canadian, U.S. and global equities.

The underlying investments of the segregated funds consist of both individual securities and mutual funds (collectively "net assets"), some of which may be structured entities. The carrying value and change in segregated funds net assets are as follows.Fair value related information of segregated funds is disclosed in note 4(g).

Segregated funds net assets

As at December 31,	**2022**	2021
Investments at market value		
Cash and short-term securities	**$ 4,280**	$ 3,955
Debt securities	**15,270**	18,651
Equities	**15,499**	16,844
Mutual funds	**308,707**	354,882
Other investments	**4,293**	4,613
Accrued investment income	**1,680**	2,340
Other assets and liabilities, net	**(796)**	(1,089)
Total segregated funds net assets	**$ 348,933**	$ 400,196
Composition of segregated funds net assets		
Held by policyholders	**$ 348,562**	$ 399,788
Held by the Company	**371**	408
Total segregated funds net assets	**$ 348,933**	$ 400,196

Changes in segregated funds net assets

For the years ended December 31,	**2022**	2021
Net policyholder cash flows		
Deposits from policyholders	**$ 42,427**	$ 44,548
Net transfers to general fund	**(1,267)**	(732)
Payments to policyholders	**(46,333)**	(52,182)
	(5,173)	(8,366)
Investment related		
Interest and dividends	**21,900**	24,092
Net realized and unrealized investment gains (losses)	**(78,017)**	21,549
	(56,117)	45,641
Other		
Management and administration fees	**(3,886)**	(4,115)
Impact of changes in foreign exchange rates	**13,913**	(773)
	10,027	(4,888)
Net additions (deductions)	**(51,263)**	32,387
Segregated funds net assets, beginning of year	**400,196**	367,809
Segregated funds net assets, end of year	**$ 348,933**	$ 400,196

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 included in segregated funds. 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.

Note 24 Information Provided in Connection with Investments in Deferred Annuity Contracts and *Signature* Notes Issued or Assumed by John Hancock Life Insurance Company (U.S.A.)

The following condensed consolidated financial information, presented in accordance with IFRS, and the related disclosure have been included in these 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 incorporated by reference in certain of the MFC and its subsidiaries registration statements that are described below and relate to MFC's guarantee of certain securities to be issued by its subsidiaries.

JHUSA maintains a book of deferred annuity contracts that feature a market value adjustment, some of which are registered with the Commission. The deferred annuity contracts may contain variable investment options along with fixed investment period options, or may offer only fixed investment period options. The fixed investment period options enable the participant to invest fixed amounts of money for fixed terms at fixed interest rates, subject to a market value adjustment if the participant desires to terminate a fixed investment period before its maturity date. The annuity contract provides for the market value adjustment to keep the parties whole with respect to the fixed interest bargain for the entire fixed investment period. These fixed investment period options that contain a market value adjustment feature are referred to as "MVAs".

JHUSA has sold medium-term notes to retail investors under its *Signature* Notes program.

Effective December 31, 2009, John Hancock Variable Life Insurance Company (the "Variable Company") and John Hancock Life Insurance Company (the "Life Company") merged with and into JHUSA. In connection with the mergers, JHUSA assumed the Variable Company's rights and obligations with respect to the MVAs issued by the Variable Company and the Life Company's rights and obligations with respect to the *Signature* Notes issued by the Life Company.

MFC fully and unconditionally guaranteed the payment of JHUSA's obligations under the MVAs and under the *Signature* Notes (including the MVAs and *Signature* Notes assumed by JHUSA in the merger), and such MVAs and the *Signature* Notes were registered with the Commission. The *Signature* Notes and MVAs assumed or issued by JHUSA are collectively referred to in this note as the "Guaranteed Securities". JHUSA is, and each of the Variable Company and the Life Company was, a wholly owned subsidiary of MFC.

MFC's guarantees of the Guaranteed Securities are unsecured obligations of MFC and are subordinated in right of payment to the prior payment in full of all other obligations of MFC, except for other guarantees or obligations of MFC which by their terms are designated as ranking equally in right of payment with or subordinate to MFC's guarantees of the Guaranteed Securities.

The laws of the State of New York govern MFC's guarantees of the *Signature* Notes issued or assumed by JHUSA and the laws of the Commonwealth of Massachusetts govern MFC's guarantees of the MVAs issued or assumed by JHUSA. MFC has consented to the jurisdiction of the courts of New York and Massachusetts. However, because a substantial portion of MFC's assets are located outside the United States, the assets of MFC located in the United States may not be sufficient to satisfy a judgment given by a federal or state court in the United States to enforce the subordinate guarantees. In general, the federal laws of Canada and the laws of the Province of Ontario, where MFC's principal executive offices are located, permit an action to be brought in Ontario to enforce such a judgment provided that such judgment is subsisting and unsatisfied for a fixed sum of money and not void or voidable in the United States and a Canadian court will render a judgment against MFC in a certain dollar amount, expressed in Canadian dollars, subject to customary qualifications regarding fraud, violations of public policy, laws limiting the enforcement of creditor's rights and applicable statutes of limitations on judgments. There is currently no public policy in effect in the Province of Ontario that would support avoiding the recognition and enforcement in Ontario of a judgment of a New York or Massachusetts court on MFC's guarantees of the *Signature* Notes issued or assumed by JHUSA or a Massachusetts court on guarantees of the MVAs issued or assumed by JHUSA.

MFC is a holding company. MFC's assets primarily consist of investments in its subsidiaries. MFC's cash flows primarily consist of dividends and interest payments from its operating subsidiaries, offset by expenses and shareholder dividends and MFC stock repurchases. As a holding company, MFC's ability to meet its cash requirements, including, but not limited to, paying any amounts due under its guarantees, substantially depends upon dividends from its operating subsidiaries.

These subsidiaries are subject to certain regulatory restrictions under laws in Canada, the United States and certain other countries, which may limit their ability to pay dividends or make contributions or loans to MFC. For example, some of MFC's subsidiaries are subject to restrictions prescribed by the ICA on their ability to declare and pay dividends. The restrictions related to dividends imposed by the ICA are described in note 13.

In the United States, insurance laws in Michigan, New York, and Massachusetts, the jurisdictions in which certain of MFC's U.S. insurance company subsidiaries are domiciled, impose general limitations on the payment of dividends and other upstream distributions or loans by these insurance subsidiaries. These limitations are described in note 13.

In Asia, the insurance laws of the jurisdictions in which MFC operates either provide for specific restrictions on the payment of dividends or other distributions or loans by subsidiaries or impose solvency or other financial tests, which could affect the ability of subsidiaries to pay dividends in certain circumstances.

There can be no assurance that any current or future regulatory restrictions in Canada, the United States or Asia will not impair MFC's ability to meet its cash requirements, including, but not limited to, paying any amounts due under its guarantees.

The following condensed consolidated financial information, presented in accordance with IFRS, reflects the effects of the mergers and is provided in compliance with Regulation S-X and in accordance with Rule12h-5 of the Commission.

Condensed Consolidated Statement of Financial Position

As at December 31, 2022	MFC (Guarantor)	JHUSA (Issuer)	Other subsidiaries	Consolidation adjustments	Consolidated MFC
Assets					
Invested assets	**$ 63**	**$116,463**	**$297,996**	**$ (521)**	**$ 414,001**
Investments in unconsolidated subsidiaries	**67,209**	**8,819**	**22,053**	**(98,081)**	**–**
Reinsurance assets	**–**	**61,511**	**12,137**	**(25,936)**	**47,712**
Other assets	**334**	**9,456**	**48,135**	**(19,259)**	**38,666**
Segregated funds net assets	**–**	**173,417**	**177,361**	**(2,216)**	**348,562**
Total assets	**$ 67,606**	**$369,666**	**$557,682**	**$ (146,013)**	**$ 848,941**
Liabilities and equity					
Insurance contract liabilities	**$ –**	**$156,205**	**$241,830**	**$ (26,630)**	**$ 371,405**
Investment contract liabilities	**–**	**1,418**	**1,830**	**–**	**3,248**
Other liabilities	**451**	**20,159**	**55,304**	**(18,923)**	**56,991**
Long-term debt	**6,234**	**–**	**–**	**–**	**6,234**
Capital instruments	**4,860**	**614**	**648**	**–**	**6,122**
Segregated funds net liabilities	**–**	**173,417**	**177,361**	**(2,216)**	**348,562**
Shareholders' and other equity holders' equity	**56,061**	**17,853**	**80,391**	**(98,244)**	**56,061**
Participating policyholders' equity	**–**	**–**	**(1,346)**	**–**	**(1,346)**
Non-controlling interests	**–**	**–**	**1,664**	**–**	**1,664**
Total liabilities and equity	**$ 67,606**	**$369,666**	**$557,682**	**$ (146,013)**	**$ 848,941**

Condensed Consolidated Statement of Financial Position

As at December 31, 2021	MFC (Guarantor)	JHUSA (Issuer)	Other subsidiaries	Consolidation adjustments	Consolidated MFC
Assets					
Invested assets	$ 78	$ 116,705	$ 310,679	$ (364)	$ 427,098
Investments in unconsolidated subsidiaries	68,655	9,107	20,788	(98,550)	–
Reinsurance assets	–	63,838	11,309	(30,568)	44,579
Other assets	211	18,085	49,956	(22,074)	46,178
Segregated funds net assets	–	204,493	197,220	(1,925)	399,788
Total assets	$ 68,944	$ 412,228	$ 589,952	$ (153,481)	$ 917,643
Liabilities and equity					
Insurance contract liabilities	$ –	$ 166,535	$ 257,044	$ (31,304)	$ 392,275
Investment contract liabilities	–	1,227	1,890	–	3,117
Other liabilities	899	21,806	50,836	(21,809)	51,732
Long-term debt	4,882	–	–	–	4,882
Capital instruments	4,755	579	1,646	–	6,980
Segregated funds net liabilities	–	204,493	197,220	(1,925)	399,788
Shareholders' and other equity holders' equity	58,408	17,588	80,855	(98,443)	58,408
Participating policyholders' equity	–	–	(1,233)	–	(1,233)
Non-controlling interests	–	–	1,694	–	1,694
Total liabilities and equity	$ 68,944	$ 412,228	$ 589,952	$ (153,481)	$ 917,643

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Condensed Consolidated Statement of Income

For the year ended December 31, 2022	MFC (Guarantor)	JHUSA (Issuer)	Other subsidiaries	Consolidation adjustments	Consolidated MFC
Revenue					
Gross premiums	**$ –**	**$ 7,924**	**$ 37,041**	**$ (863)**	**$ 44,102**
Premiums ceded to reinsurers	**–**	**(2,561)**	**(4,662)**	**974**	**(6,249)**
Net premium income	**–**	**5,363**	**32,379**	**111**	**37,853**
Net investment income (loss)	**554**	**(9,714)**	**(19,446)**	**(1,264)**	**(29,870)**
Other revenue	**(36)**	**281**	**7,871**	**1,048**	**9,164**
Total revenue	**518**	**(4,070)**	**20,804**	**(105)**	**17,147**
Contract benefits and expenses					
Net benefits and claims	**–**	**(8,505)**	**(1,572)**	**778**	**(9,299)**
Commissions, investment and general expenses	**42**	**3,099**	**13,798**	**(1,034)**	**15,905**
Other expenses	**440**	**264**	**939**	**151**	**1,794**
Total contract benefits and expenses	**482**	**(5,142)**	**13,165**	**(105)**	**8,400**
Income (loss) before income taxes	**36**	**1,072**	**7,639**	**–**	**8,747**
Income tax (expense) recovery	**32**	**(23)**	**(1,574)**	**–**	**(1,565)**
Income (loss) after income taxes	**68**	**1,049**	**6,065**	**–**	**7,182**
Equity in net income (loss) of unconsolidated subsidiaries	**7,226**	**997**	**2,046**	**(10,269)**	**–**
Net income (loss)	**$ 7,294**	**$ 2,046**	**$ 8,111**	**$ (10,269)**	**$ 7,182**
Net income (loss) attributed to:					
Non-controlling interests	**$ –**	**$ –**	**$ (1)**	**$ –**	**$ (1)**
Participating policyholders	**–**	**(236)**	**125**	**–**	**(111)**
Shareholders and other equity holders	**7,294**	**2,282**	**7,987**	**(10,269)**	**7,294**
	$ 7,294	**$ 2,046**	**$ 8,111**	**$ (10,269)**	**$ 7,182**

Condensed Consolidated Statement of Income

For the year ended December 31, 2021	MFC (Guarantor)	JHUSA (Issuer)	Other subsidiaries	Consolidation adjustments	Consolidated MFC
Revenue					
Gross premiums	$ –	$ 7,782	$ 37,563	$ (1,001)	$ 44,344
Premiums ceded to reinsurers	–	(3,243)	(3,031)	995	(5,279)
Net premium income	–	4,539	34,532	(6)	39,065
Net investment income (loss)	530	3,779	8,440	(1,125)	11,624
Other revenue	33	2,042	9,605	(548)	11,132
Total revenue	563	10,360	52,577	(1,679)	61,821
Contract benefits and expenses					
Net benefits and claims	–	6,478	28,467	877	35,822
Commissions, investment and general expenses	12	3,451	14,419	(1,436)	16,446
Other expenses	390	212	1,946	(1,120)	1,428
Total contract benefits and expenses	402	10,141	44,832	(1,679)	53,696
Income (loss) before income taxes	161	219	7,745	–	8,125
Income tax (expense) recovery	(28)	115	(1,300)	–	(1,213)
Income (loss) after income taxes	133	334	6,445	–	6,912
Equity in net income (loss) of unconsolidated subsidiaries	6,972	1,218	1,552	(9,742)	–
Net income (loss)	$ 7,105	$ 1,552	$ 7,997	$ (9,742)	$ 6,912
Net income (loss) attributed to:					
Non-controlling interests	$ –	$ –	$ 255	$ –	$ 255
Participating policyholders	–	(4)	(448)	4	(448)
Shareholders	7,105	1,556	8,190	(9,746)	7,105
	$ 7,105	$ 1,552	$ 7,997	$ (9,742)	$ 6,912

Consolidated Statement of Cash Flows

For the year ended December 31, 2022	MFC (Guarantor)	JHUSA (Issuer)	Other subsidiaries	Consolidation adjustments	Consolidated MFC
Operating activities					
Net income (loss)	$ 7,294	$ 2,046	$ 8,111	$ (10,269)	$ 7,182
Adjustments:					
Equity in net income of unconsolidated subsidiaries	(7,226)	(997)	(2,046)	10,269	–
Increase (decrease) in insurance contract liabilities	–	(20,032)	(13,381)	–	(33,413)
Increase (decrease) in investment contract liabilities	–	44	(3)	–	41
(Increase) decrease in reinsurance assets excluding coinsurance transactions	–	6,869	(6,710)	–	159
Amortization of (premium) discount on invested assets	–	46	(78)	–	(32)
Other amortization	9	125	404	–	538
Net realized and unrealized (gains) losses and impairment on assets	(36)	15,150	32,156	–	47,270
Gain on U.S. variable annuity reinsurance transaction (pre-tax)	–	(1,026)	(44)	–	(1,070)
Gain on derecognition of Joint Venture interest during Manulife TEDA acquisition (pre-tax)	–	–	(95)	–	(95)
Deferred income tax expense (recovery)	(33)	294	470	–	731
Stock option expense	–	(3)	8	–	5
Cash provided by (used in) operating activities before undernoted items	8	2,516	18,792	–	21,316
Dividends from unconsolidated subsidiary	6,200	399	734	(7,333)	–
Cash decrease due to U.S. variable annuity reinsurance transaction	–	(1,263)	(114)	–	(1,377)
Changes in policy related and operating receivables and payables	45	2,805	(5,054)	–	(2,204)
Cash provided by (used in) operating activities	6,253	4,457	14,358	(7,333)	17,735
Investing activities					
Purchases and mortgage advances	–	(28,798)	(82,970)	–	(111,768)
Disposals and repayments	1	23,505	69,901	–	93,407
Changes in investment broker net receivables and payables	–	(11)	(56)	–	(67)
Net cash increase (decrease) from sale (purchase) of subsidiary	–	–	(182)	–	(182)
Investment in common shares of subsidiaries	(2,479)	–	–	2,479	–
Capital contribution to unconsolidated subsidiaries	–	(1)	–	1	–
Return of capital from unconsolidated subsidiaries	–	19	–	(19)	–
Notes receivable from parent	–	–	415	(415)	–
Notes receivable from subsidiaries	46	(7)	–	(39)	–
Cash provided by (used in) investing activities	(2,432)	(5,293)	(12,892)	2,007	(18,610)
Financing activities					
Issue of long-term debt, net	946	–	–	–	946
Redemption of capital instruments	–	–	(1,000)	–	(1,000)
Secured borrowings	–	–	437	–	437
Change in repurchase agreements and securities sold but not yet purchased	–	–	(551)	–	(551)
Changes in deposits from Bank clients, net	–	–	1,703	–	1,703
Lease payments	–	(5)	(115)	–	(120)
Shareholders' dividends and other equity distributions	(2,787)	–	–	–	(2,787)
Common shares repurchased	(1,884)	–	–	–	(1,884)
Common shares issued, net	23	–	2,479	(2,479)	23
Preferred shares and other equity issued, net	990	–	–	–	990
Preferred shares redeemed, net	(711)	–	–	–	(711)
Contributions from (distributions to) non-controlling interests, net	–	–	(51)	–	(51)
Dividends paid to parent	–	(734)	(6,599)	7,333	–
Capital contributions by parent	–	–	1	(1)	–
Return of capital to parent	–	–	(19)	19	–
Notes payable to parent	–	–	(39)	39	–
Notes payable to subsidiaries	(415)	–	–	415	–
Cash provided by (used in) financing activities	(3,838)	(739)	(3,754)	5,326	(3,005)
Cash and short-term securities					
Increase (decrease) during the year	(17)	(1,575)	(2,288)	–	(3,880)
Effect of foreign exchange rate changes on cash and short-term securities	2	225	358	–	585
Balance, beginning of year	78	3,565	18,287	–	21,930
Balance, end of year	63	2,215	16,357	–	18,635
Cash and short-term securities					
Beginning of year					
Gross cash and short-term securities	78	4,087	18,429	–	22,594
Net payments in transit, included in other liabilities	–	(522)	(142)	–	(664)
Net cash and short-term securities, beginning of year	78	3,565	18,287	–	21,930
End of year					
Gross cash and short-term securities	63	2,614	16,476	–	19,153
Net payments in transit, included in other liabilities	–	(399)	(119)	–	(518)
Net cash and short-term securities, end of year	$ 63	$ 2,215	$ 16,357	$ –	$ 18,635
Supplemental disclosures on cash flow information:					
Interest received	$ 512	$ 4,050	$ 8,732	$ (1,161)	$ 12,133
Interest paid	424	118	1,867	(1,161)	1,248
Income taxes paid	–	124	1,114	–	1,238

Consolidated Statement of Cash Flows

For the year ended December 31, 2021	MFC (Guarantor)	JHUSA (Issuer)	Other subsidiaries	Consolidation adjustments	Consolidated MFC
Operating activities					
Net income (loss)	$ 7,105	$ 1,552	$ 7,997	$ (9,742)	$ 6,912
Adjustments:					
Equity in net income of unconsolidated subsidiaries	(6,972)	(1,218)	(1,552)	9,742	–
Increase (decrease) in insurance contract liabilities	–	(562)	11,281	–	10,719
Increase (decrease) in investment contract liabilities	–	50	(6)	–	44
(Increase) decrease in reinsurance assets excluding coinsurance transactions	–	1,544	(790)	–	754
Amortization of (premium) discount on invested assets	–	57	124	–	181
Other amortization	16	124	389	–	529
Net realized and unrealized (gains) losses and impairment on assets	62	1,533	3,229	–	4,824
Deferred income tax expense (recovery)	34	190	(351)	–	(127)
Stock option expense	–	(2)	11	–	9
Cash provided by (used in) operating activities before undernoted items	245	3,268	20,332	–	23,845
Dividends from unconsolidated subsidiary	5,000	489	742	(6,231)	–
Changes in policy related and operating receivables and payables	(22)	424	(1,092)	–	(690)
Cash provided by (used in) operating activities	5,223	4,181	19,982	(6,231)	23,155
Investing activities					
Purchases and mortgage advances	–	(31,746)	(89,219)	–	(120,965)
Disposals and repayments	–	27,194	69,534	–	96,728
Changes in investment broker net receivables and payables	–	(202)	16	–	(186)
Investment in common shares of subsidiaries	(3,700)	–	–	3,700	–
Net cash flows from acquisition and disposal of subsidiaries and businesses	–	–	(19)	–	(19)
Capital contribution to unconsolidated subsidiaries	–	(1)	–	1	–
Return of capital from unconsolidated subsidiaries	–	1	–	(1)	–
Notes receivable from parent	–	–	(129)	129	–
Notes receivable from subsidiaries	(13)	–	–	13	–
Cash provided by (used in) investing activities	(3,713)	(4,754)	(19,817)	3,842	(24,442)
Financing activities					
Redemption of long-term debt	(1,250)	–	–	–	(1,250)
Redemption of capital instruments	(468)	–	(350)	–	(818)
Secured borrowings	–	–	26	–	26
Change in repurchase agreements and securities sold but not yet purchased	–	–	186	–	186
Changes in deposits from Bank clients, net	–	–	(164)	–	(164)
Lease payments	–	(7)	(117)	–	(124)
Shareholders' dividends and other equity distributions	(2,500)	–	–	–	(2,500)
Contributions from (distributions to) non-controlling interests, net	–	–	(13)	–	(13)
Common shares issued, net	51	–	3,700	(3,700)	51
Preferred shares and other equity issued, net	3,171	–	–	–	3,171
Preferred shares redeemed, net	(612)	–	–	–	(612)
Dividends paid to parent	–	(742)	(5,489)	6,231	–
Capital contributions by parent	–	–	1	(1)	–
Return of capital to parent	–	–	(1)	1	–
Notes payable to parent	–	–	13	(13)	–
Notes payable to subsidiaries	129	–	–	(129)	–
Cash provided by (used in) financing activities	(1,479)	(749)	(2,208)	2,389	(2,047)
Cash and short-term securities					
Increase (decrease) during the year	31	(1,322)	(2,043)	–	(3,334)
Effect of foreign exchange rate changes on cash and short-term securities	–	(20)	(299)	–	(319)
Balance, beginning of year	47	4,907	20,629	–	25,583
Balance, end of year	78	3,565	18,287	–	21,930
Cash and short-term securities					
Beginning of year					
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 year	47	4,907	20,629	–	25,583
End of year					
Gross cash and short-term securities	78	4,087	18,429	–	22,594
Net payments in transit, included in other liabilities	–	(522)	(142)	–	(664)
Net cash and short-term securities, end of year	$ 78	$ 3,565	$ 18,287	$ –	$ 21,930
Supplemental disclosures on cash flow information:					
Interest received	$ 499	$ 4,112	$ 7,847	$ (1,082)	$ 11,376
Interest paid	396	73	1,594	(1,082)	981
Income taxes paid (refund)	–	(118)	689	–	571

Note 25 Significant accounting policies in accordance with IFRS 9 and IFRS 17

As discussed in note 2 “Accounting and Reporting Changes”, the Company adopted IFRS 9 (“Financial Instruments”) and IFRS 17 (“Insurance Contracts”) as a replacement of IAS 39 and IFRS 4 effective January 1, 2023. The Consolidated Financial Statements starting from January 1, 2023, and any required comparatives, will be prepared in accordance with the new standards. This note outlines the Company’s accounting policies on invested assets, derivatives and hedging instruments that are in accordance with IFRS 9, as well as the accounting policies on insurance contract liabilities and reinsurance contract assets that are in accordance with IFRS 17. Refer to note 2 for adoption impacts of IFRS 9 and IFRS 17.

Invested assets

Invested assets are recognized initially at fair value plus, in the case of investments not at FVTPL, directly attributable transaction costs. Invested assets that are considered financial instruments are classified as fair value through other comprehensive income (“FVOCI”), fair value through profit or loss (“FVTPL”) or as amortized cost. The Company determines the classification of its financial assets at initial recognition.

The classification of invested assets which are financial instruments depends on their contractual terms and the Company’s business model for managing the assets.

The Company assesses the contractual terms of the assets to determine whether their contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding. Only debt instruments may have SPPI cash flows. The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgment and considers relevant factors such as prepayment and redemption rights, conversion features, and subordination of the instrument to other instruments of the issuer. Contractual terms that introduce a more than de minimis exposure to risks of not collecting principal or interest would not meet the SPPI test.

Debt instruments which qualify as having SPPI cash flows are classified as amortized cost or FVOCI based on the business model under which they are held. If held within a business model whose objective is to hold the assets in order to collect contractual cash flows, they are classified as amortized cost. If held within a business model whose objective is achieved by both collecting contractual cash flows and selling the assets, they are classified as FVOCI. In either case, the company may designate them as FVTPL in order to reduce accounting mismatches with FVTPL liabilities they support. Debt instruments which fail the SPPI test are required to be measured at FVTPL. To identify the business model financial assets are held within, considerations include the business purpose of the portfolio holding them, the risks that are being managed and the business activities which manage the risks, the basis on which performance of the portfolio is being evaluated, and the frequency and significance of sales activity within the portfolio.

Realized and unrealized gains and losses on debt instruments classified as FVTPL and realized gains and losses on debt instruments held at amortized cost and FVOCI are recognized in investment income immediately. Unrealized gains and losses on FVOCI debt securities are recorded in OCI, except for unrealized gains and losses on foreign currency translation which are included in income.

Investments in equity which are financial instruments are not subject to the SPPI test and are accounted for as FVTPL unless the option to designate them as FVOCI is taken.

Valuation methods for the Company’s invested assets are described above in note 1(c). All fair value valuations are performed in accordance with IFRS 13 “Fair Value Measurement”. Disclosure of financial instruments carried at fair value within the three levels of the fair value hierarchy and disclosure of the fair value for financial instruments not carried at fair value on the Consolidated Statements of Financial Position are presented in note 4. Fair value valuations are performed by the Company and by third-party service providers. When third-party service providers are engaged, the Company performs a variety of procedures to corroborate pricing information. These procedures may include, but are not limited to, inquiry and review of valuation techniques, inputs to the valuation and vendor controls reports.

Cash and short-term securities comprise of cash, current operating accounts, overnight bank and term deposits, and fixed income securities held for meeting short-term cash commitments. Short-term securities are carried at fair value. Short-term securities are comprised of investments due to mature within one year of the date of purchase. Commercial paper and discount notes are classified as Level 2 because these securities are typically not actively traded. Net payments in transit and overdraft bank balances are included in other liabilities.

Debt securities are carried at fair value or amortized cost. Debt securities are generally valued by independent pricing vendors using proprietary pricing models incorporating current market inputs for similar instruments with comparable terms and credit quality (matrix pricing). The significant inputs include, but are not limited to, yield curves, credit risks and spreads, prepayment rates and volatility of these inputs. These debt securities are classified as Level 2 but can be Level 3 if significant inputs are market unobservable.

Public equities are comprised of common and preferred equities and are carried at fair value. Public equities are generally classified as Level 1, as fair values are normally based on quoted market prices. Realized and unrealized gains and losses on equities designated as FVTPL are recognized in investment income immediately. Unrealized gains and losses on equity securities designated as FVOCI are

recorded in OCI and are never reclassified to investment income. Upon sale of an FVOCI equity security, related AOCI is reclassified to retained earnings. The Company's risk management policies and procedures related to equities can be found in the denoted components of the "Risk Management and Risk Factors" section of the MD&A.

Mortgages are classified as Level 3 for fair value purposes due to the lack of market observability of certain significant valuation inputs.

The Company accounts for insured and uninsured mortgage securitizations as secured financing transactions since the criteria for sale accounting are not met. For these transactions, the Company continues to recognize the mortgages and records a liability in other liabilities for the amounts owed at maturity. Interest income from these mortgages and interest expense on the borrowings are recorded using the effective interest rate method.

Private placements, which include corporate loans for which there is no active market, are generally classified as Level 2 for fair value disclosure purposes or as Level 3 if significant inputs are market unobservable.

Loans to Manulife Bank of Canada ("Manulife Bank" or "Bank") clients are carried at amortized cost and are classified as Level 2 for fair value disclosure purposes.

Interest income is recognized on debt securities, mortgages, private placements, policy loans and loans to Bank clients as it accrues and is calculated using the effective interest rate ("EIR") method. Premiums, discounts, and transaction costs are amortized over the life of the underlying investment using the effective yield method for all debt securities as well as mortgages and private placements.

The Company records purchases and sales of invested assets on a trade date basis. Loans originated by the Company are recognized on a settlement date basis.

Real estate consists of both own use and investment property. Own use property is carried at cost less accumulated depreciation and any accumulated impairment losses, or at revalued amount which is the fair value as at the most recent revaluation date minus accumulated amortization and any accumulated impairment losses. Depreciation is calculated based on the cost of an asset less its residual value and is recognized in income on a straight-line basis over the estimated useful life ranging from 30 to 60 years. Impairment losses are recorded in income to the extent the recoverable amount is less than the carrying amount. Own use property is classified as Level 3 for fair value disclosure purposes. Own use real estate properties which are underlying items for insurance contracts with direct participating features are measured at fair value as if they were investment properties, as permitted by IFRS 17.

An investment property is a property held to earn rental income, for capital appreciation, or both. Investment properties are measured at fair value, with changes in fair value recognized in income. Fair value of own use properties and investment properties is determined using the same processes. Fair value for properties is determined using external appraisals that are based on the highest and best use of the property. The valuation techniques include discounted cash flows, the direct capitalization method as well as comparable sales analysis and include both observable and unobservable inputs. 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. Investment properties are classified as Level 3 for fair value disclosure purposes.

When a property changes from own use to investment property, any gain or loss arising on the remeasurement of the property to fair value at the date of transfer is recognized in OCI, to the extent that it is not reversing a previous impairment loss. Reversals of impairment losses are recognized in income. When a property changes from investment property to own use, the property's deemed cost for subsequent accounting is its fair value as at the date of change in use.

Other invested assets include private equity investments and property investments held in infrastructure and timber, as well as in agriculture and oil and gas sectors. Private equity investments are accounted for as associates or joint ventures using the equity method (as described in note 1(d) above) or are classified as FVTPL and carried at fair value. Timber and agriculture properties are measured at fair value with changes in fair value recognized in income, except for buildings, equipment and bearer plants which are measured at amortized cost. The fair value of other invested assets is determined using a variety of valuation techniques as described in note 4. Other invested assets that are measured or disclosed at fair value are classified as Level 3.

Other invested assets also include investments in leveraged leases, which are accounted for using the equity method. The carrying value under the equity method reflects the amortized cost of the lease receivable and related non-recourse debt using the effective yield method.

Expected Credit Loss Impairment

The expected credit loss ("ECL") impairment allowance model applies to invested assets which are debt instruments and measured at FVOCI or amortized cost. ECL allowances are measured under four probability-weighted macroeconomic scenarios, which measure the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original EIR. This process includes consideration of past events, current market conditions and reasonable supportable information about future economic conditions. Forward-looking macroeconomic variables used within the estimation models represent variables that are the most closely related with credit losses in the relevant portfolio.

The estimation and measurement of impairment losses requires significant judgment. These estimates are driven by many elements, changes in which can result in different levels of allowances. Elements include the estimation of the amount and timing of future cash flows, the Company's criteria for assessing if there has been a significant increase in credit risk ("SICR"), the selection of forward-looking

macroeconomic scenarios and their probability weights, the application of expert credit judgment in the development of the models, inputs and, when applicable, overlay adjustments. It is the Company's process to regularly review its models in the context of actual loss experience and adjust when necessary. The Company has implemented formal policies, procedures, and controls over all significant impairment processes.

The Company's definitions of default and credit-impaired are based on quantitative and qualitative factors. A financial instrument is considered to be in default when significant payments of interest, principal or fees are past due for more than 90 days, unless remedial arrangements with the issuer are in place. A financial instrument may be credit impaired as a result of one or more loss events that occurred after the date of initial recognition of the instrument and the loss event has a negative impact on the estimated future cash flows of the instrument. This includes events that indicate or include: significant financial difficulty of the counterparty; a breach of contract; for economic or contractual reasons relating to the counterparty's financial difficulty, concessions are granted that would not otherwise be considered; it is becoming probable that the counterparty will enter bankruptcy or other financial reorganization; the disappearance of an active market for that financial asset because of the counterparty's financial difficulties; or the counterparty is considered to be in default by any of the major rating agencies such as S&P, Moody's and Fitch.

The ECL calculations include the following elements:

- Probability of default ("PD"), is an estimate of the likelihood of default over a given time horizon.
- Loss given default ("LGD"), is an estimate of the loss arising on a future default. This is based on the difference between the contractual cash flows due and those that the Company expects to receive, including from collateral. It is based on credit default studies performed based on internal credit experience.
- Exposure at default ("EAD"), is an estimate of the exposure at a future default date, considering both the period of exposure and the amount of exposure at a given reporting date. The EADs are determined by modelling the range of possible exposure outcomes at various points in time, corresponding to the multiple economic scenarios. The probabilities are then assigned to each economic scenario based on the outcome of the models.

The Company measures ECLs using a three-stage approach:

- Stage 1 comprises all performing financial instruments that have not experienced an SICR since initial recognition. The determination of SICR varies by product and considers the relative change in the risk of default since origination. 12-month ECLs are recognized for all Stage 1 financial instruments.
- 12-month ECLs represent the portion of lifetime ECLs that result from default events possible within 12 months of the reporting date. These expected 12-month default probabilities are applied to a forecast EAD, multiplied by the expected LGD, and discounted by the original EIR. This calculation is made for each of four macroeconomic scenarios.
- Stage 2 comprises all performing financial instruments that have experienced an SICR since original recognition or have become 30 days in arrears for principal or interest payments, whichever happens first. When assets move to Stage 2, full lifetime ECLs are recognized, which represent ECLs that result from all possible default events over the remaining lifetime of the financial instrument. The mechanics are consistent with Stage 1, except PDs and LGDs are estimated over the remaining lifetime of the instrument instead of over the coming year. In subsequent reporting periods, if the credit risk of a financial instrument improves such that there is no longer a SICR compared to credit risk at initial recognition, the financial instrument will migrate back to Stage 1 and 12-month ECLs will be recognized; and
- Stage 3 comprises financial instruments identified as credit-impaired. Similar to Stage 2 assets, full lifetime ECLs are recognized for Stage 3 financial instruments, but the PD is set at 100%. A Stage 3 ECL is calculated using the unpaid principal balance multiplied by LGD which reflects the difference between the asset's carrying amount and its discounted expected future cash flows.

Interest income is calculated based on the gross carrying amount for both Stage 1 and 2 exposures. Interest income on Stage 3 financial instruments is determined by applying the EIR to the amortized cost of the instrument, which represents the gross carrying amount adjusted for any credit loss allowance.

For Stage 1 and Stage 2 exposures, an ECL is generated for each individual exposure; however, the relevant parameters are modelled on a collective basis with all collective parameters captured by the individual security level. The exposures are grouped into smaller homogeneous portfolios, based on a combination of internal and external characteristics, such as origination details, balance history, sector, geographic location, and credit history. Stage 3 ECLs are either individually or collectively assessed, depending on the nature of the instrument and impairment.

In assessing whether credit risk has increased significantly, the risk of default occurring is compared over the remaining expected life from the reporting date and as of the date of initial recognition. The assessment varies by product and risk segment. The assessment incorporates internal credit risk ratings and a combination of security-specific and portfolio-level assessments, including the incorporation of forward-looking macroeconomic data. The assessment of SICR considers both absolute and relative thresholds. If contractual payments are more than 30 days past due, the credit risk is automatically deemed to have increased significantly since initial recognition.

When estimating ECLs, the four probability-weighted macroeconomic scenarios are considered. Economic forward-looking inputs include stock price indices ("SPI"), unemployment rates ("UEs"), oil prices and the 7-10 year BBB US Corporate Index. Application of each input varies by product. Depending on their usage in the models, macroeconomic inputs are projected at the country, province, or more granular level. Each macroeconomic scenario used includes a projection of all relevant macroeconomic variables for a five-year period, subsequently reverting to long-run averages. In order to achieve an unbiased estimate, economic data used in the models is supplied by an external source. This information is compared to other publicly available forecasts, and the scenarios are assigned a probability weighting based on statistical analysis and management judgment.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the Consolidated Financial Statements.

Changes in the required ECL allowance are recorded in the provision for credit losses in the Consolidated Statements of Income. Invested assets are written off, either partially or in full, against the related allowance for credit losses when there is no realistic prospect of recovery in respect of those amounts. This is considered a (partial) derecognition of the financial asset. In subsequent periods, any recoveries of amounts previously written off are credited to the provision for credit losses.

Derivative and hedging instruments

The Company uses derivative financial instruments ("derivatives") including swaps, forward and futures agreements, and options to manage current and anticipated exposures to changes in interest rates, foreign exchange rates, commodity prices and equity market prices, and to replicate permissible investments. Derivatives embedded in other financial instruments are separately recorded as derivatives when their economic characteristics and risks are not closely related to those of the host instrument, the terms of the embedded derivative are the same as those of a standalone derivative and the host instrument itself is not recorded at FVTPL. Derivatives which are separate financial instruments are recorded at fair value, and those with unrealized gains reported as derivative assets and those with unrealized losses reported as derivative liabilities.

A determination is made for each derivative as to whether to apply hedge accounting. Where hedge accounting is not applied, changes in the fair value of derivatives are recorded in investment income.

Where the Company has elected to apply hedge accounting, a hedging relationship is designated and documented at inception. Hedge effectiveness is evaluated at inception and throughout the term of the hedge. Hedge accounting is only applied when the Company expects that the risk management objective will be met and the hedging relationship will qualify for hedge accounting requirements both at inception and throughout the hedging period. The assessment of hedge effectiveness is performed at the end of each reporting period prospectively. When it is determined that the risk management objective is no longer met, a hedging relationship is no longer effective, or the hedging instrument or the hedged item ceased to exist, the Company discontinues hedge accounting prospectively. In such cases, if the derivatives are not sold or terminated, any subsequent changes in fair value of the derivatives are recognized in investment income.

For derivatives that are designated as hedging instruments, changes in fair value are recorded according to the nature of the risks being hedged, as discussed below.

In a fair value hedging relationship, changes in fair value of the hedging instruments are recorded in investment income, offsetting changes in fair value of the hedged items attributable to the hedged risk, which would otherwise not be carried at fair value through profit or loss. Hedge ineffectiveness is recognized in total investment results and arises from differences between changes in the fair values of hedging instruments and hedged items. When hedge accounting is discontinued, the carrying value of the hedged item is no longer adjusted and the cumulative fair value adjustments are amortized to total investment results over the remaining term of the hedged item unless the hedged item ceased to exist, at which time the balance is recognized immediately in total investment results.

In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging instrument is recorded in OCI while the ineffective portion is recognized in total investment results. Gains and losses in accumulated other comprehensive income ("AOCI") are recognized in income during the same periods that the variability in the hedged cash flows or the hedged forecasted transactions are recognized in income. The reclassifications from AOCI are made to total investment results, except for total return swaps that hedge stock-based compensation awards, which are reclassified to general expenses.

Gains and losses on cash flow hedges in AOCI are reclassified immediately to total investment results when the hedged item ceased to exist or the forecasted transaction is no longer expected to occur. When a hedge is discontinued, but the hedged forecasted transaction is expected to occur, the amounts in AOCI are reclassified to total investment results in the periods during which variability in the cash flows hedged or the hedged forecasted transaction is recognized in income.

In a net investment in foreign operations hedging relationship, gains and losses relating to the effective portion of the hedge are recorded in OCI. Gains and losses in AOCI are recognized in income during the periods when gains or losses on the underlying hedged net investment in foreign operations are recognized in income upon disposal of the foreign operation.

Insurance contract liabilities and reinsurance contract assets

Classification and separation of components

Most contracts issued by the Company are considered insurance, investment, or service contracts. Contracts under which the Company accepts significant insurance risk from a policyholder are classified as insurance contracts in the Consolidated Financial Statements. A contract is considered to have significant insurance risk if, and only if, an insured event could cause an insurer to pay additional amounts that are significant in any single scenario, excluding scenarios that lack commercial substance. The additional amounts refer to the present value of amounts that exceed those that would be payable if no insured event had occurred. Contracts held by the Company under which it transfers significant insurance risk related to underlying insurance contracts to other parties are classified as reinsurance contracts. Both insurance and reinsurance contracts are accounted for in accordance with IFRS 17 “Insurance Contracts”. Contracts under which the Company does not accept significant insurance risk are either classified as investment contracts or considered service contracts and are accounted for in accordance with IFRS 9 “Financial Instruments” or IFRS 15 “Revenue from Contracts with Customers”, respectively.

Insurance contracts are classified as direct participation contracts or contracts without direct participation features based on specific criteria. Insurance contracts with direct participation features are insurance contracts that are substantially investment-related service contracts under which an entity promises an investment return based on underlying items. They are viewed as creating an obligation to pay policyholders an amount that is equal to the fair value of the underlying items, less a variable fee for service.

At inception of insurance and reinsurance contracts, the Company analyses whether they contain the following components that should be separated and accounted for under other IFRS standards: derivatives embedded within insurance contracts that are required to be separated (IFRS 9); cash flows relating to distinct investment components (IFRS 9); and promises to transfer distinct goods or distinct non-insurance services (IFRS 15). Investment components of an insurance (or reinsurance held) contract represent cash flows paid (received) in all circumstances regardless of whether an insurance event has occurred or not. Investment components are distinct if they are not interrelated with insurance component cash flows and if they could be issued on a standalone basis. The Company applies IFRS 17 to all remaining components of the insurance and reinsurance contracts.

There are three measurement models that insurance contracts can be measured under: the variable fee approach (“VFA”), the general measurement model (“GMM”) and the premium allocation approach (“PAA”). For insurance contracts with direct participation features such as participating life insurance contracts, unit linked type contracts, and variable annuity contracts the Company applies the VFA measurement model. For many group benefits contracts that have a one-year (or shorter) term of coverage, the Company generally applies the PAA measurement model. For the remainder of the Company’s insurance contracts the GMM measurement model is applied.

Level of aggregation/unit of account

Insurance contracts are aggregated into portfolios of insurance contracts which are managed together and are subject to similar risks. The Company has defined portfolios by considering various factors such as legal entities, measurement model, major product line and type of insurance risk. The portfolios of insurance contracts are further grouped into annual cohorts and by expected profitability at inception into one of three categories: onerous contracts, contracts with no significant risk of becoming onerous and other remaining contracts. Onerous contracts are those contracts that at initial inception, the Company expects to generate net outflow, without considering investment returns or the benefit of any reinsurance held.

Initial recognition and subsequent measurement

The Company includes in the measurement of a group of insurance contracts all future cash flows within the boundary of the contracts in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period and in which the Company can compel the policyholder to pay the premiums or has a substantive obligation to provide services to the policyholder. A substantive obligation to provide services ends when:

- The Company has the practical ability to reassess the risks of the particular policyholder and as a result, can set a price or level of benefits that fully reflects those risks, or
- The Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio, and the pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

The Company recognizes groups of insurance contracts that it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts,
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date, and
- For a group of onerous contracts, as soon as facts and circumstances indicate that the group is onerous.

Insurance contracts measured under the VFA and the GMM measurement model

At initial recognition, the Company measures a group of insurance contracts as the total of: (a) fulfilment cash flows, which comprise of estimates of future cash flows, adjusted to reflect the time value of money and financial risks, and a risk adjustment for non-financial risk; and (b) a contractual service margin (“CSM”), which represents the unearned profit the Company will recognize as it provides service under the insurance contracts. For reinsurance contracts, the CSM represents the reinsurance gain or cost at initial recognition.

In determining the fulfilment cash flows, the Company uses estimates and assumptions considering a range of scenarios which have commercial substance and give a good representation of possible outcomes. The Company's CSM is a component of the insurance asset or liability for the group of insurance contracts and results in no income at initial recognition. The unit of account for CSM is on a group of contracts basis consistent with the level of aggregation specified above. If the fulfilment cash flows are allocated to the group of insurance contracts, any previously recognized insurance acquisition cash flows and any cash flows arising from the contracts at the date of initial recognition in total are a net outflow, then the group of contracts is considered to be onerous. A loss from onerous insurance contracts is recognized in profit and loss immediately. The Company establishes the groups at initial recognition and may add contracts to the groups after the end of a reporting period, however, the Company does not reassess the composition of the groups subsequently.

In the subsequent periods, the carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage ("LRC") and the liability for incurred claims ("LIC"). The LRC comprises the fulfilment cash flows that relate to services to be provided in the future and any remaining CSM at that date. The LIC comprises the fulfilment cash flows for incurred claims and expenses that have not yet been paid. The fulfilment cash flows at the reporting dates are measured using the current estimates of expected cash flows and current discount rates.

The carrying amount of CSM at end of the reporting period is adjusted to reflect the following changes under the GMM for contracts without direct participation features: (a) effect of new contracts added to the group; (b) interest accreted on the carrying amount of CSM, measured at locked-in rate; (c) effect of any currency exchange differences on the CSM; (d) changes in fulfilment cash flows that relate to future services (non-financial), except for loss component; and (e) recognition of insurance revenue for services provided in the year. The CSM is recognized into insurance revenue over the duration of the group of insurance contracts based on the respective coverage units. The locked-in discount rate is the weighted average of the rates applicable at the date of initial recognition of contracts that joined a group over a 12-month period. The discount rate used for accretion of interest on the CSM is determined using the bottom-up approach.

The changes in fulfilment cash flows relating to future services (non-financial) that adjust the CSM comprise of:

- Experience adjustments that arise from the difference between the premium receipts (and any related cash flows such as insurance acquisition cash flows and insurance premium taxes) and the expected amounts at the beginning of the period. Differences related to premiums received (or due) related to current or past services are recognized immediately in profit or loss while differences related to premiums received (or due) for future services are adjusted against the CSM.
- Changes in estimates of the present value of future cash flows in the LRC, except those relating to the time value of money and changes in financial risk that are recognized in profit or loss and OCI.
- Differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period. Those differences are determined by comparing (i) the actual investment component that becomes payable in the period with (ii) the payment in the period that was expected at the start of the period plus any insurance finance income or expenses related to that expected payment before it becomes payable. The same applies to a policyholder loan that becomes repayable.
- Changes in the risk adjustment for non-financial risk that relate to future service.

A loss is created when there is an increase in fulfilment cash flows that exceeds the carrying amount of the CSM. Once a change in fulfilment cash flows reduces CSM to nil, the excess establishes a loss which is recognized in profit and loss immediately. Any subsequent decrease in the fulfilment cash flows will reverse the losses previously recognized in profit or loss. Any remaining loss will be released based on a systematic allocation of subsequent changes relating to future service in the fulfilment cash flows (refer to Presentation and Disclosure below).

For contracts with direct participation features under the VFA measurement model, the cash flows impacting policyholders and shareholders are treated differently. The change in the policyholders' share of the fair value of underlying items does not impact CSM. The change in the effect of the time value of money and financial risk not arising from the underlying items, such as financial guarantees, adjust the CSM. The change in fulfilment cash flows that do not vary with the return of underlying items and that do not relate to future service does not impact CSM consistent with the GMM. In contrast, under the VFA measurement model, the change in the amount of shareholders' share of the fair value of underlying items does impact CSM, except to the extent that the Company has elected the risk mitigation option. The Company uses derivatives, non-derivative financial instruments measured at fair value through profit or loss, and reinsurance contracts to mitigate the financial risk arising from interest rate guarantees in certain contracts with direct participation features. Under the risk mitigation option, the Company recognizes changes in the shareholders' share of the underlying items and the changes in fulfilment cash flows in profit or loss or OCI instead of adjusting CSM. For groups of insurance contracts applying the VFA measurement model, in addition to those conditions (both loss recognition and reversal) previously described for groups of contracts applying the GMM, a loss in profit or loss is also recognized when declines in the shareholder's share of fair value of underlying items exceeds the carrying value of CSM. Any subsequent increase in the shareholder's share of fair value of underlying items will reverse the losses previously recognized in profit or loss.

Reinsurance contracts measured under the GMM measurement model

The measurement of reinsurance contracts follows the same principles as the GMM, with the following exceptions or modifications specified in this section below. Reinsurance contracts held and assumed cannot use the VFA measurement model.

The Company recognizes a group of reinsurance contracts held it has entered into from the earliest of the following:

- The beginning of the coverage period of the group of reinsurance contracts held. However, the Company delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date when any underlying insurance contract is initially recognized, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held, and
- The date the Company recognizes an onerous group of underlying insurance contracts if the Company entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

At initial recognition, the Company recognizes any net gain or net cost as a CSM in the consolidated statement of financial position, with some exceptions. If any net cost of obtaining a reinsurance contract relates to an insured event that occurred before initial recognition of any insurance contract, it is recognized immediately in profit or loss. In addition, if the underlying insurance contracts are in an onerous position, the Company is allowed to recognize a reinsurance gain immediately in profit or loss for the portion of claims that the Company expects to recover from the reinsurance, if the reinsurance held was entered into prior to or at the same time as the onerous contract. Consequently, a loss-recovery is created and adjusted for the group of reinsurance contracts. This determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid. The Company adjusts the loss-recovery to reflect changes in the loss of an onerous group of underlying insurance contracts. The carrying amount of the loss-recovery must not exceed the portion of the carrying amount of the loss of the onerous group of underlying insurance contracts that the Company expects to recover from the group of reinsurance contracts (refer to Presentation and Disclosure below).

Measurement of reinsurance contract cash flows is consistent with the underlying insurance contracts, but with an adjustment for any risk of non-performance by the reinsurer. The risk adjustment for non-financial risk is the amount of risk being transferred by the Company to the reinsurer.

Subsequently, the carrying amount of a group of reinsurance contracts at each reporting date is the sum of the asset for remaining coverage and the asset for incurred claims. The asset for remaining coverage comprises: (a) the fulfilment cash flows that relate to services that will be received under the contracts in future periods and (b) any remaining CSM at that date.

Insurance and reinsurance contracts measured under the PAA measurement model

The Company applies the PAA to all insurance contracts it issues and reinsurance contracts that it holds if the coverage period of the contract is one year or less; or the coverage period is longer than one year and the measurement of the LRC for the contracts under the PAA does not differ materially from the measurement that would be produced applying the GMM approach under possible future scenarios.

For insurance contracts, generally, the LRC is measured as the premium received at initial recognition minus any insurance acquisition cash flows at that date. There is no allowance for time value of money as the premiums are received within one year of the coverage period. Subsequently, the Company measures the carrying amount of the LRC at the end of each reporting period as: (a) the LRC balance at beginning of the period; plus (b) premium received in the period; minus (c) directly attributable acquisition costs net of related amortization (unless expensed as incurred); minus (d) amount recognized as insurance revenue for the period; minus (e) investment component paid or transferred to the LIC. The amount recognized as insurance revenue for the period is typically based on the passage of time. For the Company's property and casualty reinsurance business, the expected pattern of release of risk during the coverage period differs significantly from the passage of time and as such the amount recognized as insurance revenue is on the basis of the expected timing of incurred service expenses.

Under the PAA measurement method, entities are permitted to either defer directly attributable acquisition costs to future periods for a group of contracts that are one year or less, or recognize the costs in profit or loss as incurred. This election can be made at the level of each group of insurance contracts. For most of the PAA products such as Canadian Group Benefit, some Canadian Affinity products, and some Asia short-term individual and group products, the Company has elected to defer directly attributable acquisition costs to future periods. Where directly attributable acquisition costs are deferred, insurance acquisition cash flows are allocated to the group of insurance contracts, in which the Company expects to recover the acquisition costs. Insurance acquisition costs arising before the recognition of the related group of contracts are recognized as an asset or contra insurance contract liability as part of the same portfolio that the related group of contracts is expected to be included. When facts and circumstances indicate the asset maybe impaired, the Company conducts impairment tests. If the asset is impaired, an impairment loss will be recognized in profit or loss.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, the Company will recognize a loss in profit or loss and an increase in the LRC to the extent that the current estimate of the fulfilment cash flows that relate to remaining coverage (including the risk adjustment for non-financial risk) exceed the carrying amount of the LRC.

The Company estimates the LIC as the fulfilment cash flows related to incurred claims. The Company does not adjust the future cash flows for the time value of money, except when claims are expected to settle more than one year after the actual claim occurs.

For reinsurance contracts held applying the PAA, the Company measures them on the same basis as insurance contracts that it issues, adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued. If a loss-recovery is created for a group of reinsurance contracts measured under the PAA, the Company adjusts the carrying amount of the asset for remaining coverage instead of adjusting the CSM.

Derecognition of insurance contracts

The Company derecognizes insurance contracts when the rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled, or expired) or the contract is modified such that the modification results in a change in the measurement model, or the applicable standard for measuring a component of the contract. In such cases, the Company derecognizes the initial contract and recognizes the modified contract as a new contract.

Presentation and Disclosure

The Company presents the carrying amount of portfolios of insurance contracts that are in a net asset or liability position, and portfolios of reinsurance contracts that are in a net asset or liability position separately in the consolidated statements of financial position.

The Company separately presents the insurance service results, which comprises of insurance revenue and insurance service expenses, from investment results, which comprises of insurance finance income or expenses in the consolidated statements of income. The standard allows the option on whether to disaggregate the changes in risk adjustment between insurance service results and insurance finance income. The Company elected to disaggregate the change in risk adjustment for non-financial risk between the insurance service expenses and insurance finance income or expenses.

The insurance revenue depicts the performance of insurance services and excludes investment components. For the GMM and the VFA contracts, the insurance revenue represents the change in the LRC relating to services for which the Company expects to receive consideration, comprising of: (a) expected claims and other insurance expenses; (b) changes in risk adjustment for non-financial risk; (c) release of CSM based on coverage units; and (d) portion of premiums that relate to recovering of insurance acquisition cash flows. For contracts measured under the PAA, the insurance revenue for each period is the amount of expected premium receipts for providing services in the period.

The insurance service expenses arising from insurance contracts are recognized in profit or loss generally as they are incurred and excludes repayment of investment components. The insurance service expenses comprise of: (a) incurred claims and other insurance service expenses; (b) losses on onerous contracts and reversal of such losses; (c) adjustments to LIC; (d) amortization of insurance acquisition cash flows; and (e) impairment losses on assets for insurance acquisition cash flows, if any, and reversals of such impairment losses.

The amortization of insurance acquisition cash flows is equal to the recovery of insurance acquisition cash flows in insurance revenue for contracts measured under the GMM. For contracts measured under the PAA with deferred acquisition cash flows, the Company amortizes insurance acquisition cash flows over the duration of the group of insurance contracts based on the respective coverage units.

Net expenses from reinsurance contracts comprise of allocation of reinsurance premiums paid and the amounts expected to be recovered from reinsurers. Reinsurance cash flows that are contingent on claims on the underlying contracts are treated as part of the claims expected to be recovered from reinsurers, whereas reinsurance cash flows that are not contingent on claims on the underlying contracts (for example, some types of ceding commissions) are treated as a reduction in reinsurance premiums paid. For reinsurance contracts measured under the GMM, the allocation of reinsurance premiums paid represents the total of the changes in the asset for remaining coverage that relate to services for which the Company expects to pay consideration. For reinsurance contracts measured under the PAA, the allocation of reinsurance premiums paid is the amount of expected premium payments for receiving services in the period.

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from: (a) the effect of the time value of money and changes in the time value of money; and (b) the effect of financial risk and changes in financial risk.

The Company disaggregates insurance finance income or expenses on insurance contracts issued for most of its group of insurance contracts measured under the GMM between profit or loss and OCI. The impact of changes in market interest rates on the value of the life insurance and related reinsurance assets and liabilities are reflected in OCI in order to minimize accounting mismatches between the accounting for insurance assets and liabilities and supporting financial assets. The impacts from differences between current period rates and locked-in rates are presented in OCI.

The Company's invested assets which are debt instruments (including bonds, private placements, mortgages, and loans) backing the groups of insurance contracts measured under the GMM are predominantly measured at FVOCI. As a result, the effect of the time value of money for the groups of insurance contracts and supporting fixed maturity assets are reflected in profit or loss and the effect of financial risk and changes in financial risk is reflected in OCI.

The systematic allocation of expected total insurance finance income or expenses depends on whether changes in assumptions that relate to financial risk have a substantial effect on the amount paid to the policyholder.

- For groups of insurance contracts for which changes in assumptions that relate to financial risk do not have a substantial effect on the amounts paid to the policyholder, the Company systematically allocates expected total insurance finance income or expenses over the duration of the group of contracts to profit or loss using discount rates determined on initial recognition of the group of contracts.
- For groups of insurance contracts for which changes in assumptions that relate to financial risk have a substantial effect on the amounts paid to the policyholders, the Company systematically allocates expected total insurance finance income or expenses over the duration of the group of contracts to profit or loss using an allocation that is based on the amounts credited in the period and expected to be credited in future periods for fulfilment cash flows, and using the discount rates determined on initial recognition of the group of contracts for contractual service margin.

In the event of transfer of a group of insurance contracts or derecognition of an insurance contract, the Company reclassifies any amounts that were previously recognized in OCI to profit or loss as insurance income finance or expense. There are no changes in the basis of disaggregation of insurance finance expenses between profit or loss and OCI in the period.

The Company groups contracts that are onerous at initial recognition separately from contracts in the same portfolio that are not onerous at initial recognition. Groups that were not onerous at initial recognition can also subsequently become onerous if assumptions and experience changes. The Company has established a loss component of the LRC for any onerous group representing the future losses recognized.

A loss component represents a notional record of the losses attributable to each group of onerous insurance contracts (or contracts profitable at inception that have become onerous). The loss component is released based on a systematic allocation of the subsequent changes relating to future service in the fulfilment cash flows to: (i) the loss component; and (ii) the LRC excluding the loss component. The loss component is also updated for subsequent changes relating to future service in estimates of the fulfilment cash flows and the risk adjustment for non-financial risk. The systematic allocation of subsequent changes to the loss component results in the total amounts allocated to the loss component being equal to zero by the end of the coverage period of a group of contracts (since the loss component will have been occurred in the form of incurred claims). The Company uses the proportion on initial recognition to determine the systematic allocation of subsequent changes in future cash flows between the loss component and the liability for remaining coverage excluding the loss component.

For reinsurance contracts, when the Company recognizes a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held representing the recovery of losses.

Where a loss component has been set up subsequent to initial recognition of a group of underlying insurance contracts, the portion of income that has been recognized from related reinsurance contracts held is disclosed as a loss-recovery component.

Where a loss-recovery component has been set up at initial recognition or subsequently, the Company adjusts the loss-recovery component to reflect changes in the loss component of an onerous group of underlying insurance contracts.

The carrying amount of the loss-recovery component must not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the Company expects to recover from the group of reinsurance contracts. On this basis, the loss-recovery component recognized at initial recognition is reduced to zero in line with reductions in the onerous group of underlying insurance contracts and is nil when the loss component of the onerous group of underlying insurance contracts is nil.

Note 26 Comparatives

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

Exhibit 99.2



Manulife Financial Corporation

Management's Discussion & Analysis

For the year ended December 31, 2022

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Caution regarding forward-looking statements

From time to time, Manulife Financial Corporation ("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 possible share buybacks under our normal course issuer bid, expected expense savings in 2023 related to actions taken in 2021, the Company's strategic priorities and 2025 targets for its highest potential businesses, net promoter score, straight-through-processing, ongoing expense efficiency, portfolio optimization, employee engagement, its medium-term financial and operating targets, its ability to achieve our financed emissions and absolute scope 1 and 2 emissions targets, its ability to manage its long-term care and variable annuity blocks of business to maturity and its ability to secure future premium rate increases in respect of its long-term care policies 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, inflation rates, currency rates, investment losses and defaults, market liquidity and creditworthiness of guarantors, reinsurers and counterparties); the ongoing prevalence of COVID-19, including any variants, as well as actions that have been, or may be taken by governmental authorities in response to COVID-19, including the impacts of any variants; 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 obtain premium rate increases on in-force policies; 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; geopolitical uncertainty, including international conflicts; 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 including climate change; 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" and "Critical Actuarial and Accounting Policies" and in the "Risk Management" note to the Consolidated Financial Statements as well as 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.

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Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") is current as of February 15, 2023.

1. Manulife Financial Corporation

Manulife Financial Corporation is a leading international financial services group that helps people make their decisions easier and lives better. With our global headquarters in Toronto, Canada, we operate as Manulife across our offices in Asia, Canada, and Europe, and primarily as John Hancock in the United States. We provide financial advice, insurance, and wealth and asset management solutions for individuals, groups and institutions. At the end of 2022, we had more than 40,000 employees, over 116,000 agents, and thousands of distribution partners, serving over 34 million customers. At the end of 2022, we had $1.3 trillion (US$1.0 trillion) in assets under management and administration[1], including total invested assets of $0.4 trillion (US$0.3 trillion), and segregated funds net assets of $0.3 trillion (US$0.3 trillion). We trade as 'MFC' on the Toronto, New York, and the Philippine stock exchanges, and under '945' in Hong Kong.

Our reporting segments are:

- Asia – providing insurance products and insurance-based wealth accumulation products in Asia.
- Canada – providing insurance products, insurance-based wealth accumulation products, and banking services in Canada and has an in-force variable annuity business.
- U.S. – providing life insurance products and insurance-based wealth accumulation products and has an in-force long-term care insurance business and an in-force annuity business.
- Global Wealth and Asset Management ("Global WAM") – providing investment advice and innovative solutions to our retail, retirement and institutional clients around the world under the Manulife Investment Management ("MIM") brand.
- Corporate and Other – comprised 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 operating segments); our Property and Casualty ("P&C") Reinsurance business; and run-off reinsurance business lines.

In this document, the terms "Company", "Manulife", "we" and "our" mean Manulife Financial Corporation ("MFC") and its subsidiaries. The term "MLI" means The Manufacturers Life Insurance Company and its subsidiaries.

Profitability

Profitability

As at and for the years ended December 31, ($ millions, unless otherwise stated)	**2022**	2021
Net income attributed to shareholders	**$ 7,294**	$ 7,105
Core earnings[(1)]	**$ 6,182**	$ 6,536
Diluted earnings per common share ($)	**$ 3.68**	$ 3.54
Diluted core earnings per common share ($)[(2)]	**$ 3.10**	$ 3.25
Return on common shareholders' equity ("ROE")	**14.1%**	14.2%
Core ROE[(2)]	**11.9%**	13.0%
Expense efficiency ratio[(2)]	**50.9%**	48.9%
General expenses	**$ 7,782**	$ 7,828

(1) This item is a non-GAAP financial measure. See "Non-GAAP and Other Financial Measures" below for more information.
(2) This item is a non-GAAP ratio. See "Non-GAAP and Other Financial Measures" below for more information.

Our net income attributed to shareholders was $7.3billion in 2022 compared with $7.1 billion in 2021. Net income attributed to shareholders is comprised of core earnings (consisting of items we believe reflect the underlying earnings capacity of the business), which amounted to $6.2 billion in 2022 compared with $6.5 billion in 2021, and items excluded from core earnings of $1.1 billion of net gains in 2022 compared with $0.6 billion of net gains in 2021.

1 This item is a non-GAAP financial measure. See "Non-GAAP and Other Financial Measures" below for more information.

The $0.2 billion increase in net income attributed to shareholders in 2022 compared with 2021 was driven by gains related to the two U.S. variable annuity reinsurance transactions and the favourable impact of an increase in the Canadian corporate tax rate, partially offset by lower gains from investment-related experience and lower core earnings. Investment-related experience gains in 2022 reflected the favourable impact of fixed income reinvestment activities, strong credit experience and higher-than-expected returns (including fair value changes) on alternative long duration assets ("ALDA") primarily driven by private equity, infrastructure, and timberland, partially offset by real estate. The net charge from the direct impact of markets in 2022 was primarily driven by the impact of unfavourable equity market performance and losses from the sale of available-for-sale ("AFS") bonds, partially offset by gains due to flattening of the yield curve in the U.S. and Canada.

The $0.4 billion or 7%[1] decrease in core earnings on a constant exchange rate basis compared with 2021 was driven by lower new business gains in Asia and the U.S., losses from the unfavourable impact of markets on seed money investments in new and segregated mutual funds of $159 million in 2022 (compared with gains of $27 million in 2021) and lower net gains on the sale of AFS equities in Corporate and Other, lower net fee income from lower average assets under management and administration[2] ("average AUMA") in Global WAM, lower in-force earnings in U.S. Annuities of $191 million due to the variable annuity reinsurance transactions and higher charges in our P&C Reinsurance business in 2022. These items were partially offset by higher yields on fixed income investments and lower expenses in Corporate and Other, in-force business growth in Asia and Canada and experience gains in Canada compared with losses in 2021. Lower expenses in Corporate and Other were primarily driven by lower supplemental pension expense due to market impacts. In 2022, core earnings included a net charge of $143 million ($152 million pre-tax) related to policyholder insurance and annuity experience compared with a net charge of $110 million ($127 million pre-tax) in 2021.[3] Actions to improve the capital efficiency of our legacy business resulted in $191 million lower core earnings in 2022 compared with 2021. Excluding these actions, in-force business increased 6%[4] compared with 2021.

Core earnings by segment is presented in the following table. See Asia, Canada, U.S., and Global WAM sections below.

For the years ended December 31, ($ millions)	**2022**	2021	% change[(1)] 2022 vs 2021
Core earnings by segment			
Asia	**$ 2,132**	$ 2,176	(2)%
Canada	**1,359**	1,179	15%
U.S.	**1,700**	1,936	(15)%
Global Wealth and Asset Management	**1,241**	1,406	(14)%
Corporate and Other (excluding core investment gains)	**(650)**	(561)	(16)%
Core investment gains[(2)]	**400**	400	–
Total core earnings	**$ 6,182**	$ 6,536	(7)%

(1) Percentage change in core earnings on a constant exchange rate basis is a non-GAAP ratio. See "Non-GAAP and Other Financial Measures" below for more information.
(2) See note (2) in the table below. This item is disclosed under the Office of the Superintendent of Financial Institution's ("OSFI's") Source of Earnings Disclosure (Life Insurance Companies) guideline.

1 Percentage growth / declines in core earnings, core general expenses, pre-tax core earnings, assets under management and administration, assets under management, core EBITDA, general expenses, Manulife Bank average net lending assets and Global Wealth and Asset Management revenue are stated on a constant exchange rate basis, a non-GAAP ratio. See "Non-GAAP and Other Financial Measures" below for more information.
2 For more information on this metric, see "Non-GAAP and Other Financial Measures" below.
3 Policyholder experience includes gains of $20 million post-tax in 2022 (2021 – gains of $29 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.
4 Excludes $243 million (pre-tax) in 2022 of lost expected profit on in-force relating to the U.S. variable annuity reinsurance transaction. Percentage growth is based on the pre-tax impact of these actions, and is stated on a constant exchange rate basis.

The table below presents 2022 and 2021 net income attributed to shareholders consisting of core earnings and items excluded from core earnings.

For the years ended December 31, ($ millions)	2022	2021
Core earnings	**$ 6,182**	$ 6,536
Items excluded from core earnings:[1]		
Investment-related experience outside of core earnings[2]	**817**	1,642
Direct impact of equity markets and interest rates and variable annuity guarantee liabilities	**(840)**	(817)
Direct impact of equity markets and variable annuity guarantee liabilities[3]	***(995)***	*289*
Fixed income reinvestment rates assumed in the valuation of policy liabilities[4]	***576***	*(346)*
Sale of AFS bonds and derivative positions in the Corporate and Other segment[4]	***(421)***	*(228)*
Changes to the ultimate reinvestment rate[5]	**–**	*(532)*
Change in actuarial methods and assumptions[6]	**36**	(41)
Restructuring charge[7]	**–**	(115)
Reinsurance transactions, tax-related items and other[8]	**1,099**	(100)
Total items excluded from core earnings	**1,112**	569
Net income attributed to shareholders	**$ 7,294**	$ 7,105

(1) These items are disclosed under OSFI's Source of Earnings Disclosure (Life Insurance Companies) guideline.

(2) In accordance with our definition of core earnings, we include up to $400 million of net favourable investment-related experience reported in a single year, as core investment gains (see "Non-GAAP and Other Financial Measures" below). Items excluded from core earnings include net investment-related experience in excess of $400 million per annum or net unfavourable investment-related experience on a year-to-date basis. In 2022, the investment-related experience net gain of $817 million reflected the favourable impact of fixed income reinvestment activities, strong credit experience, and higher-than-expected returns (including fair value changes) on ALDA primarily driven by private equity, infrastructure, and timberland, partially offset by real estate. In 2021, the investment-related experience net gain of $1,642 million reflected higher-than-expected returns (including fair value changes) on ALDA primarily driven by gains on private equity and infrastructure, strong credit experience and the favourable impact of fixed income reinvestment activities.

(3) In 2022, the net charge related to equity markets of $995 million included a charge of $893 million from gross equity exposure and a charge of $111 million from dynamic hedge experience, partially offset by a modest gain of $9 million from macro hedging experience. In 2021, the net gain of $289 million included a gain of $382 million from gross equity exposure, partially offset by a charge of $90 million from dynamic hedge experience and a modest charge of $3 million from macro hedging experience.

(4) In 2022, the gain due to fixed income reinvestment rates of $576 million was primarily due to the flattening of the yield curve in the U.S. and Canada, partially offset by losses on the sale of available-for-sale bonds. In 2021, the charge due to fixed income reinvestment rates of $346 million was primarily due to the increase in risk-free interest rates and the overall steepening of the yield curve in the U.S. and Canada.

(5) In 2021, the Canadian Actuarial Standards Board issued a new promulgation with reductions to the ultimate reinvestment rate ("URR") and updates to the calibration criteria for stochastic risk-free rates. The updated standard included a reduction of 15 basis points in the URR and a corresponding change to stochastic risk-free rate modeling and was effective October 15, 2021. The long-term URR for risk-free rates in Canada is prescribed at 2.9% and we use the same assumption for the U.S. Our assumption for Japan is 1.5%.

(6) See "Critical Actuarial and Accounting Policies – Review of Actuarial Methods and Assumptions" section below for further information on the 2022 and 2021 charges.

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

(8) In 2022, the $1,099 million of gain included a net gain of $846 million from the U.S. variable annuity reinsurance transactions and a net gain of $86 million related to acquiring full ownership interest of Manulife TEDA Fund Management Co., LTD ("MTEDA") by purchasing the remaining 51% of shares from our joint venture partner, partially offset by a charge of $71 million related to withholding tax on anticipated remittances resulting from the U.S. variable annuity reinsurance transaction, a charge of $17 million resulting from a reinsurance transaction in Asia, a $13 million increase to an existing legal provision in the U.S. and an integration charge of $8 million in our Vietnam operation. In addition, we reported tax benefits of $297 million in 2022 as a result of an increase in the Canadian corporate tax rate. In 2021, the $100 million net charge included a $119 million charge relating to updating the impact of the 2017 U.S. Tax Cuts and Jobs Act and a $37 million charge resulting from a reinsurance transaction in the U.S., partially offset by a $37 million gain related to affiliate reinsurance transactions in Asia and a $19 million gain related to the divestment of our Thailand operation.

Net income attributed to shareholders by segment is presented in the following table. See Asia, Canada, U.S., and Global WAM sections below.

For the years ended December 31, ($ millions)	2022	2021	% change[1] 2022 vs 2021
Net income attributed to shareholders by segment			
Asia	**$ 2,224**	$ 3,057	(27)%
Canada	**1,530**	1,354	13%
U.S.	**3,950**	2,080	90%
Global Wealth and Asset Management	**1,321**	1,406	(6)%
Corporate and Other	**(1,731)**	(792)	(119)%
Total net income attributed to shareholders	**$ 7,294**	$ 7,105	3%

(1) Percentage change is on an actual exchange rate basis.

Diluted earnings per common share was $3.68 in 2022, compared with $3.54 in 2021 primarily related to the increase in net income attributed to common shareholders. Diluted core earnings per common share was $3.10 in 2022, compared with $3.25 in 2021 primarily related to the decrease in core earnings. The diluted weighted average common shares outstanding was 1,913 million in 2022 and 1,946 million in 2021.

Return on common shareholders' equity ("ROE") for 2022 was 14.1%, compared with 14.2% for 2021 and core return on common shareholders' equity ("core ROE") was 11.9% in 2022 compared with 13.0% in 2021. The decrease in 2022 ROE and core ROE were primarily driven by a decrease in common shareholders' core earnings.

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

Expense efficiency ratio was 50.9% for 2022, compared with 48.9% in 2021. The 2.0 percentage point increase in the ratio compared with 2021 was driven by an 8% decrease in pre-tax core earnings[1]. Core general expenses[1] were in line with 2021 driven by higher workforce costs offset by the net favourable impact of our strategic focus on digitization and efficiency, lower distribution-related and discretionary expenses reflecting lower 2022 sales, and lower pension costs primarily due to market impacts.

Total general expenses in 2022 were in line with 2021 on both a constant and actual exchange rate basis due to the items noted above for core general expenses and a number of items recorded outside of core earnings. These include the non-recurrence of a restructuring charge and the establishment of a legal provision in 2021, partially offset by various 2022 items, including an integration charge in our Vietnam operation, expenses associated with the U.S. variable annuity reinsurance transactions, and a legal provision in the U.S.

Business Performance

Business performance

As at and for the years ended December 31, ($ millions, unless otherwise stated)	2022	2021
Asia APE sales	**$ 3,569**	$ 4,050
Canada APE sales	**1,261**	1,227
U.S. APE sales	**823**	788
Total APE sales[(1)]	**5,653**	6,065
Asia new business value	**1,349**	1,666
Canada new business value	**362**	307
U.S. new business value	**352**	270
Total new business value[(1)]	**2,063**	2,243
Global Wealth and Asset Management gross flows ($ billions)[(1)]	**136.6**	144.7
Global Wealth and Asset Management net flows ($ billions)[(1)]	**3.3**	27.9
Global Wealth and Asset Management assets under management and administration ($ billions)[(2),(3)]	**779.9**	855.9
Global Wealth and Asset Management total invested assets ($ billions)[(3)]	**3.7**	4.5
Global Wealth and Asset Management segregated funds net assets ($ billions)[(3)]	**224.2**	252.6
Total assets under management and administration ($ billions)	**1,314.6**	1,425.8
Total invested assets ($ billions)	**414.0**	427.1
Total net segregated funds net assets ($ billions)	**348.6**	399.8

(1) For more information on this metric, see "Non-GAAP and Other Financial Measures" below.
(2) This item is a non-GAAP financial measure. See "Non-GAAP and Other Financial Measures" below for more information.
(3) The Global WAM portion of AUMA as at December 31, 2022 was $779.9 billion, a decrease of 9% compared with December 31, 2021, driven by the impact of higher interest rates and equity market declines, partially offset by $8.8 billion in assets acquired and net inflows of $3.3 billion. The Global WAM segregated funds net assets were $224.2 billion as at December 31, 2022, a decline of 11% compared with December 31, 2021 on an actual exchange rate basis driven by the impact of higher interest rates and equity market declines.

