U.S. Securities and Exchange Commission
Washington, D.C. 20549

Form 40-F

[Check one]

o **Registration statement pursuant to section 12 of the Securities Exchange Act of 1934**

or

x **Annual report pursuant to section 13(a) or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended December 31, 2003 Commission File Number 1-14942

MANULIFE FINANCIAL CORPORATION

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English (if applicable))

Canada

(Province or other jurisdiction of incorporation or organization)

N/A

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

N/A

(I.R.S. Employer Identification Number (if applicable))

200 Bloor Street East, NT 11, Toronto, Ontario, Canada, M4W 1E5 (416) 926-3000

(Address and telephone number of Registrant's principal executive offices)

James Gallagher, Manulife Financial Corporation, 73 Tremont Street, Suite 1300
Boston, Massachusetts, 02108-3915 USA (617) 854-8614

(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	Name of each exchange on which registered
Common Shares	**New York Stock Exchange**

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

N/A

(Title of Class)

N/A

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

N/A

(Title of Class)

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

x Annual information form x 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.

462,709,131 Common Shares were outstanding on December 31, 2003

Indicate by check mark whether the Registrant by filing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934 (the "Exchange Act"). If "Yes" is marked, indicate the filing number assigned to the Registrant in connection with such Rule.

Yes o 82-_____ No x

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 x No o

Identification of Audit and Risk Management Committee

Each of the following directors is a member of the Audit and Risk Management Committee:

Kevin E. Benson	Robert E. Dineen, Jr	Thomas E. Kierans
Lino J. Celeste	Allister P. Graham	Arthur R. Sawchuk

Audit Committee Financial Expert

The Board of Directors of Manulife Financial Corporation (the "Company") has determined that each of Messrs. Benson, Celeste, Dineen, Graham, Kierans and Sawchuk (the "Financial

Experts") has the necessary qualifications to be designated as an Audit Committee Financial Expert (within the meaning of applicable U.S. Securities and Exchange Commission rules). The Financial Experts are independent, as that term is defined by the New York Stock Exchange's listing standards applicable to the Company.

Code of Ethics

The Company has adopted a code of business conduct and ethics that applies to all directors, officers and employees, including our chief executive officer, chief financial officer and principal accounting officer. The code of business conduct and ethics is available on our website at www.manulife.com/governance/corporate2.nsf/Public/corporategovernance.html.

Principal Accountant Fees and Services

For 2003, fees charged by Ernst & Young LLP to the Manulife Financial group of companies were $10.6 million, compared with $8.9 million in 2002.

($Millions)	Year ended December 31, 2003	Year ended December 31, 2002
Audit fees	$ 7.5	$ 6.1
Audit — related fees	.5	.6
Tax fees	2.2	.9
All other fees	.4	1.3
	$ 10.6	$ 8.9*

* Amount has been updated to include out-of-pocket expenses.

Audit Fees

Fees for audit services totaled approximately $7.5 million in 2003 and approximately $6.1 million in 2002, including fees associated with the annual audit, the reviews of the Company's quarterly reports and statutory audits required internationally.

Audit Related Fees

Fees for audit-related services totaled approximately $0.5 million in 2003 and approximately $0.6 million in 2002. Audit-related services principally include due diligence in connection with mergers and acquisitions, audits in connection with proposed or consummated acquisitions, and consultations concerning financial accounting and reporting standards.

Tax Fees

Fees for tax services totaled approximately $2.2 million in 2003 and approximately $0.9 million in 2002. Fees for tax services include tax compliance, tax planning and tax advice services (including expatriate services).

All Other Fees

Fees for all other services not included above, totaled approximately $0.4 million in 2003 and $1.3 million in 2002.

All audit and non-audit services provided to the Company have been pre-approved by the Audit and Risk Management Committee. The Audit and Risk Management Committee has reviewed the magnitude and nature of these services to ensure that they are compatible with maintaining the independence of the external auditor.

The Audit Committee reviews all requests for proposed audit or permitted non-audit services to be provided by the Company's independent auditor under the Audit Committee's Protocol for Approval of Audit and Permitted Non-Audit Services. Under this Protocol, the Audit Committee annually reviews and pre-approves recurring audit and non-audit services that are identifiable for the coming year. The Protocol also requires that any audit or non-audit services that are proposed during the year be approved by the Audit Committee, or by a member of the Audit Committee appointed by the Audit Committee.

Tabular Disclosure of Contractual Obligations

The disclosure provided under the heading "Contractual Obligations" on page 34 of Exhibit 2 hereto (Management's Discussion and Analysis) is incorporated by reference herein.

UNDERTAKING

The 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.

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.

MANULIFE FINANCIAL CORPORATION

By: /s/ "Christer V. Ahlvik"

Christer V. Ahlvik
Vice President, Corporate Law and
Corporate Secretary

Date: April 1, 2004

EXHIBITS

1. Consolidated Financial Statements for the Year Ended December 31, 2003
2. Management's Discussion and Analysis for the year ended December 31, 2003
3. Renewal Annual Information Form for the year ended December 31, 2003
4. Report on Disclosure Controls and Changes in Internal Control over Financial Reporting
5. Auditors' Consent
6. Consent of Appointed Actuary
7. Certification required by Rule 13a-14(b) or rules 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of United States Code, pursuant to Section 906 of the *Sarbanes-Oxley Act* of 2002
   - a Chief Executive Officer
   - b Chief Financial Officer
8. Certification required by Rules 13a-14(a) or Rule 15d-14(a), pursuant to Section 302 of the *Sarbanes-Oxley Act* of 2002
   - a Chief Executive Officer
   - b Chief Financial Officer

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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 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.

