

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 Canadian generally accepted accounting principles and the accounting requirements of the Superintendent of Financial Institutions (Canada). Appropriate accounting policies and estimates are also used in the determination of the information prepared in accordance with United States generally accepted accounting principles. When alternative accounting methods exist, or when estimates and judgement 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, consistent with reasonable cost, to ensure that financial information is both relevant and reliable. The systems of internal control are assessed on an ongoing basis by 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 such 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 and Risk Management Committee of unrelated directors appointed by the Board of Directors.

The Audit and Risk Management Committee meets periodically with management, the internal auditors, the external auditors and the Appointed Actuary to discuss internal control over the financial reporting process, auditing matters and financial reporting issues. The Audit and Risk Management Committee reviews the consolidated financial statements and recommends them to the Board of Directors for approval. The Audit and Risk Management 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 Canadian generally accepted auditing standards. Ernst & Young LLP has full and free access to the Audit and Risk Management Committee.

DOMINIC D'ALESSANDRO

*President and
Chief Executive Officer
Toronto, Canada*

PETER H. RUBENOVITCH

*Executive Vice President and
Chief Financial Officer*

February 4, 2003

APPOINTED ACTUARY'S REPORT TO THE SHAREHOLDERS AND DIRECTORS

I have valued the policy liabilities of Manulife Financial Corporation for its Consolidated Balance Sheets as at December 31, 2002 and 2001 and their change in the Consolidated Statements of Operations 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 makes appropriate provision for all policyholder obligations and the consolidated financial statements fairly present the results of the valuation.

GEOFF I. GUY, F.C.I.A.

*Executive Vice President and Appointed Actuary
Toronto, Canada*

February 4, 2003

AUDITORS' REPORT TO THE SHAREHOLDERS AND DIRECTORS

We have audited the Consolidated Balance Sheets of Manulife Financial Corporation and the Consolidated Statements of Net Assets of its Segregated Funds as at December 31, 2002 and 2001 and the Consolidated Statements of Operations, Equity, Cash Flows and Changes in Net Assets of its Segregated Funds for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company and its Segregated Funds as at December 31, 2002 and 2001 and the results of the Company's operations and cash flows and the changes in the net assets of its Segregated Funds for the years then ended in accordance with Canadian generally accepted accounting principles, including the accounting requirements of the Superintendent of Financial Institutions (Canada).

ERNST & YOUNG LLP

*Chartered Accountants
Toronto, Canada*

February 4, 2003

CONSOLIDATED STATEMENTS OF OPERATIONS

For the years ended December 31		
(Canadian \$ in millions, except per share amounts)		
	2002	2001
Revenue		
Premium income	\$ 10,779	\$ 10,247
Investment income (note 3(b))	4,235	4,479
Other revenue	1,518	1,505
Total revenue	\$ 16,532	\$ 16,231
Policy benefits and expenses		
To policyholders and beneficiaries		
Death and disability benefits	\$ 3,388	\$ 3,186
Maturity and surrender benefits	4,045	4,171
Annuity payments	1,342	1,307
Policyholder dividends and experience rating refunds	932	900
Net transfers to segregated funds	656	1,470
Change in actuarial liabilities (note 4)	307	(208)
General expenses	2,490	2,478
Commissions	1,207	1,133
Interest expense	243	257
Premium taxes	111	105
Non-controlling interest in subsidiaries	72	4
Trust preferred securities issued by subsidiaries	65	65
Total policy benefits and expenses	\$ 14,858	\$ 14,868
Income before income taxes	\$ 1,674	\$ 1,363
Income taxes (note 5)	(304)	(196)
Net income	\$ 1,370	\$ 1,167
Net income (loss) attributed to participating policyholders	\$ (8)	\$ 8
Net income attributed to shareholders	\$ 1,378	\$ 1,159
Net income	\$ 1,370	\$ 1,167
Weighted average number of common shares		
outstanding (in millions)	476	482
Weighted average number of diluted common shares		
outstanding (in millions)	479	486
Basic earnings per share	\$ 2.90	\$ 2.40
Diluted earnings per share	\$ 2.88	\$ 2.38

The accompanying notes to these consolidated financial statements are an integral part of these statements.