Annualized premium equivalent ("APE") sales were $5.7 billion in 2022, a decrease of 7%[2] compared with 2021. In Asia, COVID-19 continued to impact sales in select markets throughout the year, with the situation beginning to improve in most markets, as containment measures were progressively relaxed. Travel restrictions between mainland China and, Hong Kong and Macau impacted cross-border commerce in 2022. Weaker customer sentiment negatively impacted sales in the second half of the year. Asia APE sales declined 12% compared with 2021, due to decreases experienced in Hong Kong, Japan, Vietnam and Other Emerging Markets[3], partially offset by increases in mainland China and Singapore. In Hong Kong, APE sales decreased 33% compared with 2021, primarily reflecting weaker customer sentiment on financial planning decisions and continued COVID-19 containment measures through most of the year. In Japan, APE sales decreased 15% compared with 2021, reflecting lower corporate-owned life insurance ("COLI") product sales, partially offset by higher individual protection and other wealth sales. Vietnam APE sales decreased 9% compared with 2021, reflecting a decline in the agency channel, partially offset by growth in the bank channel. Other Emerging Markets APE sales decreased 4% compared with 2021, reflecting a decline in the agency and bank channels. Mainland China APE sales increased 4% compared with 2021, driven by growth in the bank channel, partially offset by a decline in the agency channel. Singapore APE sales increased 1% compared with 2021, reflecting growth in the bank channel offset by a decline in the broker channel. In Canada, APE sales increased 3% compared with 2021, primarily driven by higher sales in group insurance, participating insurance and travel insurance, partially offset by the impact of market volatility on the demand for segregated fund products, and lower universal life and health and dental sales. In the U.S., APE sales increased 1% compared with 2021, due to an increase in international sales which are reported as part of U.S. segment results, partially offset by lower sales of domestic life insurance products. APE sales of products with the John Hancock Vitality PLUS feature were a record-setting US$332 million, an increase of 13% compared with 2021, reflecting the increasing attractiveness of the Vitality feature as an option for health-focused life insurance consumers.

New business value ("NBV") was $2.1 billion in 2022, a decrease of 9% compared with 2021. In Asia, NBV was $1.3 billion in 2022, a decrease of 20% compared with 2021, due to lower NBV in Hong Kong, Singapore and mainland China, partially offset by higher NBV in

1 This item is a non-GAAP financial measure. See "Non-GAAP and Other Financial Measures" below for more information.
2 Percentage growth / declines in APE sales, gross flows, and NBV are stated on a constant exchange rate basis.
3 Other Emerging Markets includes Indonesia, the Philippines, Malaysia, Thailand, Cambodia, and Myanmar.

Japan and Other Emerging Markets. NBV in Hong Kong decreased 27% compared with 2021, reflecting lower sales volumes, partially offset by favourable product mix and the impact of higher interest rates. NBV in Singapore and mainland China decreased 19% and 58%, respectively, compared with 2021, reflecting changes in product mix. NBV in Vietnam was in line compared with 2021, as the impact of favourable product mix was offset by lower sales volumes. NBV in Japan and Other Emerging Markets increased 28% and 5%, respectively, compared with 2021, reflecting favourable product mix, partially offset by lower sales volumes. In Canada, NBV of $362 million increased 18% compared with 2021, driven by higher margins across all businesses and higher group insurance volumes, partially offset by lower volumes in annuities. In the U.S., NBV of $352 million increased 25% compared with 2021, driven by higher interest rates, higher international sales volumes and product actions partially offset by lower brokerage sales volumes.

Global WAM gross flows of $136.6 billion decreased $8.1 billion or 7% compared with 2021, primarily driven by lower gross flows in Retail. See “Global Wealth and Asset Management” section below for further details.

Global WAM net inflows were $3.3 billion in 2022, compared with net inflows of $27.9 billion in 2021. Net outflows in Retirement were $0.1 billion compared with net inflows of $1.1 billion in the prior year, driven by higher plan redemptions in the U.S. Net outflows in Retail were $1.6 billion compared with net inflows of $29.2 billion in the prior year, reflecting higher redemptions and lower gross flows due to decreased investor demand amid higher interest rates and equity market declines in 2022. Net inflows in Institutional Asset Management were $5.0 billion compared with net outflows of $2.4 billion in the prior year, driven by the non-recurrence of a $9.4 billion redemption in 2021 and higher equity mandate gross flows mainly from a $1.9 billion sale in the second quarter of 2022 (“2Q22”).

Assets under Management and Administration (“AUMA”)

AUMA as at December 31, 2022 was $1.3 trillion, a decrease of 11% compared with December 31, 2021, primarily due to the impact of higher interest rates and lower equity markets. Total invested assets and segregated funds net assets decreased 3% and 13%, respectively, on an actual exchange rate basis, primarily due to the impact of higher interest rates and lower equity markets.

Assets under Management and Administration

As at December 31, ($ millions)	2022	2021
Total invested assets	**$ 414,001**	$ 427,098
Segregated funds net assets[1]	**348,562**	399,788
Mutual funds, institutional asset management and other[1],[2]	**381,779**	411,271
Total assets under management	**1,144,342**	1,238,157
Other assets under administration	**170,224**	187,631
Total assets under management and administration	**$ 1,314,566**	$ 1,425,788

(1) These assets are not available to satisfy the liabilities of the Company’s general fund.
(2) Other funds represent pension funds, pooled funds, endowment funds and other institutional funds managed by the Company on behalf of others.

Revenue

Revenue includes (i) premiums received on life and health insurance policies and fixed annuity products, net of premiums ceded to reinsurers; (ii) investment income comprised of income earned on general fund assets, credit experience and realized gains and losses on assets held in the Corporate and Other segment; (iii) fee and other income received for services provided; and (iv) realized and unrealized gains and losses on assets supporting insurance and investment contract liabilities and on our macro hedging program. Premium equivalents from administrative services only (“ASO”), as well as deposits received by the Company on investment contracts such as segregated funds, mutual funds and managed funds are not included in revenue; however, the Company does receive fee income from these products, which is included in revenue. Fees generated from deposits and ASO premium and deposit equivalents are an important part of our business and as a result, revenue does not fully represent sales and other activity taking place during the respective periods.

In 2022, revenue before realized and unrealized investment gains and losses was $62.2 billion compared with $65.8 billion in 2021. The decrease was driven primarily by the 2022 U.S. variable annuity reinsurance transactions, which impacted other revenue and ceded premiums, as well as from unfavourable markets.

In 2022, the net realized and unrealized investment gains and losses on assets supporting insurance and investment contract liabilities and on the macro hedging program was a charge of $45.1 billion compared with a charge of $4.0 billion for 2021. The 2022 charge was primarily due to the impact of interest rate increases and lower equity markets partially offset by fair value gains on ALDA. The 2021 charge was primarily due to the impact of interest rate increases partially offset by fair value gains on ALDA and higher equity markets.

See “Impact of Fair Value Accounting” below. Also, see “Profitability” above for additional information on the impact on 2022 net income attributed to shareholders from the direct impact of equity markets and interest rates and variable annuity guarantee liabilities.

Revenue

For the years ended December 31, ($ millions)	2022	2021
Gross premiums	**$ 44,102**	$ 44,344
Premiums ceded to reinsurers	**(6,249)**	(5,279)
Net premium income	**37,853**	39,065
Investment income	**15,207**	15,627
Other revenue	**9,164**	11,132
Revenue before realized and unrealized investment gains and losses	**62,224**	65,824
Realized and unrealized investment gains and losses on assets supporting insurance and investment contract liabilities and on the macro hedge program[(1)]	**(45,077)**	(4,003)
Total revenue	**$ 17,147**	$ 61,821

(1) See "Impact of Fair Value Accounting" section below. Also see "Profitability – Items excluded from core earnings" section above for information on direct impact of equity markets and interest rates and variable annuity guarantee liabilities.

Financial Strength

Financial strength metrics

As at and for the years ended December 31, ($ millions, unless otherwise stated)	2022	2021
MLI's LICAT ratio[(1)]	**131%**	142%
Financial leverage ratio	**27.7%**	25.8%
Consolidated capital[(2)]	**$ 62,493**	$ 66,005
Book value per common share ($)	**$ 26.49**	$ 26.78
Book value per common share excluding accumulated other comprehensive income ($)	**$ 26.50**	$ 24.12

(1) This item is disclosed under OSFI's Life Insurance Capital Adequacy Test Public Disclosure Requirements guideline.
(2) This item is a capital management measure. For more information on this metric, see "Non-GAAP and Other Financial Measures" below.

The Life Insurance Capital Adequacy Test ("LICAT") ratio for MLI was 131% as at December 31, 2022, compared with 142% as at December 31, 2021. The 11 percentage point decrease from December 31, 2021 was driven by the unfavourable impact of market movements on capital primarily from the large increase in risk-free interest rates, and from common share buybacks, partially offset by the favourable impacts from the U.S. variable annuity reinsurance transactions.

MFC's financial leverage ratio as at December 31, 2022 was 27.7%, an increase of 1.9 percentage points from 25.8% as at December 31, 2021. The increase in the ratio was driven by a reduction in the carrying value of AFS debt securities from higher interest rates, common share buybacks, and the net issuance of securities[1], partially offset by growth in retained earnings and the impact of a weaker Canadian dollar.

Consolidated capital was $62.5 billion as at December 31, 2022 compared with $66.0 billion as at December 31, 2021, a decrease of $3.5 billion. The decrease was driven by a decline in total equity and the redemption of capital instruments. The decline in total equity was due to a reduction in the carrying value of AFS debt securities from higher interest rates, and common share buybacks, partially offset by growth in retained earnings, the impact of a weaker Canadian dollar, and net capital issuances[2].

Remittances[3] were $6.9 billion in 2022 of which Asia and U.S. operations[4,5] have delivered $0.9 billion and $2.8 billion respectively. Remittances in 2022 increased by $2.5 billion compared with 2021 primarily due to contributions related to the U.S. variable annuity transactions and other corporate actions.

Cash and cash equivalents and marketable assets[6] was $241.0 billion as at December 31, 2022 compared with $268.4 billion as at December 31, 2021. The decrease of $27.4 billion was primarily driven by the lower market value of fixed income instruments due to higher interest rates and the lower market value of public equities due to a decline in equity markets. Refer to "Liquidity Risk Management Strategy" below for more information.

Book value per common share as at December 31, 2022 was $26.49, in line with $26.78 as at December 31, 2021, and the book value per common share excluding accumulated other comprehensive income ("AOCI") was $26.50 as at December 31, 2022, an increase of 10% compared with $24.12 as at December 31, 2021. Compared with December 31, 2021, book value per common share was impacted by

1 For financial leverage ratio, net issuance of securities consisted of the issuance of Limited Recourse Capital Notes (reported as other equity instruments) of $1.0 billion and senior debt of $1.0 billion, offset by the redemption of subordinated debt of $1.0 billion, and two series of preferred shares totaling $0.7 billion.
2 For consolidated capital, net capital issuance consisted of the issuance of Limited Recourse Capital Notes (reported as other equity instruments) of $1.0 billion, partially offset by the redemption of two series of preferred shares totaling $0.7 billion.
3 For more information on this metric, see "Non-GAAP and Other Financial Measures" below.
4 Remittances from Asia and U.S. operations include the remittances from their respective affiliate reinsurers. In addition, U.S. operation remittances include the International High Net Worth business written in the Bermuda branch of MLI.
5 Asia and U.S. operations include their respective insurance, and wealth and asset management segments.
6 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.

a reduction in the carrying value of AFS debt securities from higher interest rates offset by an increase in retained earnings, the favourable impact of a weaker Canadian dollar and common share buybacks. The number of common shares outstanding was 1,865 million as at December 31, 2022 and 1,943 million as at December 31, 2021.

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.

We reported $45.1 billion of net realized and unrealized investment losses in investment income in 2022 (2021 – losses of $4.0 billion).

As outlined under “Critical Actuarial and Accounting Policies” below, 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 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 the 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 “Non-GAAP and Other Financial Measures” below.

Public Equity Risk and Interest Rate Risk

At December 31, 2022, excluding impacts from asset-based fees earned on assets under management and policyholder account value, the impact of a 10% decline in equity markets was estimated to be a charge of $560 million and the impact of a 50 basis point decline in interest rates, across all durations and markets, on our earnings was estimated to be a charge of $100 million. See “Risk Management and Risk Factors” below.

Impact of Foreign Exchange Rates

We have worldwide operations, including in Canada, the United States and various markets in Asia, and generate revenues and incur expenses in local currencies in these jurisdictions, all of which are translated into Canadian dollars. The bulk of our exposure to foreign exchange rates is to movements in the U.S. dollar.

Items impacting our Consolidated Statements of Income are translated to Canadian dollars using average exchange rates for the respective quarterly period. For items impacting our Consolidated Statements of Financial Position, period end rates are used for currency translation purposes. The following table provides the most relevant foreign exchange rates for 2022 and 2021.

	Quarterly					Full Year	
Exchange rate	**4Q22**	3Q22	2Q22	1Q22	4Q21	**2022**	2021
Average[1]							
U.S. dollar	**1.3575**	1.3057	1.2765	1.2663	1.2601	**1.3015**	1.2536
Japanese yen	**0.0096**	0.0094	0.0098	0.0109	0.0111	**0.0099**	0.0114
Hong Kong dollar	**0.1736**	0.1664	0.1627	0.1622	0.1618	**0.1662**	0.1613
Period end							
U.S. dollar	**1.3549**	1.3740	1.2900	1.2496	1.2678	**1.3549**	1.2678
Japanese yen	**0.0103**	0.0095	0.0095	0.0103	0.0110	**0.0103**	0.0110
Hong Kong dollar	**0.1736**	0.1750	0.1644	0.1595	0.1626	**0.1736**	0.1626

(1) Average rates for the quarter are from Bank of Canada which are applied against Consolidated Statements of Income items for each period. Average rate for the full year is a 4-point average of the quarterly average rates.

Net income attributed to shareholders and core earnings from the Company’s foreign operations are translated to Canadian dollars, and in general, our net income attributed to shareholders and core earnings benefit from a weakening Canadian dollar and are adversely affected by a strengthening Canadian dollar. However, in a period of net losses in foreign operations, the weakening of the Canadian dollar has the effect of increasing the losses. The relative impact of foreign exchange in any given period is driven by the movement of currency rates as well as the proportion of earnings generated in our foreign operations.

Changes in foreign currency exchange rates from 2021 to 2022, primarily due to the weakening of the Canadian dollar compared with the U.S. dollar, increased core earnings by approximately $57 million in 2022. The impact of foreign currency exchange rates on items excluded from core earnings does not provide relevant information given the nature of these items.

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Strategic priorities progress update

Strategy

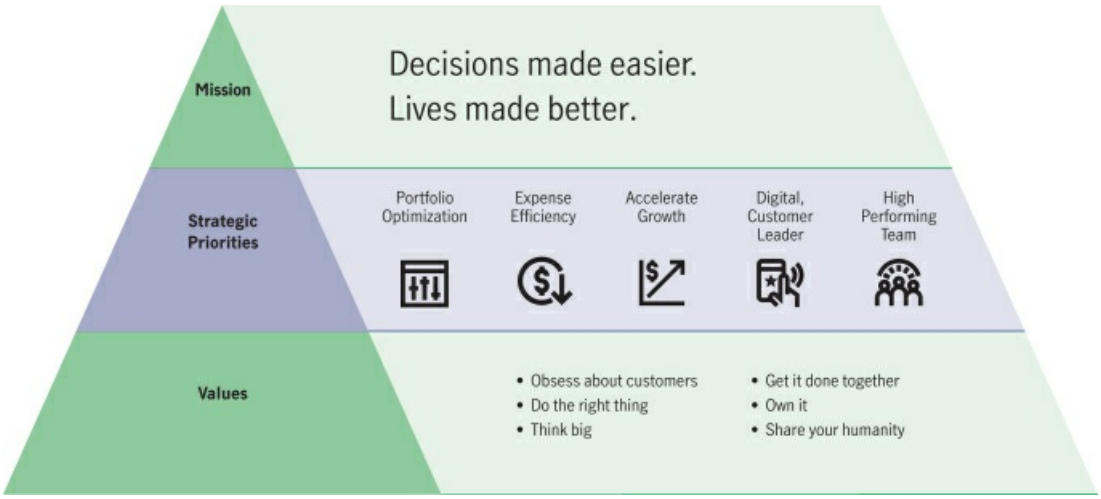
Our ambition is to be the most digital, customer-centric global company in our industry. The goals for our stakeholders are:

Customers
Improve Net Promoter Score ("NPS") by +36 points and delight customers[1]

Employees
Engage our employees — maintain top quartile engagement[2]

Shareholders
Deliver top quartile returns[3]

Our mission, strategic priorities and values are summarized below:



Our values enable the achievement of our mission and strategic priorities, reflect our culture, inform our behaviours, and help define how we work together:

- Obsess about customers – Predict their needs and do everything in our power to satisfy them.
- Do the right thing – Act with integrity and do what we say.
- Think big – Anything is possible. We can always find a better way.
- Get it done together – We're surrounded by an amazing team. Do it better by working together.
- Own it – Feel empowered to make decisions and take action to deliver our mission.
- Share your humanity – Build a supportive, diverse and thriving workplace.

Strategic Priorities

Our strategy is underpinned by five strategic priorities, and we have made substantial progress on the ambitious targets that we set for ourselves. Our 2022 targets were announced at our 2018 Investor Day and 2025 targets were announced at our 2021 Investor Day.

Accelerate Growth

We remain committed to generating 75% of core earnings from our highest potential businesses[4] by 2025, and 50% of core earnings from our Asia region (Asia segment and Asia wealth and asset management ("Asia WAM")) by 2025.

Focus areas:
- Execute on organic and inorganic growth opportunities in Asia and Global WAM
- Leverage global footprint and business diversity to allocate capital and resources to higher growth opportunities
- Expand North American behavioural insurance offerings to provide innovative solutions and support positive health for customers
- Drive new business growth and persistency in group insurance in Canada

1 As compared to a baseline of +1 in 2017, by 2025. 2022 results are discussed in the "Strategic Priorities" section below.
2 Top quartile employee engagement compared to global financial services companies and insurance peers. 2022 results are discussed in the "Strategic Priorities" section below.
3 MFC's Total Shareholder Return was 27 th percentile compared with our performance peer group for the five-year period ended December 31, 2022. Please refer to Manulife's most recent Management Information Circular for more information on our performance peer group.
4 Highest potential businesses include Asia, Global WAM, Canada group benefits, and behavioural insurance products.

	2022	2021	Baseline 2017	Targets[1] 2022	Targets[1] 2025
Core earnings from highest potential businesses	**63%**	63%	54%	67%	75%
Core earnings from Asia region	**39%**	39%	n/a	n/a	50%

In 2022, 63% of core earnings were generated from our highest potential businesses, a notable improvement of 9 percentage points from the 2017 baseline of 54%. This increase was supported by a strong execution track record against our strategic priorities, coupled with robust inorganic growth opportunities in Asia and Global WAM markets. Our position as the third largest Pan-Asian life insurer, a scalable Global WAM platform that enables an integrated operating model and distribution capabilities, and greater demand for our North American behavioural insurance products reinforced this growth. Looking forward, we will continue to drive momentum through our growing agency force, successful bancassurance partnerships, transformational digital offerings, and strategic expansion into high-potential markets in Asia.

Temporary headwinds faced in Asia due toCOVID-19 containment measures and in Global WAM due to challenging market conditions, dampened the contribution of core earnings generated from our highest potential business in 2022, which was 4 percentage points short of our 2022 target.

Our percentage of core earnings from highest potential businesses was 63% in 2022 and in 2021, as the decline in core earnings from highest potential businesses was in line with the decline in total core earnings. Asia core earnings in 2022 decreased 2% compared with 2021, after adjusting for the impact of changes in foreign currency exchange rates, primarily due to the impact of lower new business volumes, partially offset by favourable product mix and in-force business growth. Global WAM core earnings decreased $165 million or 14% on a constant exchange rate basis reflecting a decline in net fee income from lower average AUMA due to higher interest rates and equity market declines in 2022, and lower fee spread. Canada group insurance core earnings in 2022 benefited from in-force business growth.

Confidence in the strength of our diverse, global franchise, balance sheet and financial flexibility position us well to capitalize on attractive opportunities for our highest potential businesses.

2022 Highlights

- Commenced offering insurance solutions to VietinBank's customers in early 2022, as part of our16-year exclusive bancassurance partnership in Vietnam, demonstrating strong momentum in its first year;
- Further bolstered our presence in high-growth attractive markets by acquiring control of MTEDA through the purchase of the remaining 51% of shares from our joint venture partner, making us the first global wealth and asset manager to acquire a 100% stake in a fully operating public fund management company in mainland China;
- Continued to expand our Private Markets capabilities with the acquisition of a significant minority equity position in ARCH Capital, an Asia-focused real estate private equity investment manager;
- Accelerated the utilization of ManuAcademy, our regional digital learning platform, which was initially launched in Vietnam during 2Q22 and continued to expand to the Philippines in 4Q22. The platform is accessible now to all agents in these two markets, making learning easier while accelerating the further expansion and digitization of Manulife's agency force. Our new training series, Manulife MasterClass, captures best practices from our Million Dollar Round Table agents and shares them across all agents through the platform;
- Expanded our Global WAM Retail product lineup with the launch of the Manulife Real Asset Investment strategy that will give Canadian retail high-net-worth investors access to a combination of private and public real asset investments. Additionally, we launched our first actively managed equity ETF, the U.S. High Dividend ETF, managed by MIM;
- Continued the expansion of the Manulife *Vitality* program, demonstrating our commitment to helping our customers lead healthier lives. All eligible new retail term and universal life insurance policies will include Vitality Go at no cost, while additional features are available with Vitality Plus for a low monthly fee;
- Achieved highest ever full year domestic life insurance sales with the John Hancock Vitality PLUS feature, reflecting the increasing attractiveness of the Vitality feature as an option for health-focused life insurance consumers; and
- Continued to innovate our wellness offerings and entered into a partnership with GRAIL, a healthcare company, offering access to Galleri®, their leading edge, multi-cancer early detection test to a pilot group of customers through John Hancock Vitality. As the first life insurance carrier to make GRAIL's Galleri® test available, we are enabling eligible customers to take proactive steps to better understand and make more informed choices about their health.

Digital, Customer Leader

We remain committed to a target NPS of +37[2] and aim to achieve 88% straight-through-processing ("STP")[3] by 2025.

Focus areas:

- Harness customer feedback to enhance the experience delivered
- Build differentiated, market-leading priority customer experiences
- Extend customer relationships through value-added advice, new services in health and wellness, and open innovation
- Drive NPS through a globally consistent NPS system

1 See "Caution regarding forward-looking statements" above.
2 Represents an improvement of +36 points in our NPS score from the 2017 baseline.
3 Straight-through processing represents customer interactions that are completely digital, and includes money movement.

	2022	2021	Baseline 2018	Baseline 2017	Targets[1] 2022	Targets[1] 2025
Net promoter score	**+20**	+21	n/a	+1	+31	+37
Straight-through-processing	**83%**	82%	68%	n/a	n/a	88%

In 2022, our NPS score was +20, and we led or were on par with leading peers[2] in 11 of the 16 business lines where we benchmark. The score marked a significant 19 point improvement from our 2017 baseline, driven by various efforts. We have developed forward-looking roadmaps to align and propel our digital customer leadership ambition, refreshed our innovation strategy to embed new ways of working across our businesses, and are advancing our internal capabilities to gather and analyze customer data and sentiment. We have also globally deployed human-centered design practices to systematically research, design, iterate, and deliver best-in-class experiences that are validated with customers at each step.

Our NPS score in 2022 was 1 point below our NPS score in 2021, and short of our ambitious 2022 target of +31, in part because service levels in the first half of 2022 were impacted by workforce capacity constraints, which affected the rolling four quarter average NPS for 2022. We addressed these issues and improved service levels in the second half of the year, although still below our 2022 target; initiatives are underway to maintain momentum for future improvement.

We are making consistent progress on our global STP objectives, with a 15 percentage point improvement from the 2018 baseline across segments in a variety of areas such as system enhancements, app releases and increased digital capabilities.

Customer centricity is at the heart of our ambition and we remain committed to achieving our 2025 NPS and STP targets of +37 and 88%, respectively.

2022 Highlights

- In Asia:
  - Delivered multi-channel options for customers through the launch of Manulife Shop in the Philippines in 4Q22, enabling customers to find and purchase insurance online at their own convenience. We also became the first life insurer in Vietnam to offer health solutions to MoMo's 31 million user base via MoMo e-wallet in 2Q22; and
  - Successfully increased the adoption of ePOS, our proprietary digital onboarding app, by 15 percentage points[3] to 89%, enabling faster, error-free new business application submissions.
- In Global WAM:
  - Enhanced our digital experience in Canada Retirement with the launch of new features that enable members to make additional contributions to their Registered Retirement Savings Plans and to book one-on-one meetings with Manulife PlanRight financial advisors directly in the mobile app. This generated successful engagement, resulting in over 1,780 advisor meeting requests and a 14% increase in member adoption of the mobile app since the launch; and
  - Launched a new, end-to-end digital and mobile-friendly enrollment experience in Canada Retirement for our members. The improved enrollment experience offers a more intuitive and guided experience for our members, helping them feel more confident about their long-term investment choices. 82% of our eligible sponsors adopted the new experience for their employees in 2022.
- In Canada:
  - Launched an upgraded Manulife *Vitality* mobile app experience for our individual insurance business, giving the app a new look and feel with easier navigation to further drive customer engagement; and
  - For our Group Benefits customers, our Manulife Mobile app added a new user interface and navigation refresh, full integration with Manulife ID, and new drug coverage look up functionality.
- In the U.S.:
  - Reduced the average time to complete background checks for new producers within our digital brokerage and traditional brokerage channels by over 90% via automation; and
  - Reduced call volumes for enquiries related to John Hancock Vitality customer login and registration by 39% compared with 2021 by optimizing self-service functionality.

Expense Efficiency

We remain focused on driving efficient growth and are committed to consistently achieving an expense efficiency ratio of less than 50% while ensuring scalable growth, outstanding customer experience, and digital ways of working.

Focus areas:

- Leverage global scale and operating environment
- Streamline business processes and eliminate activities not valued by end customers
- Continue to sustain a culture of expense efficiency and driving efficient growth

1 See "Caution regarding forward-looking statements" above.
2 Based on studies conducted in 2022 by IPSOS, a global market research company.
3 Case adoption, compared with 2021.

	2022	2021	Baseline 2017	Target[1] 2022 and onwards
Expense efficiency ratio	**50.9%**	48.9%	55.4%	<50%

We previously delivered on our 2022 target of $1 billion in expense efficiencies in 2020, two years ahead of schedule, and delivered an expense efficiency ratio of 48.9% in 2021. Progress on our expense efficiency ratio compared with the 2017 baseline, reflects a cultural shift throughout the organization that rightsized our expense base by eliminating significant costs and allowing us to be more nimble.

The expense efficiency ratio was 50.9% for 2022, compared with 48.9% in 2021. The 2.0 percentage point increase in the ratio compared with 2021 was driven by an 8% decrease in pre-tax core earnings. Core general expenses were in line with 2021 driven by higher workforce costs offset by the net favourable impact of our strategic focus on digitization and efficiency, lower distribution-related and discretionary expenses reflecting lower 2022 sales, and lower pension costs primarily due to market impacts.

Expense efficiency continues to be an important lever in our current operating environment, and we remain committed to consistently achieving a ratio of less than 50%.

2022 Highlights

- Continued to improve expense efficiency by lowering unit costs and improving scalability of our operations through:
  - Digitizing to improve automation and straight-through processing;
  - Simplifying and standardizing processes;
  - Optimizing organizational structure;
  - Actively managing third-party spend and procurement; and
  - Rationalizing real estate expenditures.
- Achieved annual savings of $200 million (pre-tax) in 2022 resulting from the restructuring action in the first half of 2021.

Portfolio Optimization

We will continue to optimize our legacy businesses and reduce the combined contributions from long-term care insurance ("LTC") and variable annuities ("VA") businesses to less than 15% of core earnings by 2025.

Focus areas:

- Deliver capital release from legacy businesses, including variable annuity, long-term care insurance and select long-duration, guaranteed insurance products
- Optimize portfolio to improve our risk profile and ROE
- Create value through in-force management initiatives

	2022	2021[2]	Targets[1] 2022	2025
Free up capital from legacy portfolio, cumulative (C$ billions)	**$ 9.0**	$ 6.3	$5.0	n/a
Core earnings contribution from LTC and VA	**18%**	20%	n/a	<15%

We previously achieved our 2022 target to release $5.0 billion of capital in 2019, three years ahead of schedule when we reduced the size of our legacy businesses, freed up capital, and improved core ROE through actions such as reinsurance transactions in North America, buy-back programs on guaranteed minimum withdrawal benefit ("GMWB") blocks, repricing life insurance blocks, and reinsurance renegotiations and recaptures. Optimization activities continued into 2022; to date, we have delivered $9.0 billion of cumulative capital benefits, exceeding our target by $4.0 billion, reducing our go-forward risk profile and unlocking value from legacy businesses. In 2022, we completed two transactions to reinsure over 80%[3] of our legacy U.S. variable annuity block, releasing $2.5 billion of capital and significantly reducing our risk.

In 2022, we made progress towards our 2025 target and reduced core earnings contribution from LTC and VA by 2 percentage points as compared with December 31, 2021, primarily driven by the impact of the two reinsurance transactions mentioned above. We continue to assess inorganic options such as the two transactions completed in 2022 mentioned above, taking into account policyholder considerations and the potential impact to our risk profile and ROE. We are also confident in our ability to effectively manage the two blocks of business to maturity, most importantly by seeking premium increases for LTC for which we have a strong track record of success.[1]

A dedicated team working exclusively on portfolio optimization, and our proactive, disciplined approach to optimizing the in-force business are key success factors; we remain committed to achieving our 2025 target.

1 See "Caution regarding forward-looking statements" above.
2 2021 total company and U.S. LTC core earnings were normalized to remove estimated gains on U.S. LTC policyholder experience due to COVID-19.
3 Represents a reduction in guarantee value on our total U.S. variable annuity block compared with December 31, 2021. Guarantee value on our U.S. variable annuity Guaranteed Minimum Withdrawal Benefits block reduced by more than 90% compared with December 31, 2021.

2022 Highlights

- The two reinsurance transactions of our legacy U.S. variable annuity block resulted in the release of $2.5 billion of capital, which included a cumulative one-time after-tax net gain of $806 million[1]; and
- Other portfolio optimization initiatives released $234 million of capital in 2022.

High Performing Team

We are committed to enabling a high performing team and maintaining top quartile employee engagement compared to global financial services and insurance peers.

Focus areas:

- Organizational effectiveness and speed of decision making
- Diversity, equity, and inclusion
- Developing our talent with differentiated capabilities
- Continuing to strengthen our value proposition to attract and retain top talent

			Baseline	Target[2]
	2022	2021	2017[3]	2022 and onwards
Employee Engagement	**1st quartile**	1st quartile	2nd quartile	1st quartile

We achieved a top quartile employee engagement rank[4] in each of 2020, 2021 and 2022. Our employee engagement score has improved steadily since 2017 and we ranked in the top 6%[4] amongst global finance and insurance companies in 2022. We were also recognized as one of the World's Best Employers by Forbes for the third consecutive year.

Our high performing team has been a key enabler of accomplishments to date, and we remain committed to achieving top quartile employee engagement going forward.

2022 Highlights

- Achieved our fourth consecutive year of higher employee engagement;
- Named to Bloomberg's 2022 Gender-Equality Index for the fourth consecutive year, highlighting our commitment to support gender equality through policy development, representation, and transparency; and
- Recognized as one of Canada's Top 100 Employers 2022 by Mediacorp Canada Inc. for the second year in a row.

Medium-term financial and operating targets[2]

As communicated in May 2022, upon transition to IFRS 17 in 2023, two of our existing targets will increase due to the change in accounting framework, the other existing targets will remain the same, and we will introduce two new targets related to Contractual Service Margin ("CSM").

Our medium-term targets under IFRS 17 are:

- Core EPS growth of 10% to 12% (no change);
- Core ROE target will increase to 15%+ (from 13%+);
- Leverage ratio of 25% (no change);
- Common share core dividend payout ratio[5] range will increase to 35% to 45% (from 30% to 40%);
- CSM balance growth of 8% to 10% per year (new); and
- New business CSM growth of 15% per year (new).

1 The cumulative one-time after-tax gain of these two transactions was $806 million, consisting of a net gain of $846 million in 2022 and a $40 million loss recognized in 2021.
2 See "Caution regarding forward-looking statements" above.
3 Starting in 2019, engagement surveys were transitioned to the Gallup methodology.
4 Based on the annual global employee engagement survey conducted by Gallup. Ranking is measured by the engagement grand mean as compared to Gallup's Finance and Insurance Company level database.
5 This item is a non-GAAP ratio. See "Non-GAAP and other financial measures" below for more information.

2. Asia

Our Asia segment is a leading provider of insurance products and insurance-based wealth accumulation products, driven by a customer-centric strategy, leveraging the asset management expertise and products managed by our Global Wealth and Asset Management segment. Present in many of Asia's largest and fastest growing economies, we are well positioned to capitalize on the attractive underlying demographics of the region, underpinned by a rigorous focus on creating value for our customers, employees and shareholders.

We have insurance operations in 11 markets: Hong Kong, Macau, Japan, mainland China, Singapore, Vietnam, Indonesia, the Philippines, Malaysia, Cambodia, and Myanmar.

We have a diversified multi-channel distribution network, including over 116,000 contracted agents and over 100 bank partnerships. We also work with many independent agents, financial advisors, and brokers. Among our bancassurance partnerships we have 10 exclusive partnerships, including a long-term partnership with DBS Bank across Singapore, Hong Kong, mainland China and Indonesia, and VietinBank in Vietnam, that give us access to over 35 million bank customers.

In 2022, our Asia segment contributed 33%[1] of the Company's core earnings from operating segments and, as at December 31, 2022, accounted for 11% of the Company's assets under management and administration.

Profitability

Asia reported net income attributed to shareholders of $2,224 million in 2022 compared with $3,057 million in 2021. Net income attributed to shareholders is comprised of core earnings, which were $2,132 million in 2022 compared with $2,176 million in 2021, and items excluded from core earnings, which amounted to a net gain of $92 million for 2022 compared with a net gain of $881 million in 2021. 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 $28 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$1,711 million in 2022 compared with US$2,437 million in 2021 and core earnings were US$1,637 million in 2022 compared with US$1,736 million in 2021. Items excluded from core earnings are outlined in the table below and amounted to a net gain of US$74 million in 2022 compared with a net gain of US$701 million in 2021.

Core earnings in 2022 decreased 2% compared with 2021, after adjusting for the impact of changes in foreign currency exchange rates. The changes in core earnings by geography are as follows:

- Hong Kong decreased 8% reflecting lower new business volumes and less favourable policyholder experience, partially offset by favourable product mix;
- Mainland China decreased 83% reflecting the broader economic challenges from COVID-19 containment measures, changes in product mix from the ongoing regulatory changes to critical illness products, and unfavourable policyholder experience;
- Other Emerging Markets decreased 6% reflecting lower new business volumes, partially offset by favourable product mix;
- Japan increased 24% due to favourable product mix, in-force business growth and improved policyholder experience, partially offset by the impact of lower new business volumes;
- Vietnam increased 9% benefiting from in-force business growth and favourable product mix, partially offset by lower new business volumes; and
- Singapore increased 1% reflecting in-force business growth and improved policyholder experience, partially offset by lower new business gains.

In addition, higher investment income on allocated capital increased core earnings by US$49 million compared with 2021 (see Corporate and Other Segment).

[1] This item is a non-GAAP ratio. See "Non-GAAP and Other Financial Measures" below for more information.

The table below presents net income attributed to shareholders for Asia for 2022 and 2021 consisting of core earnings and items excluded from core earnings.

For the years ended December 31, ($ millions)	Canadian $		US $	
	2022	2021	**2022**	2021
Core earnings	**$ 2,132**	$ 2,176	**$ 1,637**	$ 1,736
Items excluded from core earnings:[1]				
Investment-related experience related to fixed income trading, market value increases in excess of expected alternative assets investment returns, asset mix changes and credit experience	**31**	313	**30**	251
Direct impact of equity markets and interest rates and variable annuity guarantee liabilities[2]	**153**	169	**114**	133
Change in actuarial methods and assumptions	**(45)**	343	**(34)**	273
Reinsurance transactions, tax-related items and other	**(47)**	56	**(36)**	44
Total items excluded from core earnings	**92**	881	**74**	701
Net income attributed to shareholders	**$ 2,224**	$ 3,057	**$ 1,711**	$ 2,437

(1) For explanations of items excluded from core earnings, see "Items excluded from core earnings" table in the total Company "Profitability" section above.
(2) The direct impact of markets in 2022 was a gain of US$114 million and included a gain of US$501 million related to fixed income reinvestment rates and a charge of US$387 million related to equity markets and variable annuity guarantee liabilities. The direct impact of markets in 2021 was a gain of US$133 million and included a gain of US$98 million related to fixed income reinvestment rates and a gain of US$35 million related to equity markets and variable annuity guarantee liabilities.

Business Performance

(All percentages quoted are on a constant exchange rate basis)
APE sales in 2022 were US$2,748 million, representing a decrease of 12% compared with 2021. APE sales decreased in Hong Kong, Japan, Vietnam and Other Emerging Markets, and increased in mainland China and Singapore. COVID-19 continued to impact sales in select markets throughout the year, with the situation beginning to improve in most markets as containment measures have been progressively relaxed. Travel restrictions between mainland China and, Hong Kong and Macau impacted cross-border commerce in 2022. Weaker customer sentiment began to negatively affect sales in the second half of the year.

In Hong Kong, APE sales in 2022 were US$573 million, a 33% decrease compared with 2021, primarily reflecting weaker customer sentiment on financial planning decisions and continued COVID-19 containment measures through most of the year. Japan APE sales in 2022 were US$307 million, a decrease of 15% compared with 2021, reflecting lower COLI product sales, partially offset by higher individual protection and other wealth sales. Vietnam APE sales in 2022 were US$337 million, a 9% decrease compared with 2021, reflecting a decline in the agency channel, partially offset by growth in the bank channel. Other Emerging Markets APE sales in 2022 were US$281 million, a 4% decrease compared with 2021, reflecting a decline in agency and bank channels. Mainland China APE sales in 2022 were US$484 million, a 4% increase compared with 2021, reflecting growth in the bank channel, partially offset by a decline in the agency channel. Singapore APE sales in 2022 were US$766 million, a 1% increase compared with 2021, reflecting growth in the bank channel, offset by a decline in the broker channel.

New business value ("NBV") was US$1,037 million in 2022, a decrease of 20% compared with 2021. NBV was lower in Hong Kong, Singapore, and mainland China, partially offset by higher NBV in Japan and Other Emerging Markets. In Hong Kong, NBV in 2022 was US$447 million, a 27% decrease compared with 2021, reflecting lower sales volumes, partially offset by favourable product mix and the impact of higher interest rates. NBV in 2022 was US$206 million in Singapore and US$50 million in mainland China, a decrease of 19% and 58%, respectively, compared with 2021, reflecting changes in product mix. In Vietnam, NBV in 2022 was US$177 million, in line with 2021, as the impact of favourable product mix was offset by lower sales volumes. NBV in 2022 was US$101 million in Japan and US$56 million in Other Emerging Markets, an increase of 28% and 5%, respectively, compared with 2021, reflecting favourable product mix, partially offset by lower sales volumes. The new business value margin ("NBV margin")[1] was 41.8% in 2022, a decrease of 3.1 percentage points compared with 2021.

1 For more information on this metric, see "Non-GAAP and Other Financial Measures" below.

APE Sales and NBV

For the years ended December 31, ($ millions)	Canadian $		US $	
	2022	2021	**2022**	2021
Annualized premium equivalent sales	**$ 3,569**	$ 4,050	**$ 2,748**	$ 3,229
New business value	**$ 1,349**	$ 1,666	**$ 1,037**	$ 1,329

Assets under Management[1]

Asia's assets under management were US$110.3 billion as at December 31, 2022, a decrease of US$11.7 billion or 6% compared with December 31, 2021. The decrease was driven by the impact of higher interest rates and unfavourable equity market performance on invested assets and segregated funds net assets, partially offset by net customer inflows of US$9.9 billion.

Assets under Management

As at December 31, ($ millions)	Canadian $		US $	
	2022	2021	**2022**	2021
Total invested assets	**$ 126,267**	$ 129,207	**$ 93,179**	$ 101,893
Segregated funds net assets	**23,226**	25,505	**17,138**	20,112
Total assets under management	**$ 149,493**	$ 154,712	**$ 110,317**	$ 122,005

Revenue

Total revenue of US$11.4 billion in 2022 decreased US$12.2 billion compared with 2021. Revenue before net realized and unrealized investment gains and losses decreased US$1.4 billion compared with 2021 due to a decrease in net premium income and changes in foreign currency exchange rates. The net premium income decrease was primarily driven by lower new business sales, partially offset by the growth of in-force business.

Revenue

For the years ended December 31, ($ millions)	Canadian $		US $	
	2022	2021	**2022**	2021
Gross premiums	**$ 22,337**	$ 24,013	**$ 17,204**	$ 19,152
Premiums ceded to reinsurers	**(861)**	(1,027)	**(664)**	(819)
Net premium income	**21,476**	22,986	**16,540**	18,333
Investment income	**4,190**	3,207	**3,228**	2,557
Other revenue	**1,458**	1,696	**1,115**	1,353
Revenue before net realized and unrealized investment gains and losses	**27,124**	27,889	**20,883**	22,243
Net realized and unrealized investment gains and losses[1)]	**(12,162)**	1,682	**(9,478)**	1,391
Total revenue	**$ 14,962**	$ 29,571	**$ 11,405**	$ 23,634

(1) See "Impact of Fair Value Accounting" above.

1 This item is a non-GAAP financial measure. See "Non-GAAP and Other Financial Measures" below.

Strategic Highlights

Asia continues to be a core driver of growth for Manulife, supported by a clear strategy, a focus on execution, a strong team, and a diversified footprint in 11 markets. Our growth is underpinned by powerful economic secular trends including middle-class emergence, low insurance penetration and an estimated mortality protection gap of more than US$100 trillion by 2030[1] driving continued demand for financial solutions.

We continued to invest in our diversified distribution platform to accelerate growth. In 2022 we:

- Commenced offering insurance solutions to VietinBank's customers in early 2022, as part of our 16-year exclusive bancassurance partnership in Vietnam, demonstrating strong momentum in its first year; and
- Accelerated the utilization of ManuAcademy, our regional digital learning platform, which was initially launched in Vietnam during 2Q22 and continued to expand to the Philippines in 4Q22. The platform is accessible now to all agents in these two markets, making learning easier while accelerating the further expansion and digitization of Manulife's agency force. Our new training series, Manulife MasterClass, captures best practices from our Million Dollar Round Table agents and shares them across all agents through the platform.

In 2022, we continued to increase NPS, as we further enhanced digital capabilities and invested in high impact digital initiatives spanning the full customer and distributor experience from Search, Buy, Manage & Review to Claim.

- Search: Delivered multi-channel options for customers through the launch of Manulife Shop in the Philippines in 4Q22, enabling customers to find and purchase insurance online at their own convenience. We also became the first life insurer in Vietnam to offer health solutions to MoMo's 31 million user base via MoMo e-wallet in 2Q22;
- Buy: Successfully increased the adoption of ePOS, our proprietary digital onboarding app, by 15 percentage points[2] to 89%, enabling faster, error-free new business application submissions;
- Manage & Review: Enhanced self-servicing capabilities on our proprietary health and wellness platform, ManulifeMOVE, with initial rollout in Vietnam, accelerating MOVE as the one-stop digital gateway for health and life servicing; and
- Claim: Further increased utilization of our digital claims platform, with 76% of claims being submitted digitally, an increase of 12 percentage points compared with 2021 driven by strong improvements in Japan and continued high customer adoption across Asia.

We continued to maintain a winning culture and make Manulife a great place to work. Manulife has been recognized by HR Asia as one of the "Best Companies to Work for in Asia 2022" in five of our Asian markets — mainland China, Hong Kong, Malaysia, Singapore and Vietnam.

[1] Closing Asia's mortality protection gap, Swiss Re, July 2020.
[2] Case adoption, compared with 2021.

3. Canada

Our Canada segment is a leading financial services provider, offering insurance products, insurance-based wealth accumulation products and banking solutions, has an in-force variable annuity business, and leverages the asset management expertise and products managed by our Global Wealth and Asset Management segment. The comprehensive solutions we offer target a broad range of customer needs and foster holistic long-lasting relationships.

We offer financial protection solutions to individuals, families and business owners through a combination of competitive products, professional advice and quality customer service. We provide group life, health and disability insurance solutions to Canadian employers, with approximately 26,000 Canadian businesses and organizations entrusting their employee benefit programs to Manulife's Group Insurance. We also provide life, health, disability and specialty products, such as mortgage creditor and travel insurance, through advisors, sponsor groups and associations, as well as direct-to-customer. We continue to increase the proportion of products with behavioural insurance features.

Manulife Bank offers flexible debt and cash flow management solutions as part of a customer's overall financial plan. Products include savings and chequing accounts, guaranteed investment certificates, lines of credit, investment loans, mortgages and other specialized lending programs, offered through financial advisors and mortgage brokers supported by a broad distribution network.

In 2022, our Canada segment contributed 21% of the Company's core earnings from operating segments and, as at December 31, 2022, accounted for 11% of the Company's assets under management and administration.

Profitability

Canada's full year 2022 net income attributed to shareholders was $1,530 million compared with $1,354 million in 2021. Net income attributed to shareholders is comprised of core earnings, which was $1,359 million in 2022 compared with $1,179 million in 2021, and items excluded from core earnings, which amounted to a net gain of $171 million for 2022 compared with a net gain of $175 million in 2021. Items excluded from core earnings are outlined in the table below.

The $180 million increase in core earnings was driven by experience gains in 2022 compared with losses in 2021, with all businesses contributing to the improvement, higher insurance in-force earnings, and higher bank earnings, partially offset by the impact of an increase in the tax rate and lower segregated fund in-force earnings due to lower equity markets.

The table below presents net income attributed to shareholders for Canada for 2022 and 2021 consisting of core earnings and items excluded from core earnings.

For the years ended December 31, ($ millions)	**2022**	2021
Core earnings	**$ 1,359**	$ 1,179
Items excluded from core earnings:[1]		
Investment-related experience related to fixed income trading, market value increases in excess of expected alternative assets investment returns, asset mix changes and credit experience	**70**	329
Direct impact of equity markets and interest rates and variable annuity guarantee liabilities[2]	**76**	(89)
Change in actuarial methods and assumptions	**35**	(65)
Reinsurance transactions, tax-related items and other	**(10)**	–
Total items excluded from core earnings	**171**	175
Net income attributed to shareholders	**$ 1,530**	$ 1,354

(1) For explanations of items excluded from core earnings, see "Items excluded from core earnings" table in the total Company "Profitability" section above.

(2) The direct impact of markets in 2022 was a gain of $76 million and included a gain of $192 million related to fixed income reinvestment rates, partially offset by a charge of $116 million related to the direct impact of equity markets and variable annuity guarantee liabilities. The charge in 2021 related to fixed income reinvestment rates and changes to the URR, partially offset by a gain related to the direct impact of equity markets and variable annuity guarantee liabilities.

Business Performance

APE sales were $1,261 million in 2022, an increase of 3% compared with 2021. Individual insurance APE sales in 2022 of $415 million decreased 2% compared with 2021, primarily driven by lower universal life and health and dental sales, partially offset by higher participating insurance and travel insurance sales. Group insurance APE sales of $576 million in 2022 increased 30% compared with 2021, reflecting higher sales in all markets. Annuities APE sales in 2022 of $270 million decreased 25% compared with 2021, due to the impact of market volatility on the demand for segregated fund products.

Sales

For the years ended December 31, ($ millions)	2022	2021
APE sales	**$ 1,261**	$ 1,227

Manulife Bank average net lending assets[1] were $24.1 billion in 2022, up $1.0 billion or 4% compared with 2021, driven by strong retention efforts and new loan volumes.

Assets under Management

Assets under management of $146.1 billion as at December 31, 2022 decreased $15.9 billion or 10% from $162.0 billion as at December 31, 2021, due to lower total invested assets and segregated funds net assets, primarily reflecting the impact of higher interest rates and a decline in equity markets.

Assets under Management

As at December 31, ($ millions)	2022	2021
Total invested assets	**$ 110,433**	$ 119,872
Segregated funds net assets	**35,695**	42,124
Total assets under management	**$ 146,128**	$ 161,996

Revenue

Total revenue of $3.9 billion in 2022 decreased $8.5 billion from $12.4 billion in 2021, primarily driven by higher net realized and unrealized investment losses in 2022 compared to 2021. Revenue before net realized and unrealized investment gains and losses of $16.4 billion in 2022 increased $1.0 billion from $15.4 billion in 2021, primarily due to business growth.

Revenue

For the years ended December 31, ($ millions)	2022	2021
Gross premiums	**$ 12,202**	$ 11,251
Premiums ceded to reinsurers	**(1,810)**	(1,690)
Net premium income	**10,392**	9,561
Investment income	**4,606**	4,495
Other revenue	**1,426**	1,336
Revenue before net realized and unrealized investment gains and losses	**16,424**	15,392
Net realized and unrealized investment gains and losses[1)]	**(12,517)**	(3,026)
Total revenue	**$ 3,907**	$ 12,366

(1) See "Impact of Fair Value Accounting" above.

1 This item is a non-GAAP financial measure. See "Non-GAAP and Other Financial Measures" below for more information.

Strategic Highlights

In 2022, we added innovative customer-centric enhancements across our product shelf to help Canadians focus on improving their health and wellness. We also advanced our digital capabilities across our businesses to stay connected with our clients and strengthen their experience with us.

We continued to offer a differentiated customer experience. In 2022, we:

- Continued the expansion of the Manulife *Vitality* program, demonstrating our commitment to helping our customers lead healthier lives. All eligible new retail term and universal life insurance policies will include Vitality Go at no cost, while additional features are available with Vitality Plus for a low monthly fee;
- Reduced Group Benefits claims processing times by 60%, providing a better customer experience as evidenced by an increase in our net promoter score; and
- Launched a campaign in Group Benefits to help new customers easily access and use our digital tools, better understand their benefits plan, and learn how to submit claims online.

We further advanced digital solutions across our business. In 2022, we:

- Enhanced our apps across many businesses:
  - Launched an upgraded Manulife *Vitality* mobile app experience for our individual insurance business, giving the app a new look and feel with easier navigation to further drive customer engagement;
  - For our Group Benefits customers, our Manulife Mobile app added a new user interface and navigation refresh, full integration with Manulife ID, and new drug coverage lookup functionality;
- Launched a new customer site for Retail Insurance customers and their advisors, giving real time access to coverage information. This site sets the foundation to enable future digital transactions for our customers; and
- Continued to advance our digital solutions with enhancements to Manulife.ca that included enabling artificial intelligence and natural-language processing capabilities to make searching for product information quicker, more accurate and more intuitive.

4. U.S.

Our U.S. segment provides a range of life insurance products and insurance-based wealth accumulation products, and has an in-force long-term care insurance business and an in-force annuity business.

The insurance products we offer are designed to provide estate, business and income-protection solutions for high net worth, emerging affluent markets and the middle market, and to leverage the asset management expertise and products managed by our Global Wealth and Asset Management business. Behavioural insurance features are standard on all our new insurance product offerings. The primary distribution channel is licensed financial advisors. We aim to establish lifelong customer relationships that benefit from our holistic protection and wealth product offerings in the future.

Our in-force long-term care insurance policies provide coverage for the cost of long-term services and support.

Our in-force annuity business includes fixed deferred, variable deferred, and payout products.

In 2022, our U.S. segment contributed 27% of the Company's core earnings from operating segments and, as at December 31, 2022, accounted for 17% of the Company's assets under management and administration.

Profitability

U.S. reported net income attributed to shareholders of $3,950 million in 2022 compared with $2,080 million in 2021. Net income attributed to shareholders is comprised of core earnings, which was $1,700 million in 2022 compared with $1,936 million in 2021, and items excluded from core earnings, which amounted to a net gain of $2,250 million in 2022 compared with a net gain of $144 million in 2021. 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 $58 million favourable impact from the strengthening of the U.S. dollar compared with the Canadian dollar.

Expressed in U.S. dollars, the functional currency of the segment, 2022 net income attributed to shareholders was US$3,077 million compared with US$1,667 million in 2021 and core earnings were US$1,311 million in 2022 compared with US$1,544 million in 2021. Items excluded from core earnings are outlined in the table below and amounted to a net gain of US$1,766 million in 2022 compared with a net gain of US$123 million in 2021.

The US$233 million or 15% decrease in core earnings was driven by lowerin-force earnings in Annuities of US$147 million related to the two transactions to reinsure over 80%[1] of our U.S. variable annuity block in 2022, lower new business gains, higher net unfavourable policyholder experience, and the non-recurrence of prior year gains from the Annuity Guaranteed Minimum Withdrawal Benefit offer program. Compared with 2021, less favourable long-term care and annuities policyholder experience was partially offset by improved, although still unfavourable, life insurance policyholder experience. In addition, higher investment income on allocated capital increased core earnings by US$24 million compared with 2021 (see Corporate and Other segment).

The table below presents net income attributed to shareholders for the U.S. for 2022 and 2021 consisting of core earnings and items excluded from core earnings.

For the years ended December 31, ($ millions)	Canadian $		US $	
	2022	2021	**2022**	2021
Core earnings	**$ 1,700**	$ 1,936	**$ 1,311**	$ 1,544
Items excluded from core earnings:[(1)]				
Investment-related experience related to fixed income trading, market value increases in excess of expected alternative assets investment returns, asset mix changes and credit experience	**1,183**	1,341	**930**	1,074
Direct impact of equity markets and interest rates and variable annuity guarantee liabilities[(2)]	**197**	(727)	**151**	(578)
Change in actuarial methods and assumptions	**36**	(314)	**27**	(249)
Reinsurance transactions, tax-related items and other	**834**	(156)	**658**	(124)
Total items excluded from core earnings	**2,250**	144	**1,766**	123
Net income (loss) attributed to shareholders	**$ 3,950**	$ 2,080	**$ 3,077**	$ 1,667

(1) For explanations of items excluded from core earnings, see "Items excluded from core earnings" table in the total Company "Profitability" section above.

(2) The direct impact of markets in 2022 was a gain of US$151 million and included a gain of US$396 million related to fixed income reinvestment rates, partially offset by a charge of US$245 million related to the direct impact of equity markets and variable annuity guarantee liabilities. The direct impact of markets in 2021 was a charge of US$578 million and included a charge of US$493 million related to fixed income reinvestment rates and a charge of US$85 million related to the direct impact of equity markets and variable annuity guarantee liabilities.

Business Performance

U.S. APE sales in 2022 of US$633 million increased 1% compared with 2021 due to an increase in international sales, partially offset by lower sales of domestic life insurance products. Demand for domestic life insurance products purchased primarily to protect household

1 Represents a reduction in guarantee value on our total U.S. variable annuity block compared with December 31, 2021. Guarantee value on our U.S. variable annuity Guaranteed Minimum Withdrawal Benefits block reduced by more than 90% compared with December 31, 2021.

income declined across the industry. Recently, volatility in equity markets has reduced the demand for domestic products that are purchased primarily for estate planning. APE sales of products with the John Hancock Vitality PLUS feature in 2022 were a record-setting US$332 million, an increase of 13% compared with 2021, reflecting the increasing attractiveness of the Vitality feature as an option for health-focused life insurance consumers.

Sales

For the years ended December 31, ($ millions)	Canadian $		US $	
	2022	2021	**2022**	2021
APE sales	**$ 823**	$ 788	**$ 633**	$ 628

Assets under Management

U.S. assets under management of US$162.0 billion as at December 31, 2022 decreased 16% from December 31, 2021. The decrease in total invested assets and segregated funds net assets was primarily due to the impact of an increase in interest rates and a decline in equity markets, and the continued run-off of the annuity business, including the impact on total invested assets from the above-noted variable annuity reinsurance transactions.

Assets under Management

As at December 31, ($ millions)	Canadian $		US $	
	2022	2021	**2022**	2021
Total invested assets	**$ 154,004**	$ 164,830	**$ 113,660**	$ 130,013
Segregated funds net assets	**65,489**	79,620	**48,333**	62,801
Total assets under management	**$ 219,493**	$ 244,450	**$ 161,993**	$ 192,814

Revenue

Total revenue in 2022 was a net loss of US$5.6 billion and decreased US$16.3 billion compared with 2021. Revenue before net realized and unrealized investment gains and losses was US$10.5 billion, a decrease of US$2.2 billion compared with 2021, primarily due to the above-noted variable annuity reinsurance transactions.

Revenue

For the years ended December 31, ($ millions)	Canadian $		US $	
	2022	2021	**2022**	2021
Gross premium income	**$ 9,329**	$ 8,965	**$ 7,168**	$ 7,151
Premiums ceded to reinsurers	**(3,613)**	(2,594)	**(2,791)**	(2,069)
Net premium income	**5,716**	6,371	**4,377**	5,082
Investment income	**7,544**	7,771	**5,792**	6,197
Other revenue	**458**	1,824	**342**	1,456
Revenue before net realized and unrealized investment gains and losses	**13,718**	15,966	**10,511**	12,735
Net realized and unrealized investment gains and losses[1)]	**(20,547)**	(2,710)	**(16,074)**	(2,010)
Total revenue	**$ (6,829)**	$ 13,256	**$ (5,563)**	$ 10,725

(1) See “Impact of Fair Value Accounting” above.

Strategic Highlights

At John Hancock, we are focused on building holistic and long-lasting customer relationships by offering innovative products and solutions, and making it easier for customers to do business with us. We are focused on growing our insurance business by expanding our product offerings, modernizing the delivery process, and enhancing customer experience. In addition, we continued to make significant progress to optimize our portfolio through both organic initiatives and strategic reinsurance transactions, and create tangible shareholder value through various in-force management actions. In 2022, we:

- Completed two transactions to reinsure over 80%[1] of our legacy U.S. variable annuity block. These transactions resulted in the release of $2.5 billion of capital, which included a cumulative one-time after-tax net gain of $806 million[2];
- Achieved highest ever full year domestic life insurance sales with the John Hancock Vitality PLUS feature, reflecting the increasing attractiveness of the Vitality feature as an option for health-focused life insurance consumers;
- Continued to innovate our wellness offerings and entered into a partnership with GRAIL, a healthcare company, offering access to Galleri®, their leading edge, multi-cancer early detection test to a pilot group of customers through John Hancock Vitality. As the first

1 Represents a reduction in guarantee value on our total U.S. variable annuity block compared with December 31, 2021. Guarantee value on our U.S. variable annuity Guaranteed Minimum Withdrawal Benefits block reduced by more than 90% compared with December 31, 2021.

2 The cumulative one-time after-tax gain of these two reinsurance transactions was $806 million, consisting of a net gain of $846 million in 2022 and a $40 million loss recognized in 2021.

life insurance carrier to make GRAIL's Galleri® test available, we are enabling eligible customers to take proactive steps to better understand and make more informed choices about their health; and
- Reported record APE sales and case placements in our international business. We signed new distributors in the Latin America region and launched a whole life product to support continued sales growth and diversify the business across geographies.

In 2022, we achieved the following digital successes, improving the producer and customer experience while also contributing to a more cost-efficient operation:

- Reduced the average time to complete background checks for new producers within our digital brokerage and traditional brokerage channels by over 90% via automation;
- Accelerated new producers' ability to place cases with John Hancock from two business days to just minutes, by automating the scheduling of appointments into our digital brokerage licensing system;
- Reduced call volumes for enquiries related to John Hancock Vitality customer login and registration by 39% compared with 2021 by optimizing self-service functionality;
- Enabled third-party ownership submission of life insurance applications via JH eApp. This advancement allows even very large cases, which are typically trust-owned, to take advantage of our digital experience; and
- Improved producer experience and customer response times by launching eDelivery notification of client correspondence.

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5. Global Wealth and Asset Management

Our Global Wealth and Asset Management segment, branded as Manulife Investment Management, provides investment advice and innovative solutions to retirement, retail and institutional clients. Our leading capabilities in public and private markets are strengthened by an investment footprint that spans 19 geographies[1], including 10 in Asia with over 120 years of on-the-ground experience.

In Retirement, we provide financial guidance, advice, investment solutions and recordkeeping services to over 8 million plan participants and rollover individuals in North America and Asia while they are in the accumulation phase with their employer, and increasingly as they prepare for retirement outside their employer's plan. In North America, our Canadian retirement business focuses on providing retirement solutions through defined contribution plans, and also to group plan members when they retire or leave their plan; and in the United States, we provide employer sponsored retirement plans as well as personal retirement accounts when individuals leave their plan. In Asia, we provide retirement offerings to employers and individuals, including Mandatory Provident Fund ("MPF") schemes and administration in Hong Kong. Additionally, we provide retirement solutions in several emerging retirement markets in Asia, including Indonesia and Malaysia.

In Retail, we distribute investment funds to clients through our proprietary advice channels in Canada and Asia as well as through intermediaries and banks in North America, Europe, and Asia, and offer investment strategies across the world, through affiliated and select unaffiliated asset managers. In Canada, we also provide holistic personal advice to individual clients and investment management, private banking and wealth and estate solutions to high-net-worth clients. In addition, we provide wealth management expertise for insurance-based wealth accumulation products that are distributed through Manulife's insurance segments, as well as through our own proprietary advice channels.

Our institutional asset management business provides comprehensive asset management solutions for pension plans, foundations, endowments, financial institutions, and other institutional investors worldwide. Our solutions span all major asset classes including equities, fixed income, and alternative assets (including real estate, timberland, farmland, private equity/debt, infrastructure, and liquid alternatives). In addition, we offer multi-asset investment solutions covering a broad range of clients' investment needs.

We are committed to investing responsibly across our businesses. We develop innovative global frameworks for sustainable investing, collaboratively engage with companies in our internally managed portfolios, and maintain a high standard of stewardship where we own and operate assets.

In 2022, our Global WAM segment contributed 19% of the Company's core earnings from operating segments and, as at December 31, 2022, represented 59% of the Company's total assets under management and administration.

Profitability

Global WAM's 2022 net income attributed to shareholders was $1,321 million compared with $1,406 million in 2021, and core earnings were $1,241 million in 2022 compared with $1,406 million in 2021. Items excluded from core earnings are outlined in the table below and amounted to a net gain of $80 million in 2022 compared with nil in 2021.

Core earnings decreased $165 million or 14% on a constant exchange rate basis reflecting a decline in net fee income from lower average AUMA due to higher interest rates and equity market declines in 2022, and lower fee spread. Net income attributed to shareholders decreased $85 million in 2022 compared with 2021 driven by the same factors as mentioned above, partially offset by a net gain of $80 million excluded from core earnings in 2022 as explained below.

The table below presents net income attributed to shareholders for the Global WAM segment for 2022 and 2021 consisting of core earnings and items excluded from core earnings.

For the years ended December 31, ($ millions)	**2022**	2021
Core earnings		
Retirement	**$ 699**	$ 819
Retail	**523**	551
Institutional	**19**	36
Core earnings	**1,241**	1,406
Items excluded from core earnings:		
Reinsurance transactions, tax-related items and other[(1)]	**80**	–
Net income attributed to shareholders	**$ 1,321**	$ 1,406

(1) The net gain of $80 million includes a net gain of $86 million related to acquiring full ownership interest of MTEDA by purchasing the remaining 51% of shares from our joint venture partner, partially offset by a $6 million charge related to an increase in the Canadian corporate tax rate.

1 United States, Canada, Japan, Hong Kong, Singapore, Taiwan, Indonesia, Vietnam, Malaysia, India, the Philippines, England, Ireland, Switzerland, Germany, and mainland China. In addition, we have timberland/farmland operations in Australia, New Zealand, and Chile.

In 2022, core EBITDA[1] for Global WAM was $1,890 million, $649 million higher than core earnings. In 2021, core EBITDA was $2,062 million, $656 million higher than core earnings. The decrease in core EBITDA of $172 million or 10% on a constant exchange rate basis was driven by similar factors as noted above for core earnings. Core EBITDA margin[2] was 30.4% in 2022 compared with 31.5% in 2021. The 110 basis point decrease was driven by a decline in net fee income. Income before income taxes for Global WAM was $1,546 million in 2022, a decrease of $95 million compared with 2021, driven by similar factors as noted above for net income attributed to shareholders.

Core EBITDA

For the years ended December 31, ($ millions)	2022	2021
Core earnings	**$ 1,241**	$ 1,406
Amortization of deferred acquisition costs and other depreciation	**336**	323
Amortization of deferred sales commissions	**95**	99
Core income tax expense (recovery)	**218**	234
Core EBITDA	**$ 1,890**	$ 2,062
Core EBITDA margin	**30.4%**	31.5%
Income before income taxes	**$ 1,546**	$ 1,641

Business Performance

Gross Flows and Net Flows

Gross Flows were $136.6 billion in 2022, a decrease of 7% compared with 2021. By business line, the results were:

- Retirement gross flows in 2022 were $52.1 billion, in line with 2021, reflecting growth in member contributions offset by lower new plan sales.
- Retail gross flows in 2022 were $67.7 billion, a decrease of 14% compared with 2021, reflecting lower investor demand amid higher interest rates and equity market declines in 2022.
- Institutional Asset Management gross flows in 2022 were $16.8 billion, an increase of 5% compared with 2021 driven by higher equity mandate gross flows, mainly from a $1.9 billion sale in 2Q22, partially offset by lower fixed income mandate gross flows.

Net Inflows were $3.3 billion in 2022, compared with net inflows of $27.9 billion in 2021. By business line, the results were:

- Retirement net outflows were $0.1 billion in 2022 compared with net inflows of $1.1 billion in 2021, driven by higher plan redemptions in the U.S.
- Retail net outflows were $1.6 billion in 2022 compared with net inflows of $29.2 billion in 2021, driven by higher redemptions and lower gross flows due to factors mentioned above.
- Institutional Asset Management net inflows were $5.0 billion in 2022 compared with net outflows of $2.4 billion in 2021, driven by the non-recurrence of a $9.4 billion redemption in 2021 and higher equity mandate gross flows as mentioned above.

Gross Flows and Net Flows

For the years ended December 31, ($ millions)	2022	2021
Gross flows	**$ 136,648**	$ 144,681
Net flows	**$ 3,305**	$ 27,893

[1] This item is a non-GAAP financial measure. See "Non-GAAP and Other Financial Measures" below.
[2] This item is a non-GAAP ratio. See "Non-GAAP and Other Financial Measures" below for more information.

Assets under Management and Administration

In 2022, AUMA for our wealth and asset management businesses were $779.9 billion, 13% lower compared with December 31, 2021 on a constant exchange rate basis driven by the impact of higher interest rates and equity market declines, partially offset by $8.8 billion in assets acquired and net inflows of $3.3 billion. As of December 31, 2022, Global WAM also managed $229.5 billion in assets for the Company's non-WAM reporting segments. Including those assets, AUMA managed by Global WAM[1] were $1,009.4 billion compared with $1,102.7 billion as at December 31, 2021.

Segregated funds net assets were $224.2 billion for December 31, 2022, 11% lower compared with December 31, 2021 on an actual exchange rate basis, driven by the impact of higher interest rates and equity market declines. Total invested assets in our general fund form a small portion of Global WAM AUMA.

Changes in Assets under Management and Administration

For the years ended December 31, ($ millions)	**2022**	2021
Balance January 1,	**$ 855,927**	$ 753,610
Acquisitions/Dispositions	**8,789**	1,633
Net flows	**3,305**	27,893
Impact of markets and other	**(88,109)**	72,791
Balance December 31,	**$ 779,912**	$ 855,927
Average assets under management and administration	**$ 787,842**	$ 798,022

Assets under Management and Administration

As at December 31, ($ millions)	**2022**	2021
Total invested assets	**$ 3,717**	$ 4,458
Segregated funds net assets[(1)]	**224,192**	252,567
Mutual funds, institutional asset management and other[(2)]	**381,779**	411,271
Total assets under management	**609,688**	668,296
Other assets under administration	**170,224**	187,631
Total assets under management and administration	**$ 779,912**	$ 855,927

(1) Segregated funds net assets are comprised of Retirement assets under management ("AUM"), consisting primarily of fee-based products with little or no guarantees.
(2) Other funds represent pension funds, pooled funds, endowment funds and other institutional funds managed by the Company on behalf of others.

Revenue

Total revenue in 2022 of $6.3 billion decreased 6% compared with 2021, driven by lower fee income from lower average AUMA and lower fee spread, and lower investment income. This was partially offset by higher other revenue from a gain on our acquisition of the remaining equity interest in MTEDA.

Revenue

As at December 31, ($ millions)	**2022**	2021
Fee income	**$ 6,265**	$ 6,513
Investment income	**(44)**	28
Other revenue	**90**	–
Total revenue	**$ 6,311**	$ 6,541

[1] This item is a non-GAAP financial measure. See "Non-GAAP and Other Financial Measures" below.

Strategic Highlights

Leveraging our integrated business model and global scale, we have a clear strategy to pursue high-growth opportunities in the most attractive markets globally through our three business lines: Retirement, Retail and Institutional Asset Management. Our strategy includes being a global retirement leader by supporting financial wellness; expanding our presence in retail distribution platforms across the globe; leveraging a multi-manager model; and providing differentiated institutional active asset management capabilities across high performing equity and fixed income strategies, outcome-oriented solutions and alternative assets.

We executed on a number of initiatives to accelerate growth in our franchise. In 2022, we:

- Further bolstered our presence in high-growth attractive markets by acquiring control of MTEDA through the purchase of the remaining 51% of shares from our joint venture partner, making us the first global wealth and asset manager to acquire a 100% stake in a fully operating public fund management company in mainland China;
- Continued to expand our Private Markets capabilities with the acquisition of a significant minority equity position in ARCH Capital, an Asia-focused real estate private equity investment manager;
- Expanded our Environmental, Social and Governance investment offerings with the launch of the Global Climate Action Strategy in Europe and Asia, and the launch of the Manulife Forest Climate strategy in the U.S., which will promote climate change mitigation by investing in sustainably managed forests that prioritize carbon sequestration. Additionally, we published our 2022 Manulife Investment Management Stewardship report, detailing our commitment to sustainability as a global investment manager and outlining actions we are taking to address material sustainability risks and opportunities, build more resilient portfolios, and pursue long-term value creation;
- Expanded our Global Retail product lineup with the launch of the Manulife Real Asset Investment strategy that will give Canadian retaihigh-net-worth investors access to a combination of private and public real asset investments. Additionally, we also launched our first actively managed equity ETF, the U.S. High Dividend ETF, managed by MIM; and
- Expanded and broadened our financial wellness offering in Global Retirement with the launch of new and enhanced financial management tools in the U.S. (Personal Finance Organizer) and Canada (PlanRight Through Mobile). We also expanded the availability of in-plan advice to a larger portion of our clients.

We continue to make progress on our digital customer leader strategy. In 2022, we:

- Continued to invest in our mobile app in U.S. Retirement, making significant improvements in the user experience that have resonated with customers and resulted in a 99% growth in users in 2022;
- Enhanced our digital experience in Canada Retirement with the launch of new features that enable members to make additional contributions to their Registered Retirement Savings Plans and to book one-on-one meetings with Manulife PlanRight financial advisors directly in the mobile app. This generated successful engagement, resulting in over 1,780 advisor meeting requests and a 14% increase in member adoption of the mobile app since the launch;
- Launched multiple new mobile app features in Hong Kong Retirement to enable our members to manage their investment portfolio with greater convenience, receive the latest market updates and get access to exclusive member benefits. These new features resulted in 156,000 customers opting for e-statements, and contributed to over 177,000 new mobile app downloads;
- Launched a new, end-to-end digital and mobile-friendly enrollment experience in Canada Retirement for our members. The improved enrollment experience offers a more intuitive and guided experience for our members, helping them feel more confident about their long-term investment choices. 82% of our eligible sponsors adopted the new experience for their employees in 2022; and
- Improved the website experience in U.S. Retail in 2Q22 by making it easier for customers tolog-in, which resulted in a 45% decrease in customer log-in help inquiries in 2022 compared with the same period last year.

6. Corporate and Other

Corporate and Other is comprised of investment performance on assets backing capital, net of amounts allocated to the operating segments; financing costs; costs incurred by the corporate office related to shareholder activities (not allocated to the operating segments); our P&C Reinsurance business; as well as our run-off reinsurance operation, 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 "Non-GAAP and Other Financial Measures" below). In each of the operating segments, we report all investment-related experience in items excluded from core earnings.

Profitability

Corporate and Other reported a net loss attributed to shareholders of $1,731 million in 2022 compared with a net loss attributed to shareholders of $792 million in 2021. Net income (loss) attributed to shareholders was comprised of core loss and items excluded from core loss. Core loss was $250 million in 2022 compared with a core loss of $161 million in 2021. Items excluded from core loss amounted to a net loss of $1,481 million in 2022 compared with a net loss of $631 million in 2021.

