

Consolidated Balance Sheets

(Canadian \$ in millions)	As at December 31	2000	1999
ASSETS			
	Invested assets (note 3)		
	Bonds	\$ 33,270	\$ 30,853
	Mortgages	7,174	6,867
	Stocks	4,621	4,832
	Real estate	3,262	3,179
	Policy loans	3,616	3,207
	Cash and short-term investments	3,783	3,047
	Other investments	884	1,180
	Total invested assets	\$ 56,610	\$ 53,165
	Other assets		
	Accrued investment income	\$ 834	\$ 727
	Outstanding premiums	487	357
	Future income taxes (note 5)	515	529
	Miscellaneous	1,621	1,930
	Total other assets	\$ 3,457	\$ 3,543
	Total assets	\$ 60,067	\$ 56,708
	Segregated fund net assets	\$ 54,908	\$ 49,055
LIABILITIES AND EQUITY			
	Actuarial liabilities (note 4)	\$ 41,384	\$ 39,748
	Benefits payable and provision for unreported claims	1,800	1,522
	Policyholder amounts on deposit	1,371	1,166
	Deferred realized net gains (note 3)	3,434	2,266
	Banking deposits	592	333
	Other liabilities	2,632	3,152
		\$ 51,213	\$ 48,187
	Subordinated debt (note 6)	588	582
	Non-controlling interest in subsidiaries	299	750
	Trust preferred securities issued by subsidiaries (note 7)	756	735
	Equity (note 8)		
	Participating policyholders' equity	54	61
	Shareholders' equity		
	Common shares (note 9)	612	628
	Shareholders' retained earnings	6,545	5,765
	Total equity	\$ 7,211	\$ 6,454
	Commitments and contingencies (note 14)		
	Total liabilities and equity	\$ 60,067	\$ 56,708
	Segregated fund net liabilities	\$ 54,908	\$ 49,055

Signed,

Dominic D'Alessandro
President and
Chief Executive Officer

Signed,

Arthur R. Sawchuk
Chairman of the
Board of Directors

Consolidated Statements of Operations

(Canadian \$ in millions)	For the years ended December 31	2000	1999
Revenue			
Premium income		\$ 8,515	\$ 8,672
Investment income (note 3(b))		4,350	4,369
Other revenue		1,287	1,015
Total revenue		\$ 14,152	\$ 14,056
Policy benefits and expenses			
To policyholders and beneficiaries			
Death and disability benefits		\$ 2,480	\$ 2,136
Maturity and surrender benefits		2,500	2,064
Annuity payments		1,235	1,267
Policyholder dividends and experience rating refunds		859	738
Net transfers to segregated funds		1,439	1,141
Increase in actuarial liabilities (note 4)		822	2,628
General expenses		2,191	1,817
Commissions		1,086	886
Interest expense		191	179
Premium taxes		96	84
Non-controlling interest in subsidiaries		(151)	(114)
Trust preferred securities issued by subsidiaries		63	62
Total policy benefits and expenses		\$ 12,811	\$ 12,888
Income before income taxes		\$ 1,341	\$ 1,168
Income taxes (note 5)		(273)	(302)
Net income		\$ 1,068	\$ 866
Net loss attributed to:			
Participating policyholders (after demutualization)		\$ (7)	\$ (8)
Net income attributed to:			
Shareholders (after demutualization)		\$ 1,075	\$ 267
Mutual operations (prior to demutualization)		-	607
Adjusted shareholders' net income		\$ 1,075	\$ 874
Net income		\$ 1,068	\$ 866
Earnings per share (note 11)			

Consolidated Statements of Equity

(Canadian \$ in millions) For the years ended December 31	Participating Policyholders	Shareholders	2000	1999
Operating retained earnings				
Balance, January 1	\$ 61	\$ 5,722	\$ 5,783	\$ 5,762
Conversion costs (note 8)	–	–	–	(31)
Net income as a mutual operation	–	–	–	607
Balance, September 23, 1999 as restated on demutualization	\$ 61	\$ 5,722	\$ 5,783	\$ 6,338
Cash distributions by Manufacturers Life to certain participating policyholders	–	–	–	(694)
Net income (loss) as a stock company	(7)	1,075	1,068	259
Shareholder dividends	–	(193)	(193)	–
Purchase and cancellation of common shares (note 9)	–	(190)	(190)	(120)
Balance, December 31	\$ 54	\$ 6,414	\$ 6,468	\$ 5,783
Currency translation account				
Balance, January 1	\$ –	\$ 43	\$ 43	\$ 243
Change during the year as a stock company	–	88	88	(84)
Change during the year as a mutual company	–	–	–	(116)
Balance, December 31	\$ –	\$ 131	\$ 131	\$ 43
Retained earnings	\$ 54	\$ 6,545	\$ 6,599	\$ 5,826
Common shares				
Balance, January 1	\$ –	\$ 628	\$ 628	\$ –
Issue of common shares (note 9)	–	–	–	694
Initial public offering costs (note 9)	–	–	–	(58)
Purchase and cancellation of common shares (note 9)	–	(16)	(16)	(8)
Balance, December 31	\$ –	\$ 612	\$ 612	\$ 628
Total equity	\$ 54	\$ 7,157	\$ 7,211	\$ 6,454