CONSOLIDATED BALANCE SHEETS

As at December 31 (Canadian \$ in millions)	2002	2001
ASSETS		
Invested assets (note 3)		
Bonds	\$ 46,677	\$ 46,070
Mortgages	9,294	7,902
Stocks	6,898	6,964
Real estate	3,570	3,484
Policy loans	4,939	4,644
Cash and short-term investments	5,143	4,995
Other investments	1,041	693
Total invested assets	\$ 77,562	\$ 74,752
Other assets		
Accrued investment income	\$ 1,010	\$ 1,041
Outstanding premiums	558	482
Future income taxes (note 5)	132	517
Goodwill	634	595
Miscellaneous	1,299	1,226
Total other assets	\$ 3,633	\$ 3,861
Total assets	\$ 81,195	\$ 78,613
Segregated funds net assets	\$ 58,831	\$ 59,206
LIABILITIES AND EQUITY		
Actuarial liabilities (note 4)	\$ 56,397	\$ 54,690
Benefits payable and provision for unreported claims	2,693	2,411
Policyholder amounts on deposit	2,835	2,702
Deferred realized net gains (note 3)	3,297	3,583
Banking deposits	1,437	769
Other liabilities	2,499	2,881
	\$ 69,158	\$ 67,036
Subordinated debt (note 6)	1,436	1,418
Non-controlling interest in subsidiaries (note 7)	1,059	1,064
Trust preferred securities issued by subsidiaries (note 8)	794	802
Equity		
Participating policyholders' equity	92	62
Shareholders' equity		
Common shares (note 9)	596	614
Shareholders' retained earnings	8,060	7,617
Total equity	\$ 8,748	\$ 8,293
Commitments and contingencies (note 13)		
Total liabilities and equity	\$ 81,195	\$ 78,613
Segregated funds net liabilities	\$ 58,831	\$ 59,206

The accompanying notes to these consolidated financial statements are an integral part of these statements.

DOMINIC D'ALESSANDRO
President and
Chief Executive Officer

ARTHUR R. SAWCHUK
Chairman of the
Board of Directors

CONSOLIDATED STATEMENTS OF EQUITY

For the years ended December 31 (Canadian \$ in millions)	Participating policyholders	Shareholders	2002	2001
Operating retained earnings				
Balance, January 1	\$ 62	\$ 7,330	\$ 7,392	\$ 6,468
Net income (loss)	(8)	1,378	1,370	1,167
Shareholder dividends	–	(285)	(285)	(231)
Issuance costs	–	–	–	(12)
Purchase and cancellation of common shares (note 9)	–	(700)	(700)	–
Transfer of participating policyholders' retained earnings from acquisition	38	–	38	–
Balance, December 31	\$ 92	\$ 7,723	\$ 7,815	\$ 7,392
Currency translation account				
Balance, January 1	\$ –	\$ 287	\$ 287	\$ 131
Change during the year	–	50	50	156
Balance, December 31	\$ –	\$ 337	\$ 337	\$ 287
Total retained earnings	\$ 92	\$ 8,060	\$ 8,152	\$ 7,679
Common shares				
Balance, January 1	\$ –	\$ 614	\$ 614	\$ 612
Common shares issued on exercise of options (note 9)	–	8	8	2
Purchase and cancellation of common shares (note 9)	–	(26)	(26)	–
Balance, December 31	\$ –	\$ 596	\$ 596	\$ 614
Total equity	\$ 92	\$ 8,656	\$ 8,748	\$ 8,293