The unfavourable variance in core loss of $89 million was primarily attributable to a net charge of $159 million from the unfavourable impact of markets on seed money investments in new segregated funds and mutual funds in 2022 compared with a $27 million net gain in 2021, $120 million of higher interest on allocated capital to operating segments in 2022, higher charges in our P&C Reinsurance business compared with prior year and lower net gains on sales of AFS equities. These losses were partially offset by higher yields on fixed income investments, lower pension expenses that are primarily due to market impacts, and lower interest on external debt and withholding taxes.

Items excluded from core loss were a net loss of $1,481 million in 2022 compared with a net loss of $631 million in 2021. The unfavourable variance was primarily driven by larger losses on sales of AFS bonds and other direct impacts of markets, partially offset by the favourable impact of Canadian tax rate change in 2022.

The items excluded from core earnings are outlined below.

The table below presents net income (loss) attributed to shareholders for Corporate and Other for 2022 and 2021 consisting of core loss and items excluded from core loss.

For the years ended December 31, ($ millions)	**2022**	2021
Core loss excluding core investment gains	**$ (650)**	$ (561)
Core investment gains	**400**	400
Total core loss	**(250)**	(161)
Items excluded from core loss:[1]		
Direct impact of equity markets and interest rates[2]	**(1,266)**	(170)
Changes in actuarial methods and assumptions	**10**	(5)
Investment-related experience related to mark-to-market items[3]	**(67)**	59
Reclassification to core investment gains above	**(400)**	(400)
Restructuring charge[4]	**–**	(115)
Reinsurance transactions, tax-related items and other	**242**	–
Total items excluded from core loss	**(1,481)**	(631)
Net income (loss) attributed to shareholders	**$ (1,731)**	$ (792)

(1) For explanations of items excluded from core earnings, see "Items excluded from core earnings" table in the total Company "Profitability" section above.
(2) The direct impact of markets in 2022 included losses of $421 million related to sale of AFS bonds and losses on derivatives. Other losses were mostly from fixed income investments supporting a portion of the capital in Asia that are classified as fair value through profit and loss and other unfavourable market impacts. The direct impact of markets in 2021 included losses of $228 million related to the sale of AFS bonds and losses on derivatives, partially offset by gains from fixed income investments supporting a portion of the capital in Asia that are classified as fair value through profit and loss.
(3) Investment-related experience includes mark-to-market gains or losses on ALDA, other than gains on AFS equities and seed money investments in new segregated or mutual funds.
(4) Please see "Manulife Financial Corporation – Profitability" above for explanation of the restructuring charge.

Revenue

Revenue in 2022 was a loss of $1,204 million compared with a gain of $87 million in 2021. The $1,291 million decrease in revenue was primarily driven by higher losses from fixed income investments supporting a portion of the capital in Asia that are classified as fair value through profit and loss, higher realized losses on the sale of AFS bonds, declines in the fair value of seed money investments in 2022 compared with gains in the prior year, higher losses on derivative positions, higher interest on allocated capital and lower gains from AFS equities. These amounts were partially offset by higher yields on fixed income investments in 2022 and higher net premium income from our P&C Reinsurance business.

Revenue

For the years ended December 31, ($ millions)	2022	2021
Net premium income	**$ 269**	$ 147
Investment income (loss)	**(1,200)**	113
Other revenue[1]	**(528)**	(237)
Revenue before net realized and unrealized investment gains and losses and on the macro hedge program	**(1,459)**	23
Net realized and unrealized investment gains and losses[2] and on the macro hedge program	**255**	64
Total revenue	**$ (1,204)**	$ 87

(1) Includes a consolidation adjustment related to asset management fees earned by Global WAM from affiliated business (the offset to the consolidation adjustment is investment expense).
(2) See "Impact of Fair Value Accounting" section above.

Strategic Highlights

Our P&C Reinsurance business provides substantial retrocessional capacity for a very select clientele in the property and casualty reinsurance market. The business is largely non-correlated to Manulife's other businesses and helps diversify our overall business mix. We manage the risk exposure of this business in relation to the total Company balance sheet risk and volatility as well as the prevailing market pricing conditions. The business is renewable annually, and we currently estimate our exposure limit in 2023 for a single event to be approximately US$300 million (net of reinstatement premiums) and for multiple events to be approximately US$600 million (net of all premiums).[1]

[1] See "Caution regarding forward-looking statements" above.

7. Investments

Our investment philosophy for the general fund is to invest in an asset mix that optimizes our risk adjusted returns and matches the characteristics of our underlying liabilities. We follow a bottom-up approach which combines our strong asset management skills with an in-depth understanding of the characteristics of each investment. We invest in a diversified mix of assets and our diversification strategy has historically produced superior risk adjusted returns while reducing overall risk. We use a disciplined approach across all asset classes. Our risk management strategy is outlined in the "Risk Management and Risk Factors" section below.

General Fund Assets

As at December 31, 2022, our general fund invested assets totaled $414.0 billion compared with $427.1 billion at the end of 2021. The following table shows the asset class composition as at December 31, 2022 and December 31, 2021.

As at December 31,	2022			2021		
($ billions)	Carrying value	% of total	Fair value	Carrying value	% of total	Fair value
Cash and short-term securities	**$ 19.2**	**5**	**$ 19.2**	$ 22.6	5	$ 22.6
Debt Securities and Private Placement Debt						
Government bonds	**72.4**	**17**	**72.2**	79.7	19	79.7
Corporate bonds	**129.1**	**32**	**129.0**	141.6	33	141.6
Securitized/asset-backed securities	**2.3**	**1**	**2.3**	2.9	1	2.9
Private placement debt	**47.1**	**11**	**42.0**	42.8	10	47.3
Mortgages	**54.6**	**13**	**51.4**	52.0	12	54.1
Policy loans and loans to bank clients	**9.7**	**2**	**9.7**	8.9	2	8.9
Public equities	**23.5**	**6**	**23.5**	28.1	7	28.1
Alternative Long-Duration Assets ("ALDA")						
Real Estate	**13.3**	**3**	**14.4**	13.2	3	14.4
Infrastructure	**12.8**	**3**	**13.0**	9.8	2	10.0
Timberland and Farmland	**6.0**	**1**	**6.5**	5.3	1	5.7
Private Equity	**14.3**	**3**	**14.3**	11.6	3	11.6
Oil & Gas	**2.2**	**1**	**2.2**	1.9	0	1.9
Other ALDA	**3.2**	**1**	**3.2**	2.6	1	2.6
Leveraged Leases and Other	**4.3**	**1**	**4.3**	4.1	1	4.1
Total general fund invested assets	**$ 414.0**	**100**	**$ 407.2**	$ 427.1	100	$ 435.5

The carrying values for invested assets are generally equal to their fair values, however, mortgages and private placement debt are carried at amortized cost; loans to bank clients are carried at unpaid principal balances less allowance for credit losses; real estate held for own use is carried at cost less accumulated depreciation and any accumulated impairment losses; and private equity investments, including power and infrastructure, oil and gas, and timber, are accounted for as associates using the equity method, or at fair value. Certain government and corporate bonds and public equities are classified as AFS, with the remaining classified as "fair value through profit or loss".

As at December 31, 2022, the carrying value of renewable energy assets, including energy efficiency projects, was $13.6 billion (2021 – $13.1 billion).

Shareholders' accumulated other comprehensive pre-tax income (loss) at December 31, 2022 consisted of a $7.3 billion loss for bonds (2021 – gain of $873 million) and an $84 million loss for public equities (2021 – gain of $288 million). Included in the $7.3 billion loss for bonds was a $276 million loss related to the fair value hedge basis adjustments attributable to the hedged risk of certain AFS bonds that are in a gain position (2021 – loss of $293 million).

Debt Securities and Private Placement Debt

We manage our high-quality fixed income portfolio to optimize yield and quality while ensuring that asset portfolios remain diversified by sector, industry, issuer, and geography. As at December 31, 2022, our fixed income portfolio of $251.0 billion (2021 – $267.0 billion) was 96% investment grade (rated BBB or better) and 71% was rated A or higher (2021 – 97% and 72%, respectively). Our private placement debt holdings provide diversification benefits (issuer, industry, and geography) and, because they often have stronger protective covenants and collateral than debt securities, they typically provide better credit protection and potentially higher recoveries in the event of default. Geographically, 22% is invested in Canada (2021 – 23%), 48% is invested in the U.S. (2021 – 49%), 5% is invested in Europe (2021 – 4%) and the remaining 25% is invested in Asia and other geographic areas (2021 – 24%).

Debt Securities and Private Placement Debt – by Credit Quality[1]

As at December 31, ($ billions)	2022 Debt securities	2022 Private placement debt	2022 Total	2022 % of Total	2021 Debt securities	2021 Private placement debt	2021 Total	2021 % of Total
AAA	**$ 33.7**	**$ 0.9**	**$ 34.6**	**14**	$ 40.1	$ 1.0	$ 41.1	15
AA	**36.3**	**7.0**	**43.3**	**17**	39.6	5.7	45.3	17
A	**83.5**	**16.5**	**100.0**	**40**	90.0	16.2	106.2	40
BBB	**46.1**	**17.2**	**63.3**	**25**	49.4	16.2	65.6	25
BB	**4.0**	**1.1**	**5.1**	**2**	3.7	1.1	4.8	2
B & lower, and unrated	**0.3**	**4.4**	**4.7**	**2**	1.4	2.6	4.0	1
Total carrying value	**$ 203.9**	**$ 47.1**	**$ 251.0**	**100**	$ 224.2	$ 42.8	$ 267.0	100

(1) Reflects credit quality ratings as assigned by Nationally Recognized Statistical Rating Organizations ("NRSRO") using the following priority sequence order: S&P Global Ratings ("S&P"), Moody's Investors Services ("Moody's"), DBRS Limited and its affiliated entities ("DBRS Morningstar"), Fitch Ratings Inc. ("Fitch"), Rating and Investment information, and Japan Credit Rating. For those assets where ratings by NRSRO are not available, disclosures are based upon internal ratings as described in the "Risk Management and Risk Factors" section below.

Debt Securities and Private Placement Debt – by Sector

As at December 31, (Per cent of carrying value, unless otherwise stated)	2022 Debt securities	2022 Private placement debt	2022 Total	2021 Debt securities	2021 Private placement debt	2021 Total
Government and agency	**36**	**10**	**31**	35	11	32
Utilities	**14**	**37**	**18**	14	38	18
Financial	**16**	**11**	**15**	15	10	15
Industrial	**9**	**14**	**9**	9	12	9
Consumer (non-cyclical)	**8**	**14**	**9**	8	14	9
Energy – Oil & Gas	**7**	**4**	**7**	8	5	7
Energy – Other	**0**	**0**	**0**	0	1	0
Consumer (cyclical)	**3**	**6**	**4**	3	6	3
Securitized (MBS/ABS)	**1**	**1**	**1**	1	1	1
Telecommunications	**2**	**0**	**2**	2	0	2
Basic materials	**2**	**3**	**2**	2	2	2
Technology	**1**	**0**	**1**	2	0	1
Media and internet and other	**1**	**0**	**1**	1	0	1
Total per cent	**100**	**100**	**100**	100	100	100
Total carrying value ($ billions)	**$ 203.9**	**$ 47.1**	**$ 251.0**	$ 224.2	$ 42.8	$ 267.0

As at December 31, 2022, gross unrealized losses on our fixed income holdings were $33.3 billion or 12% of the amortized cost of these holdings (2021 – $1.6 billion or 0.6%). Of this amount, $8.4 billion (2021 – $11 million) related to debt securities trading below 80% of amortized cost for more than 6 months. Securitized assets represented $228 million of the gross unrealized losses and none of the amounts trade below amortized cost for more than 6 months (2021 – $2 million and none, respectively). After adjusting for debt securities supporting participating policyholder and pass-through products and the provisions for credit included in the insurance and investment contract liabilities, the potential impact to shareholders' pre-tax earnings for debt securities trading at less than 80% of amortized cost for greater than 6 months was approximately $6.6 billion as at December 31, 2022 (2021 – $7 million).

Mortgages

As at December 31, 2022, our mortgage portfolio of $54.6 billion represented 13% of invested assets (2021 – $52.0 billion and 12%, respectively). Geographically, 66% of the portfolio is invested in Canada (2021 – 66%) and 34% is invested in the U.S. (2021 – 34%). The overall portfolio is also diversified by geographic region, property type, and borrower. Of the total mortgage portfolio, 13% is insured (2021 – 14%), primarily by the Canada Mortgage and Housing Corporation ("CMHC") – Canada's AAA rated government-backed national housing agency, with 31% of residential mortgages insured (2021 – 35%) and 1% of commercial mortgages insured (2021 – 2%).

As at December 31,	2022		2021	
($ billions)	Carrying value	% of total	Carrying value	% of total
Commercial				
Retail	**$ 8.7**	**16**	$ 8.8	17
Office	**9.1**	**17**	8.7	17
Multi-family residential	**7.4**	**13**	7.0	13
Industrial	**4.7**	**9**	3.6	7
Other commercial	**2.7**	**5**	3.0	6
	32.6	**60**	31.1	60
Other mortgages				
Manulife Bank single-family residential	**21.6**	**39**	20.5	39
Agricultural	**0.4**	**1**	0.4	1
Total mortgages	**$ 54.6**	**100**	$ 52.0	100

Our commercial mortgage loans are originated with a hold-for-investment philosophy. They have low loan-to-value ratios, high debt-service coverage ratios, and as at December 31, 2022 there were no loans in arrears. Geographically, of the total commercial mortgage loans, 44% are in Canada and 56% are in the U.S. (2021 – 44% and 56%, respectively). We are diversified by property type and largely avoid risky market segments such as hotels, construction loans, and second liens.

Non-CMHC Insured Commercial Mortgages[1]

As at December 31,	2022		2021	
	Canada	U.S.	Canada	U.S.
Loan-to-Value ratio[2]	**60%**	**56%**	61%	57%
Debt-Service Coverage ratio[2]	**1.57x**	**1.90x**	1.56x	1.87x
Average duration (years)	**4.27**	**6.31**	4.6	6.8
Average loan size ($ millions)	**$ 21.5**	**$ 21.1**	$ 19.4	$ 19.0
Loans in arrears[3]	**0.00%**	**0.00%**	0.00%	0.00%

(1) Excludes Manulife Bank commercial mortgage loans of $381 million (2021 – $393 million).
(2) Loan-to-Value and Debt-Service Coverage are based on re-underwritten cash flows.
(3) Arrears defined as over 90 days past due in Canada and over 60 days past due in the U.S.

Public Equities

As at December 31, 2022, public equity holdings of $23.5 billion represented 6% (2021 – $28.1 billion and 7%) of invested assets and, when excluding assets supporting participating policyholder and pass-through products, represented 1% (2021 – 1%) of invested assets. The portfolio is diversified by industry sector and issuer. Geographically, 29% (2021 – 28%) is held in Canada; 31% (2021 – 37%) is held in the U.S.; and the remaining 40% (2021 – 35%) is held in Asia, Europe, and other geographic areas.

Public Equities – classified by type of product-line supported

As at December 31,	2022		2021	
($ billions)	Carrying value	% of total	Carrying value	% of total
Participating Policyholders	**$ 12.2**	**52**	$ 14.7	52
Non-participating products and pass-through products	**8.4**	**36**	9.6	34
Corporate and Other segment	**2.9**	**12**	3.8	14
Total public equities[1]	**$ 23.5**	**100**	$ 28.1	100

(1) Includes $1.6 billion of AFS equities and $1.3 billion of seed money investments in new segregated and mutual funds.

Alternative Long-Duration Assets ("ALDA")

Our ALDA portfolio is comprised of a diverse range of asset classes with varying degrees of correlations. The portfolio typically consists of private assets representing investments in varied sectors of the economy which act as a natural hedge against future inflation and serve as an alternative source of asset supply to long-term corporate bonds. In addition to being a suitable match for our long-duration liabilities, these assets provide enhanced long-term yields and diversification relative to traditional fixed income markets. The vast majority of our ALDA are managed in-house.

As at December 31, 2022, carrying value of ALDA of $51.7 billion represented 12% (2021 – $44.4 billion and 10%) of invested assets. The fair value of total ALDA was $53.7 billion at December 31, 2022 (2021 – $46.3 billion). The carrying value and corresponding fair value by sector and/or asset type are outlined above (see table in the section "General Fund Assets").

Real Estate

Our real estate portfolio is diversified by geographic region; of the total fair value of this portfolio, 44% is located in the U.S., 39% in Canada, and 17% in Asia and Other as at December 31, 2022 (2021 – 42%, 42%, and 16%, respectively). This high-quality portfolio has virtually no leverage and is primarily invested in premium urban office towers, concentrated in cities with stable growth, and highly diverse economies, in North America and Asia. The portfolio is well positioned with an average occupancy rate of 89% (2021 – 90%) and an average lease term of 5.1 years (2021 – 5.5 years). During 2022, we executed 2 acquisitions representing $0.09 billion market value of commercial real estate assets (2021 – 2 acquisitions and $0.03 billion, respectively). As part of ongoing portfolio management initiatives, 9 commercial real estate assets totaling $0.3 billion were sold during 2022.

The composition of our real estate portfolio based on fair value is as follows:

As at December 31,	**2022**		2021	
($ billions)	Fair value	% of total	Fair value	% of total
Company Own-Use	**$ 3.0**	**21**	$ 3.0	21
Office – Downtown	**4.3**	**30**	4.8	33
Office – Suburban	**1.1**	**8**	1.4	10
Industrial	**2.7**	**19**	2.2	15
Residential	**2.2**	**15**	1.9	13
Retail	**0.4**	**3**	0.4	3
Other	**0.7**	**4**	0.7	5
Total real estate[1]	**$ 14.4**	**100**	$ 14.4	100

[1] These figures represent the fair value of the real estate portfolio. The carrying value of the portfolio was $13.3 billion and $13.2 billion at December 31, 2022 and December 31, 2021, respectively.

Infrastructure

We invest both directly and through funds in a variety of industry specific asset classes, listed below. The portfolio is well-diversified with over 600 portfolio companies. The portfolio is predominately invested in the U.S. and Canada, but also in the United Kingdom, Western Europe, Latin America, and Australia. Our power and infrastructure holdings are as follows:

As at December 31,	**2022**		2021	
($ billions)	Carrying value	% of total	Carrying value	% of total
Power generation	**$ 4.3**	**34**	$ 3.9	40
Transportation (including roads, ports)	**3.6**	**28**	2.7	27
Electric and gas regulated utilities	**0.6**	**5**	0.4	5
Electricity transmission	**0.2**	**2**	0.1	1
Water distribution	**0.4**	**3**	0.2	2
Midstream gas infrastructure	**0.8**	**6**	0.7	7
Maintenance service, efficiency and social infrastructure	**0.4**	**3**	0.2	2
Telecommunications/Tower	**2.3**	**18**	1.5	15
Other infrastructure	**0.2**	**1**	0.1	1
Total infrastructure	**$ 12.8**	**100**	$ 9.8	100

Timberland & Farmland

Our timberland and farmland assets are managed by a proprietary entity, Manulife Investment Management Timberland and Agriculture ("MIM Timberland and Agriculture"). In addition to being the world's largest timberland investment manager for institutional investors[1], with timberland properties in the U.S., New Zealand, Australia, Chile, Brazil, and Canada, MIM Timberland and Agriculture also manages farmland properties in the U.S., Australia, Chile, and Canada. The general fund's timberland portfolio comprised 22% of MIM Timberland and Agriculture's total timberland AUM (2021 – 22%). The farmland portfolio includes annual (row) crops, fruit crops, wine grapes, and nut crops. The general fund's holdings comprised 41% of MIM Timberland and Agriculture's total farmland AUM (2021 – 41%).

Private Equities

Our private equity portfolio of $14.3 billion (2021 — $11.6 billion) includes both directly held private equity and private equity funds. Both are diversified across vintage years and industry sectors.

[1] Based on the global timber investment management organization ranking in the *RISI International Timberland Ownership and Investment Database*.

Oil & Gas

This category is comprised of $2.2 billion (2021 — $1.9 billion) in various oil and gas private equity interests which are a combination of both producing and mid-streaming assets.

Investment Income

For the years ended December 31, ($ millions, unless otherwise stated)	2022	2021
Interest income	**$ 12,290**	$ 11,517
Dividend, rental and other income[1]	**3,843**	4,180
(Impairments)/Recoveries	**(151)**	15
Other, including gains and losses on sale of AFS debt securities	**(775)**	(85)
Investment income before realized and unrealized gains on assets supporting insurance and investment contract liabilities and on macro equity hedges	**15,207**	15,627
Realized and unrealized gains and losses on assets supporting insurance and investment contract liabilities and on macro equity hedges		
Debt securities	**(32,675)**	(5,585)
Public equities	**(3,602)**	3,220
Mortgages and private placements	**394**	403
Alternative long-duration assets and other investments	**1,349**	3,772
Derivatives, including macro equity hedging program	**(10,543)**	(5,813)
	(45,077)	(4,003)
Total investment income (loss)	**$ (29,870)**	$ 11,624

[1] Rental income from investment properties is net of direct operating expenses.

In 2022, the $29.9 billion of investment loss (2021 – income of $11.6 billion) consisted of:

- $15.2 billion of investment income before net realized and unrealized gains on assets supporting insurance and investment contract liabilities and on macro equity hedges (2021 – gains of $15.6 billion); and
- $45.1 billion of net realized and unrealized losses on assets supporting insurance and investment contract liabilities and on macro equity hedges (2021 – losses of $4.0 billion).

The $0.4 billion decrease in net investment income before unrealized and realized losses was due to losses of $0.5 billion in other derivatives – mainly driven by Treasury Locks and longer tenor yield and $0.5 billion in stocks – mainly due to lower dividend distributions, partially offset by an increase of $0.4 billion in bonds.

In 2022, net realized and unrealized losses on assets supporting insurance and investment contract liabilities and on the macro hedge program were $45.1 billion compared with losses of $4.0 billion in 2021. The 2022 losses were primarily due to the impact of interest rate increases and lower equity markets. The 10-year government bonds for the U.S., Canada, and Hong Kong increased 236 bps, 186 bps and 211 bps, respectively. The S&P 500 decreased 19.4% and S&P/TSX decreased 8.7%. The 2021 losses were primarily due to the impact of interest rate increases partially offset by fair value gains in ALDA and higher equity markets.

Fair value accounting policies affect the measurement of both our assets and our liabilities. Refer to “Impact of Fair Value Accounting” above.

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8. Fourth Quarter Financial Highlights

Profitability

As at and for the quarters ended December 31, ($ millions, unless otherwise stated)	2022	2021
Profitability:		
Net income attributed to shareholders	**$ 1,891**	$ 2,084
Core earnings[(1)]	**$ 1,746**	$ 1,708
Diluted earnings per common share ($)	**$ 0.95**	$ 1.03
Diluted core earnings per common share ($)	**$ 0.88**	$ 0.84
Return on common shareholders' equity ("ROE")	**14.4%**	15.6%
Core ROE	**13.2%**	12.7%

(1) Impact of currency movement on the fourth quarter of 2022 ("4Q22") core earnings compared with the fourth quarter of 2021 ("4Q21") was a $46 million favourable variance.

Manulife's 4Q22 net income attributed to shareholders was $1,891 million compared with $2,084 million in 4Q21. Net income attributed to shareholders is comprised of core earnings (consisting of items we believe reflect the underlying earnings capacity of the business), which amounted to $1,746 million in 4Q22 compared with $1,708 million in 4Q21, and items excluded from core earnings, which amounted to a net gain of $145 million in 4Q22 compared with a net gain of $376 million in 4Q21. Net income attributed to shareholders in 4Q22 decreased compared with 4Q21 primarily driven by losses from investment-related experience (compared with gains in the prior year) and a smaller gain from the direct impact of markets, partially offset by the favourable impact of an increase in the Canadian corporate tax rate and higher core earnings. Investment-related experience in 4Q22 reflected lower-than-expected returns (including fair value changes) on ALDA related to real estate, partially offset by the favourable impact of fixed income reinvestment activities and strong credit experience. The gain from the direct impact of markets in 4Q22 was primarily driven by gains due to the flattening of the yield curve in the U.S. and Canada and the impact of favourable equity market performance, partially offset by losses from corporate spread movements across several markets of differing magnitudes and from the sale of AFS bonds.

The 2% decrease in core earnings on a constant exchange rate basis compared with 4Q21 was driven by lower net fee income from lower average AUMA in Global WAM, lower new business gains in Asia and the U.S. and lower in-force earnings in U.S. Annuities of $55 million due to the variable annuity reinsurance transactions. These items were largely offset by higher yields on fixed income investments, gains on seed money investments and lower withholding taxes in Corporate and Other, improved policyholder experience in Canada and the U.S. and in-force business growth in Asia and Canada. 4Q22 core earnings included a net charge of $73 million ($82 million pre-tax) related to policyholder insurance and annuity experience compared with a net charge of $97 million ($120 million pre-tax) in 4Q21.[1] Actions to improve the capital efficiency of our legacy business resulted in $55 million lower core earnings in 4Q22 compared with 4Q21. Excluding these actions, in-force business increased 5%[2] compared with 4Q21.

Core earnings by segment is presented in the table below for the periods presented.

For the quarters ended December 31, ($ millions)	2022	2021
Core earnings		
Asia	**$ 569**	$ 547
Canada	**350**	286
U.S.	**374**	467
Global Wealth and Asset Management	**267**	387
Corporate and Other (excluding core investment gains)	**86**	(79)
Core investment gains	**100**	100
Core earnings	**$ 1,746**	$ 1,708

In Asia, core earnings were $569 million in 4Q22 compared with $547 million in 4Q21. The 1% increase on a constant exchange rate basis was driven by favourable changes in new business product mix and in-force business growth, partially offset by the impact of lower new business volumes primarily in Hong Kong. In addition, higher investment income on allocated capital increased core earnings by US$12 million compared with 4Q21 (see Corporate and Other segment).

In Canada, core earnings were $350 million in 4Q22 compared with $286 million in 4Q21. The 22% increase primarily reflected experience gains in 4Q22 compared with losses in 4Q21 with contributions from all businesses, higher Manulife Bank earnings and higher insurance in-force earnings, partially offset by the impact of an increase in the corporate income tax rate and lower segregated fund in-force earnings due to lower equity markets.

1 Policyholder experience includes quarterly gains of nil post-tax in 4Q22 (4Q21 – gains of $5 million) from customers who have opted to change their existing medical coverage to the VHIS products in Hong Kong. These gains did not have a material impact on core earnings as they were offset by new business strain.

2 Excludes $70 million (pre-tax) in 4Q22 of lost expected profit on in-force relating to the U.S. variable annuity reinsurance transaction. Percentage growth is based on the pre-tax impact of these actions, and is stated on a constant exchange rate basis.

In the U.S., core earnings were $374 million in 4Q22 compared with $467 million in 4Q21. The 25% decrease on a constant exchange rate basis was due to lower core earnings in both Annuities and Insurance. The decline in Annuities core earnings was driven by reduced in-force earnings of $55 million related to the two transactions to reinsure over 80%[1] of our U.S. variable annuity block in 2022. Annuities core earnings were also impacted by lower in-force earnings from unfavourable equity markets and lower policyholder experience gains. Insurance core earnings were lower primarily due to lower new business gains and lower other experience gains, partially offset by more favourable long-term care policyholder experience. Life insurance policyholder experience was neutral compared with 4Q21. In addition, higher investment income on allocated capital increased core earnings by US$6 million compared with 4Q21 (see Corporate and Other segment).

Global WAM core earnings were $267 million in 4Q22 compared with $387 million in 4Q21. The 34% decrease was driven by a decline in net fee income from lower average AUMA due to higher interest rates and equity market declines in 2022, and the non-recurrence of favourable tax benefits in 4Q21.

Corporate and Other core earnings excluding core investment gains were $86 million in 4Q22 compared with core loss of $79 million in 4Q21. The $165 million increase in core earnings was primarily due to higher yields on fixed income investments, $53 million of gains on seed money investments in segregated funds and mutual funds in 4Q22 compared with losses in the prior year and lower withholding taxes, partially offset by higher interest on allocated capital to operating segments.

The table below presents net income attributed to shareholders for the periods presented consisting of core earnings and the items excluded from core earnings.

For the quarters ended December 31, ($ millions)	**2022**	2021
Core earnings	**$ 1,746**	$ 1,708
Items excluded from core earnings:		
Investment-related experience outside of core earnings[(1)]	**(457)**	126
Direct impact of equity markets and interest rates and variable annuity guarantee liabilities (see table below)	**184**	398
Direct impact of equity markets and variable annuity guarantee liabilities[(2)]	***109***	*124*
Fixed income reinvestment rates assumed in the valuation of policy liabilities[(3)]	***130***	*454*
Sale of AFS bonds and derivative positions in the Corporate and Other segment	***(55)***	*(180)*
Reinsurance transactions, tax-related items and other[(4)]	**418**	(148)
Total items excluded from core earnings	**145**	376
Net income (loss) attributed to shareholders	**$ 1,891**	$ 2,084

(1) Total investment-related experience in 4Q22 was a net charge of $357 million, compared with a net gain of $226 million in 4Q21, and in accordance with our definition of core earnings, we included $100 million in investment-related experience gains in core earnings and a $457 million loss in items excluded from core earnings in 4Q22 ($100 million in investment gains and $126 million, respectively, in 4Q21). Investment-related experience charge in 4Q22 reflected lower-than-expected returns (including fair value changes) on ALDA related to real estate, partially offset by the favourable impact of fixed income reinvestment activities and strong credit experience. Investment-related experience gains in 4Q21 reflected higher-than-expected returns (including fair value changes) on ALDA primarily driven by gains on private equity and infrastructure as well as strong credit experience, partially offset by the unfavourable impact of fixed income reinvestment activities primarily driven by the acquisition of US Treasury bills.

(2) In 4Q22, the net gain related to equity markets of $109 million included a gain of $126 million from gross equity exposure, partially offset by a loss of $14 million from dynamic hedge experience and a modest charge of $3 million from macro hedging experience. In 4Q21, the net gain related to equity markets of $124 million included a gain of $145 million from gross equity exposure, partially offset by a loss of $20 million from dynamic hedging experience and a modest charge of $1 million from macro hedge experience.

(3) The $130 million gain in 4Q22 due to fixed income reinvestment rates was driven by gains due to the flattening of the yield curve in the U.S. and Canada and the impact of favourable equity market performance, partially offset by losses from corporate spread movements across several markets of differing magnitudes and from the sale of AFS bonds. The $454 million gain in 4Q21 was driven by flattening of the yield curve in Canada and the U.S. and, to a lesser extent, widening corporate spreads in the U.S.

(4) The $418 million gain in 4Q22 includes $297 million related to the favourable impact of an increase in the Canadian corporate tax rate, $86 million net gain from acquiring full ownership interest of MTEDA by purchasing the remaining 51% of shares from our joint venture partner and a $35 million gain from a reinsurance transaction in the U.S. 4Q21 includes a $119 million charge related to updating the impact of the 2017 U.S. Tax Cuts and Jobs Act and a $37 million charge from a reinsurance transaction in the U.S., partially offset by Asia reinsurance transaction gains of $8 million in 4Q22.

Net income attributed to shareholders by segment is presented in the following table.

For the quarters ended December 31, ($ millions)	**2022**	2021
Net income attributed to shareholders by segment		
Asia	**$ 569**	$ 645
Canada	**320**	616
U.S.	**410**	494
Global Wealth and Asset Management	**347**	387
Corporate and Other	**245**	(58)
Total net income attributed to shareholders	**$ 1,891**	$ 2,084

1 Represents a reduction in guarantee value on our total U.S. variable annuity block compared with December 31, 2021. Guarantee value on our U.S. variable annuity Guaranteed Minimum Withdrawal Benefits block reduced by more than 90% compared with December 31, 2021.

Business Performance

As at and for the quarters ended December 31, ($ millions, unless otherwise stated)	2022	2021
Asia APE sales	**$ 829**	$ 890
Canada APE sales	**252**	295
U.S. APE sales	**208**	244
Total APE sales	**1,289**	1,429
Asia new business value	**339**	391
Canada new business value	**87**	82
U.S. new business value	**99**	82
Total new business value	**525**	555
Global Wealth and Asset Management gross flows ($ billions)	**32.6**	36.0
Global Wealth and Asset Management net flows ($ billions)	**(8.3)**	8.1
Global Wealth and Asset Management assets under management and administration ($ billions)	**779.9**	855.9
Global Wealth and Asset Management total invested assets ($ billions)	**3.7**	4.5
Global Wealth and Asset Management segregated funds net assets ($ billions)	**224.2**	252.6
Total assets under management and administration ($ billions)	**1,314.6**	1,425.8
Total invested assets ($ billions)	**414.0**	427.1
Total net segregated funds net assets ($ billions)	**348.6**	399.8

Sales

APE sales were $1.3 billion in 4Q22, a decrease of 12% compared with 4Q21. In Asia, APE sales decreased 9% compared with 4Q21, reflecting lower sales in Hong Kong, partially offset by higher individual protection and other wealth sales in Japan and higher sales in Asia Other[1]. In Hong Kong, APE sales decreased 35% compared with 4Q21 driven by the impact of weaker customer sentiment on financial planning decisions. In Japan, APE sales increased 15% compared with 4Q21 as a result of higher individual protection and other wealth sales. Asia Other APE sales increased 2% compared with 4Q21, reflecting higher bancassurance and agency sales in mainland China, partially offset by lower agency sales in Vietnam, Singapore and Other Emerging Markets. In Canada, APE sales decreased 15% compared with 4Q21, primarily driven by lower segregated fund and participating insurance sales, partially offset by higher small business group insurance sales. In the U.S., APE sales decreased 21% compared with 4Q21 due to lower sales of domestic life insurance products, partially offset by an increase in international sales, which are reported as part of the U.S. segment results. Demand for domestic life insurance products purchased primarily to protect household income declined. Demand also decreased for domestic life insurance products purchased primarily for estate planning due to volatility in equity markets. APE sales of products with the John Hancock Vitality PLUS feature decreased 20% compared with 4Q21, reflecting the decrease in sales of domestic life insurance products.

New Business Value was $525 million in 4Q22, a decrease of 9% compared with 4Q21. In Asia, NBV decreased 17% compared with 4Q21 reflecting lower sales in Hong Kong and unfavourable changes in product mix in Asia Other, partially offset by the benefit of higher interest rates, and higher individual protection and other wealth sales in Japan. In Canada, NBV increased 6% compared with 4Q21, driven by higher margins in our insurance businesses, partially offset by lower volumes in annuities. In the U.S., NBV increased 12% compared with 4Q21, driven by higher interest rates, higher international sales volumes and product actions, partially offset by lower brokerage sales volumes.

Global Wealth and Asset Management net outflows were $8.3 billion in 4Q22 compared with net inflows of $8.1 billion in 4Q21. Net outflows in Retirement were $4.6 billion in 4Q22 compared with net outflows of $1.0 billion in 4Q21, driven by higher plan redemptions and lower new plan sales in the U.S. Net outflows in Retail were $4.7 billion in 4Q22 compared with net inflows of $7.5 billion in 4Q21, reflecting higher redemptions and lower gross flows driven by decreased investor demand. Net inflows in Institutional Asset Management were $0.9 billion in 4Q22 compared with net inflows of $1.6 billion in 4Q21, driven by lower net flows in real estate, timberland, and infrastructure products, partially offset by higher sales of fixed income mandates.

Global Wealth and Asset Management gross flows were $32.6 billion in 4Q22, a decrease of 13% compared with 4Q21. Retirement gross flows in 4Q22 were $12.1 billion, a decrease of 9% compared with 4Q21, reflecting lower new plan sales in the U.S. Retail gross flows in 4Q22 were $15.2 billion, a decrease of 23% compared with 4Q21, driven by lower investor demand amid higher interest rates and equity market declines in 2022. Institutional Asset Management gross flows in 4Q22 were $5.2 billion, an increase of 19% compared with 4Q21, mainly due to higher sales of fixed income mandates, partially offset by lower infrastructure and real estate gross flows.

[1] Asia Other excludes Hong Kong and Japan.

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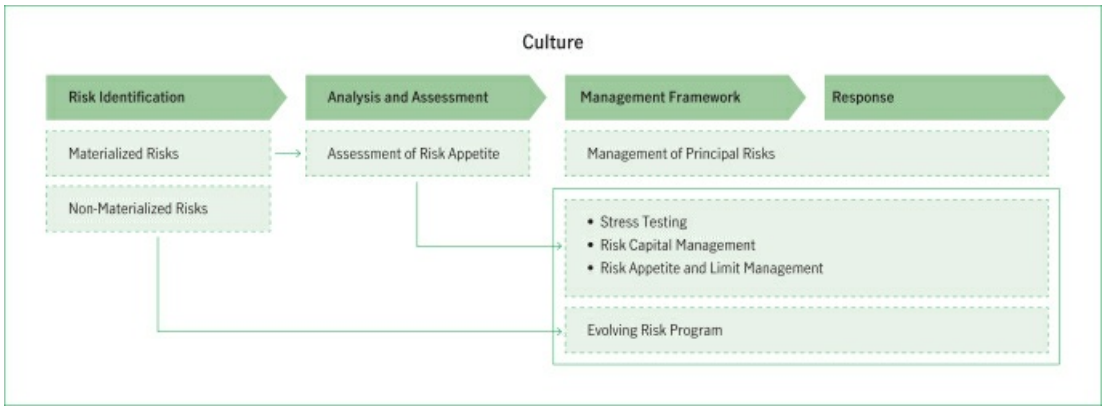
9. Risk Management and Risk Factors

This section provides an overview of our overall risk management approach along with detailed description of specific risks which may affect our results of operations or financial condition and the strategies used to manage those risks.

Enterprise Risk Management Framework

Delivering on our mission “Decisions made easier. Lives made better”, our ambition is to be the most digital, customer-centric global company in our industry. The activities required to achieve these results involve elements of risk taking.

Our approach to risk management is governed by our Enterprise Risk Management (“ERM”) Framework.



Our ERM Framework provides a structured approach to risk taking and risk management activities across the enterprise, supporting our long-term revenue, earnings, and capital growth strategy. It is communicated through risk policies and standards, which are intended to enable consistent design and execution of strategies across the organization. We have a common approach to managing all risks to which we are exposed, and to evaluating potential directly comparable risk-adjusted returns on contemplated business activities. Our risk policies and standards cover:

- **Risk roles and authorities** – Assignment of accountability and delegation of authority for risk oversight and risk management at various levels within the Company, as well as accountability principles;
- **Governance and strategy** – The types and levels of risk the Company seeks given its strategic plan, the internal and external environment, and risk appetite which drives risk limits and policies;
- **Execution** – Risk identification, measurement, assessment, and mitigation which enable those accountable for risks to manage and monitor their risk profile; and
- **Evaluation** – Validation, back testing and independent oversight to confirm that the Company generated the risk profile it intended, root cause analysis of any notable variation, and any action required to re-establish desired levels when exposures materially increase such that risk appetite is neared or exceeded.

Our risk management practices are influenced and impacted by external and internal factors (such as economic conditions, political environments, technology and risk culture), which can significantly impact the levels and types of risks we might face in pursuit of strategically optimized risk taking and risk management. Our ERM Framework incorporates relevant impacts and mitigating actions as appropriate.

Three Lines of Defense Model

A strong risk culture and a common approach to risk management are integral to Manulife’s risk management practices. Management is responsible for managing risk within risk appetite and has established risk management strategies and monitoring practices. Our approach to risk management includes a “three lines of defense” governance model that segregates duties among risk taking activities, risk monitoring and risk oversight, and establishes appropriate accountability for those who assume risk versus those who oversee risk.

Our first line of defense includes the Chief Executive Officer (“CEO”), Segment and Business Unit General Managers, Global Function Heads and all business operations personnel. In our matrix reporting model, the Segment General Managers are ultimately accountable for their business results, the risks they assume to achieve those results, and for the day-to-day management of the risks and related controls, and the Global Function Heads are accountable for the management of the risks and related controls for their function.

The second line of defense is comprised of the Company’s Chief Risk Officer (“CRO”), the Global Risk Management (“GRM”) function, the Company’s Chief Compliance Officer and the Global Compliance Office, and other global oversight functions. Collectively, this group

provides independent oversight of risk taking and risk management activities across the enterprise. Risk oversight committees, through broad-based membership, also provide oversight of risk taking and risk management activities.

The third line of defense is Audit Services, which provides independent, objective assurance that controls are effective and appropriate relative to the risk inherent in the business and that risk mitigation programs and risk oversight functions are effective in managing risks.

Risk Culture

To enable the achievement of our mission and strategic priorities, we are committed to a set of shared values, which reflect our culture, inform our behaviours, and help define how we work together:

- Obsess about customers – Predict their needs and do everything in our power to satisfy them.
- Do the right thing – Act with integrity and do what we say.
- Think big – Anything is possible. We can always find a better way.
- Get it done together – We're surrounded by an amazing team. Do it better by working together.
- Own it – Feel empowered to make decisions and take action to deliver our mission.
- Share your humanity – Build a supportive, diverse and thriving workplace.

Risk Culture Vision – Within this context, we strive for a risk aware culture, where individuals and groups are encouraged, feel comfortable and are proactive in making transparent, balanced risk-return decisions that are in the long-term interests of the Company.

Risk Culture Framework – We have set a framework of desired behaviours to foster a strong risk aware culture. The framework is assessed against a set of qualitative and quantitative indicators and regularly reported to MFC's board of directors (the "Board") and executive leadership, with the intent to continuously identify opportunities to increase risk awareness across all geographies, businesses and layers of management and staff.

We believe that risk culture is strengthened once desired organizational behaviours and attitudes are reinforced through effective application of our corporate values. As such, we communicate key elements of our values through a risk lens to build a strong risk aware culture, including:

- **Transparency** – Encourage an environment where we can get it done together by openly discussing the strengths, weaknesses and potential range of outcomes of an issue, proposal or initiative and making informed decisions. Escalate issues before they become significant problems.
- **Risk appetite** – Once we have identified a risk or situation, we establish a risk appetite and own that decision.
- **Learn** – Use mistakes and failures as learning moments and share what was learned; think big by sharing beyond teams and business units. Seek out lessons learned from throughout the organization in order to continuously improve and grow our business the right way.
- **Incentives** – Align personal incentives with our goals and how we want to execute our plan. When things go wrong, share our humanity by maintaining a supportive environment to ensure appropriate incentives for continued transparency and lessons learned.

Risk Governance

The Board oversees our culture of integrity and ethics, strategic planning, risk management, and corporate governance, among other things. The Board carries out its responsibilities directly and through its four standing committees:

- **Risk Committee** – Oversees the management of our principal risks, and our programs, policies and procedures to manage those risks.
- **Audit Committee** – Oversees internal control over financial reporting and our finance, actuarial, internal audit and global compliance functions, serves as the conduct review committee, reviews our compliance with legal and regulatory requirements and oversees the performance, qualifications and independence of our external auditors.
- **Management Resources and Compensation Committee**– Oversees our global human resources strategy, policies, programs, management succession, executive compensation, and pension plan governance.
- **Corporate Governance and Nominating Committee**– Develops our governance policies and procedures, including environmental, social and governance related matters, including climate change, among other activities.

The CEO is directly accountable to the Board for our results and operations and all risk taking activities and risk management practices required to achieve those results. The CEO is supported by the CRO as well as by the Executive Risk Committee ("ERC"). Together, they shape and promote our risk culture, guide risk taking throughout our global operations and strategically manage our overall risk profile. The ERC, along with other executive-level risk oversight committees, establishes risk policies, guides risk taking activity, monitors significant risk exposures and sponsors strategic risk management priorities throughout the organization.

GRM, under the direction of the CRO, establishes and maintains our ERM Framework and oversees the execution of individual risk management programs across the enterprise. GRM seeks to ensure a consistent enterprise-wide assessment of risk, risk based capital and risk-adjusted returns across all operations.

The ERC approves and oversees the execution of the Company's enterprise risk management program. It establishes and presents for approval to the Board the Company's risk appetite and enterprise-wide risk limits and monitors our overall risk profile, including key and

emerging risks and risk management activities. As part of these activities, the ERC monitors material risk exposures, endorses and reviews strategic risk management priorities, and reviews and assesses the impact of business strategies, opportunities and initiatives on our overall risk position. The ERC is supported by a number of oversight sub-committees including:

- **Credit Committee** – Establishes credit risk policies and risk management standards of practice and oversees the credit risk management program. Also monitors the Company's overall credit risk profile and approves large individual credits and investments.
- **Product Oversight Committee** – Oversees insurance risk and reviews risks in new product and new business reinsurance initiatives. Also monitors product design, new product pricing, and insurance risk exposures and trends.
- **Global Asset Liability Committee** – Oversees market and liquidity risk for insurance products, hedging, and asset liability management programs and strategies. Also monitors market risk profile, risk exposures, risk mitigation activities and compliance with related policies.
- **Operational Risk Committee** – Oversees operational risk appetite, exposures and associated governance, risk processes, risk management activities and compliance with related policies.

We also have segment risk committees, each with mandates similar to the ERC except with a focus at the segment as applicable.

Risk Appetite

The Company's strategic direction drives overall risk appetite. All risk taking activities are managed within the Company's overall risk appetite, which defines the amount and types of risks the Company is willing to assume in pursuit of its objectives. The Company's risk appetite is comprised of three components: overall risk taking philosophy, risk appetite statements, and risk limits and tolerances.

Risk Philosophy – Manulife is a global financial institution offering insurance, wealth and asset management products and other financial services. The activities required to achieve our mission of "Decisions made easier. Lives made better" are guided by our values and involve elements of risk taking. As such, when making decisions about risk taking and risk management, the Company places a priority on the following risk management objectives:

- To safeguard the commitments and expectations established with our customers, creditors, shareholders and employees;
- To support the successful design and delivery of customer solutions through the development and deployment of innovative product solutions, and providing customer-centric digital experiences;
- To prudently and effectively deploy the capital invested in the Company by shareholders with appropriate risk/return profiles;
- To invest wealth and asset management's customer assets consistent with their objectives;
- To achieve and maintain a high level of operational resilience;
- To safeguard the well-being of our employees, and promote a diverse, equitable and inclusive business environment;
- To consider environmental, social, and governance (ESG) impacts across our business activities and community impact;
- To protect and/or enhance the Company's reputation and brand; and
- To maintain the Company's targeted financial strength rating.

While we only pursue risks that we believe we can appropriately analyze and monitor, we also manage risks which arise outside of our direct influence. We recognize that risk exposures change over time. If exposures materially increase, we will activate management actions designed to bring exposures back to desired levels. As an integrated component of our business model, risk management assists the Company in achieving our objectives and in reaching higher levels of operational excellence, while encouraging transparency and organizational learning.

Risk Appetite Statements – At least annually, we establish and/or reaffirm that our risk appetite and the Company's strategy are aligned. The risk appetite statements provide 'guideposts' on our appetite for identified risks, any conditions placed on associated risk taking and direction for where quantitative risk limits should be established. The Company's risk appetite statements are as follows:

- Manulife accepts a total level of risk that provides a very high level of confidence to meeting customer obligations while targeting an appropriate overall return to shareholders over time;
- Capital market risks are acceptable when they are managed within specific risk limits and tolerances;
- Manulife believes a diversified investment portfolio reduces overall risk and enhances returns; therefore, it accepts credit and alternative long-duration asset related risks;
- Manulife pursues product risks that add customer and shareholder value where there is competence to assess and monitor them, and for which appropriate compensation is received;
- Manulife accepts that operational risks are an inherent part of the business when managed within thresholds and tolerances of key risk indicators and will protect its business and customers' assets through cost-effective operational risk mitigation; and
- Manulife expects its officers and employees to act in accordance with the Company's values, ethics and standards; and to protect its brand and reputation.

Risk Limits and Tolerances – Risk limits and tolerances are established for risks within our risk classification framework that are inherent in our strategies in order to define the types and amount of risk the Company will assume. Risk tolerance levels are set for risks deemed to be most significant to the Company and are established in relation to economic capital, earnings-at-risk and regulatory capital required. The purpose of risk limits is to cascade the total Company risk appetite to a level that can be effectively managed. Manulife establishes standalone risk limits for risk categories to avoid excessive concentration in any individual risk category and to manage the overall risk profile of the organization.

Risk Identification, Measurement and Assessment

We have a common approach and process to identify, measure, and assess the risks that we assume. We evaluate all potential new business initiatives, acquisitions, product offerings, reinsurance arrangements, and investment and financing transactions on a comparable risk-adjusted basis. Segments and functional groups are responsible for identifying and assessing key and emerging risks on an ongoing basis. A standard inventory of risks is used in all aspects of risk identification, measurement and assessment, and monitoring and reporting.

Risk exposures are evaluated using a variety of measures focused on both short-term net income attributed to shareholders and long-term economic value, with certain measures used across all risk categories, while others are applied only to some risks or a single risk type. Measures include stress tests such as sensitivity tests, scenario impact analyses and stochastic scenario modeling. In addition, qualitative risk assessments are performed, including for those risk types that cannot be reliably quantified.

We perform a variety of stress tests on earnings, regulatory capital ratios, economic capital, earnings-at-risk and liquidity that consider significant, but plausible events. We also perform other integrated, complex scenario tests to assess key risks and the interaction of these risks.

Economic capital and earnings-at-risk provide measures of enterprise-wide risk that can be aggregated and compared across business activities and risk types. Economic capital measures the amount of capital required to meet obligations with a high and pre-defined confidence level. Our earnings-at-risk metric measures the potential variance from quarterly expected earnings at a particular confidence level. Economic capital and earnings-at-risk are both determined using internal models.

Risk Monitoring and Reporting

Under the direction of the CRO, GRM oversees a formal process for monitoring and reporting on all significant risks at the Company-wide level. Risk exposures are also discussed at various risk oversight committees, along with any exceptions or proposed remedial actions, as required.

On at least a quarterly basis, the ERC and the Board's Risk Committee reviews risk reports that present an overview of our overall risk profile and exposures across our principal risks. The reports incorporate both quantitative risk exposure measures and sensitivities, and qualitative assessments. The reports also highlight key risk management activities and facilitate monitoring compliance with key risk policy limits.

The results of the Financial Condition Test and Own Risk and Solvency Assessment are presented to the Board annually by our Chief Actuary and CRO, respectively. Our Chief Auditor reports the results of internal audits of risk controls and risk management programs to the Audit Committee and the Board's Risk Committee annually. Management reviews the implementation of key risk management strategies, and their effectiveness, with the Board's Risk Committee annually.

Risk Control and Mitigation

Risk control activities in place throughout the Company are designed to mitigate risks within established risk limits. We believe our controls, which include policies, procedures, systems and processes, are appropriate and commensurate with the key risks faced at all levels across the Company. Such controls are an integral part of day-to-day activity, business management and decision making.

GRM establishes and oversees formal review and approval processes for product offerings, insurance underwriting, reinsurance, investment activities and other material business activities, based on the nature, size and complexity of the risk taking activity involved. Authorities for assuming risk at the transaction level are delegated to specific individuals based on their skill, knowledge and experience.

Principal Risk Categories

Our insurance, wealth and asset management and other financial services businesses subject Manulife to a broad range of risks. Management has identified the following risks to which our businesses, operations and financial condition are subjected to, grouped under five principal risk categories: strategic risk, market risk, credit risk, product risk and operational risk. The following sections describe the risk management strategies and risk factors for each principal risk category.

The risks described below are not the only ones we face. Additional risks not presently known to us or that are currently immaterial could also impair our businesses, operations and financial condition in the future. If any of such risks should occur, the trading price of our securities, including common shares, preferred shares and debt securities, could decline, and investors may lose all or part of their investment.

Strategic Risk

Strategic risk is the risk of loss resulting from the inability to adequately plan or implement an appropriate business strategy that allows us to effectively compete in the markets in which we operate, or to adapt to change in the external business, political or regulatory environment.

We operate in highly competitive markets and compete for customers with both insurance andnon-insurance financial services companies. Customer loyalty and retention, and access to distributors, are important to the Company's success and are influenced by many factors, including our distribution practices and regulations, product features, service levels including digital capabilities, prices, investment performance, and our financial strength ratings and reputation. Our ability to effectively compete is highly dependent upon being quick to react and adapt to changes from the external environment while continuing to proactively drive internal innovation.

Strategic Risk Management Strategy

The CEO and Executive Leadership Team establish and oversee execution of business strategies and have accountability to identify and manage the risks embedded in these strategies. They are supported by a number of processes:

- Strategic business, risk and capital planning that is reviewed with the Board, Executive Leadership Team, and the ERC;
- Performance and risk reviews of all key businesses with the CEO and annual reviews with the Board;
- Risk based capital attribution and allocation designed to encourage a consistent decision-making framework across the organization; and
- Review and approval of significant acquisitions and divestitures by the CEO and, where appropriate, the Board.

Reputation risk is the risk that the Company's corporate image may be eroded by adverse publicity, about real or perceived issues, as a result of business practices of Manulife or its representatives potentially causing long-term or even irreparable damage to the Company's franchise value. Reputation risk arises from both internal and external environmental factors, and cannot be managed in isolation from other risks, but only as an integral part of the Company's integrated risk management approach.

The Company's Reputation Risk Policy requires that internal processes and controls, management decisions, and business decisions, include considerations for how the Company's reputation and brand could be impacted. Any incident with the potential to harm our reputation is of high priority and senior management is to be alerted. An essential component of the Reputation Risk Policy requires that all employees should conduct themselves in accordance with our values, as well as the Company's Code of Conduct and Business Ethics.

Environmental, Social and Governance Risks

Environmental, social and governance ("ESG") risks could arise from our inability to adapt to evolving ESG issues, including climate change, and may impact our investments, underwriting, and operations, which could lead to adverse financial, operational, legal, reputational, or brand value risks for Manulife due to our actual or perceived actions, or inaction in relation to ESG issues.

The Board's Corporate Governance and Nominating Committee ("CGNC") oversees Manulife's ESG framework, including matters related to climate change. On a regular basis, the CGNC is updated on relevant ESG topics, including our progress against the commitments set out in Manulife's Climate Action Plan. Starting in 2023, each member of the CGNC will also participate in at least one externally facilitated ESG-related educational activity every two years. The CGNC's oversight complements Manulife's Executive Sustainability Council ("ESC"), which consists of the Chief Executive Officer, the Chief Sustainability Officer, the Chief Risk Officer and other members of the Executive Leadership Team. As part of its mandate, the ESC is responsible for guiding the development and execution of our climate strategy, including climate-related risk management activities. The ESC meets monthly and is supported by the ESG Centre of Expertise ("CoE"), which consists of corporate function and business unit leads tasked with integrating sustainability into our business practices and a Legal and Compliance ESG CoE, whose purpose is to share information and advice relating to ESG activities across Manulife. Manulife's Climate Change Taskforce, a cross-functional team, is responsible for the execution of the Climate Action Plan and manages climate-related performance and disclosures. Additionally, our global executive Diversity, Equity and Inclusion ("DEI") Council, which includes members of the Executive Leadership Team and is chaired by the CEO, meets quarterly and guides, supports, and facilitates the implementation of our DEI strategy, encourages innovative thinking about DEI challenges and opportunities, and drives and builds accountability for DEI throughout the organization.

Climate Risk

Consistent with the Financial Stability Board's Taskforce on Climate-Related Financial Disclosures ("TCFD"), Manulife defines climate-related risks as the potential negative impacts from climate change, which may be experienced directly (e.g., through financial loss) or indirectly (e.g., through reputational harm), resulting from the physical impacts of climate change or the transition to a low-carbon economy.

Climate risk is a risk with unique characteristics given the diverse set of pathways in which risks can manifest. As such, it is a transversal risk, that has the potential to impact any of our principal risks, including strategic, market, credit, product, or operational risk, as well as legal and reputational risk. Climate risk, therefore, is viewed as a modifier or an accelerator of existing risk types, and failure to adequately prepare for the potential impacts of climate change can have material adverse impacts on our balance sheet or our ability to operate.

Potential impacts of climate change may include business losses or disruption resulting from extreme weather conditions, challenges in adapting to changes in climate-related legal or regulatory frameworks, reputational damage, devaluation of our debt or equity asset exposures to fossil-fuel related or high-emitting industries, or increased mortality or morbidity resulting from climate related events.

We continue to enhance the integration of climate-related risks into our enterprise risk management framework to ensure that they are managed in a manner consistent with our common approach to risk management (refer to "Risk Identification, Measurement and Assessment" above). Our Environmental Risk Policy and other relevant policies and standards are used to guide business operations on

climate risk identification and assessment. GRM continues to enhance risk management practices to consider the potential impacts from climate-related risk, including in our investment decision-making processes, life insurance underwriting due diligence, and assessment of operational risks and controls.

The Executive Risk Committee and the Risk Committee of the Board consider climate-related risks and opportunities through the ongoing monitoring and reporting of emerging risks. Risk management activities addressing climate-related risks are expected to continue to evolve over time as knowledge and capabilities further mature, and as applicable standards, frameworks and methodologies continue to emerge and coalesce.

Manulife is a long-term oriented underwriter and investor. Therefore, climate-related risks and opportunities, including changes in the physical environment and policy and technological changes associated with the transition to a low-carbon economy, are strategically relevant and, in some cases, could become material to our business over time. In 2022, we continued to monitor climate-related risks and opportunities within our business strategy over short (1-5 year), medium (5-15 year), and long (beyond 15 years) time horizons to better assess the relative significance of potential impacts and how and when actions will be required to address such impacts.

Our Climate Action Plan (released in May 2021) focuses on three areas, our operations, our general fund investments, and the products and services we offer to clients. It includes our commitment to achieve net zero financed emissions by 2050, and our commitment to reduce our absolute scope 1 and 2 emissions by 35% by 2035.[1] We are also taking a combined sector and asset class approach to establish ambitious near term decarbonization targets for our financing activities in the general fund. Interim targets for real estate, power generation project finance, and listed equities and debt are being developed in line with the target-setting methodology of the Science-Based Targets Initiative (“SBTi”), a leading global standard for setting carbon emission reduction targets in line with global decarbonization ambitions to limit global warming. Interim target-setting activities for additional heavy emitting industries not covered by SBTi are also under development.

Through our general fund we continue to make targeted investments in green asset categories (such as energy efficiency, sustainably certified timberlands, and renewable energy). We also continue to develop investment products and solutions for climate change mitigation and resilience through Manulife Investment Management.

For additional information regarding strategic risks associated with Manulife’s sustainability commitments, see “Strategic Risk Factors – We may not be able to achieve our sustainability commitments, or our commitments may not meet the expectations of stakeholders or regulators”. Please also refer to our annual “Environmental, Social and Governance Report”, published in the second quarter of each year, for detailed disclosure on our alignment with the TCFD recommendations and our ESG performance.

Strategic Risk Factors

We may not be successful in executing our business strategies or these strategies may not achieve our objectives.

- The global macroeconomic environment has a significant impact on our financial plans and ability to implement our business strategy. The macroeconomic environment can be significantly impacted by the actions of both the government sector (including central banks) and the private sector. The macroeconomic environment may also be affected by natural and human-made catastrophes.
- Our business strategy and associated financial plans are developed by considering forecasts of economic growth, both globally and in the specific countries in which we operate. Actual economic growth can be significantly impacted by the macroeconomic environment and can deviate significantly from forecasts, thus impacting our financial results and the ability to implement our business strategy.
- Any plans to expand our global operations in markets where we operate and potentially in new markets may require considerable management time, as well as start-up expenses for market development before any significant revenues and earnings are generated. Operations in new foreign markets may achieve low margins or may be unprofitable, and expansion in existing markets may be affected by local economic and market conditions.
- Changes in the macroeconomic environment can also have a significant impact on financial markets, including movements in interest rates, spreads on fixed income assets, and returns on public equity and ALDA assets. Our financial plan, including income projections, capital projections, and valuation of liabilities are based on certain assumptions with respect to future movements in interest rates and spreads on fixed income assets, and expected future returns from our public equity and ALDA investments. Actual experience is highly variable and can deviate significantly from our assumptions, thus impacting our financial results. In addition, actual experience that is significantly different from our assumptions and/or changes in the macroeconomic environment may result in changes to the assumptions themselves which would also impact our financial results.
- Specific changes in the macroeconomic environment can have very different impacts across different parts of the business. For example, a rise in interest rates is generally beneficial to us in the long-term but can adversely affect valuations of some ALDA assets, especially those that have returns dependent on contractual cash flows, such as real estate.
- A rise in geopolitical tensions either within or outside of jurisdictions in which we operate can trigger changes in the macroeconomic environment which can have various impacts across our business. For example, economic sanctions imposed on a country could adversely impact our ability to achieve specific business objectives in that region. Military conflicts could drive financial and economic dislocations across global capital markets, supply chains or commodity markets. See also “Operational Risk Factors – Our operations face political, legal, operational and other risks that could negatively affect those operations or our results of operations and financial condition.”

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

- The spending and savings patterns of our customers could be significantly influenced by the macroeconomic environment and could have an impact on the products and services we offer to our customers.
- Customer behaviour and emergence of claims on our liabilities can be significantly impacted by the macroeconomic environment. For example, a prolonged period of economic weakness could impact the health and well-being of our customers and that could result in increased claims for certain insurance risks.
- An elevated risk for stagflation, increased unemployment, inflation and economic uncertainty in certain parts of the global markets may result in adverse policyholders' behaviour (such as higher withdrawals, lapses, lower premium deposits and lower policy persistency than anticipated), higher expenses and cost of fundings, along with other adverse impacts from higher rates due to inflationary pressure as mentioned in the Market Risk Factors section. These impacts could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

Adverse publicity, litigation or regulatory action resulting from our business practices or actions by our employees, representatives and/or business partners, could erode our corporate image and damage our franchise value and/or create losses.

- Manulife's reputation is one of its most valuable assets. Harm to a company's reputation is often a consequence of risk control failure, whether associated with complex financial transactions or routine operational activities. Manulife's reputation could also be harmed by the actions of third parties with whom we do business. Our representatives include affiliated broker-dealers, agents, wholesalers and independent distributors, such as broker-dealers and banks, whose services and representations our customers rely on. Business partners include, among others, joint venture partners and third parties to whom we outsource certain functions and that we rely on to fulfill various obligations.
- If any of these representatives or business partners fail to adequately perform their responsibilities, or monitor their own risks, these failures could affect our business reputation and operations. While we seek to maintain adequate internal risk management policies and procedures and protect against performance failures, events may occur involving our representatives or our business partners that could cause us to lose customers or cause us or our representatives or business partners to become subject to legal, regulatory, economic or trade sanctions, which could have a material adverse effect on our reputation, our business, and our results of operations. For further discussion of government regulation and legal proceedings refer to "Government Regulation" in MFC's Annual Information Form dated February 15, 2023 and note 19 of the Consolidated Financial Statements.

Our businesses are heavily regulated, and changes in regulation or laws, or in the interpretation or enforcement of regulation and laws, may reduce our profitability and limit our growth.

- Our operations are subject to a wide variety of insurance and other laws and regulations including with respect to financial crimes (which include, but are not limited to, money laundering, bribery and economic or trade sanctions), privacy, market conduct, consumer protection, business conduct, prudential and other generally applicable non-financial requirements. Insurance and securities regulators in Canada, the United States, Asia and other jurisdictions regularly re-examine existing laws and regulations applicable to insurance companies, investment advisors, brokers-dealers and their products. Compliance with applicable laws and regulations is time consuming and personnel-intensive, and changes in these laws and regulations or in the interpretation or enforcement thereof, may materially increase our direct and indirect compliance costs and other expenses of doing business, thus having a material adverse effect on our results of operations and financial condition.
- Regulators review their capital requirements and implement changes aimed at strengthening risk management and capitalization of financial institutions. Future regulatory capital, actuarial and accounting changes, including changes with a retroactive impact, could have a material adverse effect on the Company's consolidated financial condition, results of operations and regulatory capital both on transition and going forward. In addition, such changes could have a material adverse effect on the Company's position relative to that of other Canadian and international financial institutions with which Manulife competes for business and capital.
- In Canada, MFC and its principal operating subsidiary, MLI, are governed by the Insurance Companies Act (Canada) ("ICA"). The ICA is administered, and the activities of the Company are supervised, by the Office of the Superintendent of Financial Institutions ("OSFI"). MLI is also subject to regulation and supervision under the insurance laws of each of the provinces and territories of Canada. Regulatory oversight is vested in various governmental agencies having broad administrative power with respect to, among other things, dividend payments, capital adequacy and risk based capital requirements, asset and reserve valuation requirements, permitted investments and the sale and marketing of insurance contracts. These regulations are intended to protect policyholders and beneficiaries rather than investors and may adversely impact shareholder value.
- Some recent examples of regulatory and professional standard developments, in addition to the developments outlined in the "Risk Management and Risk Factors – Strategic Risk" section, which could impact our net income attributed to shareholders and/or capital position are provided below.
    - The International Association of Insurance Supervisors ("IAIS") is still developing elements of its global frameworks for supervision of internationally active insurance groups ("IAIGs"). This includes a risk-based global Insurance Capital Standard ("ICS") which is undergoing a five-year monitoring period through 2025 to inform its development. While broadly supportive of the goals of ICS, OSFI stated that they did not support the ICS design adopted by the IAIS in 2019 for use in the monitoring period, citing that it was 'not fit for purpose for the Canadian market'. The adoption of the international rules in specific markets or on a group-based basis will depend on the decision of each applicable regulator.

The impact of the frameworks on capital and other regulatory requirements and Manulife's competitive position remains unknown and is being monitored.

The Holistic Framework for the assessment and mitigation of systemic risk in the insurance sector was adopted by the Financial Stability Board ("FSB") in December 2022 and the annual identification process of some IAIGs as Globally Systemically Important Insurers ("G-SIIs"), which had been paused since 2019, has been discontinued. See "Emerging Risks – Regulatory Capital" section below.

- The National Association of Insurance Commissioners ("NAIC") has been reviewing reserving and capital methodologies as well as the overall risk management framework. These reviews will affect U.S. life insurers, including John Hancock, and could lead to increased reserving and/or capital requirements for our business in the U.S. In addition, in December 2020 the NAIC adopted a group capital calculation ("GCC") and amendments to the NAIC Insurance Holding Company System Regulatory Act which exempt certain insurance holding groups, including John Hancock and Manulife, from the requirements relating to the GCC. In Michigan, which is the lead state for NAIC regulation of John Hancock, the Michigan Insurance Code was recently amended to adopt the NAIC Group Capital Calculation model language.

- The Canadian Actuarial Standards Board ("ASB") promulgates certain assumptions referenced in the CIA Standards of Practice for the valuation of insurance contract liabilities. These promulgations are updated periodically and, in the event that new promulgations are published, they will apply to the determination of actuarial liabilities and may lead to an increase in actuarial liabilities and a reduction in net income attributed to shareholders.
- Increasingly, global financial regulators are promulgating guidance related to climate change and its potential impacts on financial services firms. OSFI, the SEC and several regulators across Asia have begun to engage industry to assess the impacts of climate change and to set expectations on establishing climate transition plans, including ensuring effective risk management and governance structures to manage climate change-related risks. There are also increasing expectations from investors, regulators, and other stakeholders to provide comparable, decision-useful data and reporting on climate change-related risks and opportunities, including performance metrics such as an organization's Scope 1, 2 and 3 carbon emissions. Regulatory disclosure requirements are guided by private sector bodies, where there is a convergence in the industry around sustainability reporting frameworks. The IFRS Foundation's International Sustainability Standards Board ("ISSB") is one such body and has published draft standards for a comprehensive global baseline of sustainability disclosures for capital markets.
- In the United States, state insurance laws regulate most aspects of our business, and our U.S. insurance subsidiaries are regulated by the insurance departments of the states in which they are domiciled and the states in which they are licensed. State laws grant insurance regulatory authorities broad administrative powers with respect to, among other things: licensing companies and agents to transact business; calculating the value of assets to determine compliance with statutory requirements; mandating certain insurance benefits; regulating certain premium rates; reviewing and approving policy forms; regulating unfair trade and claims practices, including through the imposition of restrictions on marketing and sales practices, distribution arrangements and payment of inducements; regulating advertising; protecting privacy; establishing statutory capital and reserve requirements and solvency standards; fixing maximum interest rates on insurance policy loans and minimum rates for guaranteed crediting rates on life insurance policies and annuity contracts; approving changes in control of insurance companies; restricting the payment of dividends and other transactions between affiliates; and regulating the types, amounts and valuation of investments. Changes in any such laws and regulations, or in the interpretation or enforcement thereof by regulators, could significantly affect our business, results of operations and financial condition.
- Currently, the U.S. federal government does not directly regulate the business of insurance. However, federal legislation and administrative policies in several areas can significantly and adversely affect state regulated insurance companies. These areas include financial services regulation, securities regulation, pension regulation, privacy, tort reform legislation, and taxation. In addition, under the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"), the U.S. Board of Governors of the Federal Reserve has supervisory powers over non-bank financial companies that are determined to be systemically important.
- Insurance guaranty associations in Canada and the United States have the right to assess insurance companies doing business in their jurisdiction for funds to help pay the obligations of insolvent insurance companies to policyholders and claimants. Typically, an insurer is assessed an amount related to its proportionate share of the line of business written by all insurers in the relevant jurisdiction. Because the amount and timing of an assessment is beyond our control, the liabilities that we have currently established for these potential liabilities may not be adequate, particularly if there is an increase in the number of insolvent insurers or if the insolvent insurers operated in the same lines of business and in the same jurisdictions in which we operate.
- While many of the laws and regulations to which we are subject are intended to protect policyholders, beneficiaries, depositors and investors in our products and services, others also set standards and requirements for the governance of our operations. Failure to comply with applicable laws or regulations could result in financial penalties or sanctions, and damage our reputation.
- All aspects of Manulife's Global WAM businesses are subject to various laws and regulations around the world. These laws and regulations are primarily intended to protect investment advisory clients, investors in registered and unregistered funds, and clients of Manulife's global retirement businesses. Agencies that regulate investment advisors, investment funds and retirement plan products and services have broad administrative powers, including the power to limit, restrict or prohibit the regulated entity or person from carrying on business if it fails to comply with such laws and regulations. Possible sanctions for significant compliance failures include

the suspension of individual employees, limitations on engaging in certain lines of business for specified periods of time, revocation of investment advisor and other registrations and censures and fines both for individuals and Manulife, along with the resulting damage to our reputation.
- From time to time, regulators raise issues during examinations or audits of Manulife that could have a material adverse impact on us. We cannot predict whether or when regulatory actions may be taken that could adversely affect our operations. Our failure to comply with existing and evolving regulatory requirements could also result in regulatory sanctions and could affect our relationships with regulatory authorities and our ability to execute our business strategies and plans. For further discussion of government regulation and legal proceedings refer to "Government Regulation" in MFC's Annual Information Form dated February 15, 2023 and note 19 of the 2022 Annual Consolidated Financial Statements. See also "Operational Risk Factors – Our operations face political, legal, operational and other risks that could negatively affect those operations or our results of operations and financial condition" for further discussion on the impact to our operations.

Changes to International Financial Reporting Standards could have a material impact on our financial results.

- New standards or modifications to existing standards could have a material adverse impact on our financial results and regulatory capital position (the regulatory capital framework in Canada uses IFRS as a base). Additionally, any mismatch between the underlying economics of our business and new accounting standards could have significant unintended negative consequences on our business model; and potentially affect our customers, shareholders and our access to capital markets. Please refer to "Emerging Risks – IFRS 17 and IFRS 9" below.

Changes in tax laws, tax regulations, or interpretations of such laws or regulations could make some of our products less attractive to consumers, could increase our corporate taxes or cause us to change the value of our deferred tax assets and liabilities as well as our tax assumptions included in the valuation of our policy liabilities. This could have a material adverse effect on our business, results of operations and financial condition.

- Many of the products that the Company sells benefit from one or more forms of preferred tax treatment under current income tax regimes. For example, the Company sells life insurance policies that benefit from the deferral or elimination of taxation on earnings accrued under the policy, as well as permanent exclusion of certain death benefits that may be paid to policyholders' beneficiaries. We also sell annuity contracts that allow the policyholders to defer the recognition of taxable income earned within the contract. Other products that the Company sells, such as certain employer-paid health and dental plans, also enjoy similar, as well as other, types of tax advantages. The Company also benefits from certain tax benefits, including tax-exempt interest, dividends-received deductions, tax credits (such as foreign tax credits), and favourable tax rates and/or income measurement rules for tax purposes.
- There is risk that tax legislation could be enacted that would lessen or eliminate some or all of the tax advantages currently benefiting the Company or its policyholders or its other clients. This could occur in the context of deficit reduction or other tax reforms. The effects of any such changes could result in materially lower product sales, lapses of policies currently held, and/or our incurrence of materially higher corporate taxes, any of which could have a material adverse effect on our business, results of operations and financial condition.
- Additionally, the Company may be required to change its provision for income taxes or carrying amount of deferred tax assets or liabilities if the characterization of certain items is successfully challenged by taxing authorities or if future transactions or events, which could include changes in tax laws, tax regulations or interpretations of such laws or regulations, occur. Any such changes could significantly affect the amounts reported in the Consolidated Financial Statements in the year these changes occur.
- In 2021, 136 of the 140 members of the Organization for EconomicCo-Operation and Development ("OECD") / G20 Inclusive Framework agreed on a two-pillar solution to address tax challenges from the digital economy, and to close the gaps in international tax systems. These include a new approach to allocating certain profits of multinational entities amongst countries and a global minimum income tax rate of 15%. On April 7, 2022, the Canadian government reaffirmed its commitment to the two-pillar solution in its 2022 Budget statement. The Company is closely monitoring developments and potential impacts and, in particular, for issues unique to the insurance industry. If enacted, we expect an increase in the effective tax rate, pending further details on timing and specific implementation in both Canada and other affected countries.
- The Canada Recovery Dividend and permanent corporate tax rate increase for certain financial institutions were enacted in 2022. Both tax measures apply to Canada's insurance and banking operations. The Canada Recovery Dividend is a one-time 15% tax applicable to the average taxable income for 2020 and 2021 in excess of $1 billion and is not a material cost to the Company. The 1.5% corporate tax rate increase on Canadian taxable income over $100 million had an immediate favourable impact on the value of our existing deferred tax assets in the fourth quarter of 2022 that will be offset over time by a slight increase to our effective tax rate as future Canadian insurance and banking earnings are taxed at the new higher federal corporate tax rate of 16.5%.
- Rules to govern the transition to IFRS 17 for Canadian tax purposes were enacted in late 2022 and became effective January 1, 2023. A five-year transition period for both insurance reserves and revaluations of investments under IFRS 9 should generally smooth the current tax impact of the change in accounting standards but is not expected to have a material effect on the Company's annual cash tax payable.
- The U.S. Inflation Reduction Act of 2022 was signed into law on August 16, 2022, which includes a 15% minimum tax based on financial statement income, starting in 2023. Many related regulations remain to be drafted to clarify how the tax will operate, but at this time we do not expect our IFRS effective tax rate to be materially affected by this new tax, though the timing of cash tax payments could be accelerated.