Consolidated Statements of Cash Flows

(Canadian \$ in millions)	For the years ended December 31	2000	1999
Operating activities			
Operating cash inflows			
Premiums and annuity considerations		\$ 8,385	\$ 7,955
Investment income received		3,670	3,523
Other revenue		1,287	1,015
Total operating cash inflows		\$ 13,342	\$ 12,493
Operating cash outflows			
Benefit payments		\$ 5,969	\$ 5,334
Insurance expenses and taxes (note 5 and 6)		3,624	2,883
Dividends paid to policyholders		859	738
Net transfers to segregated funds		1,439	1,141
Change in other assets and liabilities		(460)	(502)
Total operating cash outflows		\$ 11,431	\$ 9,594
Cash provided by operating activities		\$ 1,911	\$ 2,899
Investing activities			
Purchases and mortgage advances		\$ (33,882)	\$ (32,354)
Disposals and repayments		33,600	30,433
Cash used in investing activities		\$ (282)	\$ (1,921)
Financing activities			
Increase (decrease) in repurchase agreements and securities sold but not yet purchased		\$ (559)	\$ 810
Shareholder dividends		(193)	–
Purchase and cancellation of common shares (note 9)		(206)	(128)
Borrowed (repaid) funds, net		(1)	51
Issue of common shares (note 9)		–	694
Payments to certain policyholders and underwriters upon demutualization (note 8)		–	(735)
Cash provided by (used in) financing activities		\$ (959)	\$ 692
Cash and short-term investments			
Increase during the year		\$ 670	\$ 1,670
Balance, January 1		2,810	1,140
Balance, December 31		\$ 3,480	\$ 2,810
Composition of cash and short-term investments			
Beginning of year			
Gross cash and short-term investments		\$ 3,047	\$ 1,329
Net payments in transit, included in other liabilities		(237)	(189)
Net cash and short-term investments, January 1		\$ 2,810	\$ 1,140
End of year			
Gross cash and short-term investments		\$ 3,783	\$ 3,047
Net payments in transit, included in other liabilities		(303)	(237)
Net cash and short-term investments, December 31		\$ 3,480	\$ 2,810

Segregated Funds

Consolidated Statements of Net Assets

(Canadian \$ in millions)	As at December 31	2000	1999
Investments, at market values			
	Bonds	\$ 2,567	\$ 3,188
	Stocks	49,880	42,903
	Real estate	2	7
	Cash and short-term investments	2,428	2,948
	Accrued investment income	16	24
	Other assets (liabilities), net	15	(15)
Total segregated fund net assets, December 31		\$ 54,908	\$ 49,055
Composition of segregated fund net assets:			
	Held by Policyholders	\$ 54,705	\$ 48,993
	Held by the Company	203	62
Total segregated fund net assets, December 31		\$ 54,908	\$ 49,055

Segregated Funds

Consolidated Statements of Changes in Net Assets

(Canadian \$ in millions)	For the years ended December 31	2000	1999
Additions			
	Deposits from policyholders	\$ 14,777	\$ 10,709
	Realized and unrealized investment gains (losses)	(5,977)	6,199
	Interest and dividends	2,613	1,773
	Net transfers from general fund	1,439	1,141
	Currency revaluation	1,793	(2,356)
Total additions		\$ 14,645	\$ 17,466
Deductions			
	Payments to policyholders	\$ 7,990	\$ 5,982
	Management and administrative fees	802	629
Total deductions		\$ 8,792	\$ 6,611
	Net addition to segregated funds for the year	\$ 5,853	\$ 10,855
	Segregated fund net assets, January 1	49,055	38,200
Segregated fund net assets, December 31		\$ 54,908	\$ 49,055