The accompanying notes to these consolidated financial statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31 (Canadian \$ in millions)	2002	2001
Operating activities		
Operating cash inflows		
Premiums and annuity considerations	\$ 10,705	\$ 10,255
Investment income received	4,124	3,839
Other revenue	1,518	1,471
Total operating cash inflows	\$ 16,347	\$ 15,565
Operating cash outflows		
Benefit payments	\$ 8,505	\$ 10,981
Insurance expenses and taxes (notes 5 and 6)	4,042	3,980
Dividends paid to policyholders	932	900
Net transfers to segregated funds	656	1,470
Change in other assets and liabilities	(46)	1,143
Total operating cash outflows	\$ 14,089	\$ 18,474
Cash provided by (used in) operating activities	\$ 2,258	\$ (2,909)
Investing activities		
Purchases and mortgage advances	\$ (46,259)	\$ (48,468)
Disposals and repayments	44,980	39,718
Cash received from assumptions and acquisition of businesses, net of cash paid	(139)	10,874
Net cash proceeds on disposition of Seamark Asset Management Ltd.	-	29
Cash provided by (used in) investing activities	\$ (1,418)	\$ 2,153
Financing activities		
Increase (decrease) in repurchase agreements and securities sold but not yet purchased	\$ (356)	\$ 273
Banking deposits, net	668	177
Shareholder dividends	(285)	(231)
Borrowed (repaid) funds, net	(2)	32
Issue of subordinated debt, net (note 6)	-	796
Issue of Manulife Financial Capital Securities, net (note 7)	-	988
Common shares issued on exercise of options (note 9)	8	2
Purchase and cancellation of common shares (note 9)	(726)	-
Cash provided by (used in) financing activities	\$ (693)	\$ 2,037
Cash and short-term investments		
Increase during the year	\$ 147	\$ 1,281
Balance, January 1	4,761	3,480
Balance, December 31	\$ 4,908	\$ 4,761
COMPOSITION OF CASH AND SHORT-TERM INVESTMENTS		
Beginning of year		
Gross cash and short-term investments	\$ 4,995	\$ 3,783
Net payments in transit, included in other liabilities	(234)	(303)
Net cash and short-term investments, January 1	\$ 4,761	\$ 3,480
End of year		
Gross cash and short-term investments	\$ 5,143	\$ 4,995
Net payments in transit, included in other liabilities	(235)	(234)
Net cash and short-term investments, December 31	\$ 4,908	\$ 4,761

The accompanying notes to these consolidated financial statements are an integral part of these statements.

SEGREGATED FUNDS CONSOLIDATED STATEMENTS OF NET ASSETS

As at December 31 (Canadian \$ in millions)	2002	2001
Investments, at market values		
Bonds	\$ 3,698	\$ 2,405
Stocks	51,014	53,511
Mortgages	26	–
Real estate	–	2
Cash and short-term investments	4,119	3,390
Accrued investment income	10	9
Other assets (liabilities), net	(36)	(111)
Total segregated funds net assets	\$ 58,831	\$ 59,206
Composition of segregated funds net assets:		
Held by Policyholders	\$ 58,450	\$ 59,052
Held by the Company	381	154
Total segregated funds net assets	\$ 58,831	\$ 59,206

SEGREGATED FUNDS CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the years ended December 31 (Canadian \$ in millions)	2002	2001
Additions		
Deposits from policyholders	\$ 17,013	\$ 14,044
Net realized and unrealized investment losses	(10,552)	(7,868)
Interest and dividends	1,332	1,505
Net transfers from general fund	656	1,470
Funds assumed and acquired (note 11)	40	287
Currency revaluation	(377)	2,697
Total additions	\$ 8,112	\$ 12,135
Deductions		
Payments to policyholders	\$ 7,617	\$ 6,993
Management and administrative fees	870	844
Total deductions	\$ 8,487	\$ 7,837
Net addition (reduction) to segregated funds for the year	\$ (375)	\$ 4,298
Segregated funds net assets, January 1	59,206	54,908
Segregated funds net assets, December 31	\$ 58,831	\$ 59,206

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