Access to capital may be negatively impacted by market conditions.

- Disruptions, uncertainty or volatility in the financial markets may limit our access to the capital markets to raise capital required to operate our business. Such market conditions may limit our ability to access the capital necessary to satisfy regulatory capital requirements to grow our business and meet our refinancing requirements. Under extreme conditions, we may be forced, among other things, to delay raising capital, issue different types of capital than we would otherwise under normal conditions, less effectively deploy such capital, issue shorter term securities than we prefer, or issue securities that bear an unattractive cost of capital which could decrease our financial flexibility, profitability, and/or dilute our existing shareholders.

As a holding company, MFC depends on the ability of its subsidiaries to transfer funds to it to meet MFC's obligations and pay dividends. Subsidiaries' remittance of capital depends on subsidiaries' earnings, regulatory requirements and restrictions, and macroeconomic and market conditions.

- MFC is a holding company and relies on dividends and interest payments from our insurance and other subsidiaries as the principal source of cash flow to meet MFC's obligations and pay dividends. As a result, MFC's cash flows and ability to service its obligations are dependent upon the earnings of its subsidiaries and the distribution of those earnings and other funds by its subsidiaries to MFC. Substantially all of MFC's business is currently conducted through its subsidiaries.
- The ability of our holding company to fund its cash requirements depends upon it receiving dividends, distributions and other payments from our operating subsidiaries. The ability of MFC's insurance subsidiaries to pay dividends to MFC in the future will depend on their earnings, macroeconomic and market conditions, and their respective local regulatory requirements and restrictions, including capital adequacy and requirements, exchange controls and economic or trade sanctions.
- MFC's insurance subsidiaries are subject to a variety of insurance and other laws and regulations that vary by jurisdiction and are intended to protect policyholders and beneficiaries in that jurisdiction first and foremost, rather than investors. These subsidiaries are generally required to maintain solvency and capital standards as set by their local regulators and may also be subject to other regulatory restrictions, all of which may limit the ability of subsidiary companies to pay dividends or make distributions to MFC.
- Potential changes to regulatory capital and actuarial and accounting standards could also limit the ability of the insurance subsidiaries to pay dividends or make distributions and could have a material adverse effect on internal capital mobility. We may be required to raise additional capital, which could be dilutive to existing shareholders, or to limit the new business we write, or to pursue actions that would support capital needs but adversely impact our subsequent earnings potential. In addition, the timing and outcome of these initiatives could have a significantly adverse impact on our competitive position relative to that of other Canadian and international financial institutions with which we compete for business and capital. Please also refer to "Emerging Risks – IFRS 17 and IFRS 9" below.
- The Company seeks to maintain capital in its regulated subsidiaries in excess of the minimum required in all jurisdictions in which the Company does business. The minimum requirements in each jurisdiction may increase due to regulatory changes and we may decide to maintain additional capital in our operating subsidiaries for competitive reasons, to fund expected growth of the business or to deal with changes in the risk profile of such subsidiaries. Any such increases in the level of capital may reduce the ability of the operating companies to pay dividends.
- The payment of dividends to MFC by MLI is subject to restrictions set out in the ICA. The ICA prohibits the declaration or payment of any dividend on shares of an insurance company if there are reasonable grounds for believing: (i) the company does not have adequate capital and adequate and appropriate forms of liquidity; or (ii) the declaration or the payment of the dividend would cause the company to be in contravention of any regulation made under the ICA respecting the maintenance of adequate capital and adequate and appropriate forms of liquidity, or of any order made to the company by the Superintendent. All of our U.S. and Asian operating life insurance companies are subsidiaries of MLI. Accordingly, a restriction on dividends from MLI would restrict MFC's ability to obtain dividends from its U.S. and Asian businesses.
- Certain of MFC's U.S. insurance subsidiaries also are subject to insurance laws in Michigan, New York and Massachusetts, the jurisdictions in which these subsidiaries are domiciled, which impose general limitations on the payment of dividends and other upstream distributions by these subsidiaries to MLI.
- Our Asian insurance subsidiaries are also subject to restrictions in the jurisdictions in which these subsidiaries are domiciled which could affect their ability to pay dividends to MLI in certain circumstances.

We may experience future downgrades in our financial strength or credit ratings, which may materially adversely impact our financial condition and results of operations.

- Credit rating agencies publish financial strength ratings on life insurance companies that are indicators of an insurance company's ability to meet contract holder and policyholder obligations. Credit rating agencies also assign credit ratings, which are indicators of an issuer's ability to meet the terms of its obligations in a timely manner and are important factors in a company's overall funding profile and ability to access external capital. Ratings reflect the views held by each credit agency, which are subject to change based on various factors that may be within or beyond a company's control.
- Ratings are important factors in establishing the competitive position of insurance companies, maintaining public confidence in products being offered, and determining the cost of capital. A ratings downgrade, or the potential for such a downgrade could adversely affect our operations and financial condition. A downgrade could, among other things, increase our cost of capital and limit our access to the capital and loan markets; cause some of our existing liabilities to be subject to acceleration, additional collateral support, changes in terms, or additional financial obligations; result in the termination of our relationships with broker-dealers, banks, agents, wholesalers and other distributors of our products and services; increase our cost of hedging; unfavourably impact our ability to execute on our hedging strategies; materially increase the number of surrenders, for all or a portion of the net cash values, by the

owners of policies and contracts we have issued; impact our ability to obtain reinsurance at reasonable prices or at all; and materially increase the number of withdrawals by policyholders of cash values from their policies; and reduce new sales.

Competitive factors may adversely affect our market share and profitability.

- The insurance, wealth and asset management industries are highly competitive. Our competitors include other insurers, securities firms, investment advisors, mutual funds, banks and other financial institutions. The rapid advancement of new technologies, such as blockchain, artificial intelligence and advanced analytics, may enable other non-traditional firms to compete directly in the industry space, or offer services to our traditional competitors to enhance their value propositions. The impact from technological disruption may result in our competitors improving their customer experience, product offerings and business costs. Our competitors compete with us for customers, access to distribution channels such as brokers and independent agents, and for employees. In some cases, competitors may be subject to less onerous regulatory requirements, have lower operating costs or have the ability to absorb greater risk while maintaining their financial strength ratings, thereby allowing them to price their products more competitively or offer features that make their products more attractive. These competitive pressures could result in lower new business volumes and increased pricing pressures on a number of our products and services that may harm our ability to maintain or increase our profitability. Due to the highly competitive nature of the financial services industry, there can be no assurance that we will continue to effectively compete with our traditional and non-traditional industry rivals, and competitive pressure may have a material adverse effect on our business, results of operations and financial condition.

We may experience difficulty in marketing and distributing products through our current and future distribution channels.

- We distribute our insurance and wealth management products through a variety of distribution channels, including brokers, independent agents, broker-dealers, banks, wholesalers, affinity partners, other third-party organizations and our own sales force in Asia. We generate a significant portion of our business through individual third-party arrangements. We periodically negotiate provisions and renewals of these relationships, and there can be no assurance that such terms will remain acceptable to us or relevant third parties. An interruption in our continuing relationship with certain of these third parties could significantly affect our ability to market our products and could have a material adverse effect on our business, results of operations and financial condition.

Industry trends could adversely affect the profitability of our businesses.

- Our business segments continue to be influenced by a variety of trends that affect our business and the financial services industry in general. The impact of the volatility and instability of the financial markets on our business is difficult to predict and the results of operations and our financial condition may be significantly impacted by general business and economic trends in the geographies in which we operate. These conditions include, but are not limited to, market factors, such as public equity, foreign currency, interest rate and other market risks, demographic shifts, consumer behaviours (e.g. spending habits and debt levels), and governmental policies (e.g. fiscal, monetary, and global trade). The Company's business plans, results of operations, and financial condition have been negatively impacted in the recent past and may also be negatively affected in the future.

We may face unforeseen liabilities or asset impairments arising from possible mergers with, or acquisitions and dispositions of, businesses or difficulties integrating acquired businesses.

- We have engaged in mergers with, or acquisitions and dispositions of, businesses in the past and expect to continue to do so in the future as we may deem appropriate. There could be unforeseen liabilities or asset impairments, including goodwill impairments that arise in connection with the businesses that we may sell, have acquired, or may acquire in the future. In addition, there may be liabilities or asset impairments that we fail, or are unable, to discover in the course of performing due diligence investigations on acquisition targets. Furthermore, the use of our own funds as consideration in any acquisition would consume capital resources that would no longer be available for other corporate purposes.
- Our ability to achieve some or all of the benefits we anticipate from any mergers with, or acquisitions and dispositions of, businesses will depend in large part upon our ability to successfully integrate the businesses in an efficient and effective manner. We may not be able to integrate the businesses smoothly or successfully, and the process may take longer than expected. The integration of operations may require the dedication of significant management resources, which may distract management's attention from our day-to-day business. Mergers with, or acquisitions and dispositions of, operations outside of North America, especially any acquisition in a jurisdiction in which we do not currently operate, may be particularly challenging or costly to integrate. If we are unable to successfully integrate the operations of any acquired businesses, we may be unable to realize the benefits we expect to achieve as a result of the acquisitions and the results of operations may be less than expected.

If our businesses do not perform well, or if the outlook for our businesses is significantly lower than historical trends, we may be required to recognize an impairment of goodwill or intangible assets or to establish a valuation allowance against our deferred tax assets, which could have a material adverse effect on our results of operations and financial condition.

- Goodwill represents the excess of the amounts we paid to acquire subsidiaries and other businesses over the fair value of their net identifiable assets at the date of acquisition. Intangible assets represent assets that are separately identifiable at the time of an acquisition and provide future benefits such as the John Hancock brand.
- As outlined below under "Critical Actuarial and Accounting Policies – Goodwill and Intangible Assets", goodwill and intangible assets with indefinite lives are tested at least annually for impairment at the cash generating unit ("CGU") or group of CGUs level, representing the smallest group of assets that is capable of generating largely independent cash flows. Going forward, as a result of the impact of economic conditions and changes in product mix and the granular level of goodwill testing under IFRS, additional impairment charges could occur in the future. Any impairment in goodwill would not affect LICAT capital.

- If market conditions deteriorate in the future and, in particular, if MFC's common share price is low relative to book value per share, if the Company's actions to limit risk associated with its products or investments cause a significant change in any one CGU's recoverable amount, or if the outlook for a CGU's results deteriorate, the Company may need to reassess the value of goodwill and/or intangible assets which could result in impairments during 2023 or subsequent periods. Such impairments could have a material adverse effect on our results of operations and financial condition.
- Deferred income tax balances represent the expected future tax effects of the differences between the book and tax basis of assets and liabilities, loss carry forwards and tax credits. Deferred tax assets are recorded when the Company expects to claim deductions on tax returns in the future for expenses that have already been recorded in the financial statements.
- The availability of those deductions is dependent on future taxable income against which the deductions can be made. Deferred tax assets are assessed periodically by management to determine if they are realizable. Factors in management's determination include the performance of the business including the ability to generate gains from a variety of sources and tax planning strategies. If based on information available at the time of the assessment, it is determined that the deferred tax asset will not be realized, then the deferred tax asset is reduced to the extent that it is no longer probable that the tax benefit will be realized.

We may not be able to protect our intellectual property and may be subject to infringement claims.

- We rely on a combination of registrations, contractual rights and copyright, trademark, patent and trade secret laws to establish and protect our intellectual property. In particular, we have invested considerable resources in promoting and protecting the brand names "Manulife" and "John Hancock" and expect to continue to do so. Although we use a broad range of measures to protect our intellectual property rights, third parties may infringe or misappropriate our intellectual property. As the occurrence of potential infringements or misappropriations against our intellectual property increases, we may have to litigate more often to enforce and protect our copyrights, trademarks, patents, trade secrets and know-how or to determine their scope, validity or enforceability, which represents a diversion of resources that may be significant in amount and may not prove successful. The loss of intellectual property protection or the inability to secure or enforce the protection of our intellectual property assets could have a material adverse effect on our business and our ability to compete.
- We also may be subject to costly litigation in the event that another party alleges our operations or activities infringe upon its intellectual property rights. Third parties may have, or may eventually be issued, patents that could be infringed by our products, methods, processes or services. Any party that holds such a patent could make a claim of infringement against us. We may also be subject to claims by third parties for breach of copyright, trademark, trade secret or license usage rights. Any such claims and any resulting litigation could result in significant liability for damages. If we were found to have infringed a third-party patent or other intellectual property rights, we could incur substantial liability, and in some circumstances could be enjoined from providing certain products or services to our customers or utilizing and benefiting from certain methods, processes, copyrights, trademarks, trade secrets or licenses, or alternatively could be required to enter into costly licensing arrangements with third parties, all of which could have a material adverse effect on our business, results of operations and financial condition.

Applicable laws may discourage takeovers and business combinations that common shareholders of MFC might consider in their best interests.

- The ICA contains restrictions on the purchase or other acquisition, issue, transfer and voting of the shares of an insurance company. In addition, under applicable U.S. insurance laws and regulations in states where certain of our insurance company subsidiaries are domiciled, no person may acquire control of MFC without obtaining prior approval of those states' insurance regulatory authorities. These restrictions may delay, defer, prevent, or render more difficult a takeover attempt that common shareholders of MFC might consider in their best interests. For instance, they may prevent shareholders of MFC from receiving the benefit from any premium to the market price of MFC's common shares offered by a bidder in a takeover context. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of MFC's common shares if they are viewed as discouraging takeover attempts in the future.

Entities within the MFC group are interconnected which may make separation difficult.

- MFC operates in local markets through subsidiaries and branches of subsidiaries. These local operations are financially and operationally interconnected to lessen expenses, share and reduce risk, and efficiently utilize financial resources. In general, external capital required for companies in the Manulife group has been raised at the MFC level in recent years and then transferred to other entities primarily as equity or debt capital as appropriate. Other linkages include policyholder and other creditor guarantees and other forms of internal support between various entities, loans, capital maintenance agreements, derivatives, shared services and affiliate reinsurance treaties. Accordingly, the risks undertaken by a subsidiary may be transferred to or shared by affiliates through financial and operational linkages. Some of the consequences of this are:
    - Financial difficulties at a subsidiary may not be isolated and could cause material adverse effects on affiliates and the group as a whole.
    - Linkages may make it difficult to dispose of or separate a subsidiary or business within the group by way of a spin-off or similar transaction and the disposition or separation of a subsidiary or business may not fully eliminate the liability of the Company and its remaining subsidiaries for shared risks. Issues raised by such a transaction could include: (i) the Company cannot terminate, without policyholder consent and in certain jurisdictions regulator consent, parental guarantees on in-force policies and therefore would continue to have residual risk under any such non-terminated guarantees; (ii) internal capital mobility and efficiency could be limited; (iii) significant potential tax consequences; (iv) uncertainty about the accounting and regulatory outcomes of such a

transaction; (v) obtaining any other required approvals; (vi) there may be a requirement for significant capital injections; and (vii) the transaction may result in increased sensitivity of net income attributed to shareholders and capital of MFC and its remaining subsidiaries to market declines.

We may not be able to achieve our sustainability commitments, or our commitments may not meet the expectations of stakeholders or regulators.

- We continue to build on our sustainability commitments, including our climate-related commitments, as set out in our sustainability strategy, and continue to adopt policies and processes to manage these commitments, in alignment with our business priorities. Internal or external circumstances could affect our ability to successfully meet some or all of our sustainability commitments. Our commitments could also materially change in the future and this could affect stakeholders' evaluation of us and lead to adverse reputational impact.
- Our progress towards the commitments is disclosed periodically, which allows our stakeholders, including shareholders, customers and employees, to evaluate our business based on our advancement towards these commitments. Our reporting on our progress relies on various external frameworks, methodologies, taxonomies and other standards, which may change over time, resulting in changes to or restatements of our reporting processes and results. Stakeholders may also evaluate our business by their own sustainability criteria which may not be consistent with our own criteria or performance indicators, which could result in varying levels of expectations for which we may not be able to entirely satisfy.
- The availability of quality and reliable data, including issuer data, is a notable factor in our ability to set targets, make effective decisions against, and report our progress towards our targets and strategic areas of focus for our general fund. However, as a consequence of incomplete, inadequate, or unavailable data, our targets, and our progress toward achieving them, may need to be revisited.
- Interim targets support us in understanding how our investments can contribute to decarbonization of the real economy and provide guideposts against which to measure our progress towards our targets, including our targets to support ambitious global decarbonization commitments as validated by SBTi. However, our targets, and our progress toward achieving them, may need to be revisited if the assumptions underlying net zero scenarios and pathways prove incorrect, or if regulatory, economic, technological and other external factors needed to enable such scenarios and pathways fail to evolve.
- As regulators start to adopt mandatory sustainability related disclosure requirements and investment criteria and taxonomies, there is an increasing possibility of regulatory sanctions, including fines, and litigations. As a result, we may face adverse investor, media, or public scrutiny which may negatively impact our financial results and reputation.

Market Risk

Market risk is the risk of loss resulting from market price volatility, interest rate change, credit and swap spread changes, and adverse foreign exchange rate movements. Market price volatility primarily relates to changes in prices of publicly traded equities and alternative long-duration assets. The profitability of our insurance and annuity products, as well as the fees we earn in our investment management business, are subject to market risk.

IFRS 7 Disclosures

Text and tables in this and the following section ("Market Risk Sensitivities and Market Risk Exposure Measures") include disclosures on market and liquidity risk in accordance with IFRS 7, "Financial Instruments – Disclosures", and discussions on how we measure risk and our objectives, policies and methodologies for managing them. 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 audited annual Consolidated Financial Statements for the years ended December 31, 2022 and December 31, 2021. The fact that certain text and tables are considered an integral part of the Consolidated Financial Statements does not imply that the disclosures are of any greater importance than the sections not part of the disclosure. Accordingly, the "Risk Management and Risk Factors" disclosure should be read in its entirety.

Market Risk Management Strategy

Market risk management strategy is governed by the Global Asset Liability Committee which oversees the overall market and liquidity risk program. Our overall strategy to manage our market risks incorporates several component strategies, each targeted to manage one or more of the market risks arising from our businesses. At an enterprise level, these strategies are designed to manage our aggregate exposures to market risks against limits associated with earnings and capital volatility.

The following table outlines our key market risks and identifies the risk management strategies which contribute to managing these risks.

Risk Management Strategy	Key Market Risk				
	Public Equity Risk	Interest Rate and Spread Risk	ALDA Risk	Foreign Exchange Risk	Liquidity Risk
Product design and pricing	✓	✓	✓	✓	✓
Variable annuity guarantee dynamic hedging	✓	✓		✓	✓
Macro equity risk hedging	✓			✓	✓
Asset liability management	✓	✓	✓	✓	✓
Foreign exchange management				✓	✓
Liquidity risk management					✓

Public Equity Risk – To manage public equity risk from our insurance and annuity businesses, we primarily use a variable annuity guarantee dynamic hedging strategy which is complemented by a general macro equity risk hedging strategy, in addition to asset liability management strategies. Our strategies employed for variable annuity guarantee dynamic hedging and macro equity risk hedging expose the Company to additional risks. See "Market Risk Factors" below.

Interest Rate and Spread Risk – To manage interest rate and spread risk, we primarily employ asset liability management strategies to manage the duration of our fixed income investments and execute interest rate hedges in our insurance segments and our Corporate and Other segments.

ALDA Risk – We seek to limit concentration risk associated with ALDA performance by investing in a diversified basket of assets including commercial real estate, timber, farmland, private equities, infrastructure, and oil and gas assets. We further diversify risk by managing investments against established investment and risk limits.

Foreign Exchange Risk – Our policy is to generally match the currency of our assets with the currency of the liabilities they support. Where assets and liabilities are not currency matched, we seek to hedge this exposure where appropriate to stabilize our capital positions and remain within our enterprise foreign exchange risk limits.

Liquidity Risk – We are exposed to liquidity risk, which is the risk of not having access to sufficient funds or liquid assets to meet both expected and unexpected cash outflows and collateral demands in our operating and holding companies. In the operating companies, cash and collateral demands arise day-to-day to fund policyholder benefits, withdrawals of customer deposit balances, reinsurance settlements, derivative instrument settlements/collateral pledging, expenses, and investment and hedging activities. Under stressed conditions, additional cash and collateral demands could arise primarily from changes to policyholder termination or policy renewal rates, withdrawals of customer deposit balances, borrowers renewing or extending their loans when they mature, derivative settlements or collateral demands, and reinsurance settlements.

Our liquidity risk management framework is designed to provide adequate liquidity to cover cash and collateral obligations as they come due, and to sustain and grow operations in both normal and stressed conditions. Refer to "Liquidity Risk Management Strategy" below for more information.

Product Design and Pricing Strategy

Our policies, standards, and guidelines with respect to product design and pricing are designed with the objective of aligning our product offerings with our risk-taking philosophy and risk appetite, and in particular, ensuring that incremental risk generated from new sales aligns with our strategic risk objectives and risk limits. The specific design features of our product offerings, including level of benefit guarantees, policyholder options, fund offerings and availability restrictions as well as our associated investment strategies, help to mitigate the level of underlying risk. We regularly review and modify key features within our product offerings, including premiums and fee charges with a goal of meeting profit targets and staying within risk limits. Certain of our general fund adjustable benefit products have minimum rate guarantees. The rate guarantees for any particular policy are set at the time the policy is issued and governed by insurance regulation in each jurisdiction where the products are sold. The contractual provisions allow crediting rates to be re-set at pre-established intervals subject to the established minimum crediting rate guarantees. The Company may partially mitigate the interest rate exposure by setting new rates on new business and by adjusting rates on in-force business where permitted. In addition, the Company partially mitigates this interest rate risk through its asset liability management process, product design elements, and crediting rate strategies. New product initiatives, new reinsurance arrangements and material insurance underwriting initiatives must be reviewed and approved by the CRO or key individuals within risk management functions.

Hedging Strategies for Variable Annuity and Other Equity Risks

The Company's exposure to movement in public equity market values primarily arises from insurance liabilities related to variable annuity guarantees and general fund public equity investments.

Dynamic hedging is the primary hedging strategy for variable annuity market risks. Dynamic hedging is employed for new variable annuity guarantees business when written or as soon as practical thereafter.

We seek to manage public equity risk arising from unhedged exposures in our insurance liabilities through our macro equity risk hedging strategy. We seek to manage interest rate risk arising from variable annuity business not dynamically hedged through our asset liability management strategy.

Variable Annuity Dynamic Hedging Strategy

The variable annuity dynamic hedging strategy is designed to hedge the sensitivity of variable annuity guarantee policy liabilities to fund performance (both public equity and bond funds) and interest rate movements. The objective of the variable annuity dynamic hedging strategy is to offset, as closely as possible, the change in the economic value of guarantees with the profit and loss from our hedge asset portfolio. The economic value of guarantees moves in close tandem, but not exactly, with our variable annuity guarantee policy liabilities, as it reflects best estimate liabilities and does not include any liability provisions for adverse deviations.

Our variable annuity hedging program uses a variety of exchange-traded andover-the-counter ("OTC") derivative contracts to offset the change in value of variable annuity guarantees. The main derivative instruments used are equity index futures, government bond futures, currency futures, interest rate swaps, total return swaps, equity options and interest rate swaptions. The hedge instruments' positions against policy liabilities are continuously monitored as market conditions change. As necessary, the hedge asset positions will be dynamically rebalanced in order to stay within established limits. We may also utilize other derivatives with the objective to improve hedge effectiveness opportunistically.

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 profit (loss) on the hedge instruments will not completely offset the underlying losses (gains) related to the guarantee liabilities hedged because:

- Policyholder behaviour and mortality experience are not hedged;
- Provisions for adverse deviation in the policy liabilities are not hedged;
- A portion of interest rate risk is not hedged;
- Credit spreads may widen and actions might not be taken to adjust accordingly;
- Fund performance on a small portion of the underlying funds is not hedged due to lack of availability of effective exchange-traded hedge instruments;
- Performance of the underlying funds hedged may differ from the performance of the corresponding hedge instruments;
- Correlations between interest rates and equity markets could lead to unfavourable material impacts;
- Unfavourable hedge rebalancing costs can be incurred during periods of high volatility from equity markets, bond markets and/or interest rates. The impact is magnified when these impacts occur concurrently; and
- Not all other risks are hedged.

Macro Equity Risk Hedging Strategy

The objective of the macro equity risk hedging program is to maintain our overall earnings sensitivity to public equity market movements within our Board approved risk appetite limits. The macro equity risk hedging program is designed to hedge earnings sensitivity due to movements in public equity markets arising from all sources (outside of dynamically hedged exposures). Sources of equity market sensitivity addressed by the macro equity risk hedging program include:

- Residual equity and currency exposure from variable annuity guarantees not dynamically hedged;
- General fund equity holdings backing guaranteed, adjustable liabilities and variable universal life;and
- Unhedged provisions for adverse deviation related to variable annuity guarantees dynamically hedged.

Asset Liability Management Strategy

Our asset liability management strategy is designed to help ensure that the market risks embedded in our assets and liabilities held in the Company's general fund are effectively managed and that risk exposures arising from these assets and liabilities are maintained within risk limits. The embedded market risks include risks related to the level and movement of interest rates and credit and swap spreads, public equity market performance, ALDA performance and foreign exchange rate movements.

General fund product liabilities are categorized into groups with similar characteristics in order to support them with a specific asset strategy. We seek to align the asset strategy for each group to the premium and benefit patterns, policyholder options and guarantees, and crediting rate strategies of the products they support. The strategies are set using portfolio analysis techniques intended to optimize returns, subject to considerations related to regulatory and economic capital requirements, and risk tolerances. They are designed to achieve broad diversification across asset classes and individual investment risks while being suitably aligned with the liabilities they support. The strategies encompass asset mix, quality rating, term profile, liquidity, currency and industry concentration targets.

Products which feature guaranteed liability cash flows (i.e., where the projected net flows are not materially dependent upon economic scenarios) are managed to a target return investment strategy. The products backed by this asset group include:

- Accumulation annuities (other than annuities with pass-through features), which are primarilyshort-to-medium-term obligations and offer interest rate guarantees for specified terms on single premiums. Withdrawals may or may not have market value adjustments;
- Payout annuities, which have no surrender options and include predictable and very long-dated obligations; and
- Insurance products, with recurring premiums extending many years in the future, and which also include a significant component of very long-dated obligations.

We seek to manage the assets backing these long-dated benefits to achieve a target return sufficient to support the obligations over their lifetime, subject to established risk tolerances and the impact of regulatory and economic capital requirements. Fixed income assets are

managed to a benchmark developed to minimize interest rate risk against the liability cash flows. Utilizing ALDA and public equity investments provides a suitable match for long-duration liabilities that also enhances long-term investment returns and reduces aggregate risk through diversification.

For insurance and annuity products where significant pass-through features exist, a total return strategy approach is used, generally combining fixed income with ALDA plus public equity investments. ALDA and public equity may be included to enhance long-term investment returns and reduce aggregate risk through diversification. Target investment strategies are established using portfolio analysis techniques that seek to optimize long-term investment returns while considering the risks related to embedded product guarantees and policyholder withdrawal options, the impact of regulatory and economic capital requirements and considering management tolerances with respect to short-term income volatility and long-term tail risk exposure. For these pass-through products such as participating insurance and universal life insurance, the investment performance of assets supporting the liabilities will be largely passed through to policyholders as changes in the amounts of dividends declared or rates of interest credited, subject to embedded minimum guarantees. Shorter duration liabilities such as fixed deferred annuities do not incorporate ALDA plus public equity investments into their target asset mixes. Authority to manage our investment portfolios is delegated to investment professionals who manage to benchmarks derived from the target investment strategies established for each group, including interest rate risk tolerances.

Our asset liability management strategy incorporates a wide variety of risk measurement, risk mitigation and risk management, and hedging processes. The liabilities and risks to which the Company is exposed, however, cannot be completely matched or hedged due to both limitations on instruments available in investment markets and uncertainty of impact on liability cash flows from policyholder experience/behaviour.

Foreign Exchange Risk Management Strategy

Our policy is to generally match the currency of our assets with the currency of the liabilities they support. Where assets and liabilities are not currency matched, we seek to hedge this exposure where appropriate to stabilize our capital positions and remain within our enterprise foreign exchange risk limits.

Risk from small balance sheet mismatches is accepted if managed within set risk limits. Risk exposures are measured in terms of potential changes in capital ratios, due to foreign exchange rate movements, determined to represent a specified likelihood of occurrence based on internal models.

Liquidity Risk Management Strategy

Global liquidity management policies and procedures are designed to provide adequate liquidity to cover cash and collateral obligations as they come due, and to sustain and grow operations in both normal and stressed conditions. They reflect legal, regulatory, tax, operational or economic impediments to inter-entity funding. The asset mix of our balance sheet takes into account the need to hold adequate unencumbered and appropriate liquid assets to satisfy the requirements arising under stressed scenarios and to allow our liquidity ratios to remain strong. We manage liquidity centrally and closely monitor the liquidity positions of our principal subsidiaries.

We seek to mitigate liquidity risk by diversifying our business across different products, markets, geographical regions and policyholders. We design insurance products to encourage policyholders to maintain their policies in-force, to help generate a diversified and stable flow of recurring premium income. We design the policyholder termination features of our wealth management products and related investment strategies with the goal of mitigating the financial exposure and liquidity risk related to unexpected policyholder terminations. We establish and implement investment strategies intended to match the term profile of the assets to the liabilities they support, taking into account the potential for unexpected policyholder terminations and resulting liquidity needs. Liquid assets represent a large portion of our total assets. We aim to reduce liquidity risk in our businesses by diversifying our funding sources and appropriately managing the term structure of our funding. We forecast and monitor daily operating liquidity and cash movements in various individual entities and operations as well as centrally, aiming to ensure liquidity is available and cash is employed optimally.

We also maintain centralized cash pools and access to other sources of liquidity and contingent liquidity such as repurchase funding agreements. Our centralized cash pool consists of cash or near-cash, high quality short-term investments that are continually monitored for their credit quality and market liquidity.

As at December 31, 2022, the Company held $241.0 billion in cash and 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, compared with $268.4 billion as at December 31, 2021 as noted in the table below.

As at December 31, ($ millions, unless otherwise stated)	2022	2021
Cash and cash equivalents	**$ 19,153**	$ 22,594
Marketable assets		
Government bonds (investment grade)	**70,508**	77,743
Corporate bonds (investment grade)	**126,827**	138,479
Securitized — ABS, CMBS, RMBS (investment grade)	**2,285**	2,892
Public equities	**22,223**	26,706
Total marketable assets	**221,843**	245,820
Total cash and cash equivalents and marketable assets[1]	**$ 240,996**	$ 268,414

(1) Including $13.3 billion encumbered cash and cash equivalents and marketable assets as at December 31, 2022 (2021 – $6.6 billion).

We have established a variety of contingent liquidity sources. These include, among others, a $500 million committed unsecured revolving credit facility with certain Canadian chartered banks available for MFC, and a US$500 million committed unsecured revolving credit facility with certain U.S. banks available for MFC and certain of its U.S. subsidiaries. There were no outstanding borrowings under these facilities as of December 31, 2022 (2021 – nil). In addition, John Hancock Life Insurance Company (U.S.A.) ("JHUSA") is a member of the Federal Home Loan Bank of Indianapolis ("FHLBI"), which enables the company to obtain loans from FHLBI as an alternative source of liquidity that is collateralizable by qualifying mortgage loans, mortgage-backed securities and U.S. Treasury and Agency securities. As of December 31, 2022, JHUSA had an estimated maximum borrowing capacity of US$3.8 billion (2021 – US$4.4 billion) based on regulatory limitations with an outstanding balance of US$500 million (2021 – US$500 million), under the FHLBI facility.

The following table outlines the maturity of the Company's significant financial liabilities.

Maturity of financial liabilities[1]

As at December 31, 2022 ($ millions)	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Long-term debt	**$ –**	**$ –**	**$ 2,661**	**$ 3,573**	**$ 6,234**
Capital instruments	**–**	**615**	**–**	**5,507**	**6,122**
Derivatives	**2,656**	**1,956**	**1,146**	**8,531**	**14,289**
Deposits from Bank clients[2]	**16,884**	**3,000**	**2,623**	**–**	**22,507**
Lease liabilities	**112**	**154**	**93**	**61**	**420**

(1) The amounts shown above are net of the related unamortized deferred issue costs.

(2) Carrying value and fair value of deposits from Bank clients as at December 31, 2022 was $ 22,507 million and $22,271 million, respectively (2021 – $ 20,720 million and $20,746 million, respectively). Fair value is determined by discounting contractual cash flows, using market interest rates currently offered for deposits with similar terms and conditions. All deposits from Bank clients were categorized in Level 2 of the fair value hierarchy (2021 – Level 2).

Through the normal course of business, pledging of assets is required to comply with jurisdictional regulatory and other requirements including collateral pledged to partially mitigate derivative counterparty credit risk, assets pledged to exchanges as initial margin and assets held as collateral for repurchase funding agreements. Total unencumbered assets were $477.7 billion as at December 31, 2022 (2021 – $502.4 billion).

Market Risk Sensitivities and Market Risk Exposure Measures

Variable Annuity and Segregated Fund Guarantees Sensitivities and Risk Exposure Measures

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 guarantee values. Depending on future equity market levels, liabilities on current in-force business would be due primarily in the period from 2023 to 2043.

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 "Publicly Traded Equity Performance Risk" 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 December 31, ($ millions)	2022 Guarantee value[1]	2022 Fund value	2022 Net amount at risk[1],[2],[3]	2021 Guarantee value[1]	2021 Fund value	2021 Net amount at risk[1],[2],[3]
Guaranteed minimum income benefit	**$ 4,357**	**$ 2,723**	**$ 1,639**	$ 4,419	$ 3,603	$ 918
Guaranteed minimum withdrawal benefit	**38,319**	**34,203**	**5,734**	39,098	41,809	2,233
Guaranteed minimum accumulation benefit	**20,035**	**19,945**	**221**	19,820	20,226	12
Gross living benefits[4]	**62,711**	**56,871**	**7,594**	63,337	65,638	3,163
Gross death benefits[5]	**10,465**	**15,779**	**2,156**	11,105	22,920	618
Total gross of reinsurance	**73,176**	**72,650**	**9,750**	74,442	88,558	3,781
Living benefits reinsured	**26,999**	**23,691**	**4,860**	3,788	3,102	771
Death benefits reinsured	**3,923**	**2,636**	**1,061**	639	547	253
Total reinsured	**30,922**	**26,327**	**5,921**	4,427	3,649	1,024
Total, net of reinsurance[6]	**$ 42,254**	**$ 46,323**	**$ 3,829**	$ 70,015	$ 84,909	$ 2,757

[1] Guarantee 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.

[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 December 31, 2022 was $ 3,829 million (2021 – $ 2,757 million) of which: US$ 737 million (2021 – US$ 1,336 million) was on our U.S. business, $2,154 million (2021 – $ 886 million) was on our Canadian business, US$ 275 million (2021 – US$ 53 million) was on our Japan business and US$ 224 million (2021 – US$ 87 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.

[6] Reinsured amounts at December 31, 2022 reflect the U.S. variable annuity reinsurance transactions effected on February 1, 2022 and October 3, 2022.

Investment categories for variable contracts with guarantees

Variable contracts with guarantees, including variable annuities and variable life, are invested, at the policyholder's discretion subject to contract limitations, in various fund types within the segregated fund accounts and other investments. The account balances by investment category are set out below.

As at December 31, ($ millions) Investment category	2022	2021
Equity funds	**$ 42,506**	$ 52,528
Balanced funds	**36,290**	43,783
Bond funds	**9,336**	10,965
Money market funds	**1,924**	1,844
Other fixed interest rate investments	**2,029**	1,917
Total	**$ 92,085**	$ 111,037

Caution Related to Sensitivities

In the sections that follow, 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 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.

Publicly Traded Equity Performance Risk Sensitivities and Exposure Measures
As outlined above, 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.

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 “Sensitivity of Earnings to Changes in 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 December 31, 2022 ($ millions)	-30%	-20%	-10%	+10%	+20%	+30%
Underlying sensitivity to net income attributed to shareholders[4]						
Variable annuity guarantees	**$ (1,100)**	**$ (660)**	**$ (300)**	**$ 240**	**$ 450**	**$ 610**
General fund equity investments[5]	**(1,520)**	**(1,010)**	**(500)**	**420**	**820**	**1,220**
Total underlying sensitivity before hedging	**(2,620)**	**(1,670)**	**(800)**	**660**	**1,270**	**1,830**
Impact of macro and dynamic hedge assets[6]	**850**	**530**	**240**	**(230)**	**(420)**	**(570)**
Net potential impact on net income attributed to shareholders after impact of hedging[7]	**$ (1,770)**	**$ (1,140)**	**$ (560)**	**$ 430**	**$ 850**	**$ 1,260**

As at December 31, 2021 ($ millions)	-30%	-20%	-10%	+10%	+20%	+30%
Underlying sensitivity to net income attributed to shareholders[4]						
Variable annuity guarantees	$ (2,560)	$ (1,480)	$ (630)	$ 440	$ 750	$ 960
General fund equity investments[5]	(1,430)	(890)	(440)	450	880	1,320
Total underlying sensitivity before hedging	(3,990)	(2,370)	(1,070)	890	1,630	2,280
Impact of macro and dynamic hedge assets[6]	2,060	1,190	500	(470)	(820)	(1,110)
Net potential impact on net income attributed to shareholders after impact of hedging[7]	$ (1,930)	$ (1,180)	$ (570)	$ 420	$ 810	$ 1,170

(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 "Sensitivity of Earnings to Changes in Assumptions" section below 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).

(7) The sensitivity on net income attributed to shareholders from changes in public equity returns after the impact of hedging is largely unchanged as at December 31, 2022 compared with December 31, 2021. This is primarily driven by the decline in sensitivities in 1Q22 as a result of the U.S. variable annuity reinsurance transaction being largely offset by the net increase in sensitivities from the second quarter of 2022 ("2Q22") to 4Q22 as a result of the impact of equity market declines on our variable universal life business projected fee income.

The following table shows the potential impact to MLI's LICAT ratio resulting from changes in public equity market values.

Potential immediate impact on MLI's LICAT 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 ratio					
Percentage points	-30%	-20%	-10%	+10%	+20%	+30%
December 31, 2022	**(1)**	**(1)**	**–**	**–**	**1**	**1**
December 31, 2021	(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) 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.

Interest Rate and Spread Risk Sensitivities and Exposure Measures

At December 31, 2022, we estimated the sensitivity of our net income attributed to shareholders to a 50 basis point parallel decline in interest rates to be a charge of $100 million, and to a 50 basis point parallel increase in interest rates to be a benefit 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 (currently zero floor applies to all countries we operate in except Japan), 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 ASB. 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 URR assumptions or calibration criteria for stochastic risk-free rates. In 2021, the ASB issued a new promulgation with reductions to the URR and updates to the calibration criteria for stochastic risk-free rates. The updated standard included a reduction of 15 basis points in the URR and a corresponding change to stochastic risk-free rate modeling and was effective October 15, 2021. At December 31, 2022, we estimated the sensitivity of our net income attributed to shareholders to a 10 basis point reduction in the URR in all geographies, and a corresponding change to stochastic risk-free modeling, to be a charge of $300 million (post-tax); and note that the impact of changes to the URR are not linear. The long-term URR for risk-free rates in Canada is prescribed at 2.9% and we use the same assumption for the U.S. Our assumption for Japan is 1.5%.

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 on net income attributed to shareholders 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”, below). More information on ALDA can be found under the section “Alternative Long-Duration Asset Performance Risk Sensitivities and Exposure Measures”, below.

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 ratios and vice-versa.

The following table shows the potential impact on net income attributed to shareholders as well as 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 ratio of an immediate parallel change in interest rates relative to rates assumed in the valuation of policy liabilities[1],[2],[3],[4]

	2022		2021	
As at December 31,	-50bp	+50bp	-50bp	+50bp
Net income attributed to shareholders ($ millions)	**$ (100)**	**$ 100**	$ (200)	$ nil
Changes in other comprehensive income from fair value changes in AFS fixed income assets held in the Corporate and Other segment ($ millions)	**1,500**	**(1,400)**	2,100	(1,900)
MLI’s LICAT ratio (change in percentage points)[5]	**3**	**(2)**	5	(4)

[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 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]	**2022**		2021	
As at December 31,	-50bp	+50bp	-50bp	+50bp
Net income attributed to shareholders ($ millions)[6]	**$ (100)**	**$ nil**	$ (600)	$ 500
MLI's LICAT ratio (change in percentage points)[7]	**(3)**	**3**	(3)	4

Swap spreads	**2022**		2021	
As at December 31,	-20bp	+20bp	-20bp	+20bp
Net income attributed to shareholders ($ millions)	**$ nil**	**$ nil**	$ nil	$ nil
MLI's LICAT 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 December 31, 2022 compared with December 31, 2021, 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.

Swap spreads remain at low levels, and if they were to rise, this could generate material charges to net income attributed to shareholders.

LICAT Scenario Switch

Typically, a reduction in interest rates improves LICAT 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.

With the rise in interest rates in 2022, the probability of a scenario switch has decreased significantly. In a lower interest rate environment, we would estimate the incremental impact of a potential switch in the scenarios to be approximately a one-time six percentage point decrease in MLI's 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.

Alternative Long-Duration Asset Performance Risk Sensitivities and Exposure Measures

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 "Sensitivity of Earnings to Changes in Assumptions" below, 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.

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

Potential impact on net income attributed to shareholders and MLI's LICAT ratio arising from changes in ALDA returns relative to returns assumed in the valuation of policy liabilities[1],[2],[3],[4],[5],[6]

As at December 31, ($ millions)	2022 -10%	2022 +10%	2021 -10%	2021 +10%
Net income attributed to shareholders				
Real estate, agriculture and timber assets	**$ (1,300)**	**$ 1,300**	$ (1,400)	$ 1,400
Private equities and other ALDA	**(1,600)**	**1,500**	(1,900)	1,800
Total[7]	**$ (2,900)**	**$ 2,800**	$ (3,300)	$ 3,200
MLI's LICAT ratio (change in percentage points)	**(3)**	**2**	(4)	3

(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 "Sensitivity of Earnings to Changes in Assumptions" section below 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.
(7) The decrease in net income sensitivity under each ALDA returns scenario was primarily driven by the increase in fixed income yields since December 31, 2021. This led to higher fixed income reinvestment rates relative to ALDA returns, which decreases the ALDA sensitivity because more fixed income assets are held compared to ALDA.

Foreign Exchange Risk Sensitivities and Exposure Measures

We generally match the currency of our assets with the currency of the insurance and investment contractliabilities they support, with the objective of mitigating risk of loss arising from foreign exchange rate changes. As at December 31, 2022, we did not have a material unmatched currency exposure.

The following table shows the potential impact on core earnings of a 10% change in the value of the Canadian dollar relative to our other key operating currencies. Note that the impact of foreign currency exchange rates on items excluded from core earnings does not provide relevant information given the nature of these items.

Potential impact on core earnings of changes in foreign exchange rates[1],[2]

As at December 31, ($ millions)	2022 +10% strengthening	2022 -10% weakening	2021 +10% strengthening	2021 -10% weakening
10% change in the Canadian dollar relative to the U.S. dollar and the Hong Kong dollar	**$ (350)**	**$ 350**	$ (400)	$ 400
10% change in the Canadian dollar relative to the Japanese yen	**(40)**	**40**	(40)	40

(1) This item is a non-GAAP financial measure. See "Non-GAAP and Other Financial Measures" below for more information.
(2) See "Caution Related to Sensitivities" above.

LICAT regulatory ratios are also sensitive to the fluctuations in the Canadian dollar relative to our other key operating currencies. The direction and materiality of this sensitivity varies across various capital metrics.

Liquidity Risk Exposure Strategy

We manage liquidity levels of the consolidated group and key subsidiaries against established thresholds. These thresholds are based on liquidity stress scenarios over different time horizons.

Increased use of derivatives for hedging purposes has necessitated greater emphasis on measurement and management of contingent liquidity risk related to these instruments, in particular the movement of "over-the-counter" derivatives to central clearing in the U.S. and Japan places an emphasis on cash as the primary source of liquidity as opposed to security holdings. The market value of our derivative portfolio is therefore regularly stress tested to assess the potential collateral and cash settlement requirements under various market conditions.

Manulife Bank (the "Bank") has a standalone liquidity risk management framework. The framework includes stress testing, cash flow modeling, a funding plan and a contingency plan. The Bank has an established securitization infrastructure which enables the Bank to access a range of funding and liquidity sources. The Bank models extreme but plausible stress scenarios that demonstrate that the Bank has a sufficient pool of highly liquid marketable securities, which when combined with the Bank's capacity to securitize residential mortgage assets provides sufficient liquidity to meet potential requirements under these stress scenarios.

Similarly, Global WAM has a standalone liquidity risk management framework for the businesses managing assets or manufacturing investment products for third-party clients. We maintain fiduciary standards to ensure that client and regulatory expectations are met in relation to the liquidity risks taken within each investment. Additionally, we regularly monitor and review the liquidity of our investment products as part of our ongoing risk management practices.

Market Risk Factors

Our most significant source of publicly traded equity risk arises from equity-linked products with guarantees, where the guarantees are linked to the performance of the underlying funds.

- Publicly traded equity performance risk arises from a variety of sources, including guarantees associated with equity-linked investments such as variable annuity and segregated fund products, general fund investments in publicly traded equities and mutual funds backing general fund product liabilities.
- Market conditions resulting in reductions in the asset value we manage has an adverse effect on the revenues and profitability of our investment management business, which depends on fees related primarily to the values of assets under management and administration.
- Guaranteed benefits of variable annuity and segregated funds are contingent and payable upon death, maturity, permitted withdrawal or annuitization. If equity markets decline or even if they increase by an amount lower than that assumed in our actuarial valuation, additional liabilities may need to be established to cover the contingent liabilities, resulting in a reduction in net income attributed to shareholders and regulatory capital ratios. Further, if equity markets do not recover to the amount of the guarantees, by the dates the liabilities are due, the accrued liabilities will need to be paid out in cash. In addition, sustained flat or declining public equity markets would likely reduce asset-based fee revenues related to variable annuities and segregated funds with guarantees and related to other wealth and insurance products.
- Where publicly traded equity investments are used to support general fund product liabilities, the policy valuation incorporates projected investment returns on these assets. If actual returns are lower than the expected returns, the investment losses will reduce net income attributed to shareholders.
- For products where the investment strategy applied to future cash flows in the policy valuation includes investing a specified portion of future cash flows in publicly traded equities, a decline in the value of publicly traded equities relative to other assets could require us to change the investment mix assumed for future cash flows, which may increase policy liabilities and reduce net income attributed to shareholders. A reduction in the outlook for expected future returns for publicly traded equities, which could result from a fundamental change in future expected economic growth, would increase policy liabilities and reduce net income attributed to shareholders. Furthermore, to the extent publicly traded equities are held as AFS, other than temporary impairments that arise will reduce income.
- Expected long-term annual market growth assumptions for public equities for key markets are based on long-term historical observed experience. See “Critical Actuarial and Accounting Policies” below for the rates used in the stochastic valuation of our segregated fund guarantee business. The calibration of the economic scenario generators that are used to value segregated fund guarantee business complies with current CIA Standards of Practice for the valuation of these products. Implicit margins, determined through stochastic valuation processes, lower net yields used to establish policy liabilities. Assumptions used for public equities backing liabilities are also developed based on historical experience but are constrained by different CIA Standards of Practice and differ slightly from those used in stochastic valuation. Alternative asset return assumptions vary based on asset class but are largely consistent, after application of valuation margins and differences in taxation, with returns assumed for public equities.

We experience interest rate and spread risk within the general fund primarily due to the uncertainty of future returns on investments.

- Interest rate and spread risk arises from general fund guaranteed benefit products, general fund adjustable benefit products with minimum rate guarantees, general fund products with guaranteed surrender values, segregated fund products with minimum benefit guarantees and from surplus fixed income investments. The risk arises within the general fund primarily due to the uncertainty of future returns on investments to be made as assets mature and as recurring premiums are received and invested or reinvested to support longer dated liabilities. Interest rate risk also arises due to minimum rate guarantees and guaranteed surrender values on products where investment returns are generally passed through to policyholders. A rapid rise in interest rates may also result in losses attributable to early liquidation of fixed income instruments supporting contractual surrender benefits, if customers surrender to take advantage of higher interest rates on offer elsewhere. In contrast, in a lower interest rate environment, borrowers may prepay or redeem fixed income securities, mortgages and loans with greater frequency in order to borrow at lower market rates, potentially reducing the returns on our investment portfolio, if there are no make whole conditions. Substantially all our fixed income securities, mortgages and loans portfolio include make whole conditions.
- The valuation of policy liabilities reflects assumptions for the yield on future investments and the projected cash flows associated with interest rate hedges. A general decline in interest rates, without a change in corporate bond spreads and swap spreads, will reduce the assumed yield on future investments but favourably impact the value of lengthening interest rate hedges. Conversely, a general increase in interest rates, without a change in corporate bond spreads and swap spreads, will increase the assumed yield on future investments, but unfavourably impact the value of lengthening interest rate hedges. The Company’s disclosed estimated impact from interest rate movements reflects a parallel increase and decrease in interest rates of specific amounts. The impact from non-parallel movements may be different from the estimated impact of parallel movements. For further information on interest rate scenarios refer to “Interest Rate and Spread Risk Sensitivities and Exposure Measures”. In addition, decreases in corporate bond spreads or increases in swap spreads should generally result in an increase in policy liabilities and a reduction in net income attributed to shareholders, while an increase in corporate bond spreads or a decrease in swap spreads should generally have the opposite impact. The impact of changes in interest rates and in spreads may be partially offset by changes to credited rates on adjustable products that pass-through investment returns to policyholders.

- For segregated fund and variable annuity products that contain investment guarantees in the form of benefit guarantees, a sustained increase in interest rate volatility or a decline in interest rates would increase the costs of hedging the benefit guarantees provided. The impact of changes in interest rates are managed within the variable annuity dynamic hedging program.

We experience ALDA performance risk when actual returns are lower than expected returns.

- ALDA performance risk arises from general fund investments in directly-owned real estate, timber properties, farmland properties, infrastructure, oil and gas assets, and private equities.
- Where these assets are used to support policy liabilities, the policy valuation incorporates projected investment returns on these assets. ALDA assumptions vary by asset class and generally have a similar impact on policy liabilities as public equities would. If actual returns are lower than the expected returns, there will be a negative impact to the net income attributed to shareholders. A reduction in the outlook for expected future returns for ALDA, which could result from a variety of factors such as a fundamental change in future expected economic growth or declining risk premiums due to increased competition for such assets, would increase policy liabilities and reduce net income attributed to shareholders. Further, if returns on certain external asset benchmarks used to determine permissible assumed returns under the CIA Standards of Practice are lower than expected, expected future returns will be adjusted accordingly and the Company's policy liabilities will increase, reducing net income attributed to shareholders.
- The value of oil and gas assets could be adversely affected by declines in energy prices as well as by a number of other factors including production declines, uncertainties associated with estimating oil and natural gas reserves, difficult economic conditions, changes in consumer preferences to transition to a low-carbon economy, competition from renewable energy providers and geopolitical events. Changes in government regulation of the oil and gas industry, including environmental regulation, carbon taxes and changes in the royalty rates resulting from provincial royalty reviews, could also adversely affect the value of our oil and gas investments.
- Difficult economic conditions could result in higher vacancy, lower rental rates and lower demand for real estate investments, all of which would adversely impact the value of our diversified real estate investments. Our commercial real estate investments may be negatively impacted by the trends solidified by COVID-19, including the digitization of work and the transformation of physical retail. Difficult economic conditions could also prevent companies in which we have made private equity investments from achieving their business plans and could cause the value of these investments to fall, or even cause the companies to fail. Sustained declines in valuation multiples in the public equity market would also likely cause values to decline in our private equity portfolio. The timing and amount of investment income from private equity investments is difficult to predict, and investment income from these investments can vary from quarter to quarter.
- Our timberland and farmland holdings are exposed to natural risks, such as prolonged drought, wildfires, insects, windstorms, flooding, and climate change. We are generally not insured for these types of risks but seek to proactively mitigate their impact through portfolio diversification and prudent operating practices.
- A rising interest rate environment could result in the value of some of our ALDA investments declining, particularly those with fixed contractual cash flows such as long-leased real estate and certain infrastructure investments.
- The negative impact of changes in market or economic factors can take time to be fully reflected in the valuations of private investments, including ALDA, especially if the change is large and rapid, as market participants endeavor to adjust their forecasts and better understand the potential medium to long-term impact of such changes. As a result, valuation changes in any given period may reflect the delayed impact of events that occurred in prior periods. Our real estate valuation is based on appraisals, and these appraisals may lag behind current market transactions.
- We rely on a diversified portfolio of ALDA to generate relatively stable investment returns. Diversification benefits may be reduced at times, especially during a period of economic stress, which would adversely affect portfolio returns.
- The Company determines investment return assumptions for ALDA in accordance with the Standards of Practice for the valuation of insurance contract liabilities and guidance published by the CIA. The guidance requires that the investment return assumption for these assets should not be higher than the historical long-term average returns of an appropriate broad-based index. Where such experience is not available, the investment return assumption for these assets should not result in a lower reserve than an assumption based on a historical-return benchmark for public equities in the same jurisdiction. As a result, the impact of changes in the historical returns for public equity benchmarks may result in an update to our investment return assumptions for ALDA.

Our liabilities are valued based on an assumed asset investment strategy over the long-term.

- We develop an investment strategy for the assets that back our liabilities. The strategy involves making assumptions on the kind of assets in which we will invest and the returns such assets will generate.
- We may not be able to implement our investment strategy as intended due to a lack of assets available at the returns we assume. This may result in a change in investment strategy and/or assumed future returns, thus adversely impacting our financial results.
- From time to time, we may decide to adjust our portfolio asset mix which may result in adverse impacts to our financial results for one or more periods.

We experience foreign exchange risk as a substantial portion of our business is transacted in currencies other than Canadian dollars.

- Our financial results are reported in Canadian dollars. A substantial portion of our business is transacted in currencies other than Canadian dollars, mainly U.S. dollars, Hong Kong dollars and Japanese yen. If the Canadian dollar strengthens relative to these currencies, net income attributed to shareholders would decline and our reported shareholders' equity would decline. A weakening of the Canadian dollar against the foreign currencies in which we do business would have the opposite effect and would increase net income attributed to shareholders and shareholders' equity.

The Company's hedging strategies will not fully reduce the market risks related to the product guarantees and fees being hedged, hedging costs may increase and the hedging strategies expose the Company to additional risks.

- Our hedging strategies rely on the execution of derivative transactions in a timely manner. Market conditions can limit availability of hedging instruments, requiring us to post additional collateral, and can further increase the costs of executing derivative transactions. Therefore, hedging costs and the effectiveness of the strategy may be negatively impacted if markets for these instruments become illiquid. The Company is subject to the risk of increased funding and collateral demands which may become significant as equity markets increase.
- The Company is also subject to counterparty risks arising from the derivative instruments and to the risk of increased funding and collateral demands which may become significant as equity markets and interest rates increase. The strategies are highly dependent on complex systems and mathematical models that are subject to error and rely on forward-looking long-term assumptions that may prove inaccurate, and which rely on sophisticated infrastructure and personnel which may fail or be unavailable at critical times. Due to the complexity of the strategies, there may be additional unidentified risks that may negatively impact our business and future financial results. In addition, rising equity markets and interest rates that would otherwise result in profits on variable annuities will be offset by losses from our hedging positions. For further information pertaining to counterparty risks, refer to the risk factor "If a counterparty fails to fulfill its obligations, we may be exposed to risks we had sought to mitigate".
- Under certain market conditions, which include a sustained increase in realized equity and interest rate volatilities, a decline in interest rates, or an increase in the correlation between equity returns and interest rate declines, the costs of hedging the benefit guarantees provided in variable annuities may increase or become uneconomic. In addition, there can be no assurance that our dynamic hedging strategy will fully offset the risks arising from the variable annuities being hedged.
- Policy liabilities for variable annuity guarantees are determined using long-term forward-looking estimates of volatilities. These long-term forward-looking volatilities assumed for policy liabilities meet the CIA calibration standards. To the extent that realized equity or interest rate volatilities in any quarter exceed the assumed long-term volatilities, or correlations between interest rate changes and equity returns are higher, there is a risk that rebalancing will be greater and more frequent, resulting in higher hedging costs.
- The level of guarantee claims returns or other benefits ultimately paid will be impacted by policyholder longevity and policyholder behaviour including the timing and amount of withdrawals, lapses, fund transfers, and contributions. The sensitivity of liability values to equity market and interest rate movements that we hedge are based on long-term expectations for longevity and policyholder behaviour since the impact of actual policyholder longevity and policyholder behaviour variances cannot be hedged using capital markets instruments. The efficiency of our market risk hedging is directly affected by accuracy of the assumptions related to policyholder longevity and policyholder behaviour.

Changes in market interest rates may impact our net income attributed to shareholders and capital ratios.

- A prolonged low or negative (nominal or real) interest rate environment may result in charges related to lower fixed income reinvestment assumptions and an increase in new business strain until products are repositioned for the lower rate environment. Other potential consequences of low interest rates include:
    - Low interest rates could negatively impact sales;
    - Lower risk-free rates tend to increase the cost of hedging and as a result, the offering of guarantees could become uneconomic;
    - The reinvestment of cash flows into low yielding bonds could result in lower future earnings due to lower returns on surplus and general fund assets supporting in-force liabilities, and due to guarantees embedded in products including minimum guaranteed rates in participating and adjustable products;
    - A lower interest rate environment could be correlated with other macroeconomic factors including unfavourable economic growth and lower returns on other asset classes;
    - Lower interest rates could contribute to potential impairments of goodwill;
    - Lower interest rates could lead to lower mean bond parameters used for the stochastic valuation of segregated fund guarantees, resulting in higher policy liabilities;
    - Lower interest rates would also reduce expected earnings onin-force policies;
    - A prolonged low or negative interest rate environment may also result in the ASB lowering the promulgated URR and require us to increase our provisions;
    - Lower interest rates could also trigger a switch to a more adverse prescribed interest stress scenario, increasing LICAT capital. See "LICAT Scenario Switch" above;
    - Lower interest rates could reduce the ability of MFC's insurance subsidiaries to pay dividends to MFC;
    - The difference between the current investable returns and the returns used in pricing new business are generally capitalized when new business is written. Lower interest rates result in higher new business strain until products are re-priced or interest rates increase; and
    - Fixed income reinvestment rates other than the URR are based on current market rates. The net income sensitivity to changes in current rates is outlined in the section "Interest Rate and Spread Risk Sensitivities and Exposure Measures" above.
- A rapid rise in interest rates could lead to customers surrendering policies and we may incur losses attributable to early liquidation of fixed income instruments supporting contractual surrender benefits.

The global interest rate benchmark reform, leading to the transition away from LIBOR / IBOR to alternative reference rates based on risk-free rates, may impact the value of our IBOR-based financial instruments.

- Manulife holds different types of instruments, including derivatives, bonds, loans, and other floating rate instruments that reference LIBOR (London Interbank Offered Rate) or other Interbank Offered Rates (IBORs). As previously announced by the U.K. Financial Conduct Authority (FCA) in July 2017, the FCA will no longer compel panel banks to submit rate information used to determine LIBOR post 2021. On March 5, 2021, the Intercontinental Exchange Benchmark Administration, the administrator of LIBOR, announced that it will cease the publication of one-week and two-month USD LIBOR and all non-USD (GBP, EUR, CHF, and JPY) LIBOR settings at the end of December 2021, but will extend the publication of the remaining USD LIBOR tenors (overnight and one, three, six and 12 month USD LIBOR) until the end of June 2023. In addition, on June 22, 2021, OSFI published a letter setting out their expectation that Federally Regulated Financial Institutions (FRFIs) will stop using USD LIBOR as a reference rate as soon as possible and will not enter into transactions referencing these rates after December 31, 2021. On May 16, 2022, Refinitiv Benchmark Services (UK) Limited (RBSL), the administrator of Canadian Dollar Offered Rate (CDOR), announced that the calculation and publication of all tenors of CDOR will permanently cease immediately following a final publication on June 28, 2024. Further to the confirmation of CDOR's cessation date, OSFI expects all new derivative contracts and securities to transition to alternative reference rates by June 30, 2023, with no new CDOR exposure being booked after that date. The Canadian Overnight Repo Rate Average (CORRA) is the alternative reference rate to which CDOR is expected to transition.
- We successfully converted our exposures to LIBOR rates that decommissioned on December 31, 2021 and we continue to actively transition to the alternative reference rates such as the Secured Overnight Financing Rate (SOFR), the alternative rate for USD LIBOR, and the Singapore Overnight Rate Average (SORA), the alternative rate for the Singapore Swap Offer Rate (SOR). Changes from LIBOR / IBOR to alternative reference rates that have different characteristics compared to LIBOR / IBOR may adversely affect the valuation of our existing interest-rate linked and derivatives securities we hold, the effectiveness of those derivatives in mitigating our risks, securities we have issued, or other assets, liabilities and other contractual rights, and obligations whose value is tied to LIBOR / IBOR or to a LIBOR / IBOR alternative. For example, since SOFR is a secured overnight rate whereas LIBOR is an unsecured forward-looking rate for interbank funding over different maturities, there can be no assurance that SOFR will perform in the same way as LIBOR as a result of interest rate changes, market volatility, or global or regional economic, financial, political, regulatory, judicial, or other events. Furthermore, depending on the nature of the alternative reference rate, we may become exposed to additional risks such as legal settlement risk associated with instruments having inadequate fallback language.
- To ensure a timely transition to alternative reference rates, Manulife has established an enterprise-wide program and governance structure across functions to identify, measure, monitor, and manage financial and non-financial risks of transition. Manulife's enterprise-wide program focuses on quantifying our exposures to various IBORs, evaluating contract fallback language, contract remediation, risk management, assessing accounting and tax implications, and ensuring operational readiness for IT systems, models, processes, and controls. We continue to monitor market developments, changes and guidance from regulators, and adjust our project plan to align with updated timelines.

Liquidity risk is impacted by various factors, including but not limited to, capital and credit market conditions, repricing risk on letters of credit, collateral pledging obligations, and reliance on confidence sensitive deposits.

- Adverse market conditions may significantly affect our liquidity risk.
  - Reduced asset liquidity may restrict our ability to sell certain types of assets for cash without taking significant losses. If providers of credit preserve their capital, our access to borrowing from banks and others or access to other types of credit such as letters of credit, may be reduced. If investors have a negative perception of our creditworthiness, this may reduce access to wholesale borrowing in the debt capital markets or increase borrowing costs.
  - Liquid assets are required to pledge as collateral to support activities such as the use of derivatives for hedging purposes and to cover cash settlement associated with such derivatives.
  - The principal sources of our liquidity are cash, insurance and annuity premiums, fee income earned on AUM, cash flow from our investment portfolios, and our assets that are readily convertible into cash, including money market securities. The issuance of long-term debt, common and preferred shares, and other capital securities may also increase our available liquid assets or be required to replace certain maturing or callable liabilities. In the event we seek additional financing, the availability and terms of such financing will depend on a variety of factors including market conditions, the availability of credit to the financial services industry, our credit ratings and credit capacity, as well as the possibility that customers, lenders, or investors could develop a negative perception of our long-term or short-term financial prospects if we incur large financial losses or if the level of our business activity decreases due to a significant market downturn.
- Increased cleared derivative transactions coupled with margin rules onnon-cleared derivatives could adversely impact our liquidity risk.
  - Over time our existing over-the-counter derivatives will migrate to clearing houses, or the Company and its counterparties may have the right to cancel derivative contracts after specific dates or in certain situations such as a ratings downgrade, which could accelerate the transition to clearing houses. Cleared derivatives are subject to both initial and variation margin requirements, and a more restrictive set of eligible collateral than non-cleared derivatives.
  - In addition, initial margin rules for newnon-cleared derivatives, implemented since September 1, 2021, may further increase our liquidity needs over time.

- We are exposed to repricing risk on letters of credit.
    - In the normal course of business, third-party banks issue letters of credit on our behalf. In lieu of posting collateral, our businesses utilize letters of credit for which third parties are the beneficiaries, as well as for affiliate reinsurance transactions between subsidiaries of MFC. Letters of credit and letters of credit facilities must be renewed periodically. At time of renewal, the Company is exposed to repricing risk and under adverse conditions increases in costs may be realized. In the most extreme scenarios, letters of credit capacity could become constrained due to non-renewals which would restrict our flexibility to manage capital. This could negatively impact our ability to meet local capital requirements or our sales of products in jurisdictions in which our operating companies have been affected. As at December 31, 2022, letters of credit for which third parties are beneficiaries, in the amount of $215 million, were outstanding. There were no assets pledged against these outstanding letters of credit as at December 31, 2022.
- Our obligations to pledge collateral or make payments related to declines in value of specified assets may adversely affect our liquidity.
    - In the normal course of business, we are obligated to pledge assets to comply with jurisdictional regulatory and other requirements including collateral pledged in relation to derivative contracts and assets held as collateral for repurchase funding agreements. The amount of collateral we may be required to post under these agreements, and the amount of payments we are required to make to our counterparties, may increase under certain circumstances, including a sustained or continued decline in the value of our derivative contracts. Such additional collateral requirements and payments could have an adverse effect on our liquidity. As at December 31, 2022, total pledged assets were $16,365 million, compared with $9,896 million as of December 31, 2021.
- Our bank subsidiary relies on confidence sensitive deposits.
    - Manulife Bank is a wholly owned subsidiary of our Canadian life insurance operating company, MLI. Retail deposits are a significant part of the funding base of Manulife Bank. A real or perceived problem with the Bank or its parent companies could result in a loss of confidence in the Bank's ability to meet its obligations, which in turn may trigger a significant withdrawal of deposit funds. A substantial portion of the Bank's deposits are demand deposits that can be withdrawn at any time, while the majority of the Bank's assets are first residential mortgages in the form of home equity lines of credit, which represent long-term funding obligations. If deposit withdrawal speeds exceed our extreme stress test assumptions, mitigation strategies in pursuant to the Bank's liquidity contingency plan will be executed and the Bank may have to sell assets to third parties. There is no guarantee that the Bank will sell the assets or that its customers will be able to repay their home equity line of credit. In such circumstances, Manulife Bank may seek to rely on Bank of Canada facilities to generate liquidity to pay depositors; however, these facilities are at the sole discretion of the Bank of Canada in which it provides only short-term liquidity and is not guaranteed.

The declaration and payment of dividends and the amount thereof is subject to change.

- The holders of common shares are entitled to receive dividends as and when declared by the Board, subject to the preference of the holders of Class A Shares, Class 1 Shares, Class B Shares (collectively, the "Preferred Shares") and any other shares ranking senior to the common shares with respect to priority in payment of dividends. The declaration and payment of dividends and the amount thereof is subject to the discretion of the Board of MFC and is dependent upon the results of operations, financial condition, cash requirements and future prospects of, and regulatory and contractual restrictions on the payment of dividends by MFC and other factors deemed relevant by the Board of MFC. Although MFC has historically declared quarterly cash dividends on the common shares, MFC is not required to do so and the Board of MFC may reduce, defer, or eliminate MFC's common share dividend in the future.
- The foregoing risk disclosure in respect of the declaration and payment of dividends on the common shares applies equally in respect of the declaration and payment of dividends on the Preferred Shares, notwithstanding that the Preferred Shares have a fixed rate of dividend.
- See "Government Regulation" and "Dividends" in MFC's Annual Information Form dated February 15, 2023 for a summary of additional statutory and contractual restrictions concerning the declaration of dividends by MFC.

Credit Risk

Credit risk is the risk of loss due to the inability or unwillingness of a borrower or counterparty to fulfill its payment obligations.

Credit Risk Management Strategy

Credit risk is governed by the Credit Committee which oversees the overall credit risk management program. The Company has established objectives for overall quality and diversification of our general fund investment portfolio and criteria for the selection of counterparties, including derivative counterparties, reinsurers, and insurance providers. Our policies establish exposure limits by borrower, corporate connection, quality rating, industry, and geographic region, and govern the usage of credit derivatives. Corporate connection limits vary according to risk rating. Our general fund fixed income investments are primarily public and private investment grade bonds and commercial mortgages. We have a program for selling Credit Default Swaps ("CDS") that employs a highly selective, diversified and conservative approach. CDS decisions follow the same underwriting standards as our cash bond portfolio. Our credit granting units follow a defined evaluation process that provides an objective assessment of credit proposals. We assign a risk rating, based on a standardized 22-point scale consistent with those of external rating agencies, following a detailed examination of the borrower that includes a review of business strategy, market competitiveness, industry trends, financial strength, access to funds, and other risks facing the counterparty. We assess and update risk ratings regularly. For additional input to the process, we also assess credit risks using a variety of industry standard market-based tools and metrics. We map our risk ratings to pre-established probabilities of default and loss given defaults, based on historical industry and Company experience, and to resulting default costs.

We establish delegated credit approval authorities and make credit decisions on a case-by-case basis at a management level appropriate to the size and risk level of the transaction, based on the delegated authorities that vary according to risk rating. Major credit decisions are approved by the Credit Committee and the largest decisions are approved by the CEO and, in certain cases, by the Board.

We limit the types of authorized derivatives and applications and require pre-approval of all derivative application strategies and regular monitoring of the effectiveness of derivative strategies. Derivative counterparty exposure limits are established based on a minimum acceptable counterparty credit rating (generally A- from internationally recognized rating agencies). We measure both bilateral and exchange-traded derivative counterparty exposure as net potential credit exposure, which takes into consideration mark-to-market values of all transactions with each counterparty, net of any collateral held, and an allowance to reflect future potential exposure. Reinsurance counterparty exposure is measured reflecting the level of ceded liabilities net of collateral held. The creditworthiness of all reinsurance counterparties is reviewed internally on a regular basis.

Regular reviews of the credits within the various portfolios are undertaken with the goal of identifying changes to credit quality and, where appropriate, taking corrective action. Prompt identification of problem credits is a key objective.

We establish an allowance for losses on a loan when it becomes impaired as a result of deterioration in credit quality, to the extent there is no longer assurance of timely realization of the carrying value of the loan and related investment income. We reduce the carrying value of an impaired loan to its estimated net realizable value when we establish the allowance. We establish an allowance for losses on reinsurance contracts when a reinsurance counterparty becomes unable or unwilling to fulfill its contractual obligations. We base the allowance for loss on current recoverables and ceded policy liabilities. There is no assurance that the allowance for losses will be adequate to cover future potential losses or that additional allowances or asset write-downs will not be required.

Policy liabilities include general provisions for credit losses from future asset impairments.

Our credit policies, procedures and investment strategies are established under a strong governance framework and are designed to ensure that risks are identified, measured, and monitored consistent with our risk appetite. We seek to actively manage credit exposure in our investment portfolio to reduce risk and minimize losses, and derivative counterparty exposure is managed proactively. However, we could experience volatility on a quarterly basis and losses could potentially rise above long-term expected and historical levels.

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 December 31, 2022 was $3,714 million compared with $4,109 million as at December 31, 2021. This provision represents 1.4% of our fixed income assets[1] supporting policy liabilities reported on our Consolidated Statements of Financial Position as at December 31, 2022.

As at December 31, 2022 and December 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 $75 million and $70 million, respectively.

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 $250 million post-tax. This ratings downgrade would result in a one percentage point reduction to our LICAT ratio.

Approximately 25% of the impact from the one-notch ratings downgrade on our policy liabilities and net income attributed to shareholders noted above relates to fixed income assets rated below investment grade. Approximately 1% of our fixed income assets as of December 31, 2022 is rated below investment grade. The table below shows net impaired assets and allowances for loan losses.

Net Impaired Assets and Loan Losses

As at December 31, ($ millions, unless otherwise stated)	2022	2021
Net impaired fixed income assets	**$ 313**	$ 228
Net impaired fixed income assets as a % of total invested assets	**0.075%**	0.053%
Allowance for loan losses	**$ 47**	$ 44

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+.

Credit Risk Factors

Borrower or counterparty defaults or downgrades could adversely impact our earnings.

Worsening regional and global economic conditions could result in borrower or counterparty defaults or downgrades and could lead to increased provisions or impairments related to our general fund invested assets and off-balance sheet derivative financial instruments, and an increase in provisions for future credit impairments to be included in our policy liabilities. Any of our reinsurance providers being unable or unwilling to fulfill their contractual obligations related to the liabilities we cede to them could lead to an increase in policy liabilities.

Our invested assets primarily include investment grade bonds, private placements, commercial mortgages, asset-backed securities, and consumer loans. These assets are generally carried at fair value, but changes in value that arise from a credit-related impairment are recorded as a charge against income. The return assumptions incorporated in actuarial liabilities include an expected level of future asset impairments. There is a risk that actual impairments will exceed the assumed level of impairments in the future and earnings could be adversely impacted.

Volatility may arise from defaults and downgrade charges on our invested assets and as a result, losses could potentially rise above long-term expected levels. Net impaired fixed income assets were $313 million, representing 0.075% of total general fund invested assets as at December 31, 2022, compared with $228 million, representing 0.053% of total general fund invested assets as at December 31, 2021.

If a counterparty fails to fulfill its obligations, we may be exposed to risks we had sought to mitigate.

