

Consolidated Statements of Operations

For the years ended December 31

(Canadian \$ in millions, except per share amounts)

	2003	2002
Revenue		
Premium income	\$ 10,540	\$ 10,779
Investment income (note 3(b))	4,561	4,235
Other revenue	1,555	1,518
Total revenue	\$ 16,656	\$ 16,532
Policy benefits and expenses		
To policyholders and beneficiaries		
Death and disability benefits	\$ 3,109	\$ 3,388
Maturity and surrender benefits	3,200	4,045
Annuity payments	1,268	1,342
Policyholder dividends and experience rating refunds	889	932
Net transfers to segregated funds	865	656
Change in actuarial liabilities (note 4(e))	1,147	307
General expenses	2,559	2,490
Commissions	1,280	1,207
Interest expense	253	243
Premium taxes	119	111
Non-controlling interest in subsidiaries	57	72
Trust preferred securities issued by subsidiaries	58	65
Total policy benefits and expenses	\$ 14,804	\$ 14,858
Income before income taxes	\$ 1,852	\$ 1,674
Income taxes (note 5)	(316)	(304)
Net income	\$ 1,536	\$ 1,370
Loss attributed to participating policyholders	\$ 10	\$ 8
Net income attributed to shareholders	\$ 1,546	\$ 1,378
Preferred share dividends	7	-
Net income available to common shareholders	\$ 1,539	\$ 1,378
Weighted average number of common shares outstanding (in millions)	463	476
Weighted average number of diluted common shares outstanding (in millions)	466	479
Basic earnings per common share	\$ 3.33	\$ 2.90
Diluted earnings per common share	\$ 3.31	\$ 2.88

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)

	2003	2002
Assets		
Invested assets (note 3)		
Bonds	\$ 42,216	\$ 46,677
Mortgages	10,401	9,294
Stocks	5,866	6,898
Real estate	3,962	3,570
Policy loans	4,348	4,939
Cash and short-term investments	5,877	5,143
Manulife Bank loans	934	566
Other investments	861	475
Total invested assets	\$ 74,465	\$ 77,562
Other assets		
Accrued investment income	\$ 914	\$ 1,010
Outstanding premiums	490	558
Future income tax asset (note 5)	–	132
Goodwill	589	634
Miscellaneous	1,058	1,299
Total other assets	\$ 3,051	\$ 3,633
Total assets	\$ 77,516	\$ 81,195
Segregated funds net assets		
	\$ 71,464	\$ 58,831
Liabilities and Equity		
Actuarial liabilities (note 4)	\$ 51,647	\$ 56,397
Benefits payable and provision for unreported claims	2,083	2,693
Policyholder amounts on deposit	2,499	2,835
Deferred realized net gains (note 3)	3,343	3,297
Manulife Bank deposits	2,550	1,437
Future income tax liability (note 5)	170	–
Other liabilities	3,156	2,499
	\$ 65,448	\$ 69,158
Subordinated debt (note 6)	1,123	1,436
Non-controlling interest in subsidiaries (note 7)	1,037	1,059
Trust preferred securities issued by subsidiaries (note 8)	650	794
Equity		
Participating policyholders' equity	82	92
Shareholders' equity		
Preferred shares (note 9)	344	–
Common shares (note 9)	599	596
Contributed surplus (note 10)	14	–
Retained earnings and currency translation account	8,219	8,060
Total equity	\$ 9,258	\$ 8,748
Total liabilities and equity	\$ 77,516	\$ 81,195
Segregated funds net liabilities		
	\$ 71,464	\$ 58,831

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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		2003		2002	
Preferred shares								
Balance, January 1	\$	–	\$	–	\$	–	\$	–
Preferred shares issued (note 9)		–		350		350		–
Issuance costs, net of tax		–		(6)		(6)		–
Balance, December 31	\$	–	\$	344	\$	344	\$	–
Common shares								
Balance, January 1	\$	–	\$	596	\$	596	\$	614
Issued on exercise of options (note 9)		–		3		3		8
Purchase and cancellation (note 9)		–		–		–		(26)
Balance, December 31	\$	–	\$	599	\$	599	\$	596
Contributed surplus								
Balance, January 1	\$	–	\$	–	\$	–	\$	–
Stock-based compensation expense (note 10)		–		14		14		–
Balance, December 31	\$	–	\$	14	\$	14	\$	–
Retained earnings								
Balance, January 1	\$	92	\$	7,723	\$	7,815	\$	7,392
Net income (loss)		(10)		1,546		1,536		1,370
Preferred share dividends		–		(7)		(7)		–
Common share dividends		–		(361)		(361)		(285)
Purchase and cancellation of common shares (note 9)		–		(9)		(9)		(700)
Transfer of participating policyholders' retained earnings from acquisition		–		–		–		38
Balance, December 31	\$	82	\$	8,892	\$	8,974	\$	7,815
Currency translation account								
Balance, January 1	\$	–	\$	337	\$	337	\$	287
Change during the year		–		(1,010)		(1,010)		50
Balance, December 31	\$	–	\$	(673)	\$	(673)	\$	337
Total retained earnings and currency translation account	\$	82	\$	8,219	\$	8,301	\$	8,152
Total equity	\$	82	\$	9,176	\$	9,258	\$	8,748