- The Company uses derivative financial instruments to mitigate exposures to public equity, foreign currency, interest rate and other market risks arising from on-balance sheet financial instruments, guarantees related to variable annuity products, selected anticipated transactions and certain other guarantees. The Company may be exposed to counterparty risk if a counterparty fails to pay amounts owed to us or otherwise perform its obligations to us. Counterparty risk increases during economic downturns because the probability of default increases for most counterparties. If any of these counterparties default, we may not be able to recover the amounts due from that counterparty. As at December 31, 2022, the largest single counterparty exposure, without taking into account the impact of master netting agreements or the benefit of collateral held, was $1,582 million (2021 – $2,132 million). The net exposure to this counterparty, after taking into account master netting agreements and the fair value of collateral held, was nil (2021 – nil). As at December 31, 2022, the total maximum credit exposure related to derivatives across all counterparties, without taking into account the impact of master netting agreements and the benefit of collateral held, was $9,072 million (2021 – $18,226 million) compared with $215 million after taking into account master netting agreements and the benefit of fair value of collateral held (2021 – $294 million). The exposure to any counterparty would grow if, upon the counterparty's default, markets moved such that our derivatives with that counterparty gain in value. Until we are able to replace that derivative with another counterparty, the gain on the derivatives subsequent to the counterparty's default would not be backed by collateral.
- The Company reinsures a portion of the business we enter into; however, we remain legally liable for contracts that we had reinsured. In the event that any of our reinsurance providers were unable or unwilling to fulfill their contractual obligations related to the liabilities we cede to them, we would need to increase actuarial reserves, adversely impacting our net income attributed to shareholders and capital position. In addition, the Company has over time sold certain blocks of business to third-party purchasers using reinsurance. To the extent that the reinsured contracts are not subsequently novated to the purchasers, we remain legally liable to the insureds. Should the purchasers be unable or unwilling to fulfill their contractual obligations under the reinsurance agreement, we would need to increase policy liabilities resulting in a charge to net income attributed to shareholders. To reduce credit risk, the Company may require purchasers to provide collateral for their reinsurance liabilities.
- We participate in a securities lending program whereby blocks of securities are loaned to third parties, primarily major brokerage firms and commercial banks. Collateral, which exceeds the market value of the loaned securities, is retained by the Company until the underlying security has been returned. If any of our securities lending counterparties default and the value of the collateral is insufficient, we would incur losses. As at December 31, 2022, the Company had loaned securities (which are included in invested assets) valued at approximately $723 million, compared with $564 million as at December 31, 2021.

The determination of allowances and impairments on our investments is subjective and changes could materially impact our results of operations or financial position.

- The determination of allowances and impairments is based upon a periodic evaluation of known and inherent risks associated with the respective security. Management considers a wide range of factors about the security and uses its best judgment in evaluating the cause of the decline, in estimating the appropriate value for the security and in assessing the prospects for near-term recovery. Inherent in management's evaluation of the security are assumptions and estimates about the operations of the issuer and its future earnings potential. Considerations in the impairment evaluation process include: (i) the severity of the impairment; (ii) the length of time and the extent to which the market value of a security has been below its carrying value; (iii) the financial condition of the issuer; (iv) the potential for impairments in an entire industry sector or sub-sector; (v) the potential for impairments in certain economically depressed geographic locations; (vi) the potential for impairments of securities where the issuer, series of issuers or industry has suffered a catastrophic type of loss or has exhausted natural resources; (vii) our ability and intent to hold the security for a period of time sufficient to allow for the recovery of its value to an amount equal to or greater than cost or amortized cost; (viii) unfavourable changes in forecasted cash flows on mortgage-backed and asset-backed securities; and (ix) other subjective factors, including concentrations and information obtained from regulators and rating agencies.
- Such evaluations and assessments are revised as conditions change and new information becomes available. We update our evaluations regularly and reflect changes in allowances and impairments as such evaluations warrant. The evaluations are inherently subjective and incorporate only those risk factors known to us at the time the evaluation is made. There can be no assurance that management has

accurately assessed the level of impairments that have occurred. Additional impairments will likely need to be taken or allowances provided for in the future as conditions evolve. Historical trends may not be indicative of future impairments or allowances.

Product Risk

We make a variety of assumptions related to the expected future level of claims, policyholder behaviour, expenses, reinsurance costs and sales levels when we design and price products, and when we establish policy liabilities. Product risk is the risk of failure to design, implement and maintain a product or service to achieve these expected outcomes and the risk of loss due to actual experience emerging differently than assumed when a product was designed and priced. Assumptions for future claims are generally based on both Company and industry experience, and assumptions for future policyholder behaviour and expenses are generally based on Company experience. Assumptions for future policyholder behaviour include assumptions related to the retention rates for insurance and wealth products. Assumptions for expenses include assumptions related to future maintenance expense levels and volume of the business.

Product Risk Management Strategy

Product risk is governed by the Product Oversight Committee for the insurance business. Global WAM product risk is managed by first line product management working groups and the Global Investment Product Committee. Notable products which could introduce new and material risks are reviewed and approved by the Global WAM Risk Committee prior to launch.

Product Oversight Committee

The Product Oversight Committee oversees the overall insurance risk management program. The Product Oversight Committee has established a broad framework for managing insurance risk under a set of policies, standards and guidelines, to ensure that our product offerings align with our risk-taking philosophy and risk limits, and achieve acceptable profit margins. These cover:

- product design features
- use of reinsurance
- pricing models and software
- internal risk based capital allocations
- target profit objectives
- pricing methods and assumption setting
- stochastic and stress scenario testing
- required documentation
- review and approval processes
- experience monitoring programs

In each business unit that sells insurance, we designate individual pricing officers who are accountable for pricing activities, chief underwriters who are accountable for underwriting activities, and chief claims risk managers who are accountable for claims activities. Both the pricing officer and the general manager of each business unit approve the design and pricing of each product, including key claims, policyholder behaviour, investment return and expense assumptions, in accordance with global policies and standards. Risk management functions provide additional oversight, review and approval of material product and pricing initiatives, as well as material underwriting initiatives. Actuarial functions provide oversight review and approval of policy liability valuation methods and assumptions. In addition, both risk and actuarial functions review and approve new reinsurance arrangements. We perform annual risk and compliance self-assessments of the product development, pricing, underwriting and claims activities of all insurance businesses. To leverage best practices, we facilitate knowledge transfer between staff working with similar businesses in different geographies.

We utilize a global underwriting manual intended to ensure insurance underwriting practices for direct written life business are consistent across the organization while reflecting local conditions. Each business unit establishes underwriting policies and procedures, including criteria for approval of risks and claims adjudication policies and procedures.

We apply retention limits per insured life that are intended to reduce our exposure to individual large claims which are monitored in each business unit. These retention limits vary by market and jurisdiction. We reinsure exposure in excess of these limits with other companies (see “Risk Management and Risk Factors – Product Risk Factors – External market conditions determine the availability, terms and cost of reinsurance protection” below). Our current global life retention limit is US$30 million for individual policies (US$35 million for survivorship life policies) and is shared across businesses. We apply lower limits in some markets and jurisdictions. We aim to further reduce exposure to claims concentrations by applying geographical aggregate retention limits for certain covers. Enterprise-wide, we aim to reduce the likelihood of high aggregate claims by operating globally, insuring a wide range of unrelated risk events, and reinsuring some risks. We seek to actively manage the Company’s aggregate exposure to each of policyholder behaviour risk and claims risk against enterprise-wide economic capital limits. Policyholder behaviour risk limits cover the combined risk arising from policy lapses and surrenders, withdrawals and other policyholder driven activity. The claims risk limits cover the combined risk arising from mortality, longevity and morbidity.

Internal experience studies, as well as trends in our experience and that of the industry, are monitored to update current and projected claims and policyholder behaviour assumptions, resulting in updates to policy liabilities as appropriate.

Global WAM Risk Management Committee

Global WAM product risk is managed by first line product management working groups and the Global Investment Product Committee. The Global WAM Risk Management Committee reviews and approves notable new products prior to launch. The Global WAM Risk Management Committee has established a framework for managing risk under a set of policies, standards and guidelines to ensure that notable product offerings align with Global WAM risk-taking philosophy and risk appetite.

The Global WAM Risk Management Committee also provides oversight of notable changes to existing products/solutions on the various Global WAM platforms.

Product Risk Factors

Losses may result should actual experience be materially different than that assumed in the valuation of policy liabilities.

- Such losses could have a significant adverse effect on our results of operations and financial condition. In addition, we periodically review the assumptions we make in determining our policy liabilities and the review may result in an increase in policy liabilities and a decrease in net income attributed to shareholders. Such assumptions require significant professional judgment, and actual experience may be materially different than the assumptions we make. (See "Critical Actuarial and Accounting Policies" below).
- Policyholder behaviour including premium payment patterns, policy renewals, lapse rates and withdrawal, and surrender activity are influenced by many factors including market and general economic conditions, and the availability and relative attractiveness of other products in the marketplace. For example, a weak or declining economic environment could increase the value of guarantees associated with variable annuities or other embedded guarantees and contribute to adverse policyholder behaviour experience, or a rapid rise in interest rates could increase the attractiveness of alternatives for customers holding products that offer contractual surrender benefits that are not market value adjusted, which could also contribute to adverse policyholder behaviour experience. If premium persistency or lapse rates are significantly different from our expectations, it could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

We may be unable to implement necessary price increases on ourin-force businesses or may face delays in implementation.

- We continue to seek state regulatory approvals for price increases on existing long-term care business in the United States. We cannot be certain whether or when each approval will be granted. For some in-force business, regulatory approval for price increases may not be required. However, regulators or policyholders may nonetheless seek to challenge our authority to implement such increases. Our policy liabilities reflect our estimates of the impact of these price increases, but should we be less successful than anticipated in obtaining them, then policy liabilities could increase accordingly and reduce net income attributed to shareholders.

Evolving legislation related to genetic testing could adversely impact our underwriting abilities.

- Current or future legislation in jurisdictions where Manulife operates may restrict its right to underwrite based on access to genetic test results. Without the obligation of disclosure, the asymmetry of information shared between applicant and insurer could increase anti-selection in both new business and in-force policyholder behaviour. The impact of restricting insurers' access to this information and the associated problems of anti-selection becomes more acute where genetic technology leads to advancements in diagnosis of life-threatening conditions that are not matched by improvements in treatment. We cannot predict the potential financial impact that this would have on the Company or the industry as a whole. In addition, there may be further unforeseen implications as genetic testing continues to evolve and becomes more established in mainstream medical practice.

Life and health insurance claims may be impacted unexpectedly by changes in the prevalence of diseases or illnesses, medical and technology advances, widespread lifestyle changes, natural disasters, large-scale human-made disasters and acts of terrorism.

- Claims resulting from catastrophic events could cause substantial volatility in our financial results in any period and could materially reduce our profitability or harm our financial condition. Large-scale catastrophic events may also reduce the overall level of economic activity, which could hurt our business and our ability to write new business. It is possible that geographic concentration of insured individuals could increase the severity of claims we receive from future catastrophic events. The effectiveness of external parties, including governmental and non-governmental organizations, in combating the severity of such an event is outside of our control and could have a material impact on the losses we experience.
- The cost of health insurance benefits may be impacted by unforeseen trends in the incidence, termination and severity rates of claims. The ultimate level of lifetime benefits paid to policyholders may be increased by an unexpected increase in life expectancy. For example, advances in technology could lead to longer lives through better medical treatment or better disease prevention. As well, adverse claims experience could result from systematic anti-selection, which could arise from the development of investor owned and secondary markets for life insurance policies, anti-selective lapse behaviour, underwriting process failures, anti-selective policyholder behaviour due to greater consumer accessibility to home-based medical screening, or other factors.
- For information on the implications of COVID-19 on our product risk, please refer to "Pandemic risk and potential implications of COVID-19" below.

External market conditions determine the availability, terms and cost of reinsurance protection which could impact our financial position and our ability to write new policies.

- As part of our overall risk and capital management strategy, we purchase reinsurance protection on certain risks underwritten or assumed by our various insurance businesses. As the global reinsurance industry continues to review and optimize their business models, certain of our reinsurers have attempted to increase rates on our existing reinsurance contracts. The ability of our reinsurers to increase rates depends upon the terms of each reinsurance contract. Typically, the reinsurer's ability to raise rates is restricted by a number of terms in our reinsurance contracts, which we seek to enforce. We believe our reinsurance provisions are appropriate; however, there can be no assurance regarding the impact of future rate increase actions taken by our reinsurers. Accordingly, future rate increase actions by our reinsurers could result in accounting charges, an increase in the cost of reinsurance and the assumption of more risk on business already reinsured.

- In addition, an increase in the cost of reinsurance could also adversely affect our ability to write future business or result in the assumption of more risk with respect to policies we issue. Premium rates charged on new policies we write are based, in part, on the assumption that reinsurance will be available at a certain cost. Certain reinsurers may attempt to increase the rates they charge us for new policies we write, and for competitive reasons, we may not be able to raise the premium rates we charge for newly written policies to offset the increase in reinsurance rates. If the cost of reinsurance were to increase, if reinsurance were to become unavailable and if alternatives to reinsurance were not available, our ability to write new policies at competitive premium rates could be adversely affected.

Operational Risk

Operational risk is naturally present in all of our business activities and encompasses a broad range of risks, including regulatory compliance failures, legal disputes, technology failures, business interruption, information security and privacy breaches, human resource management failures, processing errors, modelling errors, business integration, theft and fraud, and damage to physical assets. Exposures can take the form of financial losses, regulatory sanctions, loss of competitive positioning, or damage to our reputation. Operational risk is also embedded in all the practices we use to manage other risks; therefore, if not managed effectively, operational risk can impact our ability to manage other key risks such as credit risk, market risk, liquidity risk and product risk.

Operational Risk Management Strategy

Our corporate governance practices, corporate values, and integrated enterprise-wide approach to managing risk set the foundation for mitigating operational risks. This base is further strengthened by internal controls and systems, compensation programs, and seeking to hire and retain trained and competent people throughout the organization. We align compensation programs with business strategy, long-term shareholder value and good governance practices, and we benchmark these compensation practices against peer companies.

We have an enterprise operational risk management framework that sets out the processes we use to identify, assess, manage, mitigate and report on significant operational risk exposures. Execution of our operational risk management strategy supports the drive towards a focus on the effective management of our key global operational risks. We have an Operational Risk Committee, which is the main decision-making committee for all operational risk matters and which has oversight responsibility for operational risk strategy, management and governance. We have enterprise-wide risk management programs for specific operational risks that could materially impact our ability to do business or impact our reputation.

Legal and Regulatory Risk Management Strategy

Global Compliance oversees our regulatory compliance program and function, supported by designated Chief Compliance Officers in every segment. The program is designed to promote compliance with regulatory obligations worldwide and to assist in making the Company's employees aware of the laws and regulations that affect it, and the risks associated with failing to comply. Segment Compliance groups monitor emerging legal and regulatory issues and changes and prepare us to address new requirements. Global Compliance also independently assesses and monitors the effectiveness of a broad range of regulatory compliance processes and business practices against potential legal, regulatory, fraud and reputation risks, and allows significant issues to be escalated and proactively mitigated. Among these processes and business practices are: privacy (i.e. handling of personal and other confidential information), sales and marketing practices, sales compensation practices, asset management practices, fiduciary responsibilities, employment practices, underwriting and claims processing, product design, the Ethics Hotline, and regulatory filings. In addition, we have policies, processes and controls in place to help protect the Company, our customers and other related third parties from acts of fraud and from risks associated with money laundering and terrorist financing. Audit Services, Global Compliance and Segment Compliance personnel periodically assess the effectiveness of the system of internal controls. For further discussion of government regulation and legal proceedings, refer to "Government Regulation" in MFC's Annual Information Form dated February 15, 2023 and note 19 of the 2022 Annual Consolidated Financial Statements.

Business Continuity Risk Management Strategy

We have an enterprise-wide business continuity and disaster recovery program. This includes policies, plans and procedures that seek to minimize the impact of natural or human-made disasters, and is designed to ensure that key business functions can continue normal operations in the event of a major disruption. Each business unit is accountable for preparing and maintaining detailed business continuity plans and processes. The global program incorporates periodic scenario analysis designed to validate the assessment of both critical and non-critical units, as well as the establishment and testing of appropriate business continuity plans for all critical functions. The business continuity team establishes and regularly tests crisis management plans and global crisis communications protocols. We maintain off-site data backup facilities and/or failover capabilities as required to manage the risk of downtime and to accelerate system recovery when needed.

Technology & Information Security Risk Management Strategy

Our Technology Risk Management function provides strategy, direction, and oversight and facilitates governance for all technology risk domain activities across the Company. The scope of this function includes: reducing information risk exposures by introducing a robust enterprise information risk management framework and supporting infrastructure for proactively identifying, managing, monitoring and reporting on critical information risk exposures; promoting transparency and informed decision-making by building and maintaining information risk profiles and risk dashboards for Enterprise Technology & Services and segments aligned with enterprise and operational

risk reporting; providing advisory services to Global Technology and the segments around current and emerging technology risks and their impact to the Company's information risk profile; and reducing vendor information risk exposures by incorporating sound information risk management practices into sourcing, outsourcing and offshoring initiatives and programs.

The enterprise-wide information security program, which is overseen by the Chief Information Risk Officer, seeks to mitigate information security risks. This program establishes the information and cyber security framework for the Company, including governance, policies and standards, and appropriate controls to protect information and computer systems. We also have ongoing security awareness training sessions for all employees.

Many jurisdictions in which we operate are implementing more stringent privacy legislation. Our global privacy program, overseen by our Chief Privacy Officer, seeks to manage the risk associated with the handling of personal information, including the risk of privacy breaches. It includes policies and standards, ongoing monitoring of emerging privacy legislation, and a network of privacy officers. Processes have been established to provide guidance on handling personal information and for reporting privacy incidents and issues to appropriate management for response and resolution. As a global company, Manulife is subject to a wide variety of laws and regulations throughout its operations, including those related to privacy and information security. In many jurisdictions, privacy and information security requirements are becoming more onerous, including stringent incident reporting requirements, and may increase our compliance costs as well as the risks associated with any compliance failure.

In addition, the Chief Information Risk Officer, the Chief Privacy Officer, and their teams work closely on information security and privacy matters.

Human Resource Risk Management Strategy

We have a number of human resource policies, practices and programs in place that seek to manage the risks associated with attracting and retaining top talent. These include recruiting programs at every level of the organization, training and development programs for our individual contributors and people leaders, initiatives to help increase diversity, equity and inclusion, employee engagement surveys, and competitive compensation programs that are designed to attract, motivate and retain high-performing and high-potential employees.

Model Risk Management Strategy

We have designated model risk management teams working closely with model owners and users that seek to manage model risk. Our model risk oversight program includes processes intended to ensure that our critical business models are conceptually sound and used as intended, and to assess the appropriateness of the calculations and outputs.

Third-Party Risk Management Strategy

Our governance framework to address third-party risk includes appropriate policies (such as our Global Outsourcing, GRM and Vendor Management policies), standards and procedures, and monitoring of ongoing results and contractual compliance of third-party arrangements.

Initiatives Risk Management Strategy

To seek to ensure that key initiatives are successfully implemented and monitored by management, we have a global Transformation and Delivery Team, which is responsible for establishing policies and standards for initiative management. Our policies, standards and practices are benchmarked against leading practices.

Operational Risk Factors

If we are not able to attract, motivate and retain agency leaders and individual agents, our competitive position, growth and profitability will suffer.

- We must attract and retain sales representatives to sell our products. Strong competition exists among financial services companies for efficient and effective sales representatives. We compete with other financial services companies for sales representatives primarily on the basis of our financial position, brand, support services, and compensation and product features. Any of these factors could change either because we change the Company or our products, or because our competitors change theirs and we are unable or unwilling to adapt. If we are unable to attract and retain sufficient sales representatives to sell our products, our ability to compete would suffer, which could have a material adverse effect on our business, results of operations and financial condition.

Competition for the best people is intense and an inability to recruit qualified individuals may negatively impact our ability to execute on business strategies or to conduct our operations.

- We compete with other insurance companies, financial institutions, and wealth management organizations for industry-specific talent and against a broader range of companies in functional areas such as Finance, IT, HR, Legal and Operations, for qualified executives, employees and agents. We must attract and retain top talent to maintain our competitive advantage**.** The risk of other organizations outside of our geographic footprint targeting our employees is heightened with many companies now adopting flexible remote working arrangements. Additionally, we are in an environment where pay levels have been increasing more quickly than in recent years due to the competitive talent market, inflation and other factors. Therefore, we need to ensure we are paying competitively to both reduce key talent turnover risk, and successfully attract new talent to the company. We also need to ensure that we adapt our recruiting practices to draw on broader talent pools through the use of labour market intelligence and sourcing tools.

If we are unable to complete key projects on time, on budget, and capture planned benefits, our business strategies and plans, and operations may be impaired.

- We must successfully deliver a number of key projects in order to implement our business strategies and plans. If we are unable to complete these projects in accordance with planned schedules, and to capture projected benefits, there could be a material adverse effect on our business and financial condition.

Key business processes may fail, causing material loss events and impacting our customers and reputation.

- A large number of complex transactions are performed by the organization, and there is risk that errors may have significant impact on our customers or result in a loss to the organization. Controls are in place that seek to ensure processing accuracy for our most significant business processes, and escalation and reporting processes have been established for when errors do occur.

The interconnectedness of our operations and risk management strategies could expose us to risk if all factors are not appropriately considered and communicated.

- Our business operations, including strategies and operations related to risk management, asset liability management and liquidity management, are interconnected and complex. Changes in one area may have a secondary impact in another area of our operations. For example, risk management actions, such as the increased use of interest rate swaps, could have implications for the Company's Global WAM segment or its Treasury function, as this strategy could result in the need to post additional amounts of collateral. Failure to appropriately consider these inter-relationships, or effectively communicate changes in strategies or activities across our operations, could have a negative impact on the strategic objectives or operations of another group. Further, failure to consider these inter-relationships in our modeling and financial and strategic decision-making processes could have a negative impact on our operations.

Our risk management policies, procedures and strategies may leave us exposed to unidentified or unanticipated risks, which could negatively affect our business, results of operations and financial condition.

- We devote significant resources to develop our risk management policies, procedures, and strategies. Nonetheless, there is a risk that our policies, procedures, and strategies may not be comprehensive. Many of our methods for measuring and managing risk exposures are based upon the use of observed historical market behaviour or statistics based on historical models. Future behaviour may be very different from past behaviour, especially if there are some fundamental changes that affect future behaviour. Other risk management methods depend upon the evaluation and/or reporting of information regarding markets, clients, client transactions, catastrophe occurrence or other matters publicly available or otherwise accessible to us. This information may not always be accurate, complete, up-to-date, or properly evaluated or reported.

We are subject to tax audits, tax litigation or similar proceedings, and as a result we may owe additional taxes, interest and penalties in amounts that may be material.

- We are subject to income and other taxes in the jurisdictions in which we do business. In determining our provisions for income taxes and our accounting for tax related matters in general, we are required to exercise judgment. We regularly make estimates where the ultimate tax determination is uncertain. There can be no assurance that the final determination of any tax audit, appeal of the decision of a taxing authority, tax litigation or similar proceedings will not be materially different from that reflected in our historical financial statements. The assessment of additional taxes, interest and penalties could be materially adverse to our current and future results of operations and financial condition.

Our operations face political, legal, operational and other risks that could negatively affect those operations or our results of operations and financial condition.

- Our operations face the risk of discriminatory regulation, political and economic instability, the imposition of economic or trade sanctions, isolationist foreign policies, armed conflicts, civil unrest or disobedience, government policies or regulations adopted in response to political or social pressures and rising populism and/or nationalism, limited protection for, or increased costs to protect intellectual property rights, inability to protect and/or enforce contractual or legal rights, nationalization or expropriation of assets, price controls and exchange controls or other restrictions that prevent us from transferring funds out of the countries in which we operate and disruptions in global supply chains. In addition, as political tensions and populism and/or nationalism rise in a number of locations, compliance with laws and regulations by global financial institutions may become challenging as complying with the requirements in one jurisdiction may be contrary to the requirements of another.
- A substantial portion of our revenue and net income attributed to shareholders is derived from our operations outside of North America, primarily in key Asian markets. Some of these key geographical markets are developing and are rapidly growing countries and markets where these risks may be heightened.
- In particular, tensions remain elevated between mainland China and Canada, the U.S. and their allies over a number of issues, including trade, technology and human rights resulting in the imposition of sanctions and trade restrictions on companies and individuals. Mainland China and the Hong Kong SAR are important markets for Manulife and escalating tensions may create a more challenging operating environment for Manulife. In addition, the military conflict in Ukraine and associated sanctions imposed on Russia and its allies has negatively impacted regional and global financial markets and economies.
- These risks could result in disruptions to our operations, unanticipated costs, increased market volatility and inflation, a contraction of business activity and recession, diminished investor and consumer confidence, lower investment growth, insurance sales and fees earned on managed assets, the loss of assets or a reduction in their value and reduced remittances. Failure to manage these risks could have a significant negative impact on our operations and profitability globally.

We are regularly involved in litigation.

- We are regularly involved in litigation, either as a plaintiff or defendant. These cases could result in an unfavourable resolution and could have a material adverse effect on our results of operations and financial condition. For further discussion of legal proceedings refer to note 19 of the 2022 Annual Consolidated Financial Statements.

We are exposed to investors trying to profit from short positions in our stock.

- Short-sellers seek to profit from a decline in the price of our common shares. Through their actions and public statements, they may encourage the decline in price from which they profit and may encourage others to take short positions in our shares. The existence of such short positions and the related publicity may lead to continued volatility in our common share price.

System failures or events that impact our facilities may disrupt business operations.

- Technology is used in virtually all aspects of our business and operations; in addition, part of our strategy involves the expansion of technology to directly serve our customers. An interruption in the service of our technology resulting from system failure, cyber-attack, human error, natural disaster, human-made disaster, pandemic, or other unpredictable events beyond reasonable control could prevent us from effectively operating our business. We rely on the internet in order to conduct business and may be adversely impacted by outages in critical infrastructure such as electric grids, undersea cables, satellites or other communications used by us or our third parties.
- While our facilities and operations are distributed across the globe, we can experience extreme weather, natural disasters, civil unrest, human-made disasters, power outages, pandemic, and other events which can prevent access to, and operations within, the facilities for our employees, partners, and other parties that support our business operations.
- We take measures to plan, structure and protect against routine events that may impact our operations, and maintain plans to recover from unpredictable events. The experience learned from COVID-19 has stress tested these plans and has resulted in strengthening our continuity plans. For further information, see “Pandemic risk and potential implications of COVID-19” below. An interruption to our operations may subject us to regulatory sanctions and legal claims, lead to a loss of customers, assets and revenues, or otherwise adversely affect us from a financial, operational and reputational perspective.

An information security or privacy breach of our operations or of a related third party could adversely impact our business, results of operations, financial condition, and reputation.

- It is possible that the Company may not be able to anticipate or to implement effective preventive measures against all disruptions or privacy and security breaches, especially because the techniques used change frequently, generally increase in sophistication, often are not recognized until launched, and because cyber-attacks can originate from a wide variety of sources, including organized crime, hackers, terrorists, activists, and other parties, including parties sponsored by hostile foreign governments. Those parties may also attempt to fraudulently induce employees, customers, and other users of the Company’s systems or third-party service providers to disclose sensitive information in order to gain access to the Company’s data or that of its customers or clients. We, our customers, regulators and other third parties have been subject to, and are likely to continue to be the target of, cyber-attacks, including computer viruses, malicious or destructive code, phishing attacks, denial of service and other security incidents, that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of personal, confidential, proprietary and other information of the Company, our employees, our customers or of third parties, or otherwise materially disrupt our or our customers’ or other third parties’ network access or business operations. These attacks could adversely impact us from a financial, operational and reputational perspective.
- The Company maintains an Information Risk Management Program, which includes information and cyber security defenses, to protect our networks and systems from attacks; however, there can be no assurance that these counter measures will be successful in every instance in protecting our networks against advanced attacks. In addition to protection, detection and response mechanisms, the Company maintains cyber risk insurance, but this insurance may not cover all costs associated with the financial, operational and reputational consequences of personal, confidential or proprietary information being compromised.

Model risk may arise from the inappropriate use or interpretation of models or their output, or the use of deficient models, data or assumptions.

- We rely on highly complex models for pricing, valuation and risk measurement, and for input on decision making. Consequently, the risk of inappropriate use or interpretation of our models or their output, or the use of deficient models, could have a material adverse effect on our business.

Fraud risks may arise from incidents related to identity theft and account takeovers.

- Fraud incidents could adversely impact our business, results of operations, financial condition and reputation. Policies and procedures are in place and seek to protect against ever-evolving fraud threats. However, we may nevertheless not be able to prevent and detect all fraud incidents.

Contracted third parties may fail to deliver against contracted activities.

- We rely on third parties to perform a variety of activities on our behalf, and failure of our most significant third parties to meet their contracted obligations may impact our ability to meet our strategic objectives or may directly impact our customers. Vendor governance processes are in place that seek to ensure that appropriate due diligence is conducted at time of vendor contracting, and ongoing vendor monitoring activities are in place that seek to ensure that the contracted services are being fulfilled to satisfaction, but we may nevertheless not be able to mitigate all possible failures.

Damage to the natural environment may arise related to our business operations, owned property or commercial mortgage loan portfolio.

- Environmental risk may originate from investment properties that are subject to natural or human-made environmental risk. Real estate assets may be owned, leased and/or managed, as well as mortgaged by Manulife and we might enter into the chain of liability due to foreclosure ownership when in default.
- Liability under environmental protection laws resulting from our commercial mortgage loan portfolio and owned property (including commercial real estate, timberland and farmland properties) may adversely impact our reputation, results of operations and financial condition. Under applicable laws, contamination of a property with hazardous materials or substances may give rise to a lien on the property to secure recovery of the costs of cleanup. In some instances, this lien has priority over the lien of an existing mortgage encumbering the property. The environmental risk may result from on-site or off-site (adjacent) due to migration of regulated pollutants or contaminants with financial or reputational environmental risk and liability consequences by virtue of strict liability. Environmental risk could also arise from natural disasters (e.g., climate change, weather, fire, earthquake, floods, and pests) or human activities (use of chemicals or pesticides) conducted within the site or when impacted from adjacent sites.
- Additionally, as lender, we may incur environmental liability (including without limitation liability forclean-up, remediation and damages incurred by third parties) similar to that of an owner or operator of the property, if we or our agents exercise sufficient control over the operations at the property. We may also have liability as the owner and/or operator of real estate for environmental conditions or contamination that exist or occur on the property or affecting other property.

Pandemic risk and potential implications of COVID-19

The COVID-19 pandemic continues to weigh on the global economy and it remains difficult to predict the significance of its longer-term impacts, particularly as COVID-19 becomes endemic in the markets in which we operate. Governments continue to navigate the implications from COVID-19 and changing circumstances may result in future legal, regulatory, tax, and other responses that could have a significant adverse impact on our global business operations and financial results.

- COVID-19 could continue to adversely impact our financial results as a result of reduced new business, including a reduction of activity through our distribution channels, reduced asset-based fee revenue, and net unfavourable policyholder experience including claims, lapse and premium persistency experience.
- As COVID-19 becomes endemic, there may be unexpected changes to the business and operating environment which may present new headwinds to our business strategy or new opportunities to pursue. The pace of recovery may continue to differ across geographies in which we operate, which could impact the execution of our business strategies. For example, a sustained zero-COVID policy in mainland China throughout 2022 has slowed sales growth in our Asia segment businesses due to border restrictions and immobility of our agents and employees. As mainland China shifts away from its zero-COVID policy, we would expect to experience a rebound in sales growth over time; however, the manner in which the government responds to future outbreaks may further delay our ability to drive sales growth in the region. The sudden easing of restrictions could put significant strain on mainland China's public health system, which could increase mortality and morbidity claims. This could increase volatility in our financial results or materially reduce our profitability.
- We purchase reinsurance protection on certain risks underwritten or assumed by our various insurance businesses. As a result of COVID-19, we may find reinsurance more difficult or costly to obtain. Reinsurers may also dispute, or seek to reduce, or eliminate coverage on policies as a result of any COVID-19 related changes to policies or practices we make.
- In pricing or repricing of new business, the impact of any COVID-19 related changes may be compounded with or offset by other pricing inputs. These inputs include assumption changes (e.g., reinsurance, interest rates, morbidity, mortality, expense, and lapse and surrender changes), business considerations related to retaining specific market share or client business and regulatory restrictions impacting the approval process for price changes.
- The potential longer-term impacts of the pandemic may include latent morbidity impacts from the deferral of medical treatment by policyholders. It may be a factor in increasing morbidity claims and there may be implications from other factors such as long-term post COVID-19 symptoms.
- Previously imposed COVID-19 related restrictions have been gradually lifting in markets in which we operate but have also been introduced or reimposed in a limited number of other markets. In the jurisdictions where the restrictions have been lifted, the majority of our employees have returned to office on a hybrid work arrangement. The implementation of widespread remote work arrangements has also increased other operational risks, including, but not limited to, fraud, money laundering, information security, privacy, and third-party risks. We are relying on our risk management strategies to monitor and mitigate these and other operational risks during this period of heightened uncertainty.
- The global recessionary environment could continue to put downward pressure on asset valuations and increase the risk of potential impairments of investments, particularly for more exposed sectors such as transportation, services, and consumer cyclical industries. Furthermore, reduced demand for office space as a result of widespread full-time remote or hybrid work arrangements could continue to have a negative impact on our commercial real estate portfolio.
- Borrowers or counterparty downgrades or defaults would cause increased provisions or impairments related to our general fund invested assets and derivative financial instruments, and an increase in provisions for future credit impairments to be included in our policy liabilities. This could result in losses potentially above our long-term expected levels.
- Extreme market volatility and stressed conditions resulting from possible longer-term impacts of COVID-19 could result in additional cash and collateral demands primarily from changes to policyholder termination or renewal rates, withdrawals of customer deposit

balances, borrowers renewing or extending their loans when they mature, derivative settlements or collateral demands, reinsurance settlements or collateral demands, and our willingness to support the local solvency position of our subsidiaries. Such an environment could also limit our access to capital markets. Sustained global economic uncertainty could also result in adverse credit ratings changes which in turn could result in more costly or limited access to funding sources. While we currently have a variety of sources of liquidity including cash balances, short-term investments, government and highly rated corporate bonds, and access to contingent liquidity facilities, there can be no assurance that these sources will provide us with sufficient liquidity on commercially reasonable terms in the future.

Emerging Risks

The identification and assessment of our external environment for emerging risks is an important aspect of our ERM Framework, as these risks, although yet to materialize, could have the potential to have a material adverse impact on our operations and/or business strategies. We also consider taking advantage of opportunities identified to improve our competitiveness and ultimately our financial results.

Our Emerging Risk Framework facilitates the ongoing identification, assessment and monitoring of emerging risks, and includes: maintaining a process that facilitates the ongoing discussion and evaluation of potential emerging risks with senior business and functional management; reviewing and validating emerging risks with the ERC; creating and executing on responses to each emerging risk based on prioritization; and monitoring and reporting on emerging risks on a regular basis to the Board's Risk Committee.

Regulatory Capital

OSFI's LICAT capital regime applies to our business globally on a group consolidated basis. We continue to meet OSFI's requirements and maintain capital in excess of regulatory expectations.

In January 2023, a revised LICAT guideline, aligning with the IFRS 17 accounting changes, took effect. This will be followed by an update to the capital rules for Segregated Fund Guarantees, expected to be effective in January 2025.

At its annual meeting in November 2019, the IAIS adopted a risk based global ICS, that is being further developed over a five-year monitoring period that commenced in 2020. While broadly supportive of the goals of ICS, OSFI stated that it did not support the current ICS design, adopted by the IAIS in November 2019, citing that it was 'not fit for purpose for the Canadian market'. Without OSFI's consent, the IAIS rules will not apply in Canada or to Canadian companies on a group-wide basis, while other regulators may use the ICS framework for calculating capital in their specific markets. Limited changes have been made to ICS since the beginning of the five-year monitoring period. We will continue to monitor developments as the ICS methodology and its applicability evolve.

In December 2022, the Financial Stability Board (FSB) adopted the IAIS Holistic Framework for the assessment and mitigation of systemic risk and discontinued the annual identification of Global Systemically Important Insurers (G-SIIs). Manulife was supportive of this direction.

Regulators in various jurisdictions in which we operate have embarked on reforming their respective capital regulations. While the ultimate impact of these changes remains uncertain, we closely monitor the developments.

IFRS 17 and IFRS 9

IFRS 17 "Insurance Contracts" and IFRS 9 "Financial Instruments" are effective for insurance companies in 2023.

IFRS 17 replaced IFRS 4 "Insurance Contracts" and will materially change the timing of the recognition of earnings from our insurance business and therefore, our shareholders' equity. Furthermore, the requirements of the new standard are complex and have necessitated significant enhancements to finance infrastructure and processes and could impact our business strategy. IFRS 9 will impact the measurement and timing of investment income.

A summary of some of the key differences between IFRS 17 and IFRS 4 is outlined in the "Future Accounting and Reporting Changes" section below. The impacts of IFRS 17 are expected to include[1]:

- The establishment of a CSM on our in-force business, which represents unearned profits, was expected to decrease equity upon transition. The LICAT guideline for 2023 issued on July 21, 2022 makes calibration adjustments relating to the inclusion of CSM in available capital and the reduction of the scalar on base solvency buffer. In addition, the LICAT ratio is expected to be less sensitive to changes in interest rates and more stable under IFRS 17 compared with IFRS 4. Given this greater stability, the impact of IFRS 17 upon adoption on January 1, 2023 is expected to be a low single-digit percentage point increase to the LICAT ratio based on markets as of December 31, 2022. We expect our capital position will continue to be strong under IFRS 17.
- The deferral of the recognition of new business gains via the CSM, and to a substantially lesser extent, the timing of investments results, will shift earnings out into future periods. As a result, on transition, net income and core earnings in 2022 are expected to be lower under IFRS 17 compared with IFRS 4. This impact will be partially offset by the amortization into income of the CSM that will be established on our in-force business. Overall, considering these items along with the various other impacts, on transition we expect 2022 core earnings to decline by approximately 5% to 10% under IFRS 17 compared with IFRS 4. A transition impact on our net income attributed to shareholders is difficult to predict as it is also impacted by prevailing market conditions. In addition, we expect IFRS 17 to improve the stability of both our core earnings and net income attributed to shareholders.

[1] See "Caution regarding forward-looking statements" above.

- Core earnings will remain a key performance metric and the definition will be adapted to align with IFRS 17. Under the revised definition, core earnings will exclude items such as the direct impact of markets and interest rates, including investment experience from ALDA, realized gains and losses on fixed income assets, hedge ineffectiveness, and changes in methods and assumptions recorded directly in profit or loss. We believe that the revised core earnings definition represents our operating performance and the long-term earnings capacity of the business.
- The treatment of new business gains under IFRS 17 is materially different from IFRS 4. The CSM is an intrinsic part of the value of an insurance business and is a measure of growth and future earnings generation capability. This highlights the importance of the CSM as a GAAP performance measure and as such, upon adoption, we will be adding two new medium-term targets:
    i. 15% growth per year for new business CSM, and
    ii. 8% to 10% growth per year in the CSM balance.

In 1Q22, we confirmed our medium-term financial and operating targets under IFRS 17, and upon adoption, will adjust certain targets as follows[1]:

- Core ROE will be increased to 15%+ (from 13%+ currently) due to the expected changes to core earnings and equity,
- Common share core dividend payout ratio[2] will be increased to 35% to 45% (from 30% to 40% currently) due to the expected changes to core earnings, and
- Leverage ratio definition will be adjusted to include the CSM in the denominator given that the CSM represents unearned profit and available capital under LICAT.

We reported $246 million (post-tax) from the impact of new business[3], which is included in core earnings and net income attributed to shareholders in 4Q22 (4Q21 – $295 million). On a year-to-date basis, the impact of new business was $879 million(post-tax) in 2022 (2021 – $1,115 million).

Risks related to the new standards include:

- **The impact on our business strategy as a result of temporary volatility.** The Company's capital position and income for accounting purposes could be influenced by prevailing market conditions, resulting in volatility of reported results, which may require changes to business strategies. The impact to business strategy could include changes to hedging and investment strategy, product strategy and the use of reinsurance and, as a result, could impact our exposures to other risks such as counterparty risk and liquidity risk.
- **The impact of accounting mismatches from derivatives used for economic hedging purposes.** Under CALM, both changes in insurance contract liabilities and changes in the fair value of derivatives used to economically hedge these liabilities are recognized in income, which results in a natural offset in net income. Under IFRS 17, we will elect the option to record changes in insurance contract liabilities arising from changes in interest rates through other comprehensive income (the "OCI option"). In certain circumstances, some derivatives that are used for economic hedging purposes do not qualify for hedge accounting under IFRS 9, and therefore the election of the OCI option could result in a mismatch in accounting net income, as changes in the fair value of these derivatives would be recorded in net income, while the impact of changes in discount rates on insurance contract liabilities would be recorded in other comprehensive income. In addition, if derivatives used for economic hedging purposes qualify for hedge accounting, IFRS 9 requires that the difference, if any, between the impact of changes in discount rates on the hedged portion of insurance contract liabilities and the change in the fair value of the hedging derivatives be reported in net income as hedge ineffectiveness.
- **The impact on tax.** In certain jurisdictions, including Canada, the implementation of IFRS 17 could have a material effect on tax positions and other financial metrics that are dependent upon IFRS accounting values.
- **The impact of inconsistencies in timing of adoption among various jurisdictions.** As a global insurer with subsidiaries in Asia and other jurisdictions, regional differences in effective dates will require us to maintain more than one set of financial records to support both consolidated financial statements and for local subsidiary reporting requirements.

Additional Risk Factors That May Affect Future Results

Other factors that may affect future results include changes in government trade policy, monetary policy or fiscal policy; including interest rates policy from central banks; political conditions and developments in or affecting the countries in which we operate; technological changes; public infrastructure disruptions; changes in consumer spending and saving habits; the possible impact on local, national or global economies from public health or natural disaster emergencies, and international conflicts and other developments including those relating to terrorist activities. Although we take steps to anticipate and minimize risks in general, unforeseen future events may have a negative impact on our business, financial condition and results of operations.

We caution that the preceding discussion of risks that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to our Company, investors and others should carefully consider the foregoing risks, as well as other uncertainties and potential events, and other external and Company specific risks that may adversely affect the future business, financial condition or results of operations of our Company.

1 See "Caution regarding forward-looking statements" above.
2 This item is a non-GAAP ratio. See "Non-GAAP and other financial measures" below for more information.
3 The impact of new business represents the financial impact of all new business written in the period, including acquisition expenses.

10. Capital Management Framework

Manulife seeks to manage its capital with the objectives of:

- Operating with sufficient capital to be able to honour all commitments to its policyholders and creditors with a high degree of confidence;
- Retaining the ongoing confidence of regulators, policyholders, rating agencies, investors and other creditors in order to ensure access to capital markets; and
- Optimizing return on capital to meet shareholders' expectations subject to constraints and considerations of adequate levels of capital established to meet the first two objectives.

Capital is managed and monitored in accordance with the Capital Management Policy. The Policy is reviewed and approved by the Board annually and is integrated with the Company's risk and financial management frameworks. It establishes guidelines regarding the quantity and quality of capital, internal capital mobility, and proactive management of ongoing and future capital requirements.

Our capital management framework takes into account the requirements of the Company as a whole as well as the needs of each of our subsidiaries. Internal capital targets are set above regulatory requirements, and consider a number of factors, including results of sensitivity and stress testing and our own risk assessments, as well as business needs. We monitor against these internal targets and initiate actions appropriate to achieving our business objectives.

We periodically assess the strength of our capital position under various stress scenarios. The annual Financial Condition Testing ("FCT") typically quantifies the financial impact of economic events arising from shocks in public equity and other markets, interest rates and credit, amongst others. Our 2022 FCT results demonstrate that we would have sufficient assets, under the various adverse scenarios tested, to discharge our policy liabilities. This conclusion was also supported by a variety of other stress tests conducted by the Company.

We use an Economic Capital ("EC") framework to inform our internal view of the level of required capital and available capital. The EC framework is a key component of the ORSA process, which ties together our risk management, strategic planning and capital management practices to confirm that our capital levels continue to be adequate from an economic perspective.

Capital management is also integrated into our product planning and performance management practices.

The composition of capital between equity and other capital instruments impacts the financial leverage ratio which is an important consideration in determining the Company's financial strength and credit ratings. The Company monitors and rebalances its capital mix through capital issuances and redemptions.

Financing Activities

Securities Transactions

During 2022, we raised a total of $2.0 billion of debt and other equity (limited recourse capital notes) instruments in Canada and the U.S., and $1.7 billion of securities were redeemed at par.

($ millions)	Par value	Issued[1]	Redeemed/ Matured[1]
3.703% MFC US Senior notes, issued on Mar 16, 2022	US$ 750	1,010	–
7.117% MFC Limited recourse capital notes Series 3, issued on Jun 16, 2022	$ 1,000	991	–
4.85% MFC Class 1 preferred shares Series 23, redeemed on Mar 19, 2022	$ 475	–	467
4.312% MFC Class 1 preferred shares Series 9, redeemed on Mar 19, 2022	$ 250	–	244
3.181% MLI Subordinated debentures, redeemed on Nov 22, 2022	$ 1,000	–	1,000
Total		$ 2,001	$ 1,711

(1) Represents carrying value, net of issuance costs.

Normal Course Issuer Bid

We announced on February 15, 2023, subject to the approval of the Toronto Stock Exchange ("TSX"), our intention to launch a normal course issuer bid ("NCIB") permitting the purchase for cancellation of up to 55.7 million common shares, representing approximately 3% of our issued and outstanding common shares. Purchases under the NCIB may commence after the TSX has accepted the notice of intention and continue for up to one year, or such earlier date as we complete our purchases.[1]

Our previous NCIB that was announced on February 1, 2022 expired on February 2, 2023. Under this NCIB, MFC purchased for cancellation 85.8 million of its common shares at an average price of $23.99 per share for a total cost of $2.1 billion, which represent 4.4% of our issued and outstanding common shares.

During 2022, MFC purchased and subsequently cancelled 78.9 million of its common shares at an average price of $23.87 per common share for a total cost of $1.9 billion.

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

Consolidated Capital

As at December 31, ($ millions)	2022	2021
Non-controlling interests	**$ 1,664**	$ 1,694
Participating policyholders' equity	**(1,346)**	(1,233)
Preferred shares and other equity	**6,660**	6,381
Common shareholders' equity[(1)]	**49,401**	52,027
Total equity	**56,379**	58,869
Exclude the accumulated other comprehensive gain/(loss) on cash flow hedges	**8**	(156)
Total equity excluding accumulated other comprehensive gain/(loss) on cash flow hedges	**56,371**	59,025
Qualifying capital instruments	**6,122**	6,980
Consolidated capital[(2)]	**$ 62,493**	$ 66,005

(1) Common shareholders' equity is equal to total shareholders' equity less preferred shares and other equity.
(2) Consolidated capital does not include $6.2 billion (2021 – $4.9 billion) of MFC senior debt as this form of financing does not meet OSFI's definition of regulatory capital at the MFC level. The Company has down-streamed the proceeds from this financing into operating entities in a form that qualifies as regulatory capital at the subsidiary level.

MFC's consolidated capital was $62.5 billion as at December 31, 2022, compared with $66.0 billion as at December 31, 2021, a decrease of $3.5 billion. The decrease was driven by a decline in total equity and the redemption of capital instruments. The decline in total equity was due to a reduction in the carrying value of AFS debt securities from higher interest rates, and common share buybacks, partially offset by growth in retained earnings, the impact of a weaker Canadian dollar, and net capital issuance.

Remittance of Capital

As part of its capital management, Manulife promotes internal capital mobility so that Manulife's parent company, MFC, has access to funds to meet its obligations and to optimize capital deployment. Remittances is defined as the cash remitted or made available for distribution to the Manulife Group from operating subsidiaries and excess capital generated by standalone Canadian operations. It is one of the key metrics used by management to evaluate our financial flexibility. In 2022, MFC subsidiaries delivered $6.9 billion in remittances of which Asia and U.S. operations[1,2] have delivered $0.9 billion and $2.8 billion, respectively. Remittances in 2022 increased by $2.5 billion compared with 2021 primarily due to the benefits from the reinsurance of U.S. variable annuities and other corporate actions.

Financial Leverage Ratio

MFC's financial leverage ratio as at December 31, 2022 was 27.7%, an increase of 1.9 percentage points from 25.8% as at December 31, 2021. The increase in the ratio was driven by a reduction in the carrying value of AFS debt securities from higher interest rates, common share buybacks, and the net issuance of securities[3], partially offset by growth in retained earnings and the impact of a weaker Canadian dollar.

Common Shareholder Dividends

The declaration and payment of shareholder dividends and the amount thereof are at the discretion of the Board and depend upon various factors, including the results of operations, financial conditions, future prospects of the Company, dividend payout ratio and taking into account regulatory restrictions on the payment of shareholder dividends.

Common Shareholder Dividends Paid

For the years ended December 31, ($ per share)	2022	2021
Dividends paid	**$ 1.32**	$ 1.17

The Company offers a Dividend Reinvestment Program ("DRIP") whereby shareholders may elect to automatically reinvest dividends in the form of MFC common shares instead of receiving cash. The offering of the program and its terms of execution are subject to the Board's discretion.

During 2022, the required common shares in connection with the DRIP were purchased on the open market with no applicable discount.

1 Remittances from Asia and U.S. operations include the remittances from their respective affiliate reinsurers. In addition, U.S. operation remittances include the International High Net Worth business written in the Bermuda branch of MLI.
2 Asia and U.S. operations include their respective insurance, and wealth and asset management segments.
3 For financial leverage ratio, net issuance of securities consisted of the issuance of Limited Recourse Capital Notes (reported as other equity instruments) of $1.0 billion and senior debt of $1.0 billion, offset by the redemption of subordinated debt of $1.0 billion, and two series of preferred shares totaling $0.7 billion.

Regulatory Capital Position[1]

MFC and MLI are regulated by OSFI and are subject to consolidated risk based capital requirements. Manulife monitors and manages its consolidated capital in compliance with the OSFI LICAT guideline. Under this regime, our available capital and other eligible capital resources are measured against a required amount of risk capital determined in accordance with the guideline. For regulatory reporting purposes under the LICAT framework, consolidated capital is adjusted for various additions or deductions to capital as mandated by the guidelines defined by OSFI.

Manulife's operating activities are conducted within MLI and its subsidiaries. MLI's LICAT ratio was 131% as at December 31, 2022, compared with 142% as at December 31, 2021. The eleven percentage point decrease from December 31, 2021 was driven by the unfavourable impact of market movements on capital primarily from the large increase in risk-free interest rates, and from common share buybacks, partly offset by favourable impacts from the U.S. variable annuity reinsurance transactions.

MFC's LICAT ratio was 119% as at December 31, 2022, compared with 132% as at December 31, 2021, with the decrease driven by similar factors that impacted the movement in MLI's LICAT ratio, except for the issuance of MFC senior debt which got reflected in MLI's LICAT ratio but not MFC's. The difference between the MLI and MFC ratios is largely due to the $6.2 billion (2021 – $4.9 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.

The LICAT ratios as at December 31, 2022, resulted in excess capital of $20.3 billion over OSFI's supervisory target ratio of 100% for MLI, and $19.1 billion over OSFI's regulatory minimum target ratio of 90% for MFC (no supervisory target is applicable to MFC). In addition, all MLI's subsidiaries maintain capital levels in excess of local requirements.

Credit Ratings

Manulife's operating companies have strong financial strength ratings from credit rating agencies. These ratings are important factors in establishing the competitive position of insurance companies and maintaining public confidence in products being offered. Maintaining strong ratings on debt and capital instruments issued by MFC and its subsidiaries allows us to access capital markets at competitive pricing levels. Should these credit ratings decrease materially, our cost of financing may increase and our access to funding and capital through capital markets could be reduced.

During 2022, S&P, Moody's, DBRS Morningstar, Fitch and AM Best Company ("AM Best") maintained their assigned ratings of MFC and its primary insurance operating companies.

The following table summarizes the financial strength ratings of MLI and certain of its subsidiaries as at January 31, 2023.

Financial Strength Ratings

Subsidiary	Jurisdiction	S&P	Moody's	DBRS Morningstar	Fitch	AM Best
The Manufacturers Life Insurance Company	**Canada**	**AA-**	**A1**	**AA**	**AA-**	**A+ (Superior)**
John Hancock Life Insurance Company (U.S.A.)	**United States**	**AA-**	**A1**	**Not Rated**	**AA-**	**A+ (Superior)**
Manulife (International) Limited	**Hong Kong**	**AA-**	**Not Rated**	**Not Rated**	**Not Rated**	**Not Rated**
Manulife Life Insurance Company	**Japan**	**A+**	**Not Rated**	**Not Rated**	**Not Rated**	**Not Rated**
Manulife (Singapore) Pte. Ltd.	**Singapore**	**AA-**	**Not Rated**	**Not Rated**	**Not Rated**	**Not Rated**

As of January 31, 2023, S&P, Moody's, DBRS Morningstar, Fitch, and AM Best had a stable outlook on these ratings. The S&P rating and related outlook for Manulife Life Insurance Company are constrained by the sovereign rating on Japan (A+/Stable).

[1] The "Risk Management and Risk Factors" section of the MD&A outlines a number of regulatory capital risks.

11. Critical Actuarial and Accounting Policies

The preparation of Consolidated Financial Statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities as at the date of the Consolidated Financial Statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results may differ from these estimates. The most significant estimation processes relate to assumptions used in measuring insurance and investment contract liabilities, assessing assets for impairment, determining of pension and other post-employment benefit obligation and expense assumptions, determining income taxes and uncertain tax positions and fair valuation of certain invested assets. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected. Although some variability is inherent in these estimates, management believes that the amounts recorded are appropriate. The significant accounting policies used and the most significant judgments made by management in applying these accounting policies in the preparation of the 2022 Annual Consolidated Financial Statements are described in note 1 to the Consolidated Financial Statements.

Critical Actuarial Policies – Policy Liabilities (Insurance and Investment Contract Liabilities)

Policy liabilities for IFRS are valued in Canada under standards established by the ASB. These standards are designed to ensure we establish an appropriate liability on the Consolidated Statements of Financial Position to cover future obligations to all our policyholders. The assumptions underlying the valuation of policy liabilities are required to be reviewed and updated on an ongoing basis to reflect recent and emerging trends in experience and changes in risk profile of the business. In conjunction with prudent business practices to manage both product and asset related risks, the selection and monitoring of appropriate valuation assumptions is designed to minimize our exposure to measurement uncertainty related to policy liabilities.

Policy liabilities have two major components: a best estimate amount and a provision for adverse deviation. The best estimate amount represents the estimated value of future policyholder benefits and settlement obligations to be paid over the term remaining on in-force policies, including the costs of servicing the policies. The best estimate amount is reduced by the future expected policy revenues and future expected investment income on assets supporting the policies, before any consideration for reinsurance ceded. To determine the best estimate amount, assumptions must be made for a number of key factors, including future mortality and morbidity rates, investment returns, rates of policy termination and premium persistency, operating expenses, certain taxes (other than income taxes and includes temporary tax timing and permanent tax rate differences on the cash flows available to satisfy policy obligations) and foreign currency. Reinsurance is used to transfer part or all of a policy liability to another insurance company at terms negotiated with that insurance company. A separate asset for reinsurance ceded is calculated based on the terms of the reinsurance treaties that are in-force, with deductions taken for the credit standing of the reinsurance counterparties where appropriate.

To recognize the uncertainty involved in determining the best estimate actuarial liability assumptions, a provision for adverse deviation (“PfAD”) is established. The PfAD is determined by including a margin of conservatism for each assumption to allow for possible mis-estimation of, or deterioration in, future experience in order to provide greater comfort that the policy liabilities will be sufficient to pay future benefits. The CIA establishes suggested ranges for the level of margins for adverse deviation based on the risk profile of the business. Our margins are set taking into account the risk profile of our business. The effect of these margins is to increase policy liabilities over the best estimate assumptions. The margins for adverse deviation decrease the income that is recognized at the time a new policy is sold and increase the income recognized in later periods as the margins release as the remaining policy risks reduce.

Best Estimate Assumptions

We follow established processes to determine the assumptions used in the valuation of our policy liabilities. The nature of each risk factor and the process for setting the assumptions used in the valuation are discussed below.

Mortality

Mortality relates to the occurrence of death. Mortality assumptions are based on our internal as well as industry past and emerging experience and are differentiated by sex, underwriting class, policy type and geographic market. We make assumptions about future mortality improvements using historical experience derived from population data. Reinsurance is used to offset some of our direct mortality exposure on in-force life insurance policies with the impact of the reinsurance directly reflected in our policy valuation for the determination of policy liabilities net of reinsurance. Actual mortality experience is monitored against these assumptions separately for each business. The results are favourable where mortality rates are lower than assumed for life insurance and where mortality rates are higher than assumed for payout annuities. Overall 2022 experience was unfavourable (2021 – unfavourable) when compared with our assumptions.

Morbidity

Morbidity relates to the occurrence of accidents and sickness for the insured risks. Morbidity assumptions are based on our internal as well as industry past and emerging experience and are established for each type of morbidity risk and geographic market. For our JH Long Term Care business we make assumptions about future morbidity changes. Actual morbidity experience is monitored against these

assumptions separately for each business. Our morbidity risk exposure relates to future expected claims costs for long-term care insurance, as well as for group benefits and certain individual health insurance products we offer. Overall 2022 experience was favourable (2021 – favourable) when compared with our assumptions.

Policy Termination and Premium Persistency

Policy termination includes lapses and surrenders, where lapses represent the termination of policies due tonon-payment of premiums and surrenders represent the voluntary termination of policies by policyholders. Premium persistency represents the level of ongoing deposits on contracts where there is policyholder discretion as to the amount and timing of deposits. Policy termination and premium persistency assumptions are primarily based on our recent experience adjusted for expected future conditions. Assumptions reflect differences by type of contract within each geographic market and actual experience is monitored against these assumptions separately for each business. Overall 2022 experience was unfavourable (2021 – unfavourable) when compared with our assumptions.

Expenses and Taxes

Operating expense assumptions reflect the projected costs of maintaining and servicingin-force policies, including associated overhead expenses. The expenses are derived from internal cost studies and are projected into the future with an allowance for inflation. For some developing businesses, there is an expectation that unit costs will decline as these businesses mature. Actual expenses are monitored against assumptions separately for each business. Overall maintenance expenses for 2022 were unfavourable (2021 – unfavourable) when compared with our assumptions. Taxes reflect assumptions for future premium taxes and other non-income related taxes. For income taxes, policy liabilities are adjusted only for temporary tax timing and permanent tax rate differences on the cash flows available to satisfy policy obligations.

Investment Returns

As noted in the “Risk Management and Risk Factors – Market Risk – Asset Liability Management Strategy” section above, our general fund product liabilities are categorized into groups with similar characteristics in order to support them with a specific asset strategy. We seek to align the asset strategy for each group to the premium and benefit pattern, policyholder options and guarantees, and crediting rate strategies of the products they support. The projected cash flows from the assets are combined with projected cash flows from future asset purchases and sales to determine expected rates of return for future years. The investment strategies for future asset purchases and sales are based on our target investment policies for each segment and the reinvestment returns are derived from current and projected market rates for fixed interest investments and our projected outlook for non-fixed interest assets. Credit losses are projected based on our own and industry experience, as well as specific reviews of the current investment portfolio. Investment return assumptions for each asset class also incorporate expected investment management expenses that are derived from internal cost studies. In 2022, actual investment returns were favourable (2021 – favourable) when compared with our assumptions. Investment-related experience and the direct impact of interest rates and equity markets are discussed in the “Manulife Financial Corporation – Profitability” section above.

Segregated Funds

We offer segregated funds to policyholders that offer certain guarantees, including guaranteed returns of principal on maturity or death, as well as guarantees of minimum withdrawal amounts or income benefits. The on-balance sheet liability for these benefits is the expected cost of these guarantees including appropriate valuation margins for the various contingencies including mortality and lapse. The dominant driver of the cost of guarantees is the return on the underlying funds in which the policyholders invest. See “Risk Management and Risk Factors – Market Risk – Hedging Strategies for Variable Annuity and Other Equity Risks” and the “Manulife Financial Corporation – Profitability” sections above.

Foreign Currency

Foreign currency risk results from a mismatch of the currency of the policy liabilities and the currency of the assets designated to support these obligations. We generally match the currency of our assets with the currency of the liabilities they support, with the objective of mitigating the risk of economic loss arising from movements in currency exchange rates. Where a currency mismatch exists, the assumed rate of return on the assets supporting the liabilities is reduced to reflect the potential for adverse movements in exchange rates.

Experience Adjusted Products

Where policies have features that allow the impact of changes in experience to be passed on to policyholders through policy dividends, experience rating refunds, credited rates or other adjustable features, the projected policyholder benefits are adjusted to reflect the projected experience. Minimum contractual guarantees and other market considerations are taken into account in determining the policy adjustments.

Provision for Adverse Deviation

The total provision for adverse deviation is the sum of the provisions for adverse deviation for each risk factor. Margins for adverse deviation are established by product type and geographic market for each assumption or factor used in the determination of the best estimate actuarial liability. The margins are established based on the risk characteristics of the business being valued.

Margins for interest rate risk are included by testing a number of scenarios of future interest rates. The margin can be established by testing a limited number of scenarios, some of which are prescribed by Canadian Actuarial Standards of Practice, and determining the liability based on the worst outcome. Alternatively, the margin can be set by testing many scenarios which are developed according to actuarial guidance. Under this approach the liability would be the average of the outcomes above a percentile in the range prescribed by the Canadian Actuarial Standards of Practice.

In addition to the explicit margin for adverse deviation, the valuation basis for segregated fund liabilities explicitly limits the future revenue recognition in the valuation basis to the amount necessary to offset acquisition expenses after allowing for the cost of any guarantee features. The fees that are in excess of this limitation are reported as an additional margin and are shown in segregated fund non-capitalized margins.

The provision for adverse deviation and the future revenue deferred in the valuation due to the limitations on recognition of future revenue in the valuation of segregated fund liabilities are shown in the table below.

As at December 31, ($ millions)	**2022**	2021
Best estimate actuarial liability	**$ 255,871**	$ 275,552
Provision for adverse deviation ("PfAD")		
Insurance risks (mortality/morbidity)	**$ 16,068**	$ 18,888
Policyholder behaviour (lapse/surrender/premium persistency)	**5,665**	6,541
Expenses	**1,665**	1,834
Investment risks (non-credit)	**33,865**	34,396
Investment risks (credit)	**937**	1,020
Segregated funds guarantees	**720**	1,679
Total PfAD[1]	**58,920**	64,358
Segregated funds—additional margins	**11,656**	17,099
Total of PfAD and additional segregated fund margins	**$ 70,576**	$ 81,457

[1] Reported net actuarial liabilities (excluding the $4,527 million (2021 – $4,474 million) reinsurance asset related to the Company's in-force participating life insurance closed block that is retained on a funds withheld basis as part of the New York Life transaction) as at December 31, 2022 of $314,791 million (2021 – $339,910 million) are comprised of $255,871 million (2021 – $275,552 million) of best estimate actuarial liabilities and $58,920 million (2021 – $64,358 million) of PfAD.

The change in the PfAD from period to period is impacted by changes in liability and asset composition, by currency and interest rate movements and by material changes in valuation assumptions. The overall decrease in PfADs for insurance risks was primarily due to the impact of higher interest rates in the U.S., Canada and Asia, the annual review of actuarial methods and assumptions, partially offset by the depreciation of the Canadian dollar relative to the U.S. dollar and other major currencies, as well as the expected PfAD growth from in-force and new business. The overall decrease in PfADs for policyholder behaviour and expenses was driven by the impact of higher interest rates in the U.S., Canada and Asia, partially offset by the depreciation of the Canadian dollar and the expected PfAD growth from in-force and new business. The overall decrease in PfADs fornon-credit investment risks was driven by the impact of higher interest rates in the U.S., Canada and Asia, as well as the annual review of actuarial methods and assumptions, partially offset by the expected PfAD growth from in-force and new business and the depreciation of the Canadian dollar. The decrease in the additional segregated fund margins was primarily due to the reduced exposure driven by the Venerable reinsurance transaction, as well as the increase in interest rates in the U.S. and Canada.

Sensitivity of Earnings to Changes in 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 income attributed to shareholders. The sensitivity of net income attributed to shareholders to changes in non-economic and 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. The sensitivity of net income attributed to shareholders to a deterioration or improvement in non-economic assumptions underlying long-term care policy liabilities as at December 31, 2022 is also shown below.

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 tonon-economic assumptions[1]

As at December 31, ($ millions)	Decrease in after-tax net income attributed to shareholders 2022	2021
Policy related assumptions		
2% adverse change in future mortality rates[2],[4]		
Products where an increase in rates increases insurance contract liabilities	**$ (500)**	$ (500)
Products where a decrease in rates increases insurance contract liabilities	**(500)**	(500)
5% adverse change in future morbidity rates (incidence and termination)[3],[4],[5]	**(4,500)**	(5,500)
10% adverse change in future policy termination rates[4]	**(2,200)**	(2,400)
5% increase in future expense levels	**(600)**	(600)

(1) 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 non-economic assumptions. Experience gains or losses would generally result in changes to future dividends, with no direct impact to shareholders.
(2) An increase in mortality rates will generally increase policy liabilities for life insurance contracts whereas a decrease in mortality rates will generally increase policy liabilities for policies with longevity risk such as payout annuities.
(3) No amounts related to morbidity risk are included for policies where the policy liability provides only for claims costs expected over a short period, generally less than one year, such as Group Life and Health.
(4) The impacts of the sensitivities on LTC for morbidity, mortality and lapse do not assume any offsets from the Company's ability to contractually raise premium rates in such events, subject to state regulatory approval. In practice, we would plan to file for rate increases equal to the amount of deterioration resulting from the sensitivity.
(5) This includes a 5% deterioration in incidence rates and 5% deterioration in claim termination rates.

Potential impact on net income attributed to shareholders arising from changes tonon-economic assumptions for Long Term Care[1]

As at December 31, ($ millions)	Decrease in after-tax net income attributed to shareholders 2022	2021
Policy related assumptions		
2% adverse change in future mortality rates[2],[3]	**$ (300)**	$ (300)
5% adverse change in future morbidity incidence rates[2],[3]	**(1,700)**	(2,000)
5% adverse change in future morbidity claims termination rates[2],[3]	**(2,400)**	(3,100)
10% adverse change in future policy termination rates[2],[3]	**(300)**	(400)
5% increase in future expense levels[3]	**(100)**	(100)

(1) Translated from US$ at 1.3549 for 2022.
(2) The impacts of the sensitivities on LTC for morbidity, mortality and lapse do not assume any offsets from the Company's ability to contractually raise premium rates in such events, subject to state regulatory approval. In practice, we would plan to file for rate increases equal to the amount of deterioration resulting from the sensitivities. The decrease in sensitivity to both future incidence and claims terminations rates is due to the impact of higher interest rates and updated assumptions as part of the 2022 Review of Actuarial Methods and Assumptions.
(3) The impact of favourable changes to all the sensitivities is relatively symmetrical.

Potential impact on net income attributed to shareholders arising from changes to asset related assumptions supporting actuarial liabilities[1]

As at December 31, ($ millions)	Increase (decrease) in after-tax net income attributed to shareholders 2022 Increase	2022 Decrease	2021 Increase	2021 Decrease
Asset related assumptions updated periodically in valuation basis changes				
100 basis point change in future annual returns for public equities[1]	**$ 400**	**$ (400)**	$ 500	$ (500)
100 basis point change in future annual returns for ALDA[2]	**3,300**	**(3,600)**	3,900	(4,700)
100 basis point change in equity volatility assumption for stochastic segregated fund modelling[3]	**(100)**	**100**	(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 December 31, 2022, the growth rates inclusive of dividends in the major markets used in the stochastic valuation models for valuing segregated fund guarantees are 9.0% (9.0% as at December 31, 2021) per annum in Canada, 9.6% (9.6% as at December 31, 2021) per annum in the U.S. and 6.2% (6.2% as at December 31, 2021) 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 11.5% (5.25% and 11.5% as at December 31, 2021), with an average of 9.2% (9.2% as at December 31, 2021) based on the current asset mix backing our guaranteed insurance and annuity business as of December 31, 2022. 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 6.0% (6.0% as at December 31, 2021) based on the asset mix backing our guaranteed insurance and annuity business as of December 31, 2022.
(3) Volatility assumptions for public equities are based on long-term historical observed experience and compliance with actuarial standards. As of December 31, 2022 and December 31, 2021, unless otherwise stated, the resulting volatility assumptions are 16.5% per annum in Canada, 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%.

Review of Actuarial Methods and Assumptions

A comprehensive review of actuarial methods and assumptions is 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. This is accomplished by monitoring experience and selecting assumptions which represent a current best estimate view of expected future experience, and margins for adverse deviations that are appropriate for the risks assumed. While the assumptions selected represent the Company's current best estimates and assessment of risk, the ongoing monitoring of experience and changes in the economic environment are likely to result in future changes to the actuarial assumptions, which could materially impact the measurement of insurance contract liabilities.

2022 Review of Actuarial Methods and Assumptions

The completion of the 2022 annual review of actuarial methods and assumptions resulted in a decrease in insurance contract liabilities, net of reinsurance, of $80 million, and a net gain to net income attributed to shareholders of $36 million post-tax.

For the year ended December 31, 2022 ($ millions)	Change in insurance contract liabilities, net of reinsurance			Change in net income attributed to shareholders (post-tax)
	Total	Attributed to participating policyholders' account[(1)]	Attributed to shareholders' account	
Long-term care triennial review	$ 19	$ –	$ 19	$ (15)
Mortality and morbidity updates	157	(5)	162	(126)
Lapses and policyholder behaviour updates	317	74	243	(192)
Investment-related updates	(210)	(1)	(209)	157
Other updates	(363)	(145)	(218)	212
Net impact	$ (80)	$ (77)	$ (3)	$ 36

(1) The change in insurance contract liabilities, net of reinsurance, attributable to the participating policyholders' account was primarily driven by an increase in expected long-term interest rates within the valuation models to reflect the higher interest rate environment, partially offset by the lapse assumption update in Canada.

Long-term care triennial review

U.S. Insurance completed a comprehensive long-term care ("LTC") experience study. The review included all aspects of claim assumptions, as well as the progress on future premium rate increases. The impact of the LTC review resulted in a net $15 million post-tax charge to net income attributed to shareholders.

The experience study showed that claim costs established in our last triennial review remain appropriate in aggregate for our older blocks of business[1] supported by robust claims data on this mature block. Insurance contract liabilities were strengthened for claim costs on our newer block of business[2]. This was driven by lower active life mortality[3] supported by Company experience and a recent industry study, as well as higher utilization of benefits, which included the impact of reflecting higher inflation in the cost-of-care up to the current year. We also reviewed and updated incidence and claim termination assumptions which, on a net basis, provided a partial offset to the increase in insurance contract liabilities on active life mortality and utilization. In addition, some policyholders are electing to reduce their benefits in lieu of paying increased premiums which resulted in a reduction in insurance contract liabilities. The overall claims experience review led to a post-tax charge to net income attributed to shareholders of approximately $2.3 billion (US$1.7 billion).

Experience continues to support the assumptions of both future morbidity and mortality improvement, resulting in no changes to these assumptions.

As of September 30, 2022, we have received actual premium increase approvals of $2.5 billion pre-tax (US$1.9 billion pre-tax) on a present value basis since the last triennial review in 2019. This aligns with the full amount assumed in our insurance contract liabilities at that time and demonstrates our continued strong track record of progress in securing premium rate increases.[4] In 2022, the review of future premium increases assumed in insurance contract liabilities resulted in a post-tax gain to net income attributed to shareholders of approximately $2.1 billion (US$1.6 billion), in comparison to a total estimated ask of $6.7 billion (US$5.1 billion). This reflects expected future premium increases that are due to our 2022 review of morbidity, mortality, and lapse assumptions, as well as outstanding amounts from prior state filings. Premium increases averaging approximately 30% will be sought on about one-half of the business, excluding the carryover of 2019 amounts requested. Our assumptions reflect the estimated timing and amount of state approved premium increases.

Other refinements to LTC valuation resulted in a post-tax gain of approximately $0.2 billion (US$0.2 billion) to net income attributed to shareholders.

1 First generation policies issued prior to 2002.
2 Second generation policies with an average issue date of 2007 and Group policies with an average issue date of 2003.
3 The mortality rate of LTC policyholders who are currently not on claim.
4 Our actual experience obtaining premium increases could be materially different than what we have assumed, resulting in further increases or decreases in insurance contract liabilities, which could be material. See "Caution regarding forward-looking statements" above.

Mortality and morbidity updates
Mortality and morbidity updates resulted in a $126 million post-tax charge to net income attributed to shareholders, driven by a detailed review of the mortality and morbidity assumptions for our Canada insurance business, and by updates to morbidity assumptions in Vietnam to align with experience.

Lapses and policyholder behaviour updates
Updates to lapses and policyholder behaviour assumptions resulted in a $192 million post-tax charge to net income attributed to shareholders.

We completed a detailed review of lapse assumptions for Singapore, and increased lapse rates to align with experience on our index-linked products, which reduced projected future fee income to be received on these products.

We also increased lapse rates on Canada's term insurance products for policies approaching their renewal date, reflecting emerging experience in our study.

Investment-related updates
Updates to investment return assumptions resulted in a $157 million post-tax gain to net income attributed to shareholders, primarily driven by annual updates to our valuation models to reflect market movements during the year. No changes were made to our long-term assumed returns.

Other updates
Other updates resulted in a $212 million post-tax gain to net income attributed to shareholders, which included refinements to the projection of our tax and liability cash flows, as well as various other modelling updates.

Impact of changes in actuarial methods and assumptions by segment
The impact of changes in actuarial methods and assumptions in Canada resulted in a $35 million post-tax gain to net income attributed to shareholders. The gain was primarily driven by refinements to our valuation models, due to annual updates to reflect market movements during the year, partially offset by updates of mortality and morbidity assumptions for our insurance business and lapse assumptions for certain term insurance products.

The impact of changes in actuarial methods and assumptions in the U.S. resulted in a $36 million post-tax gain, driven by refinements to our valuation models, due to annual updates to reflect market movements during the year. The triennial review of long-term care was net neutral overall.

The impact of changes in actuarial methods and assumptions in Asia resulted in a $45 million post-tax charge to net income attributed to shareholders. The charge was primarily driven by updates to lapse assumptions in Singapore and morbidity updates in Vietnam, partially offset by refinements to the projection of tax and liability cash flows in Vietnam.

The impact of changes in actuarial methods and assumptions in Corporate and Other (which includes our Reinsurance businesses) resulted in a $10 million post-tax gain to net income attributed to shareholders.

2021 Review of Actuarial Methods and Assumptions

The 2021 full year review of actuarial methods and assumptions did not reflect COVID-19 experience as it is too soon to assess the impact of COVID-19 on long-term assumptions. Experience related to COVID-19 will continue to be closely monitored, as well as emerging research on the long-term implications of COVID-19 on mortality and other assumptions.

The completion of the 2021 annual review of actuarial methods and assumptions resulted in an increase in insurance contract liabilities of $287 million, net of reinsurance, and a decrease in net income attributed to shareholders of $41 million post-tax.

For the year ended December 31, 2021 ($ millions)	Change in insurance contract liabilities, net of reinsurance			Change in net income attributed to shareholders (post-tax)
	Total	Attributed to participating policyholders' account[1]	Attributed to shareholders' account	
U.S. variable annuity product review	$ 51	$ –	$ 51	$ (40)
Mortality and morbidity updates	350	–	350	(257)
Lapses and policyholder behaviour updates	686	18	668	(534)
Expense updates	(653)	(25)	(628)	503
Investment-related updates	(257)	(2)	(255)	168
Other updates	110	231	(121)	119
Net impact	$ 287	$ 222	$ 65	$ (41)

(1) The change in insurance contract liabilities, net of reinsurance, attributable to the participating policyholders' account was primarily driven by a reduction in the expected long-term interest rates within the valuation models to reflect the low interest rate environment.

U.S. variable annuity product review
The review of our variable annuity products in the U.S. resulted in a $40 million post-tax charge to net income attributed to shareholders.

The charge was primarily driven by updates to lapse assumptions to reflect emerging experience, partially offset by refinements to our segregated fund guaranteed minimum withdrawal benefit valuation models.

Updates to mortality and morbidity
Mortality and morbidity updates resulted in a $257 million post-tax charge to net income attributed to shareholders.

The charge was driven by updates to older age mortality on certain products in our U.S. life insurance business, mortality assumption updates in Indonesia to reflect recent experience, as well as from refining assumptions on several reinsurance arrangements in Canada.

Updates to lapses and policyholder behaviour
Updates to lapses and policyholder behaviour assumptions resulted in a $534 million post-tax charge to net income attributed to shareholders.

We completed a detailed review of lapse assumptions for non-participating policies within our U.S. life insurance business including those for universal life, variable universal life, and term products. We observed a trend of low lapse rates on our protection-focused universal life insurance products as consumers continue to value the product guarantees in the prolonged low interest rate environment. We lowered the overall lapse assumptions for these products to reflect actual experience, which resulted in a post-tax charge to net income attributed to shareholders.

Other updates to lapse and policyholder behaviour assumptions were made across several products in Canada and Japan to reflect recent experience, resulting in a modest post-tax charge to net income attributed to shareholders.

Expense updates
Updates to expense assumptions resulted in a $503 million post-tax gain to net income attributed to shareholders.

We completed a detailed review of our investment expense assumptions across the Company. This resulted in a $263 million post-tax gain to net income attributed to shareholders, primarily driven by scale benefits.

We also completed a global expense study, which resulted in a $256 million post-tax gain to net income attributed to shareholders. The favourable result primarily reflects a reallocation of expenses across certain business lines to align with actual experience, as well as from expense savings related to various expense efficiency initiatives.

Investment-related updates
Updates to investment return assumptions resulted in a $168 million post-tax gain to net income attributed to shareholders.

The primary driver of the gain was an update to our corporate bond default rates to reflect recent experience; we reduced default assumptions for certain credit ratings in Canada, the U.S., and Japan. This was partially offset by a reduction to our Canadian real estate investment return assumptions.

Other updates
Other updates resulted in a $119 million post-tax gain to net income attributed to shareholders.

This was primarily driven by Japan, whereby investment fees for certain mandates in the general fund provided by affiliate investment managers were reviewed and updated to align with broader market levels.

Impact of changes in actuarial methods and assumptions by segment
The impact of changes in actuarial methods and assumptions in Canada resulted in a $65 million post-tax charge to net income attributed to shareholders. The charge was primarily driven by a reduction to our real estate investment return assumptions, as well as from refining assumptions on several reinsurance arrangements in individual insurance, largely offset by positive updates related to our company-wide expense review and corporate bond default study.

The impact of changes in actuarial methods and assumptions in the U.S. resulted in a $314 million post-tax charge to net income attributed to shareholders. The charge was primarily driven by updates to lapse and mortality assumptions in our U.S. life insurance business to reflect emerging experience, partially offset by positive updates related to our company-wide expense review and corporate bond default study.

The impact of changes in actuarial methods and assumptions in Asia resulted in a $343 million post-tax gain to net income attributed to shareholders. The gain was primarily driven by Japan, whereby investment fees for certain mandates in the general fund provided by affiliate investment managers were reviewed and updated to align with broader market levels, as well as from the positive updates related to our corporate bond default study. This was partially offset by updates to the mortality assumptions in Indonesia to reflect recent experience.

The impact of changes in actuarial methods and assumptions in Corporate and Other (which includes our Reinsurance business) resulted in a $5 million post-tax charge to net income attributed to shareholders.

Change in net insurance contract liabilities

The change in net insurance contract liabilities can be attributed to several sources: new business, acquisitions, in-force movement and currency impact. Changes in net insurance contract liabilities are substantially offset in the financial statements by premiums, investment income, policy benefits and other policy related cash flows. The changes in net insurance contract liabilities by business segment are shown below:

2022 Net Insurance Contract Liability Movement Analysis

For the year ended December 31, 2022 ($ millions)	Asia	Canada	U.S.	Corporate and Other	Total
Balance, January 1	**$ 111,432**	**$ 89,373**	**$ 147,230**	**$ (291)**	**$ 347,744**
New business[1],[2]	**5,224**	**(306)**	**447**	**–**	**5,365**
In-force movement[1],[3]	**(8,222)**	**(10,353)**	**(19,667)**	**284**	**(37,958)**
Changes in methods and assumptions[1]	**50**	**(71)**	**(46)**	**(13)**	**(80)**
Reinsurance transactions[1],[4]	**–**	**–**	**(2,419)**	**–**	**(2,419)**
Currency impact[5]	**2,857**	**7**	**8,233**	**(18)**	**11,079**
Balance, December 31	**$ 111,341**	**$ 78,650**	**$ 133,778**	**$ (38)**	**$ 323,731**

(1) The $35,644 million decrease reported as the change in insurance contract liabilities and change in reinsurance assets on the 2022 Consolidated Statements of Income primarily consists of changes due to normal in-force movement, new policies, changes in methods and assumptions, and reinsurance transactions. The net impact of these items results in a decrease of $35,092 million, of which $36,116 million is included in the Consolidated Statements of Income as a decrease in insurance contract liabilities and change in reinsurance assets, with the remaining $1,024 million increase included in net claims and benefits. The change in insurance contract liabilities amount on the Consolidated Statements of Income also includes the change in embedded derivatives associated with insurance contracts, however these embedded derivatives are included in other liabilities on the Consolidated Statements of Financial Position.

(2) New business policy liability impact is positive/(negative) when estimated future premiums, together with future investment income, are expected to be more/(less) than sufficient to pay estimated future benefits, policyholder dividends and refunds, taxes (excluding income taxes) and expenses on new policies issued.

(3) The net in-force movement over the year was a decrease of $37,958 million, primarily reflecting the impact of interest rate increases in the U.S., Canada and Asia and expected growth in insurance contract liabilities in all three geographic segments.

(4) In 2022, we completed two transactions to reinsure blocks of legacy U.S. variable annuity ("VA") policies. Under the terms of the transactions, the Company will retain responsibility for the maintenance of the policies with no intended impact to VA policyholders. The transactions were structured as coinsurance for the general fund liabilities and modified coinsurance for the segregated fund liabilities.

(5) The increase in policy liabilities from currency impact reflects the depreciation of the Canadian dollar relative to the U.S. dollar, Hong Kong dollar and Singapore dollar, slightly offset by the appreciation of the Canadian dollar relative to the Japanese yen. To the extent assets are currency matched to liabilities, the increase in insurance contract liabilities due to currency impact is offset by a corresponding increase from currency impact in the value of assets supporting those liabilities.

2021 Net Insurance Contract Liability Movement Analysis

For the year ended December 31, 2021 ($ millions)	Asia	Canada	U.S.	Corporate and Other	Total
Balance, January 1	$ 102,958	$ 90,346	$ 146,939	$ (458)	$ 339,785
New business[1],[2]	5,748	(211)	410	–	5,947
In-force movement[1],[3]	6,402	(939)	348	161	5,972
Changes in methods and assumptions[1]	(335)	177	439	6	287
Reinsurance transactions[1]	–	–	–	–	–
Currency impact[4]	(3,341)	–	(906)	–	(4,247)
Balance, December 31	$ 111,432	$ 89,373	$ 147,230	$ (291)	$ 347,744

(1) The $11,473 million increase reported as the change in insurance contract liabilities and change in reinsurance assets on the 2021 Consolidated Statements of Income primarily consists of changes due to the changes in methods and assumptions, normal in-force movement, new policies and associated embedded derivatives. The net impact of these items resulted in an increase of $12,206 million, of which $10,923 million is included in the Consolidated Statements of Income as an increase in insurance contract liabilities and change in reinsurance assets, with the remaining $1,283 million increase included in net claims and benefits. The change in insurance contract liabilities amount on the Consolidated Statements of Income also includes the change in embedded derivatives associated with insurance contracts, however these embedded derivatives are included in other liabilities on the Consolidated Statements of Financial Position.

(2) New business policy liability impact is positive/(negative) when estimated future premiums, together with future investment income, are expected to be more/(less) than sufficient to pay estimated future benefits, policyholder dividends and refunds, taxes (excluding income taxes) and expenses on new policies issued.

(3) The net in-force movement over the year was an increase of $5,972 million, primarily reflecting the expected growth in insurance contract liabilities in all three geographic segments, partially offset by the impact of interest rate increases.

(4) The decrease in policy liabilities from currency impact reflects the appreciation of the Canadian dollar relative to the Japanese yen and U.S. dollar. To the extent assets are currency matched to liabilities, the decrease in insurance contract liabilities due to currency impact is offset by a corresponding decrease from currency impact in the value of assets supporting those liabilities.

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Critical Accounting Policies

Consolidation

The Company is required to consolidate the financial position and results of entities it controls. Control exists when the Company:

- Has the power to govern the financial and operating policies of the entity;
- Is exposed to a significant portion of the entity's variable returns; and
- Is able to use its power to influence variable returns from the entity.

The Company uses the same principles to assess control over any entity it is involved with. In evaluating control, potential factors assessed include the effects of:

- Substantive potential voting rights that are currently exercisable or convertible;
- Contractual management relationships with the entity;
- Rights and obligations resulting from policyholders to manage investments on their behalf;
- The extent of other parties' involvement in the entity, if any, the possibility for de facto control being present; and
- The effect of any legal or contractual restraints on the Company from using its power to affect its variable returns from the entity.

An assessment of control is based on arrangements in place and the assessed risk exposures at inception. Initial evaluations are reconsidered at a later date if:

- The Company acquires or loses power over the financial and operating policies of the entity;
- The Company acquires additional interests in the entity or its interests in an entity are diluted;
- The contractual arrangements of the entity are amended such that the Company's involvement with the entity changes; or
- The Company's ability to use its power to affect its variable returns from the entity changes.

Subsidiaries are consolidated from the date on which control is obtained by the Company and cease to be consolidated from the date that control ceases. A change in control may lead to gains or losses on derecognition of a subsidiary when losing control, or on derecognition of previous interests in a subsidiary when gaining control.

Fair Value of Invested Assets

A large portion of the Company's invested assets are recorded at fair value. Refer to note 1 of the 2022 Annual Consolidated Financial Statements for a description of the methods used in determining fair values. When quoted prices in active markets are not available for a particular investment, significant judgment is required to determine an estimated fair value based on market standard valuation methodologies including discounted cash flow methodologies, matrix pricing, consensus pricing services, or other similar techniques. The inputs to these standard valuation methodologies include: current interest rates or yields for similar instruments, credit rating of the issuer or counterparty, industry sector of the issuer, coupon rate, call provisions, sinking fund requirements, tenor (or expected tenor) of the instrument, management's assumptions regarding liquidity, volatilities and estimated future cash flows. Accordingly, the estimated fair values are based on available market information and management's judgments about the key market factors impacting these financial instruments. Financial markets are susceptible to severe events evidenced by rapid depreciation in asset values accompanied by a reduction in asset liquidity. The Company's ability to sell assets, or the price ultimately realized for these assets, depends upon the demand and liquidity in the market and increases the use of judgment in determining the estimated fair value of certain assets.

Evaluation of Invested Asset Impairment

AFS debt and equity securities are carried at fair market value, with changes in fair value recorded in other comprehensive income ("OCI") with the exception of unrealized gains and losses on foreign currency translation of AFS fixed income securities which are included in net income attributed to shareholders. Securities are reviewed on a regular basis and any fair value decrement is transferred out of AOCI and recorded in net income attributed to shareholders when it is deemed probable that the Company will not be able to collect all amounts due according to the contractual terms of a debt security or when fair value of an equity security has declined significantly below cost or for a prolonged period of time.

Provisions for impairments of mortgage loans and private placement loans are recorded with losses reported in earnings when there is no longer reasonable assurance as to the timely collection of the full amount of the principal and interest.

Significant judgment is required in assessing whether an impairment has occurred and in assessing fair values and recoverable values. Key matters considered include economic factors, Company and industry specific developments, and specific issues with respect to single issuers and borrowers.

Changes in circumstances may cause future assessments of asset impairment to be materially different from current assessments, which could require additional provisions for impairment. Additional information on the process and methodology for determining the allowance for credit losses is included in the discussion of credit risk in note 9 to the 2022 Consolidated Financial Statements.

Derivative Financial Instruments

The Company uses derivative financial instruments ("derivatives") including swaps, forwards and futures agreements, and options to help manage current and anticipated exposures to changes in interest rates, foreign exchange rates, commodity prices and equity market prices, and to replicate permissible investments. Refer to note 5 to the 2022 Consolidated Financial Statements for a description of the methods used to determine the fair value of derivatives.

The accounting for derivatives is complex and interpretations of the primary accounting guidance continue to evolve in practice. Judgment is applied in determining the availability and application of hedge accounting designations and the appropriate accounting treatment under such accounting guidance. Differences in judgment as to the availability and application of hedge accounting designations and the appropriate accounting treatment may result in a differing impact on the Consolidated Financial Statements of the Company from previous periods. Assessments of hedge effectiveness and measurements of ineffectiveness of hedging relationships are also subject to interpretations and estimations. If it were determined that hedge accounting designations were not appropriately applied, reported net income attributed to shareholders could be materially affected.

Employee Future Benefits

The Company maintains defined contribution and defined benefit pension plans and other post-employment plans for employees and agents, including registered (tax qualified) pension plans that are typically funded, as well as supplemental non-registered (non-qualified) pension plans for executives, retiree welfare plans and disability welfare plans that are typically not funded. The largest defined benefit pension and retiree welfare plans in the U.S. and Canada are the material plans that are discussed herein and in note 16 to the 2022 Annual Consolidated Financial Statements.

Due to the long-term nature of defined benefit pension and retiree welfare plans, the calculation of the defined benefit obligation and net benefit cost depends on various assumptions such as discount rates, salary increase rates, cash balance interest crediting rates, health care cost trend rates and rates of mortality. These assumptions are determined by management and are reviewed annually. The key assumptions, as well as the sensitivity of the defined benefit obligation to changes in these assumptions, are presented in note 16 to the 2022 Annual Consolidated Financial Statements.

Changes in assumptions and differences between actual and expected experience give rise to actuarial gains and losses that affect the amount of the defined benefit obligation and OCI. For 2022, the amount recorded in OCI was a loss of $49 million (2021 – gain of $217 million) for the defined benefit pension plans and a gain of $34 million (2021 – gain of $27 million) for the retiree welfare plans.

Contributions to the registered (tax qualified) defined benefit pension plans are made in accordance with the applicable U.S. and Canadian regulations. During 2022, the Company contributed $3 million (2021 – $2 million) to these plans. As at December 31, 2022, the difference between the fair value of assets and the defined benefit obligation for these plans was a surplus of $441 million (2021 – surplus of $600 million). For 2023, the contributions to the plans are expected to be approximately $3 million.[1]

The Company's supplemental pension plans for executives are not funded; benefits under these plans are paid as they become due. During 2022, the Company paid benefits of $56 million (2021 – $59 million) under these plans. As at December 31, 2022, the defined benefit obligation for these plans, which is reflected as a liability in the balance sheet, amounted to $561 million (2021 – $687 million).

The Company's retiree welfare plans are partially funded, although there are no regulations or laws governing or requiring the funding of these plans. As at December 31, 2022, the difference between the fair value of plan assets and the defined benefit obligation for these plans was a surplus of $57 million (2021 – surplus of $3 million).

Income Taxes

The Company is subject to income tax laws in various jurisdictions. Tax laws are complex and potentially subject to different interpretations by the taxpayer and the relevant tax authority. The provision for income taxes represents management's interpretation of the relevant tax laws and its estimate of current and future income tax implications of the transactions and events during the period. A deferred tax asset or liability results from temporary differences between carrying values of assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are recorded based on expected future tax rates and management's assumptions regarding the expected timing of the reversal of such temporary differences. The realization of deferred tax assets depends upon the existence of sufficient taxable income within the carryback or carryforward periods under the tax law in the applicable tax jurisdiction. A deferred tax asset is recognized to the extent that future realization of the tax benefit is probable. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the tax benefit will be realized. At December 31, 2022, we had $5,423 million of deferred tax assets (December 31, 2021 – $5,254 million). Factors in management's determination include, among others, the following:

- Future taxable income exclusive of reversing temporary differences and carryforwards;
- Future reversals of existing taxable temporary differences;
- Taxable income in prior carryback years; and
- Tax planning strategies.

[1] See "Caution regarding forward-looking statements" above.

The Company may be required to change its provision for income taxes if the ultimate deductibility of certain items is successfully challenged by taxing authorities or if estimates used in determining the amount of deferred tax assets to recognize change significantly, or when receipt of new information indicates the need for adjustment in the recognition of deferred tax assets. Additionally, future events, such as changes in tax laws, tax regulations, or interpretations of such laws or regulations, could have an impact on the provision for income tax, deferred tax balances, actuarial liabilities (see Critical Actuarial and Accounting Policies – Expenses and Taxes above) and the effective tax rate. Any such changes could significantly affect the amounts reported in the Consolidated Financial Statements in the year these changes occur.

Goodwill and Intangible Assets

At December 31, 2022, under IFRS we had $6,014 million of goodwill and $4,505 million of intangible assets ($1,861 million of which are intangible assets with indefinite lives). Goodwill and intangible assets with indefinite lives are tested for impairment at the cash generating unit level ("CGU") or group of CGUs level. A CGU comprises the smallest group of assets that are capable of generating largely independent cash flows and is either a business segment or a level below. The tests performed in 2022 demonstrated that there was no impairment of goodwill or intangible assets with indefinite lives. Changes in discount rates and cash flow projections used in the determination of recoverable values or reductions in market-based earnings multiples may result in impairment charges in the future, which could be material.

Impairment charges could occur in the future as a result of changes in economic conditions. The goodwill testing for 2023 will be updated based on the conditions that exist in 2023 and may result in impairment charges, which could be material.

Future Accounting and Reporting Changes

There are several new accounting and reporting changes issued under IFRS including those still under development by the IASB. We have summarized below key recently issued accounting standards that are anticipated to have a significant impact on the Company. Accounting and reporting changes are discussed in note 2 of the 2022 Consolidated Financial Statements.

IFRS 9 "Financial Instruments"

IFRS 9 "Financial Instruments" was issued in November 2009 and amended in October 2010, November 2013 and July 2014, and is effective for years beginning on or after January 1, 2018, to be applied retrospectively, or on a modified retrospective basis. Additionally, the IASB issued amendments in October 2017 that are effective for annual periods beginning on or after January 1, 2019. In conjunction with the amendments to IFRS 17 "Insurance Contracts" issued in June 2020, the IASB amended IFRS 4 "Insurance Contracts" to permit eligible insurers to apply IFRS 9 effective January 1, 2023, alongside IFRS 17. The standard replaced IAS 39 "Financial Instruments: Recognition and Measurement".

The project has been divided into three phases: classification and measurement, impairment of financial assets, and hedge accounting. IFRS 9's current classification and measurement methodology provides that financial assets are measured at either amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement for financial liabilities remains generally unchanged; however, for a financial liability designated as at fair value through profit or loss, revisions have been made in the accounting for changes in fair value attributable to changes in the credit risk of that liability. Gains or losses caused by changes in an entity's own credit risk on such liabilities are no longer recognized in profit or loss but instead are reflected in OCI.

Revisions to hedge accounting were issued in November 2013 as part of the overall IFRS 9 project. The amendment introduces a new hedge accounting model, together with corresponding disclosures about risk management activity for those applying hedge accounting. The new model represents a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in their financial statements. When IFRS 9 is first adopted, entities have the option to apply the hedge accounting requirements under IFRS 9 or to continue to apply the hedge accounting requirements under IAS 39. Such option will apply to all hedge accounting relationships.

Revisions issued in July 2014 replaced the existing incurred loss model used for measuring the allowance for credit losses with an expected loss model. Changes were also made to the existing classification and measurement model designed primarily to address specific application issues raised by early adopters of the standard. They also addressed the income statement accounting mismatches and short-term volatility issues which have been identified as a result of the insurance contracts project.

The Company has adopted IFRS 9 beginning on January 1, 2023 as permitted under the June 2020 amendments to IFRS 4 "Insurance Contracts". The adoption of IFRS 9 resulted in certain differences in the classification and measurement of financial assets when compared to their classification and measurement under IAS 39.

The Company has elected to apply the hedge accounting requirements under IFRS 9 to all hedge accounting relationships prospectively. As at January 1, 2023, all existing IAS 39 hedge accounting relationships were assessed and qualify for hedge accounting under IFRS 9. These existing relationships are treated as continuing hedge accounting relationships under IFRS 9 beginning on January 1, 2023; and will be disclosed with comparative information for 2022 under IAS 39.

The Company also designated new hedge accounting relationships with the objective to reduce accounting mismatches between hedging derivatives' changes in income and financial risk changes in OCI for IFRS 17 insurance liabilities and IFRS 9 financial assets. New hedge accounting relationships are effective prospectively on January 1, 2023; and will not have comparative disclosure in the financial statements for 2022.

IFRS 17 "Insurance Contracts"

IFRS 17 "Insurance Contracts" was issued in May 2017 to be effective for years beginning on January 1, 2021. Amendments to IFRS 17 "Insurance Contracts" were issued in June 2020 and include a two-year deferral of the effective date. IFRS 17 as amended, is effective for years beginning on January 1, 2023, to be applied retrospectively. If full retrospective application to a group of contracts is impractical, the modified retrospective or fair value methods may be used. The standard replaced IFRS 4 "Insurance Contracts" and materially changed the recognition and measurement of insurance contracts and the corresponding presentation and disclosures in the Company's Financial Statements.

Narrow-scope amendments to IFRS 17 "Insurance Contracts" were issued in December 2021 and were effective on initial application of IFRS 17 and IFRS 9 "Financial Instruments" which the Company has adopted on January 1, 2023. The amendments reduce accounting mismatches between insurance contract liabilities and financial assets in scope of IFRS 9 within comparative prior periods when initially applying IFRS 17 and IFRS 9. The amendments allow insurers to present comparative information on financial assets as if IFRS 9 were fully applicable during the comparative period. The amendments do not permit application of IFRS 9 hedge accounting principles to the comparative period.

The principles underlying IFRS 17 differ from CALM as permitted by IFRS 4. While there are many differences, the following outlines some of the key measurement differences:

- Under IFRS 17 new business gains are recorded on the Consolidated Statements of Financial Position (in the CSM component of the insurance contract liability) and amortized into income as services are provided. New business losses are recorded into income immediately. Under CALM, both new business gains and new business losses were recognized in income immediately.
- Under IFRS 17 the Company aggregates insurance contracts that are subject to similar risks and managed together into portfolios. Since new business gains and losses have different accounting treatments, insurance contracts are further aggregated into groups by profitability and issuance period to limit offsetting of new business gains and losses. Such aggregation of contracts into groups is required on initial recognition and not reassessed subsequently. Under CALM, new business gains and new business losses offset each other in income.
- Under IFRS 17 the discount rate used to estimate the present value of insurance contract liabilities is based on the characteristics of the liabilities. Under CALM, the rates of returns for current and projected assets supporting insurance contract liabilities were used to value the liabilities. The difference in the discount rate approach also impacts the timing of investment results. Under IFRS 17, the impact of investing activities will emerge into earnings over the life of the assets. Under CALM, the impact of investing activities was capitalized into reserves and therefore earnings in the period they occurred.
- Under IFRS 17 the insurance contract liability discount rate is not related to the expected return on our ALDA and public equity assets, and, as a result, the earnings sensitivity of a change in return assumptions for ALDA and public equity assets will be significantly reduced.
- Under IFRS 17 the Company has elected the option to record changes in insurance contract liabilities arising from changes in interest rates through other comprehensive income, for substantially all insurance products, and classify debt instruments supporting these insurance contract liabilities as fair value through other comprehensive income under IFRS 9. Under CALM, changes in insurance contract liabilities were recorded in income and supporting debt instruments were classified as FVTPL.
- Under IFRS 17 the Company separates specific embedded derivatives and distinct investment components from insurance contracts and accounts for them under IFRS 9. Under IFRS 4 the treatment of embedded derivatives is consistent with IFRS 17, however under IFRS 4 the Company did not separate deposit components as this was not required by the standard.
- Under IFRS 17 insurance contracts with different features are measured by one of the three measurement models: General Measurement Model ("GMM"), Premium Allocation Approach ("PAA") and Variable Fee Approach ("VFA"). Under IFRS 4, insurance contracts were generally valued by one measurement model, although an unearned premium reserve method similar to PAA was allowed and used by Manulife for certain short duration / annually renewable business.

In addition, there are significant changes to presentation and disclosure of the financial statements. The following outlines some of the key presentation and disclosure changes:

- Consolidated Statements of Financial Position: Under IFRS 17 the Company presents portfolios of insurance and reinsurance contracts issued separately from portfolios of reinsurance contracts held, and portfolios in asset position are further presented separately from portfolios in liability position. Under CALM, contracts were not split and presented by asset and liability position.
- Consolidated Statements of Comprehensive Income: Under IFRS 17 the Company separately presents insurance revenue, insurance service expense, insurance finance income or expenses, and income or expenses from reinsurance contracts held. Under CALM the Company reported premium income, gross claims and benefits, changes in insurance contract liabilities, benefits and expenses ceded to reinsurers, and changes in reinsurance assets.

A summary of some of the key risks are outlined in the “Risk Factors and Risk Management – Emerging Risks” section above.

The Company is required to prepare an opening balance sheet as at January 1, 2022, the date of transition to IFRS 17, which forms the starting point for its financial reporting in accordance with IFRS 17. Any differences between the carrying value and the presentation of assets, liabilities and equity determined in accordance with CALM and IFRS 17 as at January 1, 2022 will be recorded in opening retained earnings and accumulated other comprehensive income.

12. Controls and Procedures

Disclosure Controls and Procedures

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us is recorded, processed, summarized, and reported accurately and completely and within the time periods specified under Canadian and U.S. securities laws. Our process includes controls and procedures that are designed to ensure that information is accumulated and communicated to management, including the CEO and CFO, to allow timely decisions regarding required disclosure.

As of December 31, 2022, management evaluated the effectiveness of its disclosure controls and procedures as defined under the rules adopted by the U.S. Securities and Exchange Commission and the Canadian securities regulatory authorities. This evaluation was performed under the supervision of the Audit Committee, the CEO and CFO. Based on that evaluation, the CEO and CFO concluded that our disclosure controls and procedures were effective as at December 31, 2022.

MFC's Audit Committee has reviewed this MD&A and the 2022 Consolidated Financial Statements and MFC's Board approved these reports prior to their release.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control system was designed to provide reasonable assurance to management and the Board regarding the preparation and fair presentation of published financial statements in accordance with generally accepted accounting principles. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management maintains a comprehensive system of controls intended to ensure that transactions are executed in accordance with management's authorization, assets are safeguarded, and financial records are reliable. Management also takes steps to ensure that information and communication flows are effective and to monitor performance, including performance of internal control procedures.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2022 based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission 2013 framework in Internal Control – Integrated Framework. Based on this assessment, management believes that, as of December 31, 2022, the Company's internal control over financial reporting is effective.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2022 has been audited by Ernst & Young LLP, the Company's independent registered public accounting firm that also audited the Consolidated Financial Statements of the Company for the year ended December 31, 2022. Their report expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2022.

Changes in Internal Control over Financial Reporting

No changes were made in our internal control over financial reporting during the year ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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13. Non-GAAP and Other Financial Measures

The Company prepares its Consolidated Financial Statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. We use a number of non-GAAP and other financial measures to evaluate overall performance and to assess each of our businesses. This section includes information required by National Instrument 52-112 – *Non-GAAP and Other Financial Measures Disclosure* in respect of "specified financial measures" (as defined therein).

Non-GAAP financial measures include core earnings (loss); pre-tax core earnings; core earnings available to common shareholders; core earnings before income taxes, depreciation and amortization ("core EBITDA"); core general expenses; core revenue, Manulife Bank net lending assets; Manulife Bank average net lending assets; assets under management ("AUM"); assets under management and administration ("AUMA"); Global WAM managed AUMA; core revenue and net annualized fee income. In addition, non-GAAP financial measures include the following stated on a constant exchange rate ("CER") basis: any of the foregoing non-GAAP financial measures; Global WAM revenue; net income attributed to shareholders; and common shareholders' net income.

Non-GAAP ratios include core ROE; diluted core earnings per common share ("core EPS"); common share core dividend payout ratio; expense efficiency ratio; core EBITDA margin; effective tax rate on core earnings and net annualized fee income yield on average AUMA. In addition, non-GAAP ratios include the percentage growth/decline on a CER basis in any of the above non-GAAP financial measures; Global WAM revenue; net income attributed to shareholders; common shareholders' net income; pre-tax net income attributed to shareholders; general expenses; basic earnings per common share; and diluted earnings per common share.

Other specified financial measures include assets under administration ("AUA"); consolidated capital; embedded value; new business value ("NBV"); new business value margin ("NBV margin"); sales; annualized premium equivalent ("APE") sales; gross flows; net flows; market value to book value ratio; average assets under management and administration ("average AUMA"), Global WAM average managed AUMA; average assets under administration; remittances; any of the foregoing specified financial measures stated on a CER basis; and percentage growth/decline in any of the foregoing specified financial measures on a CER basis.

Non-GAAP financial measures and non-GAAP ratios are not standardized financial measures under GAAP and, therefore, might not be comparable to similar financial measures disclosed 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 financial 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. We also base our mid and long-term strategic priorities on core earnings.

While core earnings is relevant to how we manage our business and offers a consistent methodology, it is not insulated from macroeconomic factors which can have a significant impact. See below for reconciliation of core earnings to net income attributed to shareholders and income before income taxes. Net income attributed to shareholders excludes net income attributed to participating policyholders and non-controlling interests.

The items included in core earnings and items excluded from core earnings are determined in accordance with the methodology under OSFI's Source of Earnings Disclosure (Life Insurance Companies) guideline and are listed below.

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, including core investment gains, calculated from the introduction of core earnings in 2012 to the end of 2022 was $607 million (2012 to the end of 2021 was $546 million).
- 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.

Core investment gains are reported in the Corporate and Other segment, with an offsetting adjustment to investment-related experience gains and losses in items excluded from core earnings.

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 above, 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. Net income (loss) attributed to participating policyholders and non-controlling interests.
11. Impact of enacted or substantially enacted income tax rate changes.

Reconciliation of core earnings to net income attributed to shareholders

($ millions, post-tax and based on actual foreign exchange rates in effect in the applicable reporting period, unless otherwise stated)	2022					
	Asia	Canada	U.S.	Global WAM	Corporate and Other	Total
Income (loss) before income taxes	$ 2,063	$ 2,621	$ 4,877	$ 1,546	$ (2,360)	$ 8,747
Income tax (expense) recovery						
Core earnings	(309)	(482)	(332)	(218)	106	(1,235)
Items excluded from core earnings	(1)	(295)	(553)	(5)	524	(330)
Income tax (expense) recovery	(310)	(777)	(885)	(223)	630	(1,565)
Net income (post-tax)	1,753	1,844	3,992	1,323	(1,730)	7,182
Less: Net income (post-tax) attributed to						
Non-controlling interests	(4)	–	–	2	1	(1)
Participating policyholders	(467)	314	42	–	–	(111)
Net income (loss) attributed to shareholders (post-tax)	2,224	1,530	3,950	1,321	(1,731)	7,294
Less: Items excluded from core earnings[1]						
Investment-related experience outside of core earnings	31	70	1,183	–	(467)	817
Direct impact of equity markets and interest rates and variable annuity guarantee liabilities	153	76	197	–	(1,266)	(840)
Change in actuarial methods and assumptions	(45)	35	36	–	10	36
Restructuring charge	–	–	–	–	–	–
Reinsurance transactions, tax related items and other	(47)	(10)	834	80	242	1,099
Core earnings (post-tax)	$ 2,132	$ 1,359	$ 1,700	$ 1,241	$ (250)	$ 6,182
Income tax on core earnings (see above)	309	482	332	218	(106)	1,235
Core earnings (pre-tax)	$ 2,441	$ 1,841	$ 2,032	$ 1,459	$ (356)	$ 7,417

(1) These items are disclosed under OSFI's Source of Earnings Disclosure (Life Insurance Companies) guideline.

Core earnings, CER basis and U.S. dollars

(Canadian $ millions, post-tax and based on actual foreign exchange rates in effect in the applicable reporting period, unless otherwise stated)	2022					
	Asia	Canada	U.S.	Global WAM	Corporate and Other	Total
Core earnings (post-tax)	$ 2,132	$ 1,359	$ 1,700	$ 1,241	$ (250)	$ 6,182
CER adjustment[1]	40	–	79	33	(2)	150
Core earnings, CER basis (post-tax)	$ 2,172	$ 1,359	$ 1,779	$ 1,274	$ (252)	$ 6,332
Income tax on core earnings, CER basis[2]	313	482	349	220	(107)	1,257
Core earnings, CER basis (pre-tax)	$ 2,485	$ 1,841	$ 2,128	$ 1,494	$ (359)	$ 7,589

Core earnings (U.S. dollars) – Asia and U.S. segments		
Core earnings (post-tax)[3], US $	$ 1,637	$ 1,311
CER adjustment US $[1]	(40)	–
Core earnings, CER basis (post-tax), US $	$ 1,597	$ 1,311

(1) The impact of updating foreign exchange rates to that which was used in 4Q22.
(2) Income tax on core earnings adjusted to reflect the foreign exchange rates for the Statement of Income in effect for 4Q22.
(3) Core earnings (post-tax) in Canadian $ is translated to US $ using the US $ Statement of Income exchange rate for the four respective quarters that make up 2022 core earnings.

Reconciliation of core earnings to net income attributed to shareholders

($ millions, post-tax and based on actual foreign exchange rates in effect in the applicable reporting period, unless otherwise stated)	2021						2020
	Asia	Canada	U.S.	Global WAM	Corporate and Other	Total	Total
Income (loss) before income taxes	$ 3,188	$ 1,791	$ 2,484	$ 1,641	$ (979)	$ 8,125	$ 6,771
Income tax (expense) recovery							
Core earnings	(322)	(413)	(418)	(234)	27	(1,360)	(1,168)
Items excluded from core earnings	(122)	77	32	1	159	147	(27)
Income tax (expense) recovery	(444)	(336)	(386)	(233)	186	(1,213)	(1,195)
Net income (post-tax)	2,744	1,455	2,098	1,408	(793)	6,912	5,576
Less: Net income (post-tax) attributed to							
Non-controlling interests	254	–	–	2	(1)	255	250
Participating policyholders	(567)	101	18	–	–	(448)	(545)
Net income (loss) attributed to shareholders (post-tax)	3,057	1,354	2,080	1,406	(792)	7,105	5,871
Less: Items excluded from core earnings[1]							
Investment-related experience outside of core earnings	313	329	1,341	–	(341)	1,642	(792)
Direct impact of equity markets and interest rates and variable annuity guarantee liabilities	169	(89)	(727)	–	(170)	(817)	932
Change in actuarial methods and assumptions	343	(65)	(314)	–	(5)	(41)	(198)
Restructuring charge	–	–	–	–	(115)	(115)	–
Reinsurance transactions, tax related items and other	56	–	(156)	–	–	(100)	413
Core earnings (post-tax)	$ 2,176	$ 1,179	$ 1,936	$ 1,406	$ (161)	$ 6,536	$ 5,516
Income tax on core earnings (see above)	322	413	418	234	(27)	1,360	
Core earnings (pre-tax)	$ 2,498	$ 1,592	$ 2,354	$ 1,640	$ (188)	$ 7,896	

(1) These items are disclosed under OSFI's Source of Earnings Disclosure (Life Insurance Companies) guideline.

Core earnings, CER basis and U.S. dollars

(Canadian $ millions, post-tax and based on actual foreign exchange rates in effect in the applicable reporting period, unless otherwise stated)	2021					
	Asia	Canada	U.S.	Global WAM	Corporate and Other	Total
Core earnings (post-tax)	$ 2,176	$ 1,179	$ 1,936	$ 1,406	$ (161)	$ 6,536
CER adjustment[1]	34	–	160	76	(2)	268
Core earnings, CER basis (post-tax)	$ 2,210	$ 1,179	$ 2,096	$ 1,482	$ (163)	$ 6,804
Income tax on core earnings, CER basis[2]	325	413	453	238	(26)	1,403
Core earnings, CER basis (pre-tax)	$ 2,535	$ 1,592	$ 2,549	$ 1,720	$ (189)	$ 8,207

Core earnings (U.S. dollars) – Asia and U.S. segments		
Core earnings (post-tax)[3], US $	$ 1,736	$ 1,544
CER adjustment US $[1]	(110)	–
Core earnings, CER basis (post-tax), US $	$ 1,626	$ 1,544

(1) The impact of updating foreign exchange rates to that which was used in 4Q22.
(2) Income tax on core earnings adjusted to reflect the foreign exchange rates for the Statement of Income in effect for 4Q22.
(3) Core earnings (post-tax) in Canadian $ is translated to US $ using the US $ Statement of Income exchange rate for the four respective quarters that make up 2021 core earnings.

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Reconciliation of core earnings to net income attributed to shareholders

($ millions, post-tax and based on actual foreign exchange rates in effect in the applicable reporting period, unless otherwise stated)	4Q22					
	Asia	Canada	U.S.	Global WAM	Corporate and Other	Total
Income (loss) before income taxes	$ 690	$ 698	$ 524	$ 403	$ (173)	$ 2,142
Income tax (expense) recovery						
Core earnings	(100)	(137)	(73)	(50)	58	(302)
Items excluded from core earnings	(36)	(169)	(14)	(5)	360	136
Income tax (expense) recovery	(136)	(306)	(87)	(55)	418	(166)
Net income (post-tax)	554	392	437	348	245	1,976
Less: Net income (post-tax) attributed to						
Non-controlling interests	6	–	–	1	–	7
Participating policyholders	(21)	72	27	–	–	78
Net income (loss) attributed to shareholders (post-tax)	569	320	410	347	245	1,891
Less: Items excluded from core earnings[1]						
Investment-related experience outside of core earnings	(110)	(166)	(62)	–	(119)	(457)
Direct impact of equity markets and interest rates and variable annuity guarantee liabilities	110	146	63	–	(135)	184
Change in actuarial methods and assumptions	–	–	–	–	–	–
Restructuring charge	–	–	–	–	–	–
Reinsurance transactions, tax related items and other	–	(10)	35	80	313	418
Core earnings (post-tax)	$ 569	$ 350	$ 374	$ 267	$ 186	$ 1,746
Income tax on core earnings (see above)	100	137	73	50	(58)	302
Core earnings (pre-tax)	$ 669	$ 487	$ 447	$ 317	$ 128	$ 2,048

(1) These items are disclosed under OSFI's Source of Earnings Disclosure (Life Insurance Companies) guideline.

Core earnings, CER basis and U.S. dollars

(Canadian $ millions, post-tax and based on actual foreign exchange rates in effect in the applicable reporting period, unless otherwise stated)	4Q22					
	Asia	Canada	U.S.	Global WAM	Corporate and Other	Total
Core earnings (post-tax)	$ 569	$ 350	$ 374	$ 267	$ 186	$ 1,746
CER adjustment[1]	–	–	–	–	–	–
Core earnings, CER basis (post-tax)	$ 569	$ 350	$ 374	$ 267	$ 186	$ 1,746
Income tax on core earnings, CER basis[2]	100	137	73	50	(58)	302
Core earnings, CER basis (pre-tax)	$ 669	$ 487	$ 447	$ 317	$ 128	$ 2,048

Core earnings (U.S. dollars) – Asia and U.S. segments		
Core earnings (post-tax)[3], US $	$ 418	$ 276
CER adjustment US $[1]	–	–
Core earnings, CER basis (post-tax), US $	$ 418	$ 276

(1) The impact of updating foreign exchange rates to that which was used in 4Q22.
(2) Income tax on core earnings adjusted to reflect the foreign exchange rates for the Statement of Income in effect for 4Q22.
(3) Core earnings (post-tax) in Canadian $ is translated to US $ using the US $ Statement of Income exchange rate for 4Q22.

Reconciliation of core earnings to net income attributed to shareholders

($ millions, post-tax and based on actual foreign exchange rates in effect in the applicable reporting period, unless otherwise stated)	3Q22					
	Asia	Canada	U.S.	Global WAM	Corporate and Other	Total
Income (loss) before income taxes	$ 476	$ 819	$ 766	$ 395	$ (819)	$ 1,637
Income tax (expense) recovery						
Core earnings	(61)	(116)	(62)	(50)	18	(271)
Items excluded from core earnings	2	(75)	(52)	–	64	(61)
Income tax (expense) recovery	(59)	(191)	(114)	(50)	82	(332)
Net income (post-tax)	417	628	652	345	(737)	1,305
Less: Net income (post-tax) attributed to						
Non-controlling interests	(19)	–	–	–	1	(18)
Participating policyholders	(85)	50	11	–	–	(24)
Net income (loss) attributed to shareholders (post-tax)	521	578	641	345	(738)	1,347
Less: Items excluded from core earnings[1]						
Investment-related experience outside of core earnings	(3)	97	127	–	(96)	125
Direct impact of equity markets and interest rates and variable annuity guarantee liabilities	95	96	137	–	(382)	(54)
Change in actuarial methods and assumptions	(45)	35	36	–	10	36
Restructuring charge	–	–	–	–	–	–
Reinsurance transactions, tax related items and other	(39)	–	(43)	–	–	(82)
Core earnings (post-tax)	$ 513	$ 350	$ 384	$ 345	$ (270)	$ 1,322
Income tax on core earnings (see above)	61	116	62	50	(18)	271
Core earnings (pre-tax)	$ 574	$ 466	$ 446	$ 395	$ (288)	$ 1,593

(1) These items are disclosed under OSFI's Source of Earnings Disclosure (Life Insurance Companies) guideline.

Core earnings, CER basis and U.S. dollars

(Canadian $ millions, post-tax and based on actual foreign exchange rates in effect in the applicable reporting period, unless otherwise stated)	3Q22					
	Asia	Canada	U.S.	Global WAM	Corporate and Other	Total
Core earnings (post-tax)	$ 513	$ 350	$ 384	$ 345	$ (270)	$ 1,322
CER adjustment[1]	15	–	15	8	(8)	30
Core earnings, CER basis (post-tax)	$ 528	$ 350	$ 399	$ 353	$ (278)	$ 1,352
Income tax on core earnings, CER basis[2]	62	116	65	50	(18)	275
Core earnings, CER basis (pre-tax)	$ 590	$ 466	$ 464	$ 403	$ (296)	$ 1,627

Core earnings (U.S. dollars) – Asia and U.S. segments		
Core earnings (post-tax)[3], US $	$ 394	$ 294
CER adjustment US $[1]	(6)	–
Core earnings, CER basis (post-tax), US $	$ 388	$ 294

(1) The impact of updating foreign exchange rates to that which was used in 4Q22.
(2) Income tax on core earnings adjusted to reflect the foreign exchange rates for the Statement of Income in effect for 4Q22.
(3) Core earnings (post-tax) in Canadian $ is translated to US $ using the US $ Statement of Income exchange rate for 3Q22.

Reconciliation of core earnings to net income attributed to shareholders

($ millions, post-tax and based on actual foreign exchange rates in effect in the applicable reporting period, unless otherwise stated)	2Q22					
	Asia	Canada	U.S.	Global WAM	Corporate and Other	Total
Income (loss) before income taxes	$ 216	$ 224	$ 1,010	$ 362	$ (555)	$ 1,257
Income tax (expense) recovery						
Core earnings	(74)	(119)	(92)	(57)	4	(338)
Items excluded from core earnings	44	64	(82)	–	54	80
Income tax (expense) recovery	(30)	(55)	(174)	(57)	58	(258)
Net income (post-tax)	186	169	836	305	(497)	999
Less: Net income (post-tax) attributed to						
Non-controlling interests	(11)	–	–	–	–	(11)
Participating policyholders	(164)	84	4	–	–	(76)
Net income (loss) attributed to shareholders (post-tax)	361	85	832	305	(497)	1,086
Less: Items excluded from core earnings[1]						
Investment-related experience outside of core earnings	80	86	591	–	(166)	591
Direct impact of equity markets and interest rates and variable annuity guarantee liabilities	(232)	(346)	(215)	–	(274)	(1,067)
Change in actuarial methods and assumptions	–	–	–	–	–	–
Restructuring charge	–	–	–	–	–	–
Reinsurance transactions, tax related items and other	–	–	–	–	–	–
Core earnings (post-tax)	$ 513	$ 345	$ 456	$ 305	$ (57)	$ 1,562
Income tax on core earnings (see above)	74	119	92	57	(4)	338
Core earnings (pre-tax)	$ 587	$ 464	$ 548	$ 362	$ (61)	$ 1,900

(1) These items are disclosed under OSFI's Source of Earnings Disclosure (Life Insurance Companies) guideline.

Core earnings, CER basis and U.S. dollars

(Canadian $ millions, post-tax and based on actual foreign exchange rates in effect in the applicable reporting period, unless otherwise stated)	2Q22					
	Asia	Canada	U.S.	Global WAM	Corporate and Other	Total
Core earnings (post-tax)	$ 513	$ 345	$ 456	$ 305	$ (57)	$ 1,562
CER adjustment[1]	17	–	29	11	3	60
Core earnings, CER basis (post-tax)	$ 530	$ 345	$ 485	$ 316	$ (54)	$ 1,622
Income tax on core earnings, CER basis[2]	77	119	98	58	(5)	347
Core earnings, CER basis (pre-tax)	$ 607	$ 464	$ 583	$ 374	$ (59)	$ 1,969

Core earnings (U.S. dollars) – Asia and U.S. segments		
Core earnings (post-tax)[3], US $	$ 401	$ 357
CER adjustment US $[1]	(11)	–
Core earnings, CER basis (post-tax), US $	$ 390	$ 357

(1) The impact of updating foreign exchange rates to that which was used in 4Q22.
(2) Income tax on core earnings adjusted to reflect the foreign exchange rates for the Statement of Income in effect for 4Q22.
(3) Core earnings (post-tax) in Canadian $ is translated to US $ using the US $ Statement of Income exchange rate for 2Q22.

Reconciliation of core earnings to net income attributed to shareholders

($ millions, post-tax and based on actual foreign exchange rates in effect in the applicable reporting period, unless otherwise stated)	1Q22					
	Asia	Canada	U.S.	Global WAM	Corporate and Other	Total
Income (loss) before income taxes	$ 681	$ 880	$ 2,577	$ 386	$ (813)	$ 3,711
Income tax (expense) recovery						
Core earnings	(74)	(110)	(105)	(61)	26	(324)
Items excluded from core earnings	(11)	(115)	(405)	–	46	(485)
Income tax (expense) recovery	(85)	(225)	(510)	(61)	72	(809)
Net income (post-tax)	596	655	2,067	325	(741)	2,902
Less: Net income (post-tax) attributed to						
Non-controlling interests	20	–	–	1	–	21
Participating policyholders	(197)	108	–	–	–	(89)
Net income (loss) attributed to shareholders (post-tax)	773	547	2,067	324	(741)	2,970
Less: Items excluded from core earnings[1]						
Investment-related experience outside of core earnings	64	53	527	–	(86)	558
Direct impact of equity markets and interest rates and variable annuity guarantee liabilities	180	180	212	–	(475)	97
Change in actuarial methods and assumptions	–	–	–	–	–	–
Restructuring charge	–	–	–	–	–	–
Reinsurance transactions, tax related items and other	(8)	–	842	–	(71)	763
Core earnings (post-tax)	$ 537	$ 314	$ 486	$ 324	$ (109)	$ 1,552
Income tax on core earnings (see above)	74	110	105	61	(26)	324
Core earnings (pre-tax)	$ 611	$ 424	$ 591	$ 385	$ (135)	$ 1,876

(1) These items are disclosed under OSFI's Source of Earnings Disclosure (Life Insurance Companies) guideline.

Core earnings, CER basis and U.S. dollars

(Canadian $ millions, post-tax and based on actual foreign exchange rates in effect in the applicable reporting period, unless otherwise stated)	1Q22					
	Asia	Canada	U.S.	Global WAM	Corporate and Other	Total
Core earnings (post-tax)	$ 537	$ 314	$ 486	$ 324	$ (109)	$ 1,552
CER adjustment[1]	8	–	35	14	3	60
Core earnings, CER basis (post-tax)	$ 545	$ 314	$ 521	$ 338	$ (106)	$ 1,612
Income tax on core earnings, CER basis[2]	74	110	113	62	(26)	333
Core earnings, CER basis (pre-tax)	$ 619	$ 424	$ 634	$ 400	$ (132)	$ 1,945

Core earnings (U.S. dollars) – Asia and U.S. segments		
Core earnings (post-tax)[3], US $	$ 424	$ 384
CER adjustment US $[1]	(23)	–
Core earnings, CER basis (post-tax), US $	$ 401	$ 384

(1) The impact of updating foreign exchange rates to that which was used in 4Q22.
(2) Income tax on core earnings adjusted to reflect the foreign exchange rates for the Statement of Income in effect for 4Q22.
(3) Core earnings (post-tax) in Canadian $ is translated to US $ using the US $ Statement of Income exchange rate for 1Q22.

Reconciliation of core earnings to net income attributed to shareholders

($ millions, post-tax and based on actual foreign exchange rates in effect in the applicable reporting period, unless otherwise stated)	4Q21					
	Asia	Canada	U.S.	Global WAM	Corporate and Other	Total
Income (loss) before income taxes	$ 684	$ 806	$ 614	$ 438	$ (61)	$ 2,481
Income tax (expense) recovery						
Core earnings	(68)	(101)	(117)	(52)	(8)	(346)
Items excluded from core earnings	(15)	(77)	(4)	2	10	(84)
Income tax (expense) recovery	(83)	(178)	(121)	(50)	2	(430)
Net income (post-tax)	601	628	493	388	(59)	2,051
Less: Net income (post-tax) attributed to						
Non-controlling interests	32	–	–	1	(1)	32
Participating policyholders	(76)	12	(1)	–	–	(65)
Net income (loss) attributed to shareholders (post-tax)	645	616	494	387	(58)	2,084
Less: Items excluded from core earnings[1]						
Investment-related experience outside of core earnings	58	90	58	–	(80)	126
Direct impact of equity markets and interest rates and variable annuity guarantee liabilities	32	240	125	–	1	398
Change in actuarial methods and assumptions	–	–	–	–	–	–
Restructuring charge	–	–	–	–	–	–
Reinsurance transactions, tax related items and other	8	–	(156)	–	–	(148)
Core earnings (post-tax)	$ 547	$ 286	$ 467	$ 387	$ 21	$ 1,708
Income tax on core earnings (see above)	68	101	117	52	8	346
Core earnings (pre-tax)	$ 615	$ 387	$ 584	$ 439	$ 29	$ 2,054

(1) These items are disclosed under OSFI's Source of Earnings Disclosure (Life Insurance Companies) guideline.

Core earnings, CER basis and U.S. dollars

(Canadian $ millions, post-tax and based on actual foreign exchange rates in effect in the applicable reporting period, unless otherwise stated)	4Q21					
	Asia	Canada	U.S.	Global WAM	Corporate and Other	Total
Core earnings (post-tax)	$ 547	$ 286	$ 467	$ 387	$ 21	$ 1,708
CER adjustment[1]	13	–	35	20	3	71
Core earnings, CER basis (post-tax)	$ 560	$ 286	$ 502	$ 407	$ 24	$ 1,779
Income tax on core earnings, CER basis[2]	68	101	127	52	8	356
Core earnings, CER basis (pre-tax)	$ 628	$ 387	$ 629	$ 459	$ 32	$ 2,135

Core earnings (U.S. dollars) – Asia and U.S. segments		
Core earnings (post-tax)[3], US $	$ 435	$ 370
CER adjustment US $[1]	(23)	–
Core earnings, CER basis (post-tax), US $	$ 412	$ 370

(1) The impact of updating foreign exchange rates to that which was used in 4Q22.
(2) Income tax on core earnings adjusted to reflect the foreign exchange rates for the Statement of Income in effect for 4Q22.
(3) Core earnings (post-tax) in Canadian $ is translated to US $ using the US $ Statement of Income exchange rate for 4Q21.

Segment core earnings by business line or geographic source

($ millions, post-tax and based on actual foreign exchange rates in effect in the applicable reporting period, unless otherwise stated)

Asia

	Quarterly Results					Full Year Results	
(US $ millions)	**4Q22**	3Q22	2Q22	1Q22	4Q21	**2022**	2021
Hong Kong	**$ 224**	$ 217	$ 216	$ 219	$ 270	**$ 876**	$ 949
Japan	**84**	89	84	77	77	**334**	323
Asia Other[1]	**145**	115	132	156	132	**548**	619
Mainland China						***16***	*96*
Singapore						***161***	*162*
Vietnam						***309***	*290*
Other Emerging Markets[2]						***62***	*71*
Regional Office	**(35)**	(27)	(31)	(28)	(44)	**(121)**	(155)
Total Asia core earnings	**$ 418**	$ 394	$ 401	$ 424	$ 435	**$ 1,637**	$ 1,736

(1) Core earnings for Asia Other is reported by country annually, on a full year basis.
(2) Other Emerging Markets includes Indonesia, the Philippines, Malaysia, Thailand, Cambodia and Myanmar.

	Quarterly Results					Full Year Results	
(US $ millions), CER basis[1]	**4Q22**	3Q22	2Q22	1Q22	4Q21	**2022**	2021
Hong Kong	**$ 224**	$ 217	$ 216	$ 219	$ 270	**$ 876**	$ 949
Japan	**84**	87	78	63	62	**312**	251
Asia Other[2]	**145**	112	127	147	124	**531**	581
Mainland China						***14***	*87*
Singapore						***160***	*158*
Vietnam						***298***	*274*
Other Emerging Markets[3]						***59***	*62*
Regional Office	**(35)**	(28)	(31)	(28)	(44)	**(122)**	(155)
Total Asia core earnings, CER basis	**$ 418**	$ 388	$ 390	$ 401	$ 412	**$ 1,597**	$ 1,626

(1) Core earnings adjusted to reflect the foreign exchange rates for the Statement of Income in effect for 4Q22.
(2) Core earnings for Asia Other is reported by country annually, on a full year basis.
(3) Other Emerging Markets includes Indonesia, the Philippines, Malaysia, Thailand, Cambodia and Myanmar.

Canada

	Quarterly Results					Full Year Results	
(Canadian $ millions)	**4Q22**	3Q22	2Q22	1Q22	4Q21	**2022**	2021
Insurance	**$ 240**	$ 240	$ 233	$ 206	$ 184	**$ 919**	$ 770
Annuities	**59**	56	68	70	62	**253**	234
Manulife Bank	**51**	54	44	38	40	**187**	175
Total Canada core earnings	**$ 350**	$ 350	$ 345	$ 314	$ 286	**$ 1,359**	$ 1,179

U.S.

	Quarterly Results					Full Year Results	
(US $ millions)	**4Q22**	3Q22	2Q22	1Q22	4Q21	**2022**	2021
U.S. Insurance	**$ 235**	$ 244	$ 316	$ 328	$ 274	**$ 1,123**	$ 1,128
U.S. Annuities	**41**	50	41	56	96	**188**	416
Total U.S. core earnings	**$ 276**	$ 294	$ 357	$ 384	$ 370	**$ 1,311**	$ 1,544

Global WAM by business line

(Canadian $ millions)	Quarterly Results 4Q22	3Q22	2Q22	1Q22	4Q21	Full Year Results 2022	2021
Retirement	**$ 164**	$ 193	$ 165	$ 177	$ 218	**$ 699**	$ 819
Retail	**119**	137	126	141	160	**523**	551
Institutional asset management	**(16)**	15	14	6	9	**19**	36
Total Global WAM core earnings	**$ 267**	$ 345	$ 305	$ 324	$ 387	**$ 1,241**	$ 1,406

(Canadian $ millions), CER basis [1]	Quarterly Results 4Q22	3Q22	2Q22	1Q22	4Q21	Full Year Results 2022	2021
Retirement	**$ 164**	$ 198	$ 173	$ 187	$ 231	**$ 722**	$ 873
Retail	**119**	140	129	145	165	**533**	571
Institutional asset management	**(16)**	15	14	6	11	**19**	38
Total Global WAM core earnings, CER basis	**$ 267**	$ 353	$ 316	$ 338	$ 407	**$ 1,274**	$ 1,482

[1] Core earnings adjusted to reflect the foreign exchange rates for the Statement of Income in effect for 4Q22.

Global WAM by geographic source

(Canadian $ millions)	Quarterly Results 4Q22	3Q22	2Q22	1Q22	4Q21	Full Year Results 2022	2021
Asia	**$ 66**	$ 75	$ 76	$ 86	$ 88	**$ 303**	$ 397
Canada	**87**	116	109	108	119	**420**	429
U.S.	**114**	154	120	130	180	**518**	580
Total Global WAM core earnings	**$ 267**	$ 345	$ 305	$ 324	$ 387	**$ 1,241**	$ 1,406

(Canadian $ millions), CER basis [1]	Quarterly Results 4Q22	3Q22	2Q22	1Q22	4Q21	Full Year Results 2022	2021
Asia	**$ 66**	$ 77	$ 80	$ 90	$ 95	**$ 313**	$ 424
Canada	**87**	116	109	108	119	**420**	429
U.S.	**114**	160	127	140	193	**541**	628
Total Global WAM core earnings, CER basis	**$ 267**	$ 353	$ 316	$ 338	$ 407	**$ 1,274**	$ 1,481

[1] Core earnings adjusted to reflect the foreign exchange rates for the Statement of Income in effect for 4Q22.

Corporate and Other

(Canadian $ millions)	Quarterly Results 4Q22	3Q22	2Q22	1Q22	4Q21	Full Year Results 2022	2021
Corporate and Other excluding core investment gains	**$ 86**	$ (370)	$ (157)	$ (209)	$ (79)	**$ (650)**	$ (561)
Core investment gains	**100**	100	100	100	100	**400**	400
Total Corporate and Other core earnings	**$ 186**	$ (270)	$ (57)	$ (109)	$ 21	**$ (250)**	$ (161)

Core earnings available to common shareholders is a financial measure that is used in the calculation of core ROE and core EPS. It is calculated as core earnings (post-tax) less preferred share dividends.

($ millions, and based on actual foreign exchange rates in effect in the applicable reporting period, unless otherwise stated)	Quarterly Results 4Q22	3Q22	2Q22	1Q22	4Q21	Full Year Results 2022	2021
Core earnings	**$ 1,746**	$ 1,322	$ 1,562	$ 1,552	$ 1,708	**$ 6,182**	$ 6,536
Less: Preferred share dividends	**(97)**	(51)	(60)	(52)	(71)	**(260)**	(215)
Core earnings available to common shareholders	**1,649**	1,271	1,502	1,500	1,637	**5,922**	6,321
CER adjustment[1]	**–**	30	60	60	71	**150**	268
Core earnings available to common shareholders, CER basis	**$ 1,649**	$ 1,301	$ 1,562	$ 1,560	$ 1,708	**$ 6,072**	$ 6,589

[1] The impact of updating foreign exchange rates to that which was used in 4Q22.

Core ROE measures profitability using 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 quarterly, as the average of common shareholders' equity at the start and end of the quarter, and annually, as the average of the quarterly average common shareholders' equity for the year.

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($ millions, unless otherwise stated)	Quarterly Results 4Q22	3Q22	2Q22	1Q22	4Q21	Full Year Results 2022	2021
Core earnings available to common shareholders	**$ 1,649**	$ 1,271	$ 1,502	$ 1,500	$ 1,637	**$ 5,922**	$ 6,321
Annualized core earnings available to common shareholders	**$ 6,538**	$ 5,045	$ 6,022	$ 6,085	$ 6,483	**$ 5,922**	$ 6,321
Average common shareholders' equity (see below)	**$ 49,410**	$ 49,129	$ 49,814	$ 51,407	$ 51,049	**$ 49,940**	$ 48,463
Core ROE (annualized) (%)	**13.2%**	10.3%	12.1%	11.8%	12.7%	**11.9%**	13.0%
Average common shareholders' equity							
Total shareholders' and other equity	**$ 56,061**	$ 56,078	$ 55,500	$ 56,457	$ 58,408	**$ 56,061**	$ 58,408
Less: Preferred shares and other equity	**(6,660)**	(6,660)	(6,660)	(5,670)	(6,381)	**(6,660)**	(6,381)
Common shareholders' equity	**$ 49,401**	$ 49,418	$ 48,840	$ 50,787	$ 52,027	**$ 49,401**	$ 52,027
Average common shareholders' equity	**$ 49,410**	$ 49,129	$ 49,814	$ 51,407	$ 51,049	**$ 49,940**	$ 48,463

Core EPS is equal to core earnings available to common shareholders divided by diluted weighted average common shares outstanding.

($ millions, and based on actual foreign exchange rates in effect in the applicable reporting period, unless otherwise stated)	Quarterly Results 4Q22	3Q22	2Q22	1Q22	4Q21	Full Year Results 2022	2021
Core EPS							
Core earnings available to common shareholders	**$ 1,649**	$ 1,271	$ 1,502	$ 1,500	$ 1,637	**$ 5,922**	$ 6,321
Diluted weighted average common shares outstanding (millions)	**1,881**	1,904	1,924	1,942	1,946	**1,913**	1,946
Core earnings per share	**$ 0.88**	$ 0.67	$ 0.78	$ 0.77	$ 0.84	**$ 3.10**	$ 3.25
Core EPS, CER basis							
Core earnings available to common shareholders, CER basis	**$ 1,649**	$ 1,301	$ 1,562	$ 1,560	$ 1,708	**$ 6,072**	$ 6,589
Diluted weighted average common shares outstanding (millions)	**1,881**	1,904	1,924	1,942	1,946	**1,913**	1,946
Core earnings per share, CER basis	**$ 0.88**	$ 0.68	$ 0.81	$ 0.80	$ 0.88	**$ 3.17**	$ 3.39

Core earnings related to strategic priorities

The Company measures its progress on certain strategic priorities using core earnings. These strategic priorities include core earnings from highest potential businesses, core earnings from Asia region, and core earnings from long-term care insurance ("LTC") and variable annuities ("VA") businesses. The core earnings for these businesses is calculated consistent with our definition of core earnings.

Highest potential businesses

For the years ended December 31,

($ millions, post-tax and based on actual foreign exchange rates in effect in the applicable reporting period)	2022	2021	2017[2]
Core earnings highest potential businesses[1]	**$ 3,875**	$ 4,111	$ 2,475
Core earnings – All other businesses excl. core investment gains	**1,907**	2,025	1,690
Core investment gains	**400**	400	400
Core earnings	**6,182**	6,536	4,565
Items excluded from core earnings	**1,112**	569	(2,461)
Net income (loss) attributed to shareholders	**$ 7,294**	$ 7,105	$ 2,104
Highest potential businesses core earnings contribution	**63%**	63%	54%

(1) Includes core earnings from Asia and Global WAM segments, Canada group benefits, and behavioural insurance products.
(2) The 2017 comparative period is presented due to its inclusion in Section 1 "Strategic priorities progress update" above.

Asia region

For the years ended December 31,

($ millions, post-tax and based on actual foreign exchange rates in effect in the applicable reporting period)	2022	2021
Core earnings of Asia region[1]	**$ 2,435**	$ 2,573
Core earnings – All other businesses excl. core investment gains	**3,347**	3,563
Core investment gains	**400**	400
Core earnings	**6,182**	6,536
Items excluded from core earnings	**1,112**	569
Net income (loss) attributed to shareholders	**$ 7,294**	$ 7,105
Asia region core earnings contribution	**39%**	39%

(1) Includes core earnings from Asia segment and Global WAM's business in Asia.

LTC & VA businesses

For the years ended December 31, ($ millions, post-tax and based on actual foreign exchange rates in effect in the applicable reporting period)	2022 Reported	2022 Adjustments	2022 Normalized	2021 Reported	2021 Adjustments[2]	2021 Normalized
Core earnings of LTC and VA businesses[1]	**$ 1,143**	**$ –**	**$ 1,143**	$ 1,426	$ (152)	$ 1,274
Core earnings – All other businesses excl. core investment gains	**4,639**	**–**	**4,639**	4,710	–	4,710
Core investment gains	**400**	**–**	**400**	400	–	400
Core earnings	**6,182**	**–**	**6,182**	6,536	(152)	6,384
Items excluded from core earnings	**1,112**	**–**	**1,112**	569	–	569
Net income (loss) attributed to shareholders	**$ 7,294**	**$ –**	**$ 7,294**	$ 7,105	$ (152)	$ 6,953
LTC & VA Core Earnings contribution	**18%**		**18%**	22%		20%

(1) Includes core earnings from U.S. long-term care and Asia, Canada and U.S. variable annuities businesses.
(2) 2021 total company and U.S. LTC core earnings were normalized to remove estimated gains on U.S. LTC policyholder experience due to COVID-19.

The **effective tax rate on core earnings** is equal to income tax on core earnings divided bypre-tax core earnings.

The Company also uses financial performance measures that are prepared on a **constant exchange rate basis**, which 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). Such financial measures may be stated on a constant exchange rate basis or the percentage growth/decline in the financial measure on a constant exchange rate basis, using the income statement and balance sheet exchange rates effective for the fourth quarter of 2022.

Information supporting constant exchange rate basis for GAAP andnon-GAAP financial measures is presented below and throughout the rest of this section.

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Net income financial measures on a CER basis

($ Canadian millions, post-tax and based on actual foreign exchange rates in effect in the applicable reporting period, unless otherwise stated)

	Quarterly Results					Full Year Results	
	4Q22	3Q22	2Q22	1Q22	4Q21	**2022**	2021
Net income (loss) attributed to shareholders:							
Asia	**$ 569**	$ 521	$ 361	$ 773	$ 645	**$ 2,224**	$ 3,057
Canada	**320**	578	85	547	616	**1,530**	1,354
U.S.	**410**	641	832	2,067	494	**3,950**	2,080
Global WAM	**347**	345	305	324	387	**1,321**	1,406
Corporate and Other	**245**	(738)	(497)	(741)	(58)	**(1,731)**	(792)
Total net income (loss) attributed to shareholders	**1,891**	1,347	1,086	2,970	2,084	**7,294**	7,105
Preferred share dividends and other equity distributions	**(97)**	(51)	(60)	(52)	(71)	**(260)**	(215)
Common shareholders net income (loss)	**$ 1,794**	$ 1,296	$ 1,026	$ 2,918	$ 2,013	**$ 7,034**	$ 6,890
CER adjustment[1]							
Asia	**$ –**	$ 22	$ 45	$ 80	$ 61	**$ 147**	$ 200
Canada	**–**	–	–	–	–	**–**	–
U.S.	**–**	27	44	145	43	**216**	206
Global WAM	**–**	9	10	11	19	**30**	62
Corporate and Other	**–**	(19)	(17)	(33)	(3)	**(69)**	(8)
Total net income (loss) attributed to shareholders	**–**	39	82	203	120	**324**	460
Preferred share dividends and other equity distributions	**–**	–	–	–	–	**–**	–
Common shareholders net income (loss)	**$ –**	$ 39	$ 82	$ 203	$ 120	**$ 324**	$ 460
Net income (loss) attributed to shareholders, CER basis							
Asia	**$ 569**	$ 543	$ 406	$ 853	$ 706	**$ 2,371**	$ 3,257
Canada	**320**	578	85	547	616	**1,530**	1,354
U.S.	**410**	668	876	2,212	537	**4,166**	2,286
Global WAM	**347**	354	315	335	406	**1,351**	1,468
Corporate and Other	**245**	(757)	(514)	(774)	(61)	**(1,800)**	(800)
Total net income (loss) attributed to shareholders, CER basis	**1,891**	1,386	1,168	3,173	2,204	**7,618**	7,565
Preferred share dividends and other equity distributions, CER basis	**(97)**	(51)	(60)	(52)	(71)	**(260)**	(215)
Common shareholders net income (loss), CER basis	**$ 1,794**	$ 1,335	$ 1,108	$ 3,121	$ 2,133	**$ 7,358**	$ 7,350
Asia net income attributed to shareholders, U.S. dollars							
Asia net income (loss) attributed to shareholders, US$[2]	**$ 419**	$ 399	$ 283	$ 610	$ 513	**$ 1,711**	$ 2,437
CER adjustment, US$[1]	**–**	(1)	15	18	6	**32**	(42)
Asia net income (loss) attributed to shareholders, US$, CER basis[1]	**$ 419**	$ 398	$ 298	$ 628	$ 519	**$ 1,743**	$ 2,395
Net income (loss) attributed to shareholders (pre-tax)							
Net income (loss) attributed to shareholders (post-tax)	**$ 1,891**	$ 1,347	$ 1,086	$ 2,970	$ 2,084	**$ 7,294**	$ 7,105
Tax on net income attributed to shareholders	**91**	310	188	778	440	**1,367**	1,185
Net income (loss) attributed to shareholders (pre-tax)	**1,982**	1,657	1,274	3,748	2,524	**8,661**	8,290
CER adjustment[1]	**–**	47	98	234	80	**379**	273
Net income (loss) attributed to shareholders (pre-tax), CER basis	**$ 1,982**	$ 1,704	$ 1,372	$ 3,982	$ 2,604	**$ 9,040**	$ 8,563

(1) The impact of updating foreign exchange rates to that which was used in 4Q22.
(2) Asia net income attributed to shareholders (post-tax) in Canadian dollars is translated to U.S. dollars using the U.S. dollar Statement of Income rate for the reporting period.

Basic and diluted earnings per share on a CER basis

($ millions, unless otherwise stated)	Quarterly Results 4Q22	3Q22	2Q22	1Q22	4Q21	Full Year Results 2022	2021
Common shareholders net income, CER basis[1]	**$ 1,794**	$ 1,335	$ 1,108	$ 3,121	$ 2,133	**$ 7,358**	$ 7,359
Weighted average common shares outstanding (millions)	**1,878**	1,902	1,921	1,938	1,943	**1,910**	1,942
Basic EPS, CER basis	**$ 0.95**	$ 0.70	$ 0.58	$ 1.61	$ 1.10	**$ 3.85**	$ 3.79
Common shareholders net income, CER basis[1]	**$ 1,794**	$ 1,335	$ 1,108	$ 3,121	$ 2,133	**$ 7,358**	$ 7,359
Diluted weighted average common shares outstanding (millions)	**1,881**	1,904	1,924	1,942	1,946	**1,913**	1,946
Diluted EPS, CER basis	**$ 0.95**	$ 0.70	$ 0.58	$ 1.61	$ 1.10	**$ 3.85**	$ 3.79

(1) Common shareholders net income adjusted to reflect the foreign exchange rates for the Statement of Income in effect for 4Q22.

General expenses, CER basis

($ millions, and based on actual foreign exchange rates in effect in the applicable reporting period, unless otherwise stated)	Quarterly Results 4Q22	3Q22	2Q22	1Q22	4Q21	Full Year Results 2022	2021
General expenses	**$ 2,141**	$ 1,900	$ 1,843	$ 1,898	$ 2,000	**$ 7,782**	$ 7,828
CER adjustment[1]	**–**	40	50	43	51	**133**	200
General expenses, CER basis	**$ 2,141**	$ 1,940	$ 1,893	$ 1,941	$ 2,051	**$ 7,915**	$ 8,028

(1) The impact of updating foreign exchange rates to that which was used in 4Q22.

Global WAM revenue, CER basis

($ millions, and based on actual foreign exchange rates in effect in the applicable reporting period, unless otherwise stated)	Quarterly Results 4Q22	3Q22	2Q22	1Q22	4Q21	Full Year Results 2022	2021
Total revenue	**$ 15,401**	$ 7,777	$ (2,401)	$ (3,630)	$ 21,611	**$ 17,147**	$ 61,821
Less: Revenue for segments other than Global WAM	**13,739**	6,235	(3,922)	(5,216)	19,884	**10,836**	55,280
Global WAM revenue	**1,662**	1,542	1,521	1,586	1,727	**6,311**	6,541
CER adjustment[1]	**–**	39	57	66	79	**162**	312
Global WAM revenue, CER basis	**$ 1,662**	$ 1,581	$ 1,578	$ 1,652	$ 1,806	**$ 6,473**	$ 6,853

(1) The impact of updating foreign exchange rates to that which was used in 4Q22.