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Consolidated Statements of Cash Flows

For the years ended December 31

(Canadian \$ in millions)

	2003	2002
Operating activities		
Operating cash inflows		
Premiums and annuity considerations	\$ 10,540	\$ 10,705
Investment income received	4,058	4,124
Other revenue	1,555	1,518
Total operating cash inflows	\$ 16,153	\$ 16,347
Operating cash outflows		
Benefit payments	\$ 7,794	\$ 8,505
Insurance expenses and taxes (notes 5 and 6)	4,367	4,042
Policyholder dividends and experience rating refunds	889	932
Net transfers to segregated funds	865	656
Change in other assets and liabilities	(417)	71
Total operating cash outflows	\$ 13,498	\$ 14,206
Cash provided by operating activities	\$ 2,655	\$ 2,141
Investing activities		
Purchases and mortgage advances	\$ (38,420)	\$ (46,259)
Disposals and repayments	35,699	44,980
Cash received from assumptions and acquisitions of businesses, net of cash paid	-	(139)
Cash used in investing activities	\$ (2,721)	\$ (1,418)
Financing activities		
Increase (decrease) in repurchase agreements and securities sold but not yet purchased	\$ 420	\$ (356)
Repayment of subordinated debt (note 6)	(213)	-
Manulife Bank deposits, net	1,113	668
Preferred share dividends	(7)	-
Common share dividends	(361)	(285)
Repayment of funds, net	(1)	(2)
Common shares issued on exercise of options (note 9)	3	8
Purchase and cancellation of common shares (note 9)	(9)	(726)
Preferred shares issued, net (note 9)	344	-
Cash provided by (used in) financing activities	\$ 1,289	\$ (693)
Cash and short-term investments		
Increase during the year	\$ 1,223	\$ 30
Currency impact on cash and short-term investments	(577)	117
Balance, January 1	4,908	4,761
Balance, December 31	\$ 5,554	\$ 4,908
Composition of cash and short-term investments		
Beginning 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, January 1	\$ 4,908	\$ 4,761
End of year		
Gross cash and short-term investments	\$ 5,877	\$ 5,143
Net payments in transit, included in other liabilities	(323)	(235)
Net cash and short-term investments, December 31	\$ 5,554	\$ 4,908

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Segregated Funds Consolidated Statements of Net Assets

As at December 31 (Canadian \$ in millions)	2003	2002
Investments, at market value		
Bonds	\$ 5,157	\$ 3,698
Stocks	63,213	51,014
Mortgages	-	26
Cash and short-term investments	3,005	4,119
Accrued investment income	15	10
Other assets (liabilities), net	74	(36)
Total segregated funds net assets	\$ 71,464	\$ 58,831
Composition of segregated funds net assets:		
Held by policyholders	\$ 71,173	\$ 58,450
Held by the Company	291	381
Total segregated funds net assets	\$ 71,464	\$ 58,831

Segregated Funds Consolidated Statements of Changes in Net Assets

For the years ended December 31 (Canadian \$ in millions)	2003	2002
Additions		
Deposits from policyholders	\$ 17,713	\$ 17,013
Net realized and unrealized investment gains (losses)	11,143	(10,552)
Interest and dividends	1,421	1,332
Net transfers from general fund	865	656
Funds assumed and acquired (note 11)	-	40
Total additions	\$ 31,142	\$ 8,489
Deductions		
Payments to policyholders	\$ 7,562	\$ 7,617
Management and administrative fees	879	870
Currency revaluation	10,068	377
Total deductions	\$ 18,509	\$ 8,864
Net addition (reduction) to segregated funds for the year	\$ 12,633	\$ (375)
Segregated funds net assets, January 1	58,831	59,206
Segregated funds net assets, December 31	\$ 71,464	\$ 58,831

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