Common share core dividend payout ratio is a ratio that measures the percentage of core earnings paid to common shareholders as dividends. It is calculated as dividends per common share divided by core EPS.

	Quarterly Results 4Q22	3Q22	2Q22	1Q22	4Q21	Full Year Results 2022	2021
Per share dividend	**$ 0.33**	$ 0.33	$ 0.33	$ 0.33	$ 0.33	**$ 1.32**	$ 1.17
Core EPS	**$ 0.88**	$ 0.67	$ 0.78	$ 0.77	$ 0.84	**$ 3.10**	$ 3.25
Common share core dividend payout ratio	**38%**	49%	42%	43%	39%	**43%**	36%

AUMA is a financial measure of the size of the Company. It is comprised of AUM and AUA. AUM includes assets of general fund, consisting of total invested assets and segregated funds net assets, and external client assets for which we provide investment management services, consisting of mutual fund, institutional asset management and other fund net assets. AUA are assets for which we provide administrative services only. Assets under management and administration is a common industry metric for wealth and asset management businesses.

Our Global WAM business also manages assets on behalf of other segments of the Company. **Global WAM-managed AUMA** is a financial measure equal to the sum of Global WAM's AUMA and assets managed by Global WAM on behalf of other segments. It is an important measure of the assets managed by Global WAM.

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AUM and AUMA reconciliations

(Canadian $ in millions, and based on actual foreign exchange rates in effect in the applicable reporting period, unless otherwise stated)

	CAD $						US $[4]	
	December 31, 2022						December 31, 2022	
As at	Asia	Canada	U.S.	Global WAM	Corporate and Other	Total	Asia	U.S.
Total Invested Assets								
Manulife Bank net lending assets	$ –	$ 24,779	$ –	$ –	$ –	$ 24,779	$ –	$ –
Derivative reclassification[1]	–	–	–	–	5,701	5,701	–	–
Invested assets excluding above items	126,267	85,654	154,004	3,717	13,879	383,521	93,179	113,660
Total	126,267	110,433	154,004	3,717	19,580	414,001	93,179	113,660
Segregated funds net assets								
Segregated funds net assets – Institutional	–	–	–	3,719	–	3,719	–	–
Segregated funds net assets – Other[2]	23,226	35,695	65,489	220,473	(40)	344,843	17,138	48,333
Total	23,226	35,695	65,489	224,192	(40)	348,562	17,138	48,333
AUM per financial statements	149,493	146,128	219,493	227,909	19,540	762,563	110,317	161,993
Mutual funds	–	–	–	258,183	–	258,183	–	–
Institutional asset management[3]	–	–	–	109,979	–	109,979	–	–
Other funds	–	–	–	13,617	–	13,617	–	–
Total AUM	149,493	146,128	219,493	609,688	19,540	1,144,342	110,317	161,993
Assets under administration	–	–	–	170,224	–	170,224	–	–
Total AUMA	$ 149,493	$ 146,128	$ 219,493	$ 779,912	$ 19,540	$ 1,314,566	$ 110,317	$ 161,993
Total AUMA, US $[4]						$ 970,196		
Total AUMA	$ 149,493	$ 146,128	$ 219,493	$ 779,912	$ 19,540	$ 1,314,566		
CER adjustment[5]	–	–	–	–	–	–		
Total AUMA, CER basis	$ 149,493	$ 146,128	$ 219,493	$ 779,912	$ 19,540	$ 1,314,566		

Global WAM Managed AUMA	
Global WAM AUMA	$ 779,912
AUM managed by Global WAM for Manulife's other segments	229,534
Total	$ 1,009,446

(1) Corporate and Other consolidation adjustment related to net derivative assets reclassified from total invested assets to other lines on the Statement of Financial Position.
(2) Corporate and Other segregated funds net asset represents elimination of amounts held by the Company.
(3) Institutional asset management excludes Institutional segregated funds net assets.
(4) The impact of updating foreign exchange rates to that which was used in 4Q22.
(5) US $ AUMA is calculated as total AUMA in Canadian $ divided by the US $ exchange rate in effect at the end of the quarter.

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As at	CAD $ September 30, 2022 Asia	Canada	U.S.	Global WAM	Corporate and Other	Total	US $[4] September 30, 2022 Asia	U.S.
Total Invested Assets								
Manulife Bank net lending assets	$ –	$ 24,637	$ –	$ –	$ –	$ 24,637	$ –	$ –
Derivative reclassification[1]	–	–	–	–	5,880	5,880	–	–
Invested assets excluding above items	121,285	85,164	154,739	3,741	15,846	380,775	88,263	112,615
Total	121,285	109,801	154,739	3,741	21,726	411,292	88,263	112,615
Segregated funds net assets								
Segregated funds net assets – Institutional	–	–	–	4,118	–	4,118	–	–
Segregated funds net assets – Other[2]	22,032	34,773	63,996	210,352	(26)	331,127	16,042	46,575
Total	22,032	34,773	63,996	214,470	(26)	335,245	16,042	46,575
AUM per financial statements	143,317	144,574	218,735	218,211	21,700	746,537	104,305	159,190
Mutual funds	–	–	–	249,520	–	249,520	–	–
Institutional asset management[3]	–	–	–	100,361	–	100,361	–	–
Other funds	–	–	–	12,910	–	12,910	–	–
Total AUM	143,317	144,574	218,735	581,002	21,700	1,109,328	104,305	159,190
Assets under administration	–	–	–	167,759	–	167,759	–	–
Total AUMA	$ 143,317	$ 144,574	$ 218,735	$ 748,761	$ 21,700	$ 1,277,087	$ 104,305	$ 159,190
Total AUMA, US $[4]						$ 929,433		
Total AUMA	$ 143,317	$ 144,574	$ 218,735	$ 748,761	$ 21,700	$ 1,277,087		
CER adjustment[5]	2,236	–	(2,996)	(5,465)	–	(6,225)		
Total AUMA, CER basis	$ 145,553	$ 144,574	$ 215,739	$ 743,296	$ 21,700	$ 1,270,862		

Global WAM Managed AUMA	
Global WAM AUMA	$ 748,761
AUM managed by Global WAM for Manulife's other segments	220,637
Total	$ 969,398

Note: For footnotes (1) to (5), refer to the "AUM and AUMA reconciliation" table as at December 31, 2022 above.

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As at	CAD $ June 30, 2022 Asia	Canada	U.S.	Global WAM	Corporate and Other	Total	US $[4] June 30, 2022 Asia	U.S.
Total Invested Assets								
Manulife Bank net lending assets	$ –	$ 24,500	$ –	$ –	$ –	$ 24,500	$ –	$ –
Derivative reclassification[1]	–	–	–	–	5,233	5,233	–	–
Invested assets excluding above items	117,128	82,755	149,506	3,967	19,240	372,596	90,822	115,901
Total	117,128	107,255	149,506	3,967	24,473	402,329	90,822	115,901
Segregated funds net assets								
Segregated funds net assets – Institutional	–	–	–	4,098	–	4,098	–	–
Segregated funds net assets – Other[2]	21,874	35,577	64,200	209,181	(27)	330,805	16,953	49,770
Total	21,874	35,577	64,200	213,279	(27)	334,903	16,953	49,770
AUM per financial statements	139,002	142,832	213,706	217,246	24,446	737,232	107,775	165,671
Mutual funds	–	–	–	250,445	–	250,445	–	–
Institutional asset management[3]	–	–	–	100,205	–	100,205	–	–
Other funds	–	–	–	12,110	–	12,110	–	–
Total AUM	139,002	142,832	213,706	580,006	24,446	1,099,992	107,775	165,671
Assets under administration	–	–	–	164,697	–	164,697	–	–
Total AUMA	$ 139,002	$ 142,832	$ 213,706	$ 744,703	$ 24,446	$ 1,264,689	$ 107,775	$ 165,671
Total AUMA, US $[4]						$ 980,379		
Total AUMA	$ 139,002	$ 142,832	$ 213,706	$ 744,703	$ 24,446	$ 1,264,689		
CER adjustment[5]	7,713	–	10,766	27,142	–	45,621		
Total AUMA, CER basis	$ 146,715	$ 142,832	$ 224,472	$ 771,845	$ 24,446	$ 1,310,310		

Global WAM Managed AUMA	
Global WAM AUMA	$ 744,703
AUM managed by Global WAM for Manulife's other segments	220,103
Total	$ 964,806

Note: For footnotes (1) to (5), refer to the "AUM and AUMA reconciliation" table as at December 31, 2022 above.

As at	CAD $ March 31, 2022 Asia	Canada	U.S.	Global WAM	Corporate and Other	Total	US $[4] March 31, 2022 Asia	U.S.
Total Invested Assets								
Manulife Bank net lending assets	$ –	$ 24,004	$ –	$ –	$ –	$ 24,004	$ –	$ –
Derivative reclassification[1]	–	–	–	–	(270)	(270)	–	–
Invested assets excluding above items	120,529	88,736	150,989	3,468	21,945	385,667	96,463	120,830
Total	120,529	112,740	150,989	3,468	21,675	409,401	96,463	120,830
Segregated funds net assets								
Segregated funds net assets – Institutional	–	–	–	4,338	–	4,338	–	–
Segregated funds net assets – Other[2]	23,868	39,649	71,823	232,276	(26)	367,590	19,108	57,476
Total	23,868	39,649	71,823	236,614	(26)	371,928	19,108	57,476
AUM per financial statements	144,397	152,389	222,812	240,082	21,649	781,329	115,571	178,306
Mutual funds	–	–	–	274,665	–	274,665	–	–
Institutional asset management[3]	–	–	–	101,105	–	101,105	–	–
Other funds	–	–	–	13,269	–	13,269	–	–
Total AUM	144,397	152,389	222,812	629,121	21,649	1,170,368	115,571	178,306
Assets under administration	–	–	–	178,843	–	178,843	–	–
Total AUMA	$ 144,397	$ 152,389	$ 222,812	$ 807,964	$ 21,649	$ 1,349,211	$ 115,571	$ 178,306
Total AUMA, US $[4]						$ 1,079,714		
Total AUMA	$ 144,397	$ 152,389	$ 222,812	$ 807,964	$ 21,649	$ 1,349,211		
CER adjustment[5]	7,757	–	18,743	46,021	–	72,521		
Total AUMA, CER basis	$ 152,154	$ 152,389	$ 241,555	$ 853,985	$ 21,649	$ 1,421,732		

Global WAM Managed AUMA	
Global WAM AUMA	$ 807,964
AUM managed by Global WAM for Manulife's other segments	231,373
Total	$ 1,039,337

Note: For footnotes (1) to (5), refer to the "AUM and AUMA reconciliation" table as at December 31, 2022 above.

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As at	CAD $ December 31, 2021 Asia	Canada	U.S.	Global WAM	Corporate and Other	Total	US $[4] December 31, 2021 Asia	U.S.
Total Invested Assets								
Manulife Bank net lending assets	$ –	$ 23,447	$ –	$ –	$ –	$ 23,447	$ –	$ –
Derivative reclassification[1]	–	–	–	–	(7,475)	(7,475)	–	–
Invested assets excluding above items	129,207	96,425	164,830	4,458	16,206	411,126	101,893	130,013
Total	129,207	119,872	164,830	4,458	8,731	427,098	101,893	130,013
Segregated funds net assets								
Segregated funds net assets – Institutional	–	–	–	4,470	–	4,470	–	–
Segregated funds net assets – Other[2]	25,505	42,124	79,620	248,097	(28)	395,318	20,112	62,801
Total	25,505	42,124	79,620	252,567	(28)	399,788	20,112	62,801
AUM per financial statements	154,712	161,996	244,450	257,025	8,703	826,886	122,005	192,814
Mutual funds	–	–	–	290,863	–	290,863	–	–
Institutional asset management[3]	–	–	–	106,407	–	106,407	–	–
Other funds	–	–	–	14,001	–	14,001	–	–
Total AUM	154,712	161,996	244,450	668,296	8,703	1,238,157	122,005	192,814
Assets under administration	–	–	–	187,631	–	187,631	–	–
Total AUMA	$ 154,712	$ 161,996	$ 244,450	$ 855,927	$ 8,703	$ 1,425,788	$ 122,005	$ 192,814
Total AUMA, US $[4]						$ 1,124,616		
Total AUMA	$ 154,712	$ 161,996	$ 244,450	$ 855,927	$ 8,703	$ 1,425,788		
CER adjustment[5]	4,276	–	16,771	38,313	–	59,360		
Total AUMA, CER basis	$ 158,988	$ 161,996	$ 261,221	$ 894,240	$ 8,703	$ 1,485,148		

Global WAM Managed AUMA	
Global WAM AUMA	$ 855,927
AUM managed by Global WAM for Manulife's other segments	246,773
Total	$ 1,102,700

Note: For footnotes (1) to (5), refer to the "AUM and AUMA reconciliation" table as at December 31, 2022 above.

Global WAM AUMA and Managed AUMA by business line and geographic source

As at	Dec 31, 2022	Sept 30, 2022	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021
Global WAM AUMA by business line					
Retirement	**$ 394,388**	$ 379,687	$ 377,674	$ 412,689	$ 440,831
Retail	**270,416**	263,106	261,354	289,008	303,232
Institutional asset management	**115,108**	105,968	105,675	106,267	111,864
Total	**$ 779,912**	$ 748,761	$ 744,703	$ 807,964	$ 855,927
Global WAM AUMA by business line, CER basis[1]					
Retirement	**$ 394,388**	$ 375,529	$ 392,572	$ 439,827	$ 464,527
Retail	**270,416**	261,428	269,750	303,381	314,992
Institutional asset management	**115,108**	106,339	109,523	110,777	114,721
Total	**$ 779,912**	$ 743,296	$ 771,845	$ 853,985	$ 894,240
Global WAM AUMA by geographic source					
Asia	**$ 109,800**	$ 97,083	$ 96,510	$ 98,608	$ 104,584
Canada	**212,553**	203,988	206,073	227,252	238,798
U.S.	**457,559**	447,690	442,120	482,104	512,545
Total	**$ 779,912**	$ 748,761	$ 744,703	$ 807,964	$ 855,927
Global WAM AUMA by geographic source, CER basis[1]					
Asia	**$ 109,800**	$ 97,837	$ 101,373	$ 103,986	$ 107,675
Canada	**212,553**	203,988	206,073	227,252	238,798
U.S.	**457,559**	441,471	464,399	522,747	547,767
Total	**$ 779,912**	$ 743,296	$ 771,845	$ 853,985	$ 894,240
Global WAM Managed AUMA by business line					
Retirement	**$ 394,388**	$ 379,687	$ 377,674	$ 412,689	$ 440,831
Retail	**347,658**	336,459	335,367	370,999	391,911
Institutional asset management	**267,400**	253,252	251,765	255,649	269,958
Total	**$ 1,009,446**	$ 969,398	$ 964,806	$ 1,039,337	$ 1,102,700
Global WAM Managed AUMA by business line, CER basis[1]					
Retirement	**$ 394,388**	$ 375,529	$ 392,572	$ 439,827	$ 464,527
Retail	**347,658**	334,149	346,083	389,656	407,471
Institutional asset management	**267,400**	251,857	261,945	270,967	282,185
Total	**$ 1,009,446**	$ 961,535	$ 1,000,600	$ 1,100,450	$ 1,154,183
Global WAM Managed AUMA by geographic source					
Asia	**$ 209,111**	$ 192,004	$ 190,301	$ 195,346	$ 207,827
Canada	**260,899**	251,603	254,400	279,700	293,902
U.S.	**539,436**	525,791	520,105	564,291	600,971
Total	**$ 1,009,446**	$ 969,398	$ 964,806	$ 1,039,337	$ 1,102,700
Global WAM Managed AUMA by geographic source, CER basis[1]					
Asia	**$ 209,111**	$ 191,445	$ 199,884	$ 208,887	$ 218,010
Canada	**260,899**	251,603	254,400	279,700	293,902
U.S.	**539,436**	518,487	546,316	611,863	642,271
Total	**$ 1,009,446**	$ 961,535	$ 1,000,600	$ 1,100,450	$ 1,154,183

[1] AUMA adjusted to reflect the foreign exchange rates for the Statement of Financial Position in effect for 4Q22.

Average assets under management and administration ("average AUMA") is 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 WAM 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. Similarly, Global WAM **average managed AUMA and average AUA** are the average of Global WAM's managed AUMA and AUA, respectively, and are calculated in a manner consistent with average AUMA.

Manulife Bank net lending assets is a financial measure equal to the sum of Manulife Bank's loans and mortgages, net of allowances. **Manulife Bank average net lending assets** is a financial measure which is calculated as the quarter-end average of the opening and the ending balance of net lending assets. Both of these financial measures are a measure of the size of Manulife Bank's portfolio of loans and mortgages and are used to analyze and explain its earnings.

As at ($ millions)	Dec 31, 2022	Sept 30, 2022	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021
Mortgages	**$ 54,638**	$ 54,685	$ 53,422	$ 52,287	$ 52,014
Less: mortgages not held by Manulife Bank	**32,640**	32,847	31,704	30,950	31,073
Total mortgages held by Manulife Bank	**21,998**	21,838	21,718	21,337	20,941
Loans to bank clients	**2,781**	2,799	2,782	2,667	2,506
Manulife Bank net lending assets	**$ 24,779**	$ 24,637	$ 24,500	$ 24,004	$ 23,447
Manulife Bank average net lending assets					
Beginning of period	**$ 24,637**	$ 24,500	$ 24,004	$ 23,447	$ 23,139
End of period	**24,779**	24,637	24,500	24,004	23,447
Manulife Bank average net lending assets by quarter	**$ 24,708**	$ 24,569	$ 24,252	$ 23,726	$ 23,293
Manulife Bank average net lending assets – full year	**$ 24,113**				$ 23,105

Consolidated capital serves as a foundation of our capital management activities at the MFC level. Consolidated capital is calculated as the sum of: (i) total equity excluding accumulated other comprehensive income ("AOCI") on cash flow hedges; and (ii) certain other capital instruments that qualify as regulatory capital. For regulatory reporting purposes under the LICAT framework, the numbers are further adjusted for various additions or deductions to capital as mandated by the guidelines defined by OSFI.

As at ($ millions)	Dec 31, 2022	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021
Total equity	**$ 56,379**	$ 56,307	$ 55,798	$ 56,849	$ 58,869
Exclude AOCI gain/(loss) on cash flow hedges	**8**	(18)	(48)	(70)	(156)
Total equity excluding AOCI on cash flow hedges	**56,371**	56,325	55,846	56,919	59,025
Qualifying capital instruments	**6,122**	7,118	7,001	6,950	6,980
Consolidated capital	**$ 62,493**	$ 63,443	$ 62,847	$ 63,869	$ 66,005

Core EBITDA is a financial 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.

Reconciliation of Global WAM core earnings to core EBITDA and Global WAM core EBITDA by business line and geographic source

($ millions, pre-tax and based on actual foreign exchange rates in effect in the applicable reporting period, unless otherwise stated)	Quarterly Results					Full Year Results	
	4Q22	3Q22	2Q22	1Q22	4Q21	**2022**	2021
Global WAM core earnings (post-tax)	**$ 267**	$ 345	$ 305	$ 324	$ 387	**$ 1,241**	$ 1,406
Addback taxes, acquisition costs, other expenses and deferred sales commissions							
Core income tax (expense) recovery (see above)	**50**	50	57	61	52	**218**	234
Acquisition costs, other expenses	**89**	86	80	81	79	**336**	323
Deferred sales commissions	**23**	23	25	24	25	**95**	99
Core EBITDA	**$ 429**	$ 504	$ 467	$ 490	$ 543	**$ 1,890**	$ 2,062
CER adjustment[1]	**–**	11	17	21	25	**49**	91
Core EBITDA, CER basis	**$ 429**	$ 515	$ 484	$ 511	$ 568	**$ 1,939**	$ 2,153
Core EBITDA by business line							
Retirement	**$ 268**	$ 287	$ 263	$ 277	$ 306	**$ 1,095**	$ 1,210
Retail	**170**	193	179	201	220	**743**	790
Institutional asset management	**(9)**	24	25	12	17	**52**	62
Total	**$ 429**	$ 504	$ 467	$ 490	$ 543	**$ 1,890**	$ 2,062
Core EBITDA by geographic source							
Asia	**$ 97**	$ 111	$ 106	$ 113	$ 115	**$ 427**	$ 511
Canada	**143**	180	171	171	185	**665**	682
U.S.	**189**	213	190	206	243	**798**	869
Total	**$ 429**	$ 504	$ 467	$ 490	$ 543	**$ 1,890**	$ 2,062
Core EBITDA by business line, CER basis[2]							
Retirement	**$ 268**	$ 296	$ 274	$ 292	$ 324	**$ 1,130**	$ 1,286
Retail	**170**	195	183	208	226	**756**	803
Institutional asset management	**(9)**	24	27	11	18	**53**	64
Total, CER basis	**$ 429**	$ 515	$ 484	$ 511	$ 568	**$ 1,939**	$ 2,153
Core EBITDA by geographic source, CER basis[2]							
Asia	**$ 97**	$ 114	$ 111	$ 119	$ 121	**$ 441**	$ 529
Canada	**143**	180	171	171	185	**665**	682
U.S.	**189**	221	202	221	262	**833**	942
Total, CER basis	**$ 429**	$ 515	$ 484	$ 511	$ 568	**$ 1,939**	$ 2,153

(1) The impact of updating foreign exchange rates to that which was used in 4Q22.
(2) Core EBITDA adjusted to reflect the foreign exchange rates for the Statement of Income in effect for 4Q22.

Core EBITDA margin is a financial 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 core revenue from these businesses. **Core revenue** is used to calculate our core EBITDA margin, and is equal to pre-tax revenue included in core EBITDA, and it excludes such items as revenue related to integration and acquisitions. 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.

($ millions, unless otherwise stated)	Quarterly Results					Full Year Results	
	4Q22	3Q22	2Q22	1Q22	4Q21	**2022**	2021
Core EBITDA margin							
Core EBITDA	**$ 429**	$ 504	$ 467	$ 490	$ 543	**$ 1,890**	$ 2,062
Global WAM core revenue	**$ 1,572**	$ 1,542	$ 1,521	$ 1,586	$ 1,727	**$ 6,221**	$ 6,541
Core EBITDA margin	**27.3%**	32.7%	30.7%	30.9%	31.4%	**30.4%**	31.5%
Global WAM Revenue	**$ 1,662**	$ 1,542	$ 1,521	$ 1,586	$ 1,727	**$ 6,311**	$ 6,541
Less: Revenue reported in items excluded from core earnings							
Revenue related to integration and acquisitions	**90**	–	–	–	–	**90**	–
Global WAM core revenue	**$ 1,572**	$ 1,542	$ 1,521	$ 1,586	$ 1,727	**$ 6,221**	$ 6,541

Expense efficiency ratio is a financial measure which Manulife uses to measure progress towards our target to be more efficient. It is defined as core general expenses divided by the sum of core earnings before income taxes ("pre-tax core earnings") and core general expenses. **Core general expenses** is used to calculate our expense efficiency ratio and is equal to pre-tax general expenses included in

core earnings and excludes such items as material legal provisions for settlements, restructuring charges and expenses related to integration and acquisitions.

($ millions, and based on actual foreign exchange rates in effect in the applicable reporting period, unless otherwise stated)	Quarterly Results					Full Year Results		
	4Q22	3Q22	2Q22	1Q22	4Q21	**2022**	2021	2017[2]
Expense Efficiency Ratio								
Core general expenses	**$ 2,122**	$ 1,859	$ 1,843	$ 1,877	$ 1,973	**$ 7,701**	$ 7,553	$ 7,091
Core earnings (pre-tax)	**2,048**	1,593	1,900	1,876	2,054	**7,417**	7,896	5,702
Total – Core earnings (pre-tax) and Core general expenses	**$ 4,170**	$ 3,452	$ 3,743	$ 3,753	$ 4,027	**$ 15,118**	$ 15,449	$ 12,793
Expense Efficiency Ratio	**50.9%**	53.9%	49.2%	50.0%	49.0%	**50.9%**	48.9%	55.4%
Core general expenses								
General expenses – Financial Statements	**$ 2,141**	$ 1,900	$ 1,843	$ 1,898	$ 2,000	**$ 7,782**	$ 7,828	$ 7,233
Less: General expenses included in items excluded from core earnings								
Restructuring charge	**–**	–	–	–	–	**–**	150	–
Integration and acquisition	**18**	–	–	8	–	**26**	–	81
Legal provisions and Other expenses	**1**	41	–	13	27	**55**	125	61
Total	**$ 19**	$ 41	$ –	$ 21	$ 27	**$ 81**	$ 275	$ 142
Core general expenses	**$ 2,122**	$ 1,859	$ 1,843	$ 1,877	$ 1,973	**$ 7,701**	$ 7,553	$ 7,091
Core general expenses	**$ 2,122**	$ 1,859	$ 1,843	$ 1,877	$ 1,973	**$ 7,701**	$ 7,553	
CER adjustment[1]	**–**	40	49	41	49	**130**	186	
Core general expenses, CER basis	**$ 2,122**	$ 1,899	$ 1,892	$ 1,918	$ 2,022	**$ 7,831**	$ 7,739	

(1) The impact of updating foreign exchange rates to that which was used in 4Q22.
(2) The 2017 comparative period is presented due to its inclusion in Section 1 "Strategic priorities progress update" above.

Embedded value ("EV") is a measure of the present value of shareholders' interests in the expected future distributable earnings onin-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 onin-force business less the present value of the cost of holding capital to support the in-force business under the LICAT framework. The value ofin-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.

Net annualized fee income yield on average AUMA ("Net fee income yield") is a financial measure that represents the net annualized fee income from Global WAM channels over average AUMA. This measure provides information on Global WAM's adjusted return generated from managing AUMA.

Net annualized fee income is a financial measure that represents Global WAM income before income taxes, adjusted to exclude items unrelated to net fee income, including general expenses, investment income, non-AUMA related net benefits and claims, and net premium taxes. It also excludes the components of Global WAM net fee income from managing assets on behalf of other segments. This measure is annualized based on the number of days in the year divided by the number of days in the reporting period.

Reconciliation of income before income taxes to net fee income yield

($ millions, unless otherwise stated)	Quarterly Results					Full Year Results	
	4Q22	3Q22	2Q22	1Q22	4Q21	**2022**	2021
Income before income taxes	**$ 2,142**	$ 1,637	$ 1,257	$ 3,711	$ 2,481	**$ 8,747**	$ 8,125
Less: Income before income taxes for segments other than Global WAM	**1,739**	1,242	895	3,325	2,043	**7,201**	6,484
Global WAM income before income taxes	**403**	395	362	386	438	**1,546**	1,641
Items unrelated to net fee income	**564**	565	580	600	616	**2,309**	2,324
Global WAM net fee income	**967**	960	942	986	1,054	**3,855**	3,965
Less: Net fee income from other segments	**110**	112	112	118	122	**452**	458
Global WAM net fee income excluding net fee income from other segments	**857**	848	830	868	932	**3,403**	3,507
Net annualized fee income	**$ 3,400**	$ 3,362	$ 3,328	$ 3,516	$ 3,698	**$ 3,403**	$ 3,507
Average Assets under Management and Administration	**$ 777,772**	$ 771,812	$ 776,833	$ 820,393	$ 835,494	**$ 787,842**	$ 798,022
Net fee income yield (bps)	**43.7**	43.6	42.8	42.9	44.3	**43.2**	43.9

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 P&C 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 P&C 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.

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 the first quarter of 2013, subsequent deposits into existing U.S. variable annuity contracts are not reported as sales. Asia variable annuity deposits are included in APE sales.

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

Gross flows is a new business measure presented for our Global WAM business and includes all deposits into mutual funds, 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, group pension/retirement savings products, private wealth and institutional asset management products. In addition, net flows include the net flows of exchange traded funds and non-proprietary product sold by Manulife Securities. 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 net flows are positive, they are referred to as net inflows. Conversely, negative net flows are referred to as net outflows.

Market value to book value ratio is calculated as the market value of one common share of the Company divided by the book value of a common share. It is a key valuation measure used by the market for our common shares.

Remittances is defined as the cash remitted or available for distribution to the Manulife Group from operating subsidiaries and excess capital generated by standalone Canadian operations. It is one of the key metrics used by management to evaluate our financial flexibility.

14. Additional Disclosures

Contractual Obligations

In the normal course of business, the Company enters into contracts that give rise to obligations fixed by agreement as to the timing and dollar amount of payment.

As at December 31, 2022, the Company's contractual obligations and commitments were as follows:

Payments due by period ($ millions)	Total	Less than 1 year	1 to 3 years	3 to 5 years	After 5 years
Long-term debt[1]	**$ 8,702**	**$ 195**	**$ 390**	**$ 2,950**	**$ 5,167**
Liabilities for capital instruments[1]	**8,706**	**239**	**1,095**	**566**	**6,806**
Investment commitments	**14,193**	**4,454**	**5,122**	**4,029**	**588**
Lease liabilities	**420**	**112**	**154**	**93**	**61**
Insurance contract liabilities[2]	**1,054,970**	**11,498**	**12,365**	**18,496**	**1,012,611**
Investment contract liabilities[1]	**4,690**	**300**	**511**	**514**	**3,365**
Deposits from Bank clients	**22,507**	**16,884**	**3,000**	**2,623**	**–**
Other	**6,180**	**2,011**	**2,104**	**2,011**	**54**
Total contractual obligations	**$ 60,708**	**$ 23,895**	**$ 11,865**	**$ 12,272**	**$ 12,676**

(1) The contractual payments include principal, interest and distributions; and reflect the amounts payable up to and including the final contractual maturity date. The contractual payments reflect the amounts payable from January 1, 2023 up to and including the final contractual maturity date. In the case of floating rate obligations, the floating rate index is based on the interest rates as at December 31, 2022 and is assumed to remain constant to the final contractual maturity date. The Company may have the contractual right to redeem or repay obligations prior to maturity and if such right is exercised, total contractual obligations paid and the timing of payment could vary significantly from the amounts and timing included in the table.

(2) Insurance contract liabilities cash flows include estimates related to the timing and payment of death and disability claims, policy surrenders, policy maturities, annuity payments, minimum guarantees on segregated fund products, policyholder dividends, commissions and premium taxes offset by contractual future premiums on in-force contracts. These estimated cash flows are based on the best estimate assumptions used in the determination of insurance contract liabilities. These amounts are undiscounted and reflect recoveries from reinsurance agreements. Due to the use of assumptions, actual cash flows may differ from these estimates (see "Policy Liabilities"). Cash flows include embedded derivatives measured separately at fair value.

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 19 of the 2022 Annual Consolidated Financial Statements.

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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)	Dec 31, 2022	Sept 30, 2022	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021	Sept 30, 2021	Jun 30, 2021	Mar 31, 2021
Revenue								
Premium income								
Life and health insurance	**$ 8,469**	$ 8,710	$ 8,783	$ 9,521	$ 9,159	$ 9,269	$ 8,716	$ 8,986
Annuities and pensions[1]	**783**	762	844	(19)	901	714	698	622
Net premium income	**9,252**	9,472	9,627	9,502	10,060	9,983	9,414	9,608
Investment income	**4,232**	3,883	3,675	3,417	4,350	3,964	4,099	3,214
Realized and unrealized gains and losses on assets supporting insurance and investment contract liabilities[2]	**(822)**	(7,955)	(17,760)	(18,540)	4,460	(958)	9,551	(17,056)
Other revenue	**2,739**	2,377	2,057	1,991	2,741	2,994	2,760	2,637
Total revenue	**$ 15,401**	$ 7,777	$ (2,401)	$ (3,630)	$ 21,611	$ 15,983	$ 25,824	$ (1,597)
Income (loss) before income taxes	**$ 2,142**	$ 1,637	$ 1,257	$ 3,711	$ 2,481	$ 1,480	$ 3,292	$ 872
Income tax (expense) recovery	**(166)**	(332)	(258)	(809)	(430)	(166)	(610)	(7)
Net income (loss)	**$ 1,976**	$ 1,305	$ 999	$ 2,902	$ 2,051	$ 1,314	$ 2,682	$ 865
Net income (loss) attributed to shareholders	**$ 1,891**	$ 1,347	$ 1,086	$ 2,970	$ 2,084	$ 1,592	$ 2,646	$ 783
Basic earnings (loss) per common share	**$ 0.95**	$ 0.68	$ 0.53	$ 1.51	$ 1.04	$ 0.80	$ 1.33	$ 0.38
Diluted earnings (loss) per common share	**$ 0.95**	$ 0.68	$ 0.53	$ 1.50	$ 1.03	$ 0.80	$ 1.33	$ 0.38
Segregated funds deposits	**$ 10,165**	$ 9,841	$ 10,094	$ 12,328	$ 10,920	$ 10,929	$ 10,301	$ 12,395
Total assets (in billions)	**$ 849**	$ 835	$ 821	$ 865	$ 918	$ 898	$ 879	$ 859
Weighted average common shares (in millions)	**1,878**	1,902	1,921	1,938	1,943	1,942	1,942	1,941
Diluted weighted average common shares (in millions)	**1,881**	1,904	1,924	1,942	1,946	1,946	1,946	1,945
Dividends per common share	**$ 0.330**	$ 0.330	$ 0.330	$ 0.330	$ 0.330	$ 0.280	$ 0.280	$ 0.280
CDN$ to US$1 – Statement of Financial Position	**1.3549**	1.3740	1.2900	1.2496	1.2678	1.2741	1.2394	1.2575
CDN$ to US$1 – Statement of Income	**1.3575**	1.3057	1.2765	1.2663	1.2601	1.2602	1.2282	1.2660

(1) Includes lower net premium income related to the reinsurance of a block of our legacy U.S. variable annuity business of US$0.9 billion in 1Q22.

(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.

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Selected Annual Financial Information

As at and for the years ended December 31, ($ millions, except per share amounts)	2022	2021	2020
Revenue			
Asia	**$ 14,962**	$ 29,571	$ 28,455
Canada	**3,907**	12,366	18,638
U.S.	**(6,829)**	13,256	23,361
Global Wealth and Asset Management	**6,311**	6,541	5,749
Corporate and Other	**(1,204)**	87	2,705
Total revenue	**$ 17,147**	$ 61,821	$ 78,908
Total assets	**$ 848,941**	$ 917,643	$ 880,349
Long-term financial liabilities			
Long-term debt	**$ 6,234**	$ 4,882	$ 6,164
Capital instruments	**6,122**	6,980	7,829
Total financial liabilities	**$ 12,356**	$ 11,862	$ 13,993
Dividend per common share	**$ 1.32**	$ 1.17	$ 1.12
Cash dividend per Class A Share, Series 2	**1.1625**	1.1625	1.1625
Cash dividend per Class A Share, Series 3	**1.125**	1.125	1.125
Cash dividend per Class 1 Share, Series 3	**0.5870**	0.5658	0.5445
Cash dividend per Class 1 Share, Series 4	**0.6814**	0.3814	0.587
Cash dividend per Class 1 Share, Series 5[1]	**–**	0.9728	0.9728
Cash dividend per Class 1 Share, Series 7[3]	**0.2695**	1.078	1.078
Cash dividend per Class 1 Share, Series 9	**1.1894**	1.0878	1.0878
Cash dividend per Class 1 Share, Series 11	**1.1828**	1.1828	1.1828
Cash dividend per Class 1 Share, Series 13	**1.1035**	1.1035	1.1035
Cash dividend per Class 1 Share, Series 15	**0.9465**	0.9465	0.9465
Cash dividend per Class 1 Share, Series 17	**0.950**	0.950	0.950
Cash dividend per Class 1 Share, Series 19	**0.9188**	0.9188	0.9266
Cash dividend per Class 1 Share, Series 21[2]	**–**	0.70	1.40
Cash dividend per Class 1 Share, Series 23[4]	**0.3031**	1.2125	1.2125
Cash dividend per Class 1 Share, Series 25	**1.175**	1.175	1.175

(1) MFC redeemed in full the Class 1 Series 5 preferred shares at par, on December 19, 2021, the earliest redemption date.
(2) MFC redeemed in full the Class 1 Series 21 preferred shares at par, on June 19, 2021, the earliest redemption date.
(3) MFC redeemed in full the Class 1 Series 7 preferred shares at par, on March 19, 2022, the earliest redemption date.
(4) MFC redeemed in full the Class 1 Series 23 preferred shares at par, on March 19, 2022, the earliest redemption date.

Differences between IFRS and Hong Kong Financial Reporting Standards

Manulife's Consolidated Financial Statements are presented in accordance with IFRS. IFRS differs in certain respects from Hong Kong Financial Reporting Standards ("HKFRS"). Until IFRS 17 "Insurance Contracts" becomes effective, IFRS 4 "Insurance Contracts" permits the use of the insurance standard in effect at the time an issuer adopts IFRS. IFRS insurance contract liabilities are valued in Canada under standards established by the Canadian Actuarial Standards Board. In certain interest rate environments, insurance contract liabilities determined in accordance with HKFRS may be higher than those computed in accordance with current IFRS.

IFRS and Hong Kong Regulatory Requirements

Insurers in Hong Kong are required by the Insurance Authority to meet minimum solvency requirements. As at December 31, 2022, the Company's business that falls within the scope of these requirements has sufficient assets to meet the minimum solvency requirements under both Hong Kong regulatory requirements and IFRS.

Outstanding Common Shares

As at January 31, 2023, MFC had 1,858,186,149 common shares outstanding.

Additional Information Available

Additional information relating to Manulife, including MFC's Annual Information Form, is available on the Company's website at www.manulife.com and on SEDAR at www.sedar.com.

Exhibit 99.3

Manulife

MANULIFE FINANCIAL CORPORATION

Annual Information Form

February 15, 2023

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Presentation of Information

In this annual information form ("AIF"), unless otherwise indicated or unless the context otherwise requires:

- all references to "MFC" and "Manufacturers Life" refer to Manulife Financial Corporation and The Manufacturers Life Insurance Company, respectively, not including their subsidiaries;
- MFC and its subsidiaries, including Manufacturers Life, are collectively referred to as "Manulife";
- references to "Company", "we", "us" and "our" refer to Manulife;
- references to "$" or "C$" are to Canadian dollars; and
- information is as at December 31, 2022.

Documents Incorporated by Reference

The following documents are incorporated by reference in and form part of this AIF:

- MFC's Management's Discussion and Analysis for the year ended December 31, 2022 (our "2022 MD&A"); and
- MFC's audited annual consolidated financial statements and accompanying notes as at and for the year ended December 31, 2022 (our "2022 Consolidated Financial Statements").

These documents have been filed with securities regulators in Canada and may be accessed at the System for Electronic Document Analysis and Retrieval ("SEDAR"), found at www.sedar.com. They have also been filed with the U.S. Securities and Exchange Commission (the "SEC") and may be found at www.sec.gov.

Any website address included in this AIF is an inactive textual reference only and information appearing on such website is not part of, and is not incorporated by reference in, this AIF.

Caution Regarding Forward-Looking Statements

From time to time, the Company makes written and/or oral forward-looking statements, including in this document and the documents incorporated by reference in this document. In addition, the Company's 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 and the documents incorporated by reference in this document include, but are not limited to, statements with respect to the Company's possible or assumed future results set out under "General Development of the Business", "Business Operations" and "Government Regulation", expected expense savings in 2023 related to actions taken in 2021, the Company's strategic priorities and 2025 targets for its highest potential businesses, net promoter score, straight-through processing, ongoing expense efficiency, portfolio optimization, employee engagement, its medium-term financial and operating targets, its ability to achieve our financed emissions and absolute scope 1 and 2 emissions targets, its ability to manage its long-term care and variable annuity blocks of business to maturity and its ability to secure future premium rate increases in respect of its long-term care policies, possible share buybacks under our normal course issuer bid, 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, the factors identified under "Caution regarding

forward-looking statements" in our 2022 MD&A. 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 under "Risk Management and Risk Factors" and "Critical Actuarial and Accounting Policies" in our 2022 MD&A, in the "Risk Management" note to our 2022 Consolidated Financial Statements and elsewhere in MFC's filings with Canadian and U.S. securities regulators. The forward-looking statements in this document or in the documents incorporated by reference in this document are, unless otherwise indicated, stated as of the date hereof or the date of the document incorporated by reference, as the case may be, and are presented for the purpose of assisting investors and others in understanding the Company's financial position and results of operations, our future operations, as well as the Company's objectives and strategic priorities, and may not be appropriate for other purposes. The Company does not undertake to update any forward-looking statements, except as required by law.

CORPORATE STRUCTURE

Name, Address and Incorporation

Manulife Financial Corporation is a life insurance company incorporated under the *Insurance Companies Act* (Canada) (the "ICA") on April 26, 1999 for the purpose of becoming the holding company of Manufacturers Life following its demutualization. Manufacturers Life was incorporated on June 23, 1887, by a Special Act of Parliament of the Dominion of Canada and was converted into a mutual life insurance company in 1968. Pursuant to Letters Patent of Conversion, effective September 23, 1999, Manufacturers Life implemented a plan of demutualization under the ICA and converted to a life insurance company with common shares and became the wholly owned subsidiary of MFC.

MFC's head office and registered office is located at 200 Bloor Street East, Toronto, Canada, M4W 1E5.

Intercorporate Relationships

The major operating subsidiaries of MFC, including direct and indirect subsidiaries, and MFC's direct and indirect voting interest therein, are listed in Note 22 (Subsidiaries) to our 2022 Consolidated Financial Statements. These companies are incorporated in the jurisdiction in which their head office or registered office is located.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

In 2022, we navigated an increasingly complex macroeconomic and geopolitical environment. Our all-weather strategy allowed us to capitalize on opportunities rooted in longer-term trends and deliver against our strategic priorities amidst short-term headwinds. We remain committed to executing against our strategic priorities to fulfill our commitments to customers and unlock value for our shareholders. Further highlights with respect to our five strategic priorities are outlined in our 2022 MD&A. We have successfully delivered on our global Return-to-Office mandate after over two years of remote work, welcoming back our colleagues in a hybrid work environment. The following changes were made in 2022 to the executive leadership team: Naveed Irshad was appointed CEO of the Canada Segment, succeeding Mike Doughty after his retirement, Marc Costantini joined as Global Head of Inforce Management, and Damien Green was appointed CEO, Asia Segment.

In 2021, we continued to navigate COVID-19 while executing against our five strategic priorities. At Manulife's Investor Day on June 29, 2021, we announced that we have entered a new phase of our strategy, with a greater focus on accelerating growth of our highest potential businesses and a commitment to meaningful metrics to measure our progress through to 2025. Our five strategic priorities remained the right areas of focus to achieve our ambition of being the most digital, customer-centric global company in our industry. No changes were made to the executive leadership team in 2021.

In 2020, we continued to execute against our five strategic priorities and ambition to become the most digital, customer-centric global company in our industry. Early in 2020, COVID-19 was declared a global pandemic, which created a unique operating backdrop. Business volumes were impacted by the macroeconomic volatility, while various preventative measures accelerated digital adoption. The following changes were made in 2020 to the executive leadership team: Karen Leggett was appointed Chief Marketing Officer, succeeding Cindy Forbes who retired after 40

years with Manulife.

Additional information about our business can be found in the “Business Operations” section below, and in MFC’s 2022 MD&A, on pages 10 to 42 inclusive.

BUSINESS OPERATIONS

Information about our business and operating segments, our strategy, products, and investment activities, is included in MFC’s 2022 MD&A, on pages 10 to 42.

DISTRIBUTION METHODS

The Company has a multi-channel distribution network in all the segments in which it operates, with different emphasis depending on the product line and geography. Our four operating segments are: Asia, Canada, U.S., and Global Wealth and Asset Management.

Asia We have insurance operations in 11 markets across Asia. We are a leading provider of insurance products and insurance-based wealth accumulation products, driven by a customer-centric strategy, leveraging the asset management expertise and products managed by our Global Wealth and Asset Management segment. Our portfolio includes a broad array of health, protection, savings, medical, term and whole life products.

Our diversified multi-channel distribution network in Asia includes contracted agents, bank partnerships and independent agents, financial advisors, and brokers. We have exclusive bancassurance partnerships, including a long-term, regional partnership with DBS Bank Ltd. in Singapore, Hong Kong, mainland China and Indonesia, and VietinBank in Vietnam, that give us access to over 35 million bank customers.

In Hong Kong and Macau, our insurance products are marketed and sold through the Company’s agency, bancassurance partnerships, and independent broker channels. In Japan, product offerings are marketed through proprietary sales agents, independent agencies or managing general agents (“MGA”) and bancassurance partners. Corporate products are mainly sold through MGAs. In Singapore, mainland China, Vietnam, Indonesia, the Philippines, Malaysia, Cambodia and Myanmar, products are primarily marketed and sold through exclusive agents, bank channels, including exclusive partnerships, brokerages, and independent financial advisors.

Canada We are a leading financial services provider, offering insurance products, insurance-based wealth accumulation products and banking services, have an in-force variable annuity business, and we leverage the asset management expertise and products managed by our Global Wealth and Asset Management segment.

We offer financial protection solutions to individuals, families, and business owners through a combination of competitive products, professional advice and quality customer service. We provide life, health, disability and specialty products, such as mortgage creditor and travel insurance, through advisors, sponsor groups and associations, as well as direct-to-customer.

We provide group life, health and disability insurance solutions to Canadian sponsors (these include traditional employers as well as other forms of groups such as government programs, unions, and associations) and these products are distributed through various distribution channels, including a national network of regional offices that provide support to plan sponsors.

Manulife Bank offers flexible debt and cash flow management solutions as part of a customer’s overall financial plan. Products include savings and chequing accounts, guaranteed interest certificates, lines of credit, investment loans, mortgages and other specialized lending programs, offered through financial advisors supported by a broad distribution network.

U.S. Our U.S. segment provides a range of life insurance products and insurance-based wealth accumulation products and has an in-force long-term care insurance business and an in-force annuity business.

The insurance products we offer are designed to provide estate, business and income-protection solutions for high net worth, emerging affluent markets and the middle market, and to leverage the asset management expertise and products managed by our Global Wealth and Asset Management business. Behavioural insurance features are standard on all our new insurance product offerings. The primary distribution channel is licensed financial advisors. We seek to establish lifelong customer relationships that benefit from our holistic protection product offerings in the future.

Our in-force long-term care insurance provides coverage for the cost of long-term healthcare services and support. Our in-force annuity business includes fixed deferred, variable deferred and payout products.

In late 2021, we entered into an agreement to reinsure over 75% of the legacy variable annuity block, consisting primarily of policies with guaranteed minimum withdrawal benefits riders. The transaction closed on February 1, 2022. Subsequently, on October 3, 2022, we closed a second transaction wherein Manulife ceded 80% of the New York variable annuity block.

Global Wealth and Asset Management Our Global Wealth and Asset Management segment, branded as Manulife Investment Management, provides investment advice and innovative solutions to retirement, retail and institutional clients. Our leading capabilities in public and private markets are strengthened by an investment footprint that spans 19 geographies, including 10 in Asia, with over 120 years of on-the-ground experience.

In retirement, we provide financial guidance, advice, and investment solutions and recordkeeping services to over 8 million plan participants and rollover individuals in North America and Asia while they are in the accumulation phase with their employer, and increasingly as they prepare for their retirement outside their employer's plan. In North America, our Canadian retirement business focuses on providing retirement solutions through defined contribution plans, and also to group plan members when they retire or leave their plan; and in the United States, we provide solutions to employer sponsored retirement plans as well as personal retirement accounts to individuals when they leave their plan. In Asia, we provide retirement offerings to employers and individuals, including Mandatory Provident Fund ("MPF") schemes and administration in Hong Kong. Additionally, we provide retirement solutions in several emerging retirement markets in Asia, including Indonesia and Malaysia.

We distribute investment funds to retail clients through our own proprietary advice channels in Canada and Asia and through intermediaries and banks in North America, Europe, and Asia, and offer investment strategies across the world, through affiliated and select unaffiliated asset managers. In Canada, we also provide holistic personal advice to individual clients and investment management, private banking and wealth and estate solutions to high-net-worth clients. Leveraging our established distribution network, we also provide insurance-linked wealth products in specific geographies.

In late 2022, we completed the acquisition of the remaining 51% stake in Manulife Teda Fund Management Co., Ltd, wherein Manulife previously had a 49% stake, from state-owned Tianjin TEDA Investment Holding Co. Ltd. This made Manulife the first foreign financial firm to receive regulatory approval in China to take full control of a funds joint venture. This provides us with an opportunity to increase our presence in China's growing fund market.

Our institutional asset management business provides comprehensive asset management solutions for pension plans, foundations, endowments, financial institutions, and other institutional investors worldwide. Our solutions span all major asset classes including equities, fixed income, and alternative assets (including real estate, timberland, farmland, private equity/debt, infrastructure, and liquid alternatives). In addition, we offer multi-asset investment solutions covering a broad range of clients' investment needs.

We are committed to investing responsibly across our businesses. We develop innovative global frameworks for sustainable investing, collaboratively engage with companies in our internally managed public markets portfolios, maintain a high standard of stewardship where we own and operate assets, and believe in supporting financial well-being through our workplace retirement plans. Our approach to sustainable investing rests on three pillars: integration, stewardship, and collaboration. While their expressions may vary by asset class and investment team, the presence of each pillar forms the basis on which we pursue our sustainability objectives and those of our clients.

COMPETITION

We operate in highly competitive markets and compete for customers with other insurance companies, banks, wealth management companies, and mutual fund companies. We also compete with emerging fintechs, as well as non-traditional technology players entering the financial services industry. Customer loyalty and retention, and access to distributors, are important to the Company's success and are influenced by many factors, including our distribution practices and regulations, product features, service levels, prices, and our financial strength ratings and reputation.

Key trends that are increasing competitive pressures in all our markets include (i) digital solutions to enhance the customer experience and (ii) simplified and innovative product offerings. Both traditional and non-traditional competitors are beginning to evolve their strategies to respond to these trends.

Asia With 125 years of continuous operations in Asia, we are one of the few foreign insurance companies with scale, diversified distribution and a broad Asian footprint across developed and emerging insurance markets. We believe that the Company is well positioned to benefit from the potential of the region.

Canada The financial protection market remains dominated by three large Canadian insurance providers, of which we are one, while certain regional or smaller carriers focused on specialty products or niche segments are extremely competitive in some markets.

U.S. Competition in the U.S. is primarily with other large insurance firms, as well as mutual insurance companies, that distribute comparable products through similar channels.

Global Wealth and Asset Management In North America, the wealth and asset management market continues to be led by large wealth management companies that are consolidating. Across our Asian markets, we operate in very competitive markets comprised of global, pan-Asian, and regional wealth and asset managers. Our institutional asset management competitors are made up of a disparate group of global and regional institutional asset management companies, each of whom competes with us in distinct asset classes.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT AND PUBLIC ACCOUNTABILITY STATEMENT

We report on the economic, environmental and social dimensions of our products and services, operations and community activities in Manulife's annual ESG Report and Public Accountability Statement. These two reports provide information on priorities and performance and can be found on the Sustainability section of the Company's website at www.manulife.com/sustainability.

In 2022, we launched an Impact Agenda which outlines our key focus areas to drive sustained social and environmental impact through our business and our interactions with customers, communities and the environments in which we operate. There are three key areas of focus: empowering sustained health and well-being, driving inclusive economic opportunity and accelerating a sustainable future.

In order to ensure our sustainability efforts make an impact beyond our business, we actively engage with various internationally recognized initiatives and frameworks to help drive progress across industries and geographies. Since 2017, Manulife has been a supporter of the Financial Stability Board's Task Force on Climate-related Financial Disclosures ("TCFD") recommendations. Our 2022 MD&A includes disclosures in the "Strategic Risk – Environmental, Social and Governance Risks" section on our ESG framework, including climate change approach, which is aligned with the TCFD recommendations across four areas: governance, risk management, strategy, and metrics and targets. Please also refer to our annual ESG Report, published in the second quarter of each year.

RISK MANAGEMENT

A categorization and explanation of the broad risks facing the Company, Manulife's risk management strategies for each category, and a discussion of the specific risks and uncertainties to which our business operations and financial condition are subject can be found in the section entitled "Risk Management and Risk Factors" in our 2022 MD&A.

As noted under "Caution Regarding Forward-Looking Statements", forward-looking statements involve risks and uncertainties and actual results may differ materially from those expressed or implied in such statements. Strategic risk, market risk, credit risk, product risk and operational risk are the five principal categories of risk described in our 2022 MD&A. These risk factors should be considered in conjunction with the other information in this AIF and the documents incorporated by reference herein.

GOVERNMENT REGULATION

As an insurance company, Manulife is subject to regulation and supervision by governmental authorities in the jurisdictions in which it does business. In Canada, the Company is subject to both federal and provincial regulation. In the United States, the Company is primarily regulated by each of the states in which it conducts business and by federal securities laws. The Company's Asia operations are similarly subject to a variety of regulatory and supervisory regimes in each of the Asian jurisdictions in which the Company operates, which vary in degree of regulation and supervision.

CANADA

Manulife is governed by the ICA. The ICA is administered by, and activities of the Company are supervised by, the Office of the Superintendent of Financial Institutions (Canada) ("OSFI"), the primary regulator of federal financial institutions. The ICA permits insurance companies to offer, directly or through subsidiaries or through networking arrangements, a broad range of financial services, including banking, investment counseling and portfolio management, mutual funds, trust services, real property brokerage and appraisal, information processing and merchant banking services.

The ICA requires the filing of annual and other reports on the financial condition of the Company, provides for periodic examinations of the Company's affairs, imposes restrictions on transactions with related parties, and sets forth requirements governing reserves for actuarial liabilities and the safekeeping of assets and other matters. OSFI supervises Manulife on a consolidated basis (including capital adequacy) to ensure that OSFI has an overview of the group's activities. This includes the ability to review both insurance and non-insurance activities conducted by subsidiaries of Manulife with supervisory power to bring about corrective action.

Capital Requirements

The ICA requires Canadian insurance companies to maintain adequate levels of capital at all times.

Capital requirements for MFC and Manufacturers Life are governed by the Life Insurance Capital Adequacy Test ("LICAT") guideline, with LICAT ratios prepared on a consolidated basis. LICAT uses a risk-based approach to measure and aggregate specified risks to calculate the amount of regulatory capital required to support these risks. It measures the capital adequacy of a life insurer and is one of several indicators used by OSFI to assess a life insurer's financial condition. The LICAT ratio compares capital resources to the Base Solvency Buffer, the latter being the risk-based capital requirement determined in accordance with the guideline. The LICAT guideline for 2023 makes calibration adjustments to adapt to the IFRS 17 accounting change including an increase to adjusted retained earnings to recognize the IFRS 17 Contractual Service Margin (CSM) as available capital, and the reduction of required capital through the reduction of the scalar on Base Solvency Buffer from 1.05 to 1.0. These changes will take effect in the LICAT ratio reported as of March 31, 2023. Based on markets as of December 31, 2022, the impact of IFRS 17 is approximately neutral to the LICAT ratio, and our capital position continues to be strong under IFRS 17.

Capital resources include Available Capital, as well as a Surplus Allowance (equal to the net risk adjustment reported in the financial statements in respect of all insurance contracts other than risk adjustments arising from segregated

fund contracts with guarantee risks) and Eligible Deposits (collateral and letters of credit from unregistered reinsurers). Available Capital includes common equity, qualifying preferred shares, qualifying innovative tier 1 instruments, limited recourse capital notes, subordinated debt, contributed surplus, adjusted retained earnings, adjusted Accumulated Other Comprehensive Income ("AOCI") and the participating account. Under LICAT, certain deductions are made from Available Capital, including, but not limited to, goodwill, intangible assets, a portion of deferred tax assets, and controlling interests in non-life financial corporations.

The Base Solvency Buffer is equal to the aggregated capital requirements, net of credits for diversification and qualifying participating and adjustable products. The capital requirements cover the following five risk components: market risk, credit risk, insurance risk, operational risk and segregated funds guarantee risk.

The minimum regulatory LICAT ratio is 90% for MFC and Manufacturers Life; in addition, Manufacturers Life is subject to a supervisory target of 100%. OSFI expects each insurance company to establish an internal target capital level that provides a cushion above the regulatory requirements. This cushion allows for coping with volatility in markets and economic conditions, and enhances flexibility in capital management to consider aspects such as innovations in the industry, consolidation trends and international developments. OSFI may require that a higher amount of capital be available, taking into account such factors as operating experience and diversification of asset or insurance portfolios. MFC endeavours to manage its business such that LICAT ratios for both MFC and Manufacturers Life are above their internal targets. See the section entitled "Capital Management Framework – Regulatory Capital Position" in our 2022 MD&A for our LICAT ratios.

OSFI may intervene and assume control of a Canadian life insurance company if it deems the amount of available capital insufficient. Capital requirements may be adjusted by OSFI as experience develops, the risk profile of Canadian life insurers changes, or to reflect other risks.

See the section entitled "Risk Management and Risk Factors" in our 2022 MD&A for information about regulatory initiatives and other developments that could impact MFC's capital position.

Regulated subsidiaries of MFC must maintain minimum levels of capital, which are based on the local capital regime and the statutory accounting basis in each jurisdiction. The Company seeks to maintain capital in excess of the minimum required in all foreign jurisdictions in which the Company does business.

Investment Powers

Under the ICA, Manulife must maintain a prudent portfolio of investments and loans, subject to certain overall limitations on the amount it may invest in certain classes of investments, such as commercial loans. Additional restrictions (and in some cases, the need for regulatory approvals) limit the types of investments that the Company can make in excess of 10% of the voting rights or 25% of the equity of any entity.

Restrictions on Shareholder Dividends and Capital Transactions

The ICA prohibits the declaration or payment of any dividend on shares of an insurance company if there are reasonable grounds for believing an insurance company does not have adequate capital and adequate and appropriate forms of liquidity, or the declaration or the payment of the dividend would cause the insurance company to be in contravention of any regulation made under the ICA respecting the maintenance of adequate capital and adequate and appropriate forms of liquidity, or any direction made to the company by the Superintendent of Financial Institutions (Canada) (the "Superintendent"). The ICA also requires an insurance company to notify the Superintendent of the declaration of a dividend at least 15 days prior to the date fixed for its payment. Similarly, the ICA prohibits the purchase for cancellation of any shares issued by an insurance company, or the redemption of any redeemable shares or other similar capital transactions, if there are reasonable grounds for believing that the company does not have adequate capital and adequate and appropriate forms of liquidity, or the purchase or the payment would cause the company to be, in contravention of any regulation made under the ICA respecting the maintenance of adequate capital and adequate and appropriate forms of liquidity, or any direction made to the company by the Superintendent. These latter transactions would require the prior approval of the Superintendent.

There is currently no direction against MFC or Manufacturers Life paying a dividend or redeeming or purchasing their shares for cancellation.

Chief Actuary

In accordance with the ICA, the Board of Directors of MFC (the "Board") has appointed the Chief Actuary who must be a Fellow of the Canadian Institute of Actuaries. The Chief Actuary is required to value the policy liabilities of Manulife as at the end of each financial year in accordance with accepted actuarial practices[1] with such changes as may be determined by the Superintendent and any direction that may be made by the Superintendent, including selection of appropriate assumptions and methods. The Chief Actuary must make a report in the prescribed form on the valuation including providing an opinion as to whether the consolidated financial statements fairly present the results of the valuation. At least once in each financial year, the Chief Actuary must meet with the Board, or the Audit Committee, to report, in accordance with accepted actuarial practice and any direction that may be made by the Superintendent, on the current and expected future financial condition of the Company. The Chief Actuary is also required to report to the President and Chief Executive Officer and the Chief Financial Officer of the Company if the Chief Actuary identifies any matters that, in the Chief Actuary's opinion, have material adverse effects on the financial condition of the Company and require rectification.

Prescribed Supervisory Information

The Supervisory Information (Insurance Companies) Regulations made under the ICA prohibit regulated insurance companies, such as MFC and Manufacturers Life, from disclosing, directly or indirectly, "prescribed supervisory information", as defined in those regulations. Prescribed supervisory information includes assessments, recommendations, ratings and reports concerning the Company made by or at the request of the Superintendent, orders of the Superintendent with respect to capital and liquidity, certain regulatory actions taken with respect to the Company, prudential agreements between the Company and the Superintendent, and directions of the Superintendent that we cease or refrain from committing, or remedy, unsafe or unsound practices in conducting our business.

Provincial Insurance Regulation

The Company is also subject to provincial regulation and supervision in each province and territory of Canada in which it carries on business. Provincial insurance regulation is concerned primarily with the form of insurance contracts and the sale and marketing of insurance and annuity products, including the licensing and supervision of insurance agents. Individual variable insurance contracts and the underlying segregated funds to which they relate are also subject to guidelines established by the Canadian Life and Health Insurance Association Inc. which have been incorporated into regulation in Ontario, are consistent with guidelines in Quebec adopted under the authority of Quebec insurance legislation, and are generally followed by the regulators of all other provinces. These guidelines govern a number of matters relating to the sale of these products and the administration of the underlying segregated funds. Manufacturers Life is licensed to transact business in all provinces and territories of Canada.

Provincial/Territorial Securities Laws

The Company's Canadian investment fund, dealer and asset management businesses are subject to Canadian provincial and territorial securities laws. Manulife Investment Management Limited ("MIML") is registered as a portfolio manager with the securities commissions in all Canadian provinces and territories, as an investment fund manager in the provinces of Ontario, Newfoundland and Labrador and Quebec, as a commodity trading manager in Ontario, and as a derivatives portfolio manager in Quebec. Manulife Investment Management Distributors Inc. ("MIMDI") is registered as an exempt market dealer with the securities commissions in all Canadian provinces and territories. MIML and MIMDI are subject to regulation by the applicable provincial securities regulators. Manulife Securities Investment Services Inc. ("MSISI") is registered under provincial and territorial securities laws to sell mutual funds across Canada and is subject to regulation by the applicable provincial and territorial securities regulators. MSISI is also registered as an exempt market dealer in all Canadian provinces and territories. Manulife Securities Incorporated

[1] Accepted actuarial practices means Canadian accepted actuarial practices as established by the Actuarial Standards Board.

("MSI") is registered under provincial and territorial securities laws to sell investments across Canada and is subject to regulation by the provincial and territorial securities regulators. Both MSISI and MSI are also regulated by the New Self-Regulatory Organization of Canada (effective January 1, 2023, carrying on the regulatory duties of the former

Mutual Fund Dealers Association of Canada and the Investment Industry Regulatory Organization of Canada). MSI is also registered as a derivatives dealer in Quebec.

Consumer Protection for Financial Institution Failure

Assuris was created by the life and health insurance industry in Canada in 1990 to provide Canadian policyholders with protection in the event of the insolvency of their insurance company. Assuris is funded by its member insurance companies, including Manufacturers Life and Manulife Assurance Company of Canada. Member companies of Assuris are assessed to build and maintain a liquidity fund at a minimum level of $100 million. Members are then primarily subject to assessment on an "as needed" basis. The assessment base for member companies is calculated using each member's solvency buffer, subject to adjustments where the member operates in foreign jurisdictions.

The Canadian Investor Protection Fund ("CIPF") has been created to provide clients with protection, within defined limits, in the event of the insolvency of their investment dealer or their mutual fund dealer. The CIPF is funded by its member investment dealers and mutual fund dealers, including MSI and MSISI.

The Canada Deposit Insurance Corporation ("CDIC") is a federal crown corporation created by parliament in 1967 to protect deposits made with member financial institutions in case of their failure. CDIC member institutions, including Manulife Bank and its subsidiary Manulife Trust Company, fund deposit insurance through premiums paid on the insured deposits that they hold.

UNITED STATES

General Regulation at the State Level

The various states in the United States have laws regulating transactions between insurers and other members of insurance holding company systems. Transactions between the Company's U.S. domiciled insurance subsidiaries and their affiliates are subject to regulation by the states in which such insurance subsidiaries are domiciled and, for certain limited matters, states in which they transact business. Most states have enacted legislation that requires each insurance holding company and each insurance subsidiary in an insurance holding company system to register with, and be subject to regulation by, the insurance regulatory authority of the insurance subsidiary's state of domicile. The Company's principal U.S. life insurance subsidiaries are John Hancock Life Insurance Company (U.S.A.) ("JHUSA"), John Hancock Life Insurance Company of New York ("JHNY") and John Hancock Life & Health Insurance Company ("JHLH"). They are domiciled in Michigan, New York and Massachusetts, respectively. Under such laws, the insurance subsidiaries are required to annually furnish financial and related information concerning the operations of companies within the holding company system that may materially affect the operations, management or financial condition of insurers within the system. These reports are also filed with other insurance departments on request. In addition, such laws provide that all transactions within an insurance holding company system must be fair and equitable, and following any such transactions, each insurer's policyholder surplus must be both reasonable in relation to its outstanding liabilities and adequate for its needs.

The laws of the various states also establish regulatory agencies with broad administrative powers, such as the power to approve policy forms, grant and revoke licenses to transact business, regulate trade practices, license agents, require financial statements and prescribe the type and amount of investment permitted. State insurance regulatory authorities regularly make inquiries, hold investigations and administer market conduct examinations with respect to an insurer's compliance with applicable insurance laws and regulations.

Insurance companies are required to file detailed annual statements with state insurance regulators in each of the states in which they do business and their business and accounts are subject to examination by such regulators at any time. Quarterly statements must also be filed with the state insurance regulator in the insurer's state of domicile and with the insurance departments of many of the states in which the insurer does business. Insurance regulators

may periodically examine an insurer's financial condition, adherence to statutory accounting practices and compliance with insurance department rules and regulations.

State insurance departments, as part of their routine oversight process, conduct detailed examinations of the books, records and accounts of insurance companies domiciled in their states. These examinations are generally conducted in accordance with the examining state's laws and the guidelines promulgated by the National Association of Insurance Commissioners (the "NAIC"), an association of the chief insurance supervisory officials of each state, territory or possession of the United States. Each of the Company's principal U.S. domiciled insurance subsidiaries is subject to periodic examinations by its respective domiciliary state insurance regulators. The latest published examination reports issued by each such insurance department did not raise any material issues or adjustments.

Investment Powers

The Company's U.S. domiciled insurance subsidiaries are subject to laws and regulations that require diversification of their investment portfolios and limit the amount of investments in certain investment categories such as below investment grade bonds and real estate. Failure to comply with these laws and regulations may cause investments exceeding regulatory limitations to be treated as non-admitted assets for the purposes of measuring statutory surplus and in some circumstances would require divestiture of the non-qualifying assets.

Minimum Statutory Surplus and Capital

The Company's U.S. domiciled life insurance subsidiaries are required to have minimum statutory surplus and capital of various amounts depending on the state in which they are licensed and the types of business they transact.

NAIC IRIS Ratios

The NAIC uses a set of financial relationships or "tests," known as the Insurance Regulatory Information System ("IRIS"), which are designed for the early identification of insurance companies which might warrant special attention by insurance regulatory authorities. Insurance companies submit data annually to the NAIC, which in turn analyzes the data utilizing 12 ratios, each with defined "usual ranges." Having ratios that fall outside the usual range does not necessarily indicate that a company experienced unfavourable results. An insurance company may fall out of the usual range for one or more ratios because of transactions that are favourable (such as large increases in surplus) or are immaterial or eliminated at the consolidated level. Each company's ratios are reviewed annually and are assigned a ranking by a team of examiners and financial analysts at the NAIC for the purpose of identifying companies that require immediate regulatory attention. The rankings are not reported to the companies and are only available to regulators.

Risk-Based Capital Requirements

In order to enhance the regulation of insurer solvency, state regulators have adopted the NAIC model law implementing Risk-Based Capital ("RBC") requirements for life insurance companies. The requirements are designed to monitor capital adequacy and to raise the level of protection that statutory surplus provides for policyholders. The model law measures four major areas of risk facing life insurers: (i) the risk of loss from asset defaults and asset fluctuation; (ii) the risk of loss from adverse mortality and morbidity experience; (iii) the risk of loss from mismatching of asset and liability cash flows due to changing interest rates; and (iv) general business risk. Insurers having less statutory surplus than required by the RBC model formula are subject to varying degrees of regulatory action depending on the level of capital inadequacy. Based on the formula adopted by the NAIC, each of the Company's U.S. domiciled insurance company subsidiaries exceeded the RBC capital requirements as at December 31, 2022.

Regulation of Shareholder Dividends and Other Payments from Insurance Subsidiaries

Manulife's ability to meet debt service obligations and pay operating expenses and shareholder dividends depends on the receipt of sufficient funds from its operating subsidiaries. Our U.S. operating subsidiaries are indirectly owned by Manufacturers Life. The payment of dividends by JHUSA is subject to restrictions set forth in the insurance laws of Michigan, its domiciliary state. Similarly, the payment of dividends by JHNY and JHLH is regulated by New York and

Massachusetts insurance laws, respectively. In all three states, regulatory approval is required if proposed shareholder dividend distributions exceed certain thresholds. In addition, general regulations relating to an insurer's financial condition and solvency may also preclude or restrict the amount of dividends that may be paid by the Company's U.S. domiciled insurance subsidiaries.

Federal Securities and Commodity Laws

Certain of the Company's subsidiaries and certain investment funds, policies and contracts offered by them are subject to regulation under federal securities laws administered by the SEC and under certain state securities laws. Certain segregated funds of the Company's insurance subsidiaries are registered as investment companies under the *Investment Company Act of 1940*, as are certain other funds managed by subsidiaries of the Company. Interests in segregated funds under certain variable annuity contracts and variable insurance policies issued by the Company's insurance subsidiaries are also registered under the U.S. *Securities Act of 1933*. Each of John Hancock Distributors LLC and John Hancock Investment Management Distributors LLC is registered as a broker-dealer under the U.S. *Securities Exchange Act of 1934* and each is a member of, and subject to regulation by, the Financial Industry Regulatory Authority.

Each of John Hancock Investment Management LLC, Manulife Investment Management (US) LLC, Manulife Investment Management Timberland and Agriculture Inc., Manulife Investment Management Private Markets (US) LLC, John Hancock Variable Trust Advisers LLC, Manulife Investment Management (North America) Limited and John Hancock Personal Financial Services, LLC is an investment adviser registered under the U.S. *Investment Advisers Act of 1940*. Certain investment companies advised or managed by these subsidiaries are registered with the SEC under the *Investment Company Act of 1940* and the shares of certain of these entities are qualified for sale in certain states in the United States and the District of Columbia. All aspects of the investment advisory activities of the Company's subsidiaries are subject to various federal and state laws and regulations in jurisdictions in which they conduct business. These laws and regulations are primarily intended to benefit investment advisory clients and investment company shareholders and generally grant supervisory agencies broad administrative powers, including the power to limit or restrict the carrying on of business for failure to comply with such laws and regulations. In such event, the possible sanctions that may be imposed include the suspension of individual employees, limitations on the activities in which the investment advisor may engage, suspension or revocation of the investment advisor's registration as an advisor, censure and fines.

The *Commodity Exchange Act* may regulate certain of the Company's segregated funds and registered funds as a "commodity pool", and certain of the Company's registered advisers as a "commodity pool operator" or a "commodity trading advisor".

State Guaranty Funds

All states of the United States have insurance guaranty fund laws requiring life insurance companies doing business in the state to participate in a guaranty association which, like Assuris in Canada, is organized to protect policyholders against loss of benefits in the event of an insolvency or wind-up of a member insurer. These associations levy assessments (up to prescribed limits) on the basis of the proportionate share of premiums written by member insurers in the lines of business in which the impaired or insolvent insurer is engaged. Assessments levied against the Company in each of the past five years have not been material.

Employee Retirement Income Security Act of 1974 ("ERISA") Considerations

Employee benefit plans are governed by ERISA and are subject to regulation by the U.S. Department of Labor. As service providers to employee benefit plans, the Company and its subsidiaries may be "parties in interest", as such term is defined in ERISA and the Internal Revenue Code of 1986, as amended (the "Code"), with respect to such plans. Certain transactions between parties in interest and those plans are prohibited by ERISA and the Code. If it is determined that the Company or subsidiary is not in compliance with an applicable statutory or administrative exemption, severe penalties and excise taxes could be imposed under ERISA and the Code.

In addition, ERISA imposes duties on fiduciaries to employee benefit plans covered by that law. The Company's

subsidiaries that provide investment management or investment advisory services with respect to plan assets may be deemed to be fiduciaries under ERISA. Accordingly, the applicable subsidiary must comply with both the fiduciary duty and prohibited transaction rules of ERISA and the Code. If it is determined that the Company subsidiary has breached its fiduciary duties in providing investment management or advice to a plan, then the Company subsidiary could be liable for restoring any losses to the applicable plan(s).

ASIA

In Asia, local insurance authorities supervise and monitor the Company's business and financial condition in each of the markets in which the Company operates. The Company is also required to meet specific minimum working and regulatory capital requirements and is subject to regulations governing the investment of such capital in each of these jurisdictions. Hong Kong Special Administrative Region ("Hong Kong") and Japan are the regulatory jurisdictions governing Manulife's most significant operations in Asia.

Hong Kong

In Hong Kong, the authority and responsibility for supervision of the insurance industry is vested in the Insurance Authority ("IA") under the *Insurance Ordinance, Cap. 41* (the "Insurance Ordinance").

The Chief Executive of the Government of Hong Kong appoints the members of the IA pursuant to the Insurance Ordinance. The Insurance Ordinance provides that no person shall carry on any insurance business in or from Hong Kong except a company authorized to do so by the IA, Lloyd's of the United Kingdom or an association of underwriters approved by the IA. The Insurance Ordinance stipulates certain requirements for authorized insurers, including robust corporate governance, enhanced "fit and proper person" requirements for directors, controllers and several key persons in control functions such as financial control, compliance, risk management, intermediary management, actuary and internal audit, minimum capital and solvency margin requirements, adequate reinsurance arrangement requirements and statutory reporting requirements. The Insurance Ordinance also confers powers of inspection, investigation and intervention on the IA for the protection of policyholders and potential policyholders.

The IA has residual power to appoint an advisor or a manager to any authorized insurer if the IA considers such appointment to be desirable for the protection of policyholders or potential policyholders against the risk that the insurer may be unable to meet its liabilities or to fulfill the reasonable expectations of policyholders or potential policyholders and that, in the IA's opinion, the exercise of other interventionary powers conferred by the Insurance Ordinance would not be appropriate to safeguard the interests of policyholders or potential policyholders. In such circumstances, the advisor or manager appointed by the IA will have management control of the insurer.

In Hong Kong, the Company's life insurance business is conducted through a branch of a wholly owned Bermuda subsidiary, Manulife (International) Limited, which is licensed to carry on the business of "long-term" insurance by the IA and the Bermuda Monetary Authority.

Long-term insurance companies are required under the Insurance Ordinance to maintain certain solvency margins. The required solvency margin is the aggregate of two components: (i) a percentage of the mathematical reserves; and (ii) a percentage of the capital at risk as prescribed under the Insurance (Margin of Solvency) Rules (Cap.41F), enacted pursuant to the Insurance Ordinance. For a long-term insurance company, the value of its assets must not be less than the amount of its liabilities by the required solvency margin, subject to a minimum of Hong Kong $2 million. Compliance with the solvency margin requirements is reported annually to the IA. Currently, all solvency margin requirements are being met.

Investment managers and distributors in Hong Kong, including Manulife Investment Management (Hong Kong) Limited (entity and staff)("MIMHK"), and the sale of mutual funds and the issuance of advertisements, invitations or documents in relation to collective investment schemes which contain an invitation to acquire an interest (products and selling) are highly regulated and are subject to Hong Kong securities laws as administered by the Securities and Futures Commission ("SFC"). The promotion and sale of pension schemes fund products is undertaken by Manulife (International) Limited as the scheme sponsor, with Manulife Provident Funds Trust Company Limited as the MPF approved trustee, and all such activities are subject to the supervision of the Mandatory Provident Fund Schemes Authority ("MPFA") and the IA. Management of the

relevant pension funds is undertaken by MIMHK as investment manager, which is subject to the supervision of the MPFA and the SFC. The sales of long term insurance policies, investment-linked assurance, group life and health products and Qualifying Deferred Annuity Products are subject to the supervision of the IA. Investment-linked assurance is also subject to supervision by the SFC. The sale of Voluntary Health Insurance Scheme products is subject to the regulatory scrutiny of the Food and Health Bureau of the Hong Kong Government. Manulife (International) Limited also conducts long term insurance business in the Macau Special Administrative Region and is regulated by the Monetary Authority of Macau.

Japan

Life insurance companies in Japan, including Manulife Life Insurance Company ("Manulife Japan"), are governed by the *Insurance Business Law* and the regulations issued thereunder (the "IB Law"). The IB Law sets out a comprehensive regulatory regime for Japanese life insurers, including such matters as capital and solvency requirements, powers of regulatory intervention, new insurance products and restrictions on shareholder dividends and distributions. The administration and application of the IB Law is supervised by the Financial Services Agency ("FSA"). The IB Law provides for certain rules with respect to the approval of new insurance products and the setting of premium levels.

The IB Law includes obligations relating to sales of insurance products such as understanding customers' intentions and provision of relevant information to customers, as well as agencies' obligation to develop their own control frameworks including the non-exclusive agencies' obligation to recommend a product based on a comparison with similar products.

The FSA published Principles for Customer-Oriented Business Operations that recommend financial institutions, including insurers, among others, take the following actions:
(i) develop and make public a policy for a customer-oriented business; (ii) provide thorough disclosure of detailed fees and expenses of financial products to customers; (iii) provide important information in an easy to understand manner; and (iv) provide services suited to each customer. Manulife Japan established a policy known as a "Customer Promise" and made it public on its website.

Investment managers in Japan, including Manulife Investment Management (Japan) Limited, are governed by the *Financial Instruments and Exchange Act (Japan)*, and the regulations issued thereunder (the "FIEA"). The FIEA sets out a comprehensive regulatory regime for investment managers that do business in Japan, including the registration requirement for investment managers, filing requirements for public offerings of investment trusts, behaviour regulations and other matters. Persons who conduct investment management business in Japan (management of investment trusts and/or discretionary investment management business) must be registered with the FSA under the FIEA. The registered investment managers are supervised by the FSA or local financial bureaus. The *Investment Trust and Investment Corporation Act (Japan)* provides structural requirements for investment trust funds organized within Japan and also governs managers of such domestic investment trusts.

Restrictions on Shareholder Dividends

In Asia, insurance and company laws in the jurisdictions in which the Company operates provide for specific restrictions on the payment of shareholder dividends and other distributions by the Company's subsidiaries, or impose solvency or other financial tests, which could affect the ability of these subsidiaries to pay dividends in certain circumstances.

GENERAL DESCRIPTION OF CAPITAL STRUCTURE

The following summarizes certain provisions of MFC's common shares, preferred shares and limited recourse capital notes. This summary is qualified in its entirety by MFC's by-laws and the actual terms and conditions of such securities.

MFC has authorized share capital consisting of an unlimited number of common shares ("Common Shares"), an unlimited number of Class A Shares ("Class A Shares"), an unlimited number of Class B Shares ("Class B Shares")

and an unlimited number of Class 1 Shares ("Class 1 Shares") (collectively, the Class A Shares, Class B Shares and Class 1 Shares are "Preferred Shares").

As of December 31, 2022, MFC had the following Common Shares, Class A Shares and Class 1 Shares issued:

Common Shares	1,864,897,726
Class A Shares Series 2	14,000,000
Class A Shares Series 3	12,000,000
Class 1 Shares Series 3	6,537,903
Class 1 Shares Series 4	1,462,097
Class 1 Shares Series 9	10,000,000
Class 1 Shares Series 11	8,000,000
Class 1 Shares Series 13	8,000,000
Class 1 Shares Series 15	8,000,000
Class 1 Shares Series 17	14,000,000
Class 1 Shares Series 19	10,000,000
Class 1 Shares Series 25	10,000,000
Class 1 Shares Series 27[2]	2,000,000
Class 1 Shares Series 28[3]	1,200,000
Class 1 Shares Series 29[4]	1,000,000

MFC has authorized but not issued Class 1 Shares Series 10, Class 1 Shares Series 12, Class 1 Shares Series 14, Class 1 Shares Series 16, Class 1 Shares Series 18, Class 1 Shares Series 20, and Class 1 Shares Series 26.

Certain Provisions of the Class A Shares as a Class

The following is a summary of certain provisions attaching to the Class A Shares as a class.

Priority

Each series of Class A Shares ranks on a parity with every other series of Class A Shares and every series of Class 1 Shares with respect to dividends and return of capital. The Class A Shares shall be entitled to a preference over the Class B Shares, the Common Shares and any other shares ranking junior to the Class A Shares with respect to priority in payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of MFC, whether voluntary or involuntary, or any other distribution of the assets of MFC among its shareholders for the specific purpose of winding up its affairs.

Certain Provisions of the Class B Shares as a Class

The following is a summary of certain provisions attaching to the Class B Shares as a class.

Priority

Each series of Class B Shares ranks on a parity with every other series of Class B Shares with respect to dividends and return of capital. The Class B Shares shall rank junior to the Class A Shares and the Class 1 Shares with respect to priority in payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or

2 On February 17, 2021, 2,000,000 Non-Cumulative Fixed Rate Reset Class 1 Shares Series 27 were issued to the Limited Recourse Trustee, Computershare Trust Company of Canada, in connection with MFC's Limited Recourse Capital Notes Series 1. These shares are not listed on the Toronto Stock Exchange.

3 On November 10, 2021, 1,200,000 Non-Cumulative Fixed Rate Reset Class 1 Shares Series 28 were issued to the Limited Recourse Trustee, Computershare Trust Company of Canada, in connection with MFC's Limited Recourse Capital Notes Series 2. These shares are not listed on the Toronto Stock Exchange.

4 On June 14, 2022, 1,000,000 Non-Cumulative Fixed Rate Reset Class 1 Shares Series 29 were issued to the Limited Recourse Trustee, Computershare Trust Company of Canada, in connection with MFC's Limited Recourse Capital Notes Series 3. These shares are not listed on the Toronto Stock Exchange.

winding-up of MFC, whether voluntary or involuntary, or any other distribution of the assets of MFC among its shareholders for the specific purpose of winding up its affairs, but the Class B Shares shall be entitled to a preference over the Common Shares and any other shares ranking junior to the Class B Shares with respect to priority in payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of MFC, whether voluntary or involuntary, or any other distribution of the assets of MFC among its shareholders for the specific purpose of winding up its affairs.

Certain Provisions of the Class 1 Shares as a Class

The following is a summary of certain provisions attaching to the Class 1 Shares as a class.

Priority

Each series of Class 1 Shares ranks on a parity with every other series of Class 1 Shares and every series of Class A Shares with respect to dividends and return of capital. The Class 1 Shares shall be entitled to a preference over the Class B Shares, the Common Shares and any other shares ranking junior to the Class 1 Shares with respect to priority in payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of MFC, whether voluntary or involuntary, or any other distribution of the assets of MFC among its shareholders for the specific purpose of winding up its affairs.

Certain Provisions Common to the Class A Shares, Class B Shares and Class 1 Shares

The following is a summary of certain provisions attaching to the Class A Shares as a class, to the Class B Shares as a class and to the Class 1 Shares as a class.

Directors' Right to Issue in One or More Series

The Class A Shares, Class B Shares and Class 1 Shares may be issued at any time and from time to time in one or more series. Before any shares of a series are issued, the Board shall fix the number of shares that will form such series, if any, and shall, subject to any limitations set out in the by-laws of MFC or in the ICA, determine the designation, rights, privileges, restrictions and conditions to be attached to the Class A Shares, Class B Shares or Class 1 Shares as the case may be, of such series, the whole subject to the filing with OSFI of the particulars of such series, including the rights, privileges, restrictions and conditions determined by the Board.

Summaries of the terms for each series of the Class A Shares and Class 1 Shares that have been issued or authorized for issuance are contained in the prospectuses relating to such shares, which are available on SEDAR.

Voting Rights of Preferred Shares

Except as hereinafter referred to or as required by law or as specified in the rights, privileges, restrictions and conditions attached from time to time to any series of Class A Shares, Class B Shares or Class 1 Shares, the holders of such Class A Shares, Class B Shares or Class 1 Shares as a class shall not be entitled as such to receive notice of, to attend or to vote at any meeting of the shareholders of MFC.

Amendment with Approval of Holders of Preferred Shares

The rights, privileges, restrictions and conditions attached to each of the Class A Shares, Class B Shares and Class 1 Shares as a class may be added to, changed or removed but only with the approval of the holders of such class of Preferred Shares given as hereinafter specified.

Approval of Holders of Preferred Shares

The approval of the holders of a class of Preferred Shares to add to, change or remove any right, privilege, restriction or condition attaching to such class of Preferred Shares as a class or in respect of any other matter requiring the consent of the holders of such class of Preferred Shares may be given in such manner as may then be required by

law, subject to a minimum requirement that such approval be given by resolution signed by all the holders of such class of Preferred Shares or passed by the affirmative vote of at least two-thirds (2/3) of the votes cast at a meeting of the holders of such class of Preferred Shares duly called for that purpose. Notwithstanding any other condition or provision of any class of Preferred Shares, the approval of the holders of any class, voting separately as a class or series, is not required on a proposal to amend the by-laws of MFC to:

(i) increase or decrease the maximum number of authorized Class A Shares, Class B Shares or Class 1 Shares, as the case may be, or increase the maximum number of authorized shares of a class of shares having rights or privileges equal or superior to such class of Preferred Shares;

(ii) effect the exchange, reclassification or cancellation of all or any part of the Class A Shares, Class B Shares or Class 1 Shares, as the case may be; or

(iii) create a new class of shares equal to or superior to the Class A Shares, the Class B Shares or the Class 1 Shares, as the case may be.

The formalities to be observed with respect to the giving of notice of any such meeting or any adjourned meeting, the quorum required therefor and the conduct thereof shall be those from time to time required by the ICA as in force at the time of the meeting and those, if any, prescribed by the by-laws or the administrative resolutions of MFC with respect to meetings of shareholders. On every poll taken at every meeting of the holders of a class of Preferred Shares as a class, or at any joint meeting of the holders of two or more series of a class of Preferred Shares, each holder of such class of Preferred Shares entitled to vote thereat shall have one vote in respect of each relevant Preferred Share held.

Certain Provisions of the Common Shares as a Class

The authorized common share capital of MFC consists of an unlimited number of Common Shares without nominal or par value. Each holder of Common Shares is entitled to receive notice of and to attend all meetings of the shareholders of MFC and is entitled to one vote for each share held except for meetings at which only holders of another specified class or series of shares of MFC are entitled to vote separately as a class or series. The holders of Common Shares are entitled to receive dividends as and when declared by the Board, subject to the preference of the holders of Class A Shares, Class B Shares, Class 1 Shares and any other shares ranking senior to the Common Shares with respect to priority in payment of dividends. After payment to the holders of Class A Shares, Class B Shares, Class 1 Shares and any other shares ranking senior to Common Shares with respect to priority in the distribution of assets in the event of the liquidation, dissolution or winding-up of MFC, the holders of Common Shares shall be entitled to receive prorated the net assets of MFC remaining, after the payment of all creditors and liquidation preferences, if any, that pertain to shareholders.

Description of the Limited Recourse Capital Notes

MFC has outstanding $2,000,000,000 of 3.375% Limited Recourse Capital Notes Series 1 (Subordinated Indebtedness) due June 19, 2081 (the “Series 1 Notes”); $1,200,000,000 of 4.10% Limited Recourse Capital Notes Series 2 (Subordinated Indebtedness) due March 19, 2082 (the “Series 2 Notes”); and $1,000,000,000 of 7.117% Limited Recourse Capital Notes Series 3 (Subordinated Indebtedness) due June 19, 2082 (the “Series 3 Notes” and collectively with the Series 1 Notes and the Series 2 Notes, the “Notes”) which are classified as equity in our 2022 Consolidated Financial Statements.

Certain Provisions of the Limited Recourse Capital Notes

The following is a summary of certain provisions attaching to the Notes as a class.

Priority

The Notes are direct, subordinated, unsecured indebtedness of MFC and will rank subordinate to all of MFC’s policy liabilities and all other indebtedness (including all of MFC’s other unsecured and subordinated indebtedness) from

time to time issued and outstanding, except for such indebtedness which by its terms ranks equally in right of payment with, or is subordinate to, the Notes.

Limited Recourse

In the event of non-payment by MFC of the principal amount of, interest on, or redemption price for, the Notes when due, the sole recourse of each holder of the Notes shall be limited to the assets held in respect of the Notes by Computershare Trust Company of Canada, as trustee (the "Limited Recourse Trustee") of Manulife LRCN Limited Recourse Trust (the "Limited Recourse Trust") from time to time ("Corresponding Trust Assets"). As of the date hereof, the Corresponding Trust Assets in respect of the Series 1 Notes consist of 2,000,000 Class 1 Shares Series 27, the Corresponding Trust Assets in respect of the Series 2 Notes consist of 1,200,000 Class 1 Shares Series 28 and the Corresponding Trust Assets in respect of the Series 3 Notes consist of 1,000,000 Class 1 Shares Series 29.

DIVIDENDS

The declaration and payment of dividends and the amount thereof is subject to the discretion of the Board and is dependent upon the results of operations, financial condition, cash requirements and future prospects of, and regulatory restrictions on the payment of dividends by, the Company and other factors deemed relevant by the Board.

Since MFC is a holding company that conducts all of its operations through regulated insurance subsidiaries (or companies owned directly or indirectly by these subsidiaries), its ability to pay future dividends will depend on the receipt of sufficient funds from its regulated insurance subsidiaries. These subsidiaries are also subject to certain regulatory restrictions under laws in Canada, the United States and certain other countries that may limit their ability to pay dividends or make other upstream distributions. MFC has paid the following cash dividends in the period from January 1, 2020 to December 31, 2022:

Type of Shares	2022	2021	2020
Common Shares	$1.3200	$1.1700	$1.1200
Preferred Shares			
Class A Shares Series 2	$1.1625	$1.1625	$1.1625
Class A Shares Series 3	$1.1250	$1.1250	$1.1250
Class 1 Shares Series 3	$0.5870	$0.5658	$0.5445
Class 1 Shares Series 4	$0.6814	$0.3814	$0.5870
Class 1 Shares Series 5[5]	-	$0.9728	$0.9728
Class 1 Shares Series 7[6]	$0.2695	$1.0780	$1.0780
Class 1 Shares Series 9	$1.1894	$1.0878	$1.0878
Class 1 Shares Series 11	$1.1827	$1.1828	$1.1828
Class 1 Shares Series 13	$1.1035	$1.1035	$1.1035
Class 1 Shares Series 15	$0.9465	$0.9465	$0.9465
Class 1 Shares Series 17	$0.9500	$0.9500	$0.9500
Class 1 Shares Series 19	$0.9188	$0.9188	$0.9266
Class 1 Shares Series 21[7]	-	$0.7000	$1.4000
Class 1 Shares Series 23[6]	$0.3031	$1.2125	$1.2125
Class 1 Shares Series 25	$1.1750	$1.1750	$1.1750
Class 1 Shares Series 27[8]	-	-	-
Class 1 Shares Series 28[8]	-	-	-
Class 1 Shares Series 29[8]	-	-	-

5 Class 1 Shares Series 5 were redeemed and delisted from the Toronto Stock Exchange (the "TSX"), effective December 19, 2021.
6 Class 1 Shares Series 7 and Series 23 were redeemed and delisted from the TSX, effective March 19, 2022.
7 Class 1 Shares Series 21 were redeemed and delisted from the TSX, effective June 19, 2021.
8 Until revoked, the Limited Recourse Trustee of the Limited Recourse Trust has waived its right to receive any and all dividends on the Class 1 Shares Series 27, the Class 1 Shares Series 28, and the Class 1 Shares Series 29. Until such waiver is revoked by the Limited Recourse Trustee of the Limited Recourse Trust, no dividends are expected to be declared or paid on the Class 1 Shares Series 27, the Class 1 Shares Series 28 or the Class 1 Shares Series 29.

The 2022, 2021 and 2020 dividends on the Common Shares, the Class A Shares and the Class 1 Shares were paid quarterly in March, June, September and December.

CONSTRAINTS ON OWNERSHIP OF SHARES

The ICA contains restrictions on the purchase or other acquisition, issue, transfer and voting of the shares of MFC. Pursuant to these restrictions, no person is permitted to acquire any shares of MFC if the acquisition would cause the person to have a "significant interest" in any class of shares of MFC, unless the prior approval of the Minister of Finance (Canada) is obtained. The restrictions also prohibit any person from becoming a "major shareholder" of MFC. In addition, MFC is not permitted to record in its securities register any transfer or issue of shares if the transfer or issue would cause the person to breach the ownership restrictions. For these purposes, a person has a significant interest in a class of shares of MFC where the aggregate of any shares of that class beneficially owned by that person, any entity controlled by that person and by any person associated or acting jointly or in concert with that person exceeds 10% of all the outstanding shares of that class of shares of MFC. A person is a major shareholder if the aggregate of any shares in a class of voting shares held by that person and by any entity controlled by that person exceeds 20% of the outstanding shares of that class, or, for a class of non-voting shares, a holding exceeds 30% of that class. If a person contravenes any of these restrictions, the Minister of Finance (Canada) may, by order, direct such person to dispose of all or any portion of those shares. In addition, the ICA prohibits life insurance companies, including MFC, from recording in their securities register a transfer or issue of any share to His Majesty in right of Canada or of a province, an agent or agency of His Majesty, a foreign government or an agent or agency of a foreign government and provides further that no person may exercise the voting rights attached to those shares of an insurance company. The ICA exempts from such constraints certain foreign financial institutions which are controlled by foreign governments and eligible agents provided certain conditions are satisfied.

Under applicable insurance laws and regulations in Michigan, New York and Massachusetts, no person may acquire control of any of the Company's insurance company subsidiaries domiciled in any such state without obtaining prior approval of such state's insurance regulatory authority. Under applicable laws and regulations, any person acquiring, directly or indirectly, 10% or more of the voting securities of any other person is presumed to have acquired "control" of such person. Thus, any person seeking to acquire 10% or more of the voting securities of MFC must obtain the prior approval of the insurance regulatory authorities in certain states including Michigan, Massachusetts and New York, or must demonstrate to the relevant insurance regulator's satisfaction that the acquisition of such securities will not give them control of MFC. Under state law, the failure to obtain such prior approval would entitle MFC or the insurance regulatory authorities to seek judicial injunctive relief, including enjoining the proposed acquisition or the voting of the acquired securities at any meeting of shareholders.

RATINGS

Credit rating agencies publish credit ratings, which are indicators of an issuer's ability to meet the terms of its obligations in a timely manner and are important factors in a company's overall funding profile and ability to access external capital.

Ratings are important factors in establishing the competitive position of insurance companies, maintaining public confidence in products being offered, and determining the cost of capital. A ratings downgrade, or the potential for such a downgrade, could adversely affect our operations and financial condition. Some effects of a downgrade include an increase in our cost of capital and limit in our access to the capital markets, causing some of our existing liabilities to be subject to acceleration, additional collateral support, changes in terms or additional financial obligations, the termination of our relationships with broker-dealers, banks, agents, wholesalers and other distributors of our products and services, an unfavourable impact on our ability to execute on our hedging strategy, a material increase in the number of surrenders, for all or a portion of the net cash values, by the owners of policies and contracts we have issued, and a material increase in the number of withdrawals by policyholders of cash values from their policies, and a reduction in new sales.

The following table summarizes, by type of securities, the ratings, outlook and ranking that MFC has received from select independent rating organizations as at February 9, 2023. Note that some of the rating organizations may not have assigned ratings to all classes or series of instruments under each security type.

	AM Best Company ("AM Best")		DBRS Limited & affiliated entities ("DBRS Morningstar")		Fitch Ratings Inc. ("Fitch")		S&P Global Ratings ("S&P")	
Securities	Rating/Outlook	Rank	Rating/Outlook	Rank	Rating/Outlook	Rank	Rating/Outlook	Rank
Preferred Shares	bbb / Stable	9 of 21	Pfd-2 (high) / Stable	4 of 16	BBB- / Stable	10 of 21	P-2 (High), BBB+ / Stable	4 of 18, 6 of 20
Medium Term Notes and Senior Debt	a- / Stable	7 of 21	A (high) / Stable	5 of 26	A- / Stable	7 of 21	A / Stable	6 of 22
Subordinated Debt	bbb+ / Stable	8 of 21	A / Stable	6 of 26	BBB+ / Stable	8 of 21	A- / Stable	7 of 22
Limited Recourse Capital Notes	bbb+ / Stable	8 of 21	A (low) / Stable	7 of 26	BBB- / Stable	10 of 21	BBB+ / Stable	8 of 22

The security ratings accorded by the rating organizations are not a recommendation to purchase, hold or sell these securities and may be subject to revision or withdrawal at any time by the rating organizations. Security ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities. The Company provides certain rating agencies with confidential, in-depth information in support of the rating process.

The Company has paid customary rating fees to DBRS Morningstar, Fitch and S&P in connection with some or all of the above-mentioned ratings. In addition, the Company has made customary payments in respect of certain other services provided to the Company by each of AM Best, DBRS Morningstar, Fitch, and S&P during the last two years.

AM Best Ratings

AM Best assigns ratings for preferred shares and debt in a range from "aaa" to "c". These ratings provide an opinion of an entity's ability to meet ongoing financial obligations to security holders when due, and reflects the risk that an issuer may not meet its contractual obligations. The modifiers plus (+) or minus **(**-) may be appended to a rating to denote a gradation within the category to indicate whether credit quality is near the top or bottom of a particular rating category. Rating outlooks may be positive, stable, or negative, indicating the potential future direction a rating may move over a 36-month period. The Company's current rating outlook is stable.

MFC's Class A Shares and Class 1 Shares have been assigned a "bbb" rating, which denotes a good ability to meet the terms of the obligation; however, the issue is more susceptible to changes in economic or other conditions.

MFC's Medium Term Notes and Senior Debt have been assigned an"a-" rating, which denotes an excellent ability to meet the terms of the obligation.

MFC's Subordinated Debt and Limited Recourse Capital Notes have been assigned a "bbb+" rating, which denotes a good ability to meet the terms of the obligation; however, the issue is more susceptible to changes in economic or other conditions.

DBRS Morningstar Ratings

DBRS Morningstar assigns ratings for preferred shares in a range from "Pfd-1" to "D". The DBRS Morningstar preferred share rating scale is used in the Canadian securities market and is meant to give an indication of the risk that a borrower will not fulfill its full obligations in a timely manner with respect to both dividend and principal commitments. DBRS Morningstar assigns ratings for long-term obligations in a range from "AAA" to "D". The scale provides an opinion on the risk that an issuer will fail to satisfy its financial obligations in accordance with the terms under which an obligation has been issued. Every DBRS Morningstar rating is based on quantitative and qualitative considerations relevant to the borrowing entity. Some rating categories are denoted by the subcategories "high" and "low". The absence of either a "high" or "low" designation indicates the rating is in the middle of the category. Each

DBRS Morningstar rating is appended with one of three rating trends: “Positive”, “Stable”, or “Negative”. The Company’s current rating trend is stable.

MFC’s Class A Shares and Class 1 Shares have been assigned a“Pfd-2 (high)” rating as they are considered to be of good credit quality. Protection of dividends and principal is still substantial, but earnings, the balance sheet and coverage ratios are not as strong as “Pfd-1” rated companies.

MFC’s Medium Term Notes and Senior Debt have been assigned an “A (high)” rating, while MFC’s Subordinated Debt has been assigned an “A” rating and MFC’s Limited Recourse Capital Notes have been assigned an “A (low)” rating. An obligation rated “A (high)”, “A” or “A (low)” is of good credit quality, where the capacity for the payment of financial obligations is substantial, but of lesser credit quality than “AA”. The Company may be vulnerable to future events, but qualifying negative factors are considered manageable.

Fitch Ratings

Fitch assigns ratings for preferred shares and debt in a range from “AAA” to “C” and these ratings provide an opinion on the relative ability of an entity to meet financial commitments, such as interest, preferred dividends, repayment of principal, insurance claims or counterparty obligations. These ratings are used by investors as indications of the likelihood of receiving the money owed to them in accordance with the terms on which they invested. These ratings do not directly address any risk other than credit risk. In particular, ratings do not deal with the risk of a market value loss on a rated security due to changes in interest rates, liquidity and other market considerations. The modifiers **“+”** or **“-”** may be appended to a rating to denote relative status within major rating categories. Rating outlooks indicate the direction a rating is likely to move over a one- to two-year period. Rating outlooks may be positive, stable, negative or evolving. The Company’s current rating outlook is stable.

MFC’s Class A Shares and Class 1 Shares have been assigned a“BBB-” rating. This rating indicates that expectations of credit risk are currently low. The capacity for payment of financial commitments is considered adequate but adverse business or economic conditions are more likely to impair this capacity.

MFC’s Medium Term Notes and Senior Debt have been assigned an“A-” rating. This rating denotes expectations of low credit risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

MFC’s Subordinated Debt have been assigned a “BBB+” rating, while MFC’s Limited Recourse Capital Notes have been assigned a “BBB-” rating. These ratings indicate that expectations of credit risk are currently low. The capacity for payment of financial commitments is considered adequate but adverse business or economic conditions are more likely to impair this capacity.

S&P Ratings

S&P assigns ratings for Canadian preferred shares in a range from“P-1” to “D” and these ratings are a forward-looking opinion about the creditworthiness of an obligor with respect to a specific preferred share obligation issued in the Canadian market, relative to preferred shares issued by other issuers in the Canadian market. There is a direct correspondence between the specific ratings assigned on the Canadian preferred share scale and the various rating levels on the global debt rating scale of S&P. It is the practice of S&P to present an issuer’s preferred share ratings on both the global ratings scale and the Canadian national scale when listing the ratings for a particular issuer**.** S&P’s Canadian scale preferred share ratings may be modified by the addition of “High” or “Low” to show relative standing within the major rating categories. S&P’s global scale preferred share ratings may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories. Rating outlooks assess the potential direction of preferred share credit ratings over the intermediate term (typically six months to two years). Rating outlooks may be positive, negative, stable, developing or not meaningful. The Company’s current rating outlook is stable.

S&P assigns ratings for long-term obligations in a range from “AAA” to “D”. These ratings provide a forward-looking opinion about the creditworthiness of an obligor with respect to a specific financial obligation, a specific class of

financial obligations, or a specific financial program (including ratings on medium-term note programs and commercial paper programs). S&P's long-term issue credit ratings may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories. Rating outlooks may be positive, negative, stable, developing or not meaningful. The Company's current rating outlook is stable.

MFC's Class A Shares and Class 1 Shares have been assigned a"P-2 (High)" rating on the Canadian scale (which corresponds to a "BBB+" rating on the global scale), while MFC's Limited Recourse Capital Notes have been assigned a "BBB+" rating. Obligations rated "P-2 (High)" or "BBB+" exhibit adequate protection parameters; however, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

MFC's Medium Term Notes and Senior Debt have been assigned an "A" rating, while its Subordinated Debt has been assigned an "A-" rating. An obligation rated "A" or "A-" is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories, however, the obligor's capacity to meet its financial commitment on the obligation is still strong.

MARKET FOR SECURITIES

MFC's Common Shares are listed for trading under the symbol "MFC" on the Toronto Stock Exchange ("TSX"), the New York Stock Exchange ("NYSE"), and the Philippine Stock Exchange and under "0945" on The Stock Exchange of Hong Kong. The Class A Shares Series 2 and Class A Shares Series 3 preferred shares are listed for trading on the TSX under the symbols "MFC.PR.B" and "MFC.PR.C", respectively. The Class 1 Shares Series 3, Class 1 Shares Series 4, Class 1 Shares Series 9, Class 1 Shares Series 11, Class 1 Shares Series 13, Class 1 Shares Series 15, Class 1 Shares Series 17, Class 1 Shares Series 19 and Class 1 Shares Series 25 preferred shares are listed for trading on the TSX under the symbols "MFC.PR.F", "MFC.PR.P", "MFC.PR.I", "MFC.PR.J", "MFC.PR.K", "MFC.PR.L", "MFC.PR.M", "MFC.PR.N" and "MFC.PR.Q", respectively.

Trading Price and Volume

The following table sets out the intra-day price range and trading volume of the Common Shares on the TSX and the NYSE for the period indicated.

2022	TSX			NYSE		
	High (C$)	Low (C$)	Volume (000s)	High (U.S.$)	Low (U.S.$)	Volume (000s)
January	26.47	24.42	128,336	20.92	19.16	17,330
February	28.09	25.13	264,959	22.19	19.57	16,023
March	27.13	24.48	160,413	21.68	19.14	20,967
April	27.32	24.82	127,037	21.85	19.32	14,422
May	25.54	21.75	309,643	20.03	16.63	23,675
June	23.76	21.28	162,205	18.93	16.28	17,903
July	23.58	21.75	133,249	18.40	16.50	14,212
August	24.65	22.68	206,650	19.16	17.27	11,098
September	23.58	21.23	130,816	18.18	15.48	11,770
October	22.84	20.81	85,707	16.90	14.92	14,975
November	24.30	22.00	211,287	18.07	15.95	10,655
December	24.71	23.71	129,002	18.25	17.30	10,469

The following tables set out the intra-day price range and trading volume of the Class A Shares Series 2 and Series 3 preferred shares and the Class 1 Shares Series 3, Series 4, Series 7, Series 9, Series 11, Series 13, Series 15, Series 17, Series 19, Series 23, and Series 25 preferred shares on the TSX for the period indicated. The Class 1 Shares Series 7 and Series 23 were redeemed and delisted from the TSX, effective March 19, 2022.

2022	TSX – Class A Shares Series 2			TSX – Class A Shares Series 3		
	High (C$)	Low (C$)	Volume (000s)	High (C$)	Low (C$)	Volume (000s)
January	25.40	24.52	105	24.99	24.50	132
February	25.38	22.23	108	24.85	23.31	137
March	24.55	22.93	93	24.46	22.50	202
April	22.95	20.15	224	22.89	19.82	200
May	21.85	20.22	100	21.74	19.82	98
June	22.20	19.57	111	21.83	19.03	152
July	20.66	19.45	95	20.17	18.90	146
August	21.17	19.60	94	20.49	18.97	79
September	19.61	18.28	121	19.05	17.71	177
October	19.24	17.61	130	18.65	17.12	144
November	18.84	17.95	331	18.38	17.47	408
December	19.24	18.12	387	18.75	17.92	261

2022	TSX – Class 1 Shares Series 3			TSX – Class 1 Shares Series 4		
	High (C$)	Low (C$)	Volume (000s)	High (C$)	Low (C$)	Volume (000s)
January	19.45	18.29	94	17.95	17.15	10
February	18.88	17.73	28	17.90	17.70	8
March	17.88	16.25	61	17.55	16.70	6
April	17.78	14.87	113	17.49	16.39	21
May	16.16	14.86	49	16.45	15.35	2
June	16.65	14.54	48	17.02	15.75	4
July	14.95	13.53	81	16.12	14.80	5
August	14.93	14.00	470	15.80	15.20	2
September	14.41	13.04	28	15.80	15.30	10
October	13.09	12.35	71	15.60	14.90	20
November	13.51	12.50	75	15.40	15.20	11
December	13.39	12.49	107	15.55	15.25	14

2022	TSX – Class 1 Shares Series 7			TSX – Class 1 Shares Series 9		
	High (C$)	Low (C$)	Volume (000s)	High (C$)	Low (C$)	Volume (000s)
January	25.26	25.11	389	25.39	25.10	57
February	25.25	24.97	102	25.35	24.54	91
March	25.00	24.98	37	25.20	24.35	515
April	-	-	-	25.05	23.25	308
May	-	-	-	24.94	23.70	151
June	-	-	-	25.19	24.54	282
July	-	-	-	24.90	24.21	202
August	-	-	-	24.71	23.44	233
September	-	-	-	24.35	22.26	293
October	-	-	-	23.30	21.99	219
November	-	-	-	22.68	22.09	440
December	-	-	-	22.56	22.11	286

2022	TSX – Class 1 Shares Series 11			TSX – Class 1 Shares Series 13		
	High (C$)	Low (C$)	Volume (000s)	High (C$)	Low (C$)	Volume (000s)
January	25.58	24.90	269	24.55	23.75	337
February	25.35	24.56	95	24.35	23.54	126
March	25.10	23.25	94	23.96	21.90	101
April	24.90	22.00	197	23.35	20.40	89
May	24.35	22.60	132	22.67	20.86	81
June	24.77	23.45	275	23.10	21.07	48
July	23.42	20.82	109	21.10	18.65	60
August	23.87	22.07	106	21.95	20.25	65
September	23.25	20.94	68	20.94	17.62	51
October	22.23	20.81	102	19.19	18.30	22
November	21.01	19.32	166	19.00	18.02	42
December	20.68	19.40	140	18.88	16.95	250

2022	TSX – Class 1 Shares Series 15			TSX – Class 1 Shares Series 17		
	High (C$)	Low (C$)	Volume (000s)	High (C$)	Low (C$)	Volume (000s)
January	23.48	22.65	498	24.23	23.20	89
February	23.09	22.11	92	23.75	22.75	74
March	22.70	20.85	183	23.32	21.65	131
April	22.17	19.00	96	22.80	19.37	126
May	20.79	19.58	29	21.87	19.67	72
June	21.66	18.74	62	21.88	19.17	100
July	19.10	17.26	53	20.50	17.55	134
August	19.94	18.23	69	20.40	18.78	99
September	18.82	16.90	55	19.51	17.10	124
October	17.20	16.23	38	17.60	16.42	105
November	17.27	16.36	91	18.20	16.70	233
December	17.29	16.04	141	18.00	16.75	142

2022	TSX – Class 1 Shares Series 19			TSX – Class 1 Shares Series 23		
	High (C$)	Low (C$)	Volume (000s)	High (C$)	Low (C$)	Volume (000s)
January	23.99	23.13	66	25.28	25.17	659
February	23.80	22.50	32	25.28	24.98	797
March	22.85	21.25	228	25.00	24.98	276
April	22.40	19.09	55	-	-	-
May	21.44	19.52	61	-	-	-
June	21.74	18.96	81	-	-	-
July	19.54	17.35	51	-	-	-
August	20.44	18.54	52	-	-	-
September	19.20	16.93	63	-	-	-
October	17.10	16.22	95	-	-	-
November	17.71	16.56	46	-	-	-
December	17.53	16.44	66	-	-	-

2022	TSX – Class 1 Shares Series 25		
	High (C$)	Low (C$)	Volume (000s)
January	25.60	24.80	275
February	25.15	24.55	423
March	25.24	23.29	203
April	24.78	21.80	188
May	24.28	22.33	183
June	24.65	23.10	99
July	23.34	20.32	108
August	23.50	21.86	33
September	22.95	20.34	69
October	21.05	20.10	79
November	20.38	18.40	186
December	19.50	18.60	163

Prior Sales

For information on MFC's issuances of limited recourse capital notes since January 1, 2022, see Note 12 (Equity Capital and Earnings Per Share) to MFC's 2022 Consolidated Financial Statements and see the "Capital Management Framework" section in MFC's 2022 MD&A.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

In connection with the issuances of the Series 1 Notes, Series 2 Notes and the Series 3 Notes, the Class 1 Shares Series 27, Class 1 Shares Series 28 and the Class 1 Shares Series 29, respectively, were issued to and are held in the Limited Recourse Trust and are restricted from being transferred, except to holders of the Series 1 Notes, the Series 2 Notes or the Series 3 Notes, respectively, in respect of certain events. See "General Description of Capital Structure – Certain Provisions of the Limited Recourse Capital Notes" above.

DESIGNATION OF CLASS	NUMBER OF SECURITIES HELD IN ESCROW OR THAT ARE SUBJECT TO A CONTRACTUAL RESTRICTION ON TRANSFER	PERCENTAGE OF CLASS
Class 1 Shares Series 27	2,000,000	2.49%
Class 1 Shares Series 28	1,200,000	1.50%
Class 1 Shares Series 29	1,000,000	1.25%

DIRECTORS AND EXECUTIVE OFFICERS

DIRECTORS

The by-laws of MFC provide that the Board shall consist of a minimum of seven and a maximum of 30 Directors, with the exact number of Directors to be elected at any annual meeting of MFC to be fixed by the Directors prior to such annual meeting.

The following table sets forth the Directors of MFC, as of the date of this AIF, and for each Director, their place of residence, principal occupation, years as a director and membership on Board committees.

Each Director is elected for a term of one year, expiring at the close of the next annual meeting of the Company. The next annual meeting will occur on May 11, 2023.

Name and Residence	Principal Occupation	Director Since	Board Committee Membership (1)
Donald R. Lindsay British Columbia, Canada	Chair of the Board, MFC and Manufacturers Life (2)	August 2010	CGNC (Chair)(3)
Roy Gori Ontario, Canada	President and Chief Executive Officer, MFC and Manufacturers Life (4)	October 2017	N/A (4)
Nicole S. Arnaboldi Connecticut, United States	Partner, Oak Hill Capital Management, LLC (private equity company) (5)	June 2020	MRCC (Chair) Risk
Guy L.T. Bainbridge Edinburgh, UK	Corporate Director (6)	August 2019	Audit (Chair) CGNC
Joseph P. Caron British Columbia, Canada	Former Principal and Founder, Joseph Caron Incorporated (consulting firm)	October 2010	Audit CGNC
Susan F. Dabarno Ontario, Canada	Corporate Director	March 2013	MRCC Risk
Julie E. Dickson Ontario, Canada	Corporate Director (7)	August 2019	MRCC Risk
Tsun-yan Hsieh Singapore	Chair, LinHart Group Pte Ltd. (consulting firm)	October 2011	Audit CGNC
Vanessa Kanu Ontario, Canada	Chief Financial Officer, Telus International (Cda) Inc. (technology company) (8)	February 2022	Audit CGNC
C. James Prieur Illinois, United States	Corporate Director	January 2013	MRCC Risk (Chair)
Andrea S. Rosen Ontario, Canada	Corporate Director	August 2011	Audit CGNC
May Tan Hong Kong	Corporate Director	December 2021	Audit CGNC
Leagh E. Turner Ontario, Canada	Co-Chief Executive Officer, Ceridian HCM, Inc. (software company) (9)	November 2020	MRCC Risk

Notes

(1) In this table, Audit means Audit Committee, CGNC means Corporate Governance and Nominating Committee, MRCC means Management Resources and Compensation Committee, and Risk means Risk Committee.
(2) Don Lindsay was appointed Chair of the Board effective February 15, 2023. Mr. Lindsay held the position of Vice-Chair of the Board from November 9, 2022 to February 15, 2023. Prior to October 2022, Mr. Lindsay was President and Chief Executive Officer, Teck Resources Limited.
(3) Mr. Lindsay is a member of the CGNC; however, in his capacity as Chair, Mr. Lindsay attends the meetings of all committees whenever possible.
(4) Roy Gori is not a member of any committee but attends committee meetings at the invitation of the Chair.
(5) From June 2020 to May 2021, Nicole Arnaboldi was a corporate director and from February 2019 to June 2020 she was Senior Advisor at Credit Suisse (USA). Prior to February 2019 she was Vice Chair at Credit Suisse (USA).
(6) Prior to September 2018, Guy Bainbridge was a Partner at KPMG LLP (and predecessor firms).
(7) Prior to August 2019, Julie Dickson was a Member of the Supervisory Board for the Single Supervisory Mechanism at the European Central Bank.
(8) Prior to September 2020, Vanessa Kanu was Chief Financial Officer at Mitel Networks Corporation.
(9) From August 2018 to February 2022, Leagh Turner was President and Chief Operating Officer at Ceridian HCM, Inc. Prior to August 2018, Leagh Turner was Global Chief Operating Officer, Strategic Customer Program at SAP SE.

EXECUTIVE OFFICERS

The name, place of residence, and position of each of the executive officers of Manulife are set forth in the following table as of January 1, 2023.

Name and Residence	Position with Manulife
Roy Gori Ontario, Canada	President and Chief Executive Officer
Marc Costantini Massachusetts, United States	Global Head of Inforce Management (1)
Steven A. Finch Massachusetts, United States	Chief Actuary(2)
James D. Gallagher Massachusetts, United States	General Counsel
Damien A. Green Hong Kong, People's Republic of China	President and Chief Executive Officer, Manulife Asia(3)
Marianne Harrison Massachusetts, United States	President and Chief Executive Officer, John Hancock
Scott S. Hartz Massachusetts, United States	Chief Investment Officer(4)
Rahim Hirji Ontario, Canada	Chief Risk Officer
Naveed Irshad Ontario, Canada	President and Chief Executive Officer, Manulife Canada (5)
Rahul M. Joshi Texas, United States	Chief Operations Officer(6)
Pamela O. Kimmet Florida, United States	Chief Human Resources Officer(7)
Karen A. Leggett Ontario, Canada	Chief Marketing Officer(8)
Paul R. Lorentz Ontario, Canada	President and Chief Executive Officer, Global Wealth and Asset Management(9)
Shamus E. Weiland New York, United States	Chief Information Officer(10)
Philip J. Witherington Ontario, Canada	Chief Financial Officer(11)

Notes

(1) From April 2020 to June 13, 2022, Marc Costantini was President and Chief Executive Officer, Corporate Development Strategy and Digital Solutions at Munich Re, North America Life and Health. From January 2020 to April 2020, Mr. Costantini was a consultant at Munich Re, North America Life and Health. Prior to January 2020, Mr. Costantini was Executive Vice President Commercial and Government Markets at Guardian Life Insurance Company.

(2) From April 2016 to January 1, 2018, Steve Finch was Executive Vice President and Chief Actuary.

(3) From January 2020 to June 1, 2022, Damien Green was Chief Executive Officer, Manulife (International) Limited. Prior to January 2020, Mr. Green was Chief Strategy and Transformation Officer, Manulife Asia.

(4) Prior to March 1, 2019, Scott Hartz was Global Head of General Account Investments.

(5) From November 3, 2021 to June 1, 2022, Naveed Irshad was Global Head of Inforce Management. From January 1, 2018 to November 3, 2021, Mr. Irshad was Head of North American Legacy Business. Prior to January 1, 2018, Naveed Irshad was Senior Vice President and General Manager, Manulife Singapore.

(6) From April 2017 to June 2019, Rahul Joshi was Senior Vice President of Customer Care, Walmart Ecommerce/Jet.com.

(7) Prior to August 30, 2018, Pamela Kimmet was Chief Human Resources Officer, Cardinal Health Inc.

(8) From July 2019 to February 17, 2020, Karen Leggett was a Partner at Ernst & Young Global Consulting Services. Prior to July 2019, she was the Chief Marketing Officer and Executive Vice President of Corporate Development at National Bank of Canada.

(9) From October 1, 2017 to March 1, 2019, Paul Lorentz was Head, Global Wealth and Asset Management.

(10) Prior to April 2019, Shamus Weiland was Managing Director, North America Technology Head at CitiGroup.

(11) From June 2017 to January 1, 2018, Philip Witherington was Executive Vice President and Interim General Manager, Asia.

SHARE OWNERSHIP

The number of Common Shares held by the Directors and executive officers of MFC as at December 31, 2022 was 1,089,721, which represented less than 1% of the outstanding Common Shares.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

A description of certain legal proceedings to which the Company is a party can be found in the section entitled “Legal proceedings” in Note 19 to our 2022 Consolidated Financial Statements.

Since January 1, 2022, (i) there have been no penalties or sanctions imposed against us by a Canadian securities regulatory authority, other than nominal late filing fees, or by a court relating to Canadian securities legislation, (ii) there have been no other penalties or sanctions imposed by a court or regulatory body against us that would likely be considered important to a reasonable investor in making an investment decision, and (iii) we have not entered into any settlement agreements before a court relating to Canadian securities legislation or with a Canadian securities regulatory authority.

TRANSFER AGENT AND REGISTRAR

TSX Trust Company is the principal transfer agent and registrar for MFC’s Common and Preferred shares. MFC’s transfer agents and co-transfer agents are as follows (opposite their applicable jurisdictions):

Transfer Agent	
Canada:	TSX Trust Company P.O. Box 700, Station B Montreal, Quebec, Canada, H3B 3K3 Toll Free: 1-800-783-9495 www.tsxtrust.com www.tsxtrust.com/fr
Co-Transfer Agents	
United States:	American Stock Transfer & Trust Company, LLC P.O. Box 199036 Brooklyn, NY 11219 Toll Free: 1-800-249-7702 www.astfinancial.com
Philippines:	Rizal Commercial Banking Corporation Ground Floor, West Wing GPL (Grepalife) Building 221 Senator Gil Puyat Avenue Makati City, Philippines Telephone: 632 5318 8567 www.rcbc.com/stocktransfer
Hong Kong:	Tricor Investor Services Limited 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong Telephone: 852 2980-1333 www.tricoris.com

INTERESTS OF EXPERTS

Ernst & Young LLP, Chartered Professional Accountants, Licensed Public Accountants, Toronto, Canada, is the external auditor who prepared the Reports of Independent Registered Public Accounting Firm to the Shareholders and Board of Directors on the audited consolidated financial statements of the Company, and the Report of Independent Registered Public Accounting Firm to the Shareholders and Board of Directors on Internal Control over Financial Reporting under Standards of the Public Company Accounting Oversight Board (United States). Ernst & Young LLP is independent with respect to the Company within the meaning of the CPA Code of Professional Conduct of the Chartered Professional Accountants of Ontario, United States federal securities laws and the rules and regulations thereunder, including the independence rules adopted by the SEC pursuant to the Sarbanes-Oxley Act of 2002 ("SOX") and is in compliance with Rule 3520 of the Public Company Accounting Oversight Board (United States). Under Hong Kong's Financial Reporting Council Ordinance, Ernst & Young LLP is a Recognised Public Interest Entity Auditor.

Steven Finch is the Appointed Actuary of the Company who prepared the Appointed Actuary's Report to the Shareholders of the Company. The number of Common Shares of MFC held by Steven Finch as at December 31, 2022 represented less than 1% of the outstanding Common Shares.

AUDIT COMMITTEE

Audit Committee Charter

The Audit Committee has adopted a formal Charter that describes the Audit Committee's role and responsibilities. The Charter is set out in the attached Schedule 1.

The Audit Committee is responsible for assisting the Board in its oversight role with respect to the quality and integrity of financial information, the effectiveness of the Company's internal control over financial reporting, the effectiveness of the Company's risk management and compliance practices, the performance, qualifications and independence of the independent auditor, the Company's compliance with legal and regulatory requirements, the performance of the Company's finance, actuarial, internal audit and global compliance functions, and the procedures relating to conflicts of interest, confidential information, related party transactions, and customer complaints.

Composition of the Audit Committee

MFC's Audit Committee was composed of the following members as at December 31, 2022: Guy Bainbridge (Chair of the Audit Committee), Nicole Arnaboldi, Joseph Caron, Tsun-yan Hsieh, Vanessa Kanu and Andrea Rosen. The Board has reviewed the committee membership and determined that all members are financially literate as required by the NYSE Listed Company Manual and the applicable instruments of the Canadian Securities Administrators. All committee members are independent, pursuant to applicable regulatory and stock exchange requirements. The Board has also determined that Guy Bainbridge, Nicole Arnaboldi, Tsun-yan Hsieh, Vanessa Kanu and Andrea Rosen have the necessary qualifications to be designated as audit committee financial experts under SOX. On February 15, 2023, May Tan joined the Audit Committee and Nicole Arnaboldi ceased to be a member of the Audit Committee. The Board has determined that May Tan is financially literate and has the necessary qualifications to be designated as an audit committee financial expert under SOX.

Relevant Education and Experience

In addition to the general business experience of each member of MFC's Audit Committee, each member of the Audit Committee in 2022 had relevant education and experience. Guy Bainbridge is a member of the Institute of Chartered Accountants in England and Wales and holds an MA from the University of Cambridge. Mr. Bainbridge is a former partner of KPMG LLP. Nicole Arnaboldi is a former senior executive at Credit Suisse (USA) and holds a BA from Harvard College and a JD and an MBA from Harvard University. Joseph Caron holds a BA from the University of Ottawa and is the former Principal & Founder of Joseph Caron Incorporated. Tsun-yan Hsieh holds an MBA from Harvard University and a B.Sc. Mechanical Engineering from the University of Ottawa. Vanessa Kanu holds a B.Sc in International and Financial Economics from the University of Hull, is a Chartered Accountant in Canada, a Certified

Public Accountant in the United States, and a member of the Institute of Chartered Accountants of England and Wales. Ms. Kanu currently serves as the Chief Financial Officer of Telus International (Cda) Inc. Andrea Rosen holds a BA from Yale University, an LLB from Osgoode Hall Law School and an MBA from the Schulich School of Business at York University. Ms. Rosen previously served as Vice Chair of TD Bank Financial Group and as President of TD Canada Trust. May Tan holds a B.A. in Economics and Accounting from the University of Sheffield, is a member of the Institute of Chartered Accountants of England and Wales and is a Certified Public Accountant in Hong Kong.

Pre-Approval Policies and Procedures

Our auditor independence policy requires the Audit Committee to pre-approve all audit and permitted non-audit services (including the fees and conditions) the external auditor provides. If a new service is proposed during the year that is outside the pre-approved categories or budget, it must be pre-approved by the Audit Committee Chair.

All audit and permitted non-audit services provided by Ernst & Young LLP have been pre-approved by the Audit Committee.

External Auditor Service Fees

The table below lists the services Ernst & Young LLP provided to Manulife and its subsidiaries in the last two fiscal years and the fees they charged each year.

Fees	2022 ($ in millions)	2021 ($ in millions)
Audit Fees: Includes the audit of our financial statements as well as the financial statements of our subsidiaries, segregated funds, audits of statutory filings, prospectus services, report on internal controls, reviews of quarterly reports and regulatory filings.	44.5	31.7
Audit-Related Fees: Includes consultation concerning financial accounting and reporting standards not classified as audit, due diligence in connection with proposed or consummated transactions and assurance services to report on internal controls for third parties.	3.6	3.1
Tax Fees: Includes tax compliance, tax planning and tax advice services.	0.1	0.6
All Other Fees: Includes other advisory services.	0.2	0.2
Total	**48.4**	**35.6**

Note: Total fees above exclude fees of $10.5 million in 2022 and $9.7 million in 2021 for professional services provided by Ernst & Young LLP to certain investment funds managed by subsidiaries of MFC. For certain funds, these fees are paid directly by the funds. For other funds, in addition to other administrative costs, the subsidiaries are responsible for the auditor's fees for professional services, in return for a fixed administration fee. Audit fees for 2022 above also include one-time fees for special projects related to the implementation of IFRS17 and 9 of $10.9M.

ADDITIONAL INFORMATION

Additional information with respect to the Company, including directors' and officers' remuneration and indebtedness, principal holders of MFC's securities, and securities authorized for issuance under MFC's equity compensation plans, where applicable, is contained in MFC's Management Information Circular for its most recent annual meeting of security holders that involved the election of directors. Additional financial information is provided in our 2022 Consolidated Financial Statements and our 2022 MD&A. Copies of these documents and additional information relating to the Company may be found on SEDAR at www.sedar.com and is accessible at the Company's website, www.manulife.com.

Schedule 1

Manulife Financial Corporation (the "Company")
Audit Committee Charter

1. Overall Role and Responsibility

1.1 The Audit Committee ("Committee") shall:

(a) assist the Board of Directors in its oversight role with respect to:

(i) the quality and integrity of financial information;

(ii) the effectiveness of the Company's internal control over financial reporting;

(iii) the effectiveness of the Company's risk management and compliance practices;

(iv) the independent auditor's performance, qualifications and independence;

(v) the Company's compliance with legal and regulatory requirements;

(vi) the Finance, Actuarial, Internal Audit and Global Compliance functions;

(vii) conflicts of interest and confidential information;

(viii) related party transactions; and

(ix) complaints of customers relating to obligations under the*Insurance Companies Act* (Canada) (the "Act"), and accounting, internal accounting controls and audit matters.

(b) prepare such reports of the Committee required to be included in the Proxy Circular in accordance with applicable laws or the rules of applicable securities regulatory authorities.

1.2 The Committee will also act as the conduct review committee of the Company.

2. Structure and Composition

2.1 The Committee shall consist of five or more Directors appointed by the Board of Directors on the recommendation of the Corporate Governance and Nominating Committee.

2.2 No member of the Committee shall be an officer or employee of the Company, its subsidiaries or affiliates. Members of the Committee will not be affiliated with the Company as such term is defined in the Act.

2.3 Each member of the Committee shall satisfy the applicable independence and experience requirements of the laws governing the Company, the applicable stock exchanges on which the Company's securities are listed and applicable securities regulatory authorities.

2.4 The Board of Directors shall designate one member of the Committee as the Committee Chair.

2.5 Members of the Committee shall serve at the pleasure of the Board of Directors for such term or terms as the Board of Directors may determine.

2.6 Each member of the Committee shall be financially literate as such qualification is defined by applicable law and interpreted by the Board of Directors in its business judgment.

2.7 The Board of Directors shall determine whether and how many members of the Committee qualify as a financial expert as defined by applicable law. At least one member must be an audit committee financial expert, as defined in applicable laws and regulations.

2.8 The Committee shall annually determine whether any of its members serve on the audit committee of more than three public companies (including the Committee). If any of the Committee members fall into this category, the Committee shall consider the ability of such members to effectively serve on the Committee and, if it is determined that such members are able to continue serving, the Committee shall record the reasons for such a decision.

3. Structure, Operations and Assessment

3.1 The Committee shall meet quarterly or more frequently as the Committee may determine. The Committee shall report to the Board of Directors on its activities after each of its meetings.

3.2 The affirmative vote of a majority of the members of the Committee participating in any meeting of the Committee is necessary for the adoption of any resolution.

3.3 The Committee may create one or more subcommittees and may delegate, in its discretion, all or a portion of its duties and responsibilities to such subcommittees.

3.4 The Committee shall, on an annual basis:

(a) review and assess the adequacy of this Charter and, where necessary, recommend changes to the Board of Directors for its approval;

(b) undertake a performance evaluation of the Committee comparing the performance of the Committee with the requirements of this Charter; and

(c) report the results of the performance evaluation to the Board of Directors.

The performance evaluation by the Committee shall be conducted in such manner as the Committee deems appropriate. The report to the Board of Directors may take the form of an oral report by the chair of the Committee or any other member of the Committee designated by the Committee to make this report.

3.5 The Committee is expected to establish and maintain free and open communication with management, the independent auditor, the Chief Auditor and the Chief Actuary and shall periodically meet separately with each of them.

4. Specific Duties

The Committee will carry out the following specific duties:

4.1 Oversight of the Independent Auditor

(a) Recommend to the Board for approval the appointment and, when considered appropriate, the dismissal or removal of the independent auditor for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company (subject to shareholder ratification).

(b) Review and approve the scope and terms of all audit engagements and recommend to the Board the compensation of the independent auditor.

(c) Oversee the work of the independent auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services (including resolution of disagreements between management and the independent auditor regarding financial reporting). The independent auditor shall report directly to the Committee.

(d) Pre-approve all audit services and permitted non-audit services (including the fees, terms and conditions for the performance of such services) to be provided by the independent auditor.

(e) When appropriate, the Committee may delegate to one or more members the authority to grant preapprovals of audit and permitted non-audit services and the full Committee shall be informed of each non-audit service.

(f) Review the decisions of such delegates under subsection (e) above, which shall be presented to the full Committee at its next scheduled meeting.

(g) Evaluate the qualifications, performance and independence of the independent auditor, including:

(i) reviewing and evaluating the lead partner on the independent auditor's engagement with the Company;

(ii) considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services are compatible with maintaining the auditor's independence; and

(iii) addressing any concerns raised by regulatory authorities or other stakeholders regarding the auditor's independence.

(h) Present its conclusions with respect to the independent auditor to the Board of Directors and, if so determined by the Committee, recommend that the Board of Directors take additional action to satisfy itself of the qualifications, performance and independence of the independent auditor.

(i) Obtain and review a report from the independent auditor at least annually regarding:

(i) the independent auditor's internal quality-control procedures;

(ii) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm;

(iii) any steps taken to deal with any such issues; and

(iv) all relationships between the independent auditor and the Company.

(j) At least annually, review and approve the audit plan (including any significant changes to the audit plan) and, as part of this review, satisfy itself that the audit plan is risk-based and addresses all the relevant activities over a measurable cycle and that the work of the independent auditor and Internal Audit is coordinated.

(k) Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law.

(l) Review and approve policies for the Company's hiring of partners and employees or former partners and employees of the independent auditor.

4.2 Financial Reporting

(a) Review and discuss with management and the independent auditor the annual audited financial statements, the results of the audit, any changes to the audit scope or strategy, the annual report of the auditors on the statements and any other returns or transactions required to be reviewed by the Committee and report to the Board of Directors prior to approval by the Board of Directors and the publication of earnings.

(b) Review such returns of the Company as the Superintendent of Financial Institutions (Canada) (the "Superintendent") may specify.

(c) Review and discuss with the independent auditor and with management the Company's annual and quarterly financial disclosures, including management's discussion and analysis. The Committee shall approve any reports for inclusion in the Company's Annual Report, as required by applicable legislation and make a recommendation thereon to the Board.

(d) Review the Company's disclosure policy, which governs the release of information about the Company and requires timely, accurate and fair disclosure of such information in compliance with all legal and regulatory requirements, and periodically assess the adequacy of procedures regarding disclosure of financial information.

(e) Require management to implement and maintain appropriate internal control procedures.

(f) Oversee systems of internal control and meet with the heads of the oversight functions, management and the independent auditors to assess the adequacy and effectiveness of these systems and to obtain reasonable assurance that the controls are effective.

(g) Review and discuss with management and the independent auditor management's report on its assessment of internal controls over financial reporting and the independent auditor's attestation report on management's assessment.

(h) Review, evaluate and approve the procedures established under s. 4.2(e).

(i) Review such investments and transactions that could adversely affect the well-being of the Company as the auditor or any officer of the Company may bring to the attention of the Committee.

(j) Review and discuss with management and the independent auditor the Company's quarterly financial statements prior to the publication of earnings, including:

  (i) the results of the independent auditor's review of the quarterly financial statements; and

  (ii) any matters required to be communicated by the independent auditor under applicable review standards.

(k) Review and discuss with management and the independent auditor at least annually significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including:

  (i) key areas of risk for material misstatement of the financial statements, including critical accounting estimates or areas of measurement uncertainty;

  (ii) whether the auditor considers estimates to be within an acceptable range and the rationale for the final valuation decision and whether it is consistent with industry practice;

(iii) any significant changes in the Company's selection or application of accounting or actuarial principles;

(iv) any major issues as to the adequacy of the Company's internal controls;

(v) any special steps adopted in light of material control deficiencies, if any; and

(vi) the role of any other audit firms.

(l) Review and discuss with management and the independent auditor at least annually reports from the independent auditor on:

(i) critical accounting policies and practices to be used;

(ii) significant financial reporting issues, estimates and judgments made in connection with the preparation of the financial statements;

(iii) alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor; and

(iv) other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.

(m) Meet with the independent auditor to discuss the annual financial statements and any investments or transactions that may adversely affect the well-being of the Company.

(n) Discuss with the independent auditor at least annually any "management" or "internal control" letters issued or proposed to be issued by the independent auditor to the Company and review all material correspondence between the independent auditor and management related to audit findings.

(o) Review and discuss with management and the independent auditor at least annually any significant changes to the Company's accounting and actuarial principles and practices suggested by the independent auditor, internal audit personnel or management and assess whether the Company's accounting and actuarial practices are appropriate and within the boundaries of acceptable practice.

(p) Discuss with management and approve the Company's earnings press releases, the release of earnings projections, forecast or guidance and the use of non-GAAP financial measures (if any), and the financial information provided to analysts and rating agencies.

(q) Review and discuss with management and the independent auditor at least annually the effect of regulatory and accounting initiatives as well as off-balance-sheet structures on the Company's financial statements.

(r) Discuss with the independent auditor matters required to be discussed by American Institute of Certified Public Accountants Statement on Auditing Standards No. 61 relating to the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information and any significant disagreements with management.

(s) Review and discuss with the Chief Executive Officer and the Chief Financial Officer the procedures undertaken in connection with the Chief Executive Officer and Chief Financial Officer certifications for the annual and interim filings with applicable securities regulatory authorities.

(t) Review disclosures made by the Company's Chief Executive Officer and Chief Financial Officer during their certification process for the annual and interim filing with applicable securities regulatory authorities about any significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data or any material weaknesses in the internal controls, and any fraud involving management or other employees who have a significant role in the Company's internal controls.

(u) Meet with the Chief Actuary of the Company at least annually to receive and review reports, opinions and recommendations prepared by the Chief Actuary in accordance with the Act, including the parts of the annual financial statement and the annual return filed under s. 665 of the Act, prepared by the Chief Actuary, and such other matters as the Committee may direct, including the report on the Financial Condition Testing (formerly the Dynamic Capital Adequacy Testing), which is also reviewed by the Risk Committee.

(v) Receive reports from the Chief Actuary regarding material capital model modifications and new capital model applications.

(w) Discuss with the Company's General Counsel at least annually any legal matters that may have a material impact on the financial statements, operations, assets or compliance policies and any material reports or inquiries received by the Company or any of its subsidiaries from regulators or governmental agencies.

(x) Meet with the Chief Auditor and with management to discuss the effectiveness of the internal control procedure established pursuant to s. 4.2(e).

4.3 Oversight of the Finance Function

(a) At least annually review and approve the mandate of the Chief Financial Officer and the Finance function.

(b) At least annually, review and approve the budget, structure, skills and resources of the Finance function.

(c) At least annually, review the performance evaluation of the Chief Financial Officer, with the input of the Management Resources and Compensation Committee, and assess the effectiveness of the Chief Financial Officer and the Finance function.

(d) Recommend to the Board for approval the appointment and, when considered appropriate, the dismissal of the Chief Financial Officer, who shall have direct access to the Committee.

(e) Review the results of periodic independent reviews of the Finance function.

4.4 Oversight of the Actuarial Function

(a) At least annually, review and approve the mandate for the Chief Actuary and the Actuarial function.

(b) At least annually, review and approve the budget, structure, skills and resources of the Actuarial function.

(c) At least annually, review the performance evaluation of the Chief Actuary, with the input of the Management Resources and Compensation Committee, and assess the effectiveness of the Chief Actuary and the Actuarial function.

(d) Recommend to the Board for approval the appointment and, when considered appropriate, the dismissal of the Chief Actuary, who shall have direct access to the Committee.

(e) Review the results of periodic independent reviews of the Actuarial function.

4.5 Oversight of the Internal Audit Function

(a) At least annually, review and approve the mandate of the Chief Auditor and the Internal Audit function.

(b) At least annually, review and approve the budget, structure, skills, resources, independence and qualifications of the Internal Audit function.

(c) At least annually, review and approve the audit plan of the Internal Audit function (including any significant changes to the audit plan) and, as part of this review, satisfy itself that the audit plan is risk-based and addresses all the relevant activities over a measurable cycle and that the work of the independent auditor and Internal Audit is coordinated.

(d) Review the periodic reports of the internal audit department on internal audit activities, including audit findings, recommendations and progress in meeting the annual audit plan (including the impact of any resource limitations).

(e) At least annually, review the performance evaluation and compensation of the Chief Auditor, with the input of the Management Resources and Compensation Committee, and assess the effectiveness of the Chief Auditor and the Internal Audit function.

(f) Recommend to the Board for approval the appointment and, when considered appropriate, the dismissal of the Chief Auditor, who shall have direct access to the Committee.

(g) Review the results of periodic independent reviews and self-assessments of the Internal Audit function's conformance with the International Standards for the Professional Practice of Internal Auditing and Code of Ethics, and action plans to address any significant conformance issues.

4.6 Risk Management Oversight

(a) Review reports from the Risk Committee respecting the Company's processes for assessing and managing risk.

(b) The Committee will receive reports that highlight key areas of disclosure judgement considered by the Disclosure Committee.

4.7 Oversight of Regulatory Compliance and Complaint Handling

(a) Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

(b) Discuss with management and the independent auditor at least annually any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company's financial statements or accounting.

(c) Review at least annually with the Global Compliance Chief the Company's compliance with applicable laws and regulations, and correspondence from regulators.

4.8 Oversight of the Global Compliance Function

(a) At least annually, review and approve the mandate for the Global Compliance Chief and the Global Compliance function.

(b) At least annually, review and approve the budget, structure, skills and resources of the Global Compliance function.

(c) At least annually, review the performance evaluation of the Global Compliance Chief, with the input of the Management Resources and Compensation Committee, and assess the effectiveness of the Global Compliance Chief and the Global Compliance function.

(d) Recommend to the Board for approval, the appointment and, when considered appropriate, the dismissal of the Global Compliance Chief, who shall have direct access to the Committee.

(e) Review the results of periodic independent reviews of the Global Compliance function.

4.9 Oversight of the Anti-Money Laundering and Anti-Terrorist Financing Program

(a) The Committee shall review the Company's Anti-Money Laundering and Anti-Terrorist Financing Policy.

(b) The Committee shall meet with the Chief Anti-Money Laundering Officer as necessary to review the AML/ATF Program.

(c) The Committee shall meet with the Chief Auditor as necessary to review results of testing of the effectiveness of the AML/ATF Program.

4.10 Review of Ethical Standards

(a) Annual review of the Company's Code of Business Conduct and Ethics.

(b) Establish procedures to receive and process any request from executive officer(s) and Director(s) for waiver of the Company's Code of Business Conduct and Ethics.

(c) Grant any waiver of the Company's Code of Business Conduct and Ethics to executive officer(s) and Director(s) as the Committee may in its sole discretion deem appropriate and arrange for any such waiver to be promptly disclosed to the shareholders in accordance with applicable laws or the rules of applicable securities regulatory authorities.

(d) Annual review and assessment of procedures established by the Board of Directors to resolve conflicts of interest, including techniques for identification of potential conflict situations.

(e) Review and assessment of procedures established by the Board of Directors for restricting the use of confidential information.

4.11 Self Dealing and Disclosure Requirements

(a) Require management to establish procedures for complying with Part XI (Self-Dealing) of the Act (the "Related Party Standards").

(b) Establish criteria for the determination of materiality of a transaction with a related party.

(c) Annual review of the Related Party Standards and their effectiveness in ensuring that the Company is complying with Part XI of the Act and the Sarbanes-Oxley Act.

(d) Review the practices of the Company to ensure that any transactions with related parties of the Company that may have a material effect on the stability or solvency of the Company are identified.

(e) Ensure that, within 90 days after the end of each financial year of the Company, the Committee will report to the Superintendent on its activities of the previous year respecting conduct review, undertaken in carrying out its responsibilities under the Act (and, in particular, in respect of (a), (c), and (d) above).

(f) The Committee shall report to the Superintendent on its mandate respecting conduct review and responsibilities of the Committee and the procedures referred to in (a) above.

(g) Review and assessment of the procedures established by the Board of Directors to disclose information to customers of the Company under the Act, if applicable, and of the procedures for dealing with complaints of customers of the Company to satisfy itself that the applicable procedures are being followed.

4.12 Proxy Circular

(a) The Committee shall prepare a report on its activities on an annual basis to be included in the Proxy Circular, as may be required by applicable laws or rules of applicable securities regulatory authorities.

4.13 Duties and Responsibilities Delegated by the Board

(a) Exercise such other powers and perform such other duties and responsibilities as are incidental to the purposes, duties and responsibilities specified herein and as may from time to time be delegated to the Committee by the Board of Directors.

5. Funding for the Independent Auditor and Retention of External Advisors

The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to the independent auditor for the purpose of issuing an audit report and to any advisors retained by the Committee. The Committee shall have the authority to retain such external advisors as it may from time to time deem necessary or advisable for its purposes and to set the terms of the retainer. The expenses related to any such engagement shall also be funded by the Company.

Exhibit 99.4

Certification of Annual Filings

Manulife Financial Corporation

I, Roy Gori, certify that:

1. I have reviewed this annual report on Form 40-F of Manulife Financial Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;
4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and
5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: February 15, 2023

/s/ Roy Gori
Roy Gori
President and Chief Executive Officer

Exhibit 99.5

Certification of Annual Filings

Manulife Financial Corporation

I, Philip J. Witherington, certify that:

1. I have reviewed this annual report on Form 40-F of Manulife Financial Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;
4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and
5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: February 15, 2023

/s/ Philip J. Witherington
Philip J. Witherington
Chief Financial Officer

Exhibit 99.6

CERTIFICATION
Pursuant to 18 United States Code s. 1350
As adopted pursuant to
Section 906 of the Sarbanes–Oxley Act of 2002

In connection with the Annual Report on Form 40-F of Manulife Financial Corporation (the "Company") for the year ended December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer of the Company certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 15, 2023

/s/ Roy Gori
Name: Roy Gori
Title: President and Chief Executive Officer

Exhibit 99.7

CERTIFICATION
Pursuant to 18 United States Code s. 1350
As adopted pursuant to
Section 906 of the Sarbanes–Oxley Act of 2002

In connection with the Annual Report on Form 40-F of Manulife Financial Corporation (the "Company") for the year ended December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer of the Company certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 15, 2023

/s/ Philip J. Witherington
Philip J. Witherington
Chief Financial Officer

Exhibit 99.8

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the reference to our firm under the caption “Interests of Experts” and to the incorporation by reference in the following Registration Statements:

- Registration Statement (Form S-8 No. 333-12610) of Manulife Financial Corporation pertaining to the Manulife Financial Corporation Stock Plan for Non-Employee Directors and Executive Stock Option Plan;
- Registration Statement (Form S-8 No. 333-13072) of Manulife Financial Corporation pertaining to the Manulife Financial Corporation Global Share Ownership Plan;
- Registration Statement (Form S-8 No. 333-157326) of Manulife Financial Corporation pertaining to the Stock Plan for Non-Employee Directors, Executive Stock Option Plan and Global Share Ownership Plan;
- Registration Statement (Form S-8 No. 333-114951) of Manulife Financial Corporation pertaining to the John Hancock Financial Services, Inc. 1999 Long-Term Stock Incentive Plan, as amended and the John Hancock Financial Services, Inc. Non-Employee Directors’ Long-Term Stock Incentive Plan;
- Registration Statement (Form S-8 No. 333-129430) of Manulife Financial Corporation pertaining to the Deferred Compensation Plan for Certain Employees of John Hancock and the Deferred Compensation Plan of the John Hancock Financial Network;
- Registration Statement (Form S-8 No. 333-211366) of Manulife Financial Corporation pertaining to the Deferred Compensation Plan for Certain Employees of John Hancock and the Deferred Compensation Plan for the John Hancock Financial Network;
- Registration Statement (Form F-10 No. 333-259543) of Manulife Financial Corporation pertaining to Manulife Financial Corporation’s shelf prospectus offering Debt Securities, Preferred Shares, Common Shares, Subscription Receipts, Warrants, Share Purchase Contracts and Units;
- Registration Statement (Form F-3D No. 333-159176) of Manulife Financial Corporation pertaining to the Manulife Financial Corporation Dividend Reinvestment and Share Purchase Plan for U.S. Shareholders

of Manulife Financial Corporation (the “Company”) and the use herein of our reports dated February 15, 2023, with respect to the consolidated statements of financial position as at December 31, 2022 and December 31, 2021 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the years in the two-year period ended December 31, 2022, and the effectiveness of internal control over financial reporting of the Company as of December 31, 2022, included in this Annual Report on Form 40-F.

/s/ *“Ernst & Young LLP”*

Toronto, Canada
February 15, 2023

Chartered Professional Accountants
Licensed Public Accountants

Exhibit 99.9

CONSENT OF APPOINTED ACTUARY

I hereby consent to the use and incorporation by reference in this Annual Report on Form 40-F of Manulife Financial Corporation (the "Company") for the year ended December 31, 2022 of my Appointed Actuary's Report to the Shareholders dated February 15, 2023 (the "Report"), relating to the valuation of the policy liabilities and reinsurance recoverables of the Company for its Consolidated Statements of Financial Position as at December 31, 2022 and 2021 and their change in the Consolidated Statements of Income for the years then ended.

/s/ Steven A. Finch
Steven A. Finch
Chief Actuary
Fellow, Canadian Institute of Actuaries
Toronto, Canada

Date: February 15, 2023