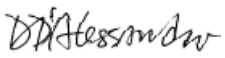
Appropriate systems of internal control, policies and procedures have been maintained, within reasonable cost, to ensure that financial information is both relevant and reliable. The systems of internal control are assessed on an ongoing basis by the Company's internal audit department.

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 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 and independent 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 prepared by management, and then 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 management and the Audit and Risk Management Committee.



Dominic D'Alessandro
President and Chief Executive Officer



Peter H. Rubenovitch
Executive Vice President and Chief Financial Officer

Toronto, Canada
February 5, 2004

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, 2003 and 2002 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.



Simon Curtis, F.C.I.A.
Senior Vice President and Appointed Actuary

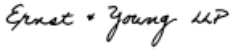
Toronto, Canada
February 5, 2004

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, 2003 and 2002 and the Consolidated Statements of Operations, Equity, Cash Flows and Changes in Net Assets of its Segregated Funds for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 financial statements present fairly, in all material respects, the financial position of the Company and its Segregated Funds as at December 31, 2003 and 2002 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.



Ernst & Young LLP
Chartered Accountants

Toronto, Canada
February 5, 2004

Consolidated Statements of Operations

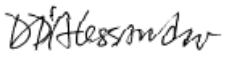
For the years ended December 31 (Canadian $ in millions, except per share amounts)	2003	2002
Revenue		
Premium income	**$10,540**	$10,779
Investment income (note 3(b))	**4,561**	4,235
Other revenue	**1,555**	1,518
Total revenue	**$16,656**	$16,532
Policy benefits and expenses		
To policyholders and beneficiaries		
Death and disability benefits	**$ 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

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	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

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)	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

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)	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

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

Notes to the Consolidated Financial Statements
(Canadian $ in millions unless otherwise stated)

Note 1 Nature of Operations and Significant Accounting Policies

Manulife Financial Corporation ("MFC") is a publicly traded stock life insurance company and the holding company of The Manufacturers Life Insurance Company ("Manufacturers Life"), a Canadian life insurance company. Manulife Financial Corporation and its subsidiaries (collectively, "Manulife Financial" or the "Company") provide a wide range of financial products and services, including individual life insurance, group life and health insurance, pension products, annuities and mutual funds, to individual and group customers in Canada, the United States, Asia and Japan. The Company also offers reinsurance services, primarily life and property and casualty retrocession, and investment management services with respect to the Company's general fund assets, segregated funds assets and mutual funds and, in Canada and Asia, to institutional customers.

MFC is registered under the Insurance Companies Act (Canada) ("ICA"), which requires that financial statements be prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), including the accounting requirements of the Office of the Superintendent of Financial Institutions (Canada) ("OSFI"). None of the accounting requirements of OSFI is an exception to Canadian GAAP. The preparation of financial statements, in conformity with GAAP, requires that management makes estimates and assumptions that affect the reported amounts of assets and liabilities, 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 could differ from those estimates. The most significant estimation processes are related to the determination of actuarial liabilities and provisioning for asset impairment. Although some variability is inherent in these estimates, management believes that the amounts provided are adequate. The significant accounting policies used in the preparation of these consolidated financial statements are summarized below:

a) Basis of consolidation MFC consolidates the financial statements of all subsidiary companies and eliminates on consolidation all significant inter-company balances and transactions. The results of operations of subsidiaries are included in the consolidated financial statements from their dates of acquisition. The equity method is used to account for investments over which the Company exerts significant influence. Gains and losses on sales of these investments are included in income when realized, while expected losses on other than temporary impairments are recognized immediately.

b) Invested assets Under Canadian GAAP for life insurance companies, the invested assets held by the Company are accounted for through a variety of methods. These methods are summarized as follows:

	Carrying value	Recognition of realized gains and losses on normal business activities	Recognition of impairment
Bonds	At amortized cost less an allowance for specific losses. No recognition of unrealized gains and losses unless there is impairment.	Deferred and brought into income over the lesser of 20 years or the remaining term to maturity of the bond sold.	Impairment is recognized on a specific bond when there is no longer reasonable assurance as to the timely collection of the full amount of principal and interest. In such cases, the bond is written down to its net realizable value and the charge is recorded in income in the period the impairment is recognized.

	Carrying value	Recognition of realized gains and losses on normal business activities	Recognition of impairment
Mortgages	At amortized cost less repayments and an allowance for specific losses. No recognition of unrealized gains and losses unless there is impairment.	Deferred and brought into income over the lesser of 20 years or the remaining term to maturity of the mortgage sold.	Impairment is recognized on a specific mortgage when there is no longer reasonable assurance as to the timely collection of the full amount of principal and interest. Such impaired mortgages are carried at their estimated realizable value, determined for each asset by discounting the expected future cash flows at the original interest rate inherent in the asset. When the amounts and timing of future cash flows cannot be estimated with reasonable reliability, estimated realizable amounts are measured at either the fair value of any security underlying the mortgage, net of expected costs of realization and any amounts legally required to be paid to borrowers, or at observable market prices for the mortgages. Mortgages are classified as impaired whenever payments are three months or more in arrears or if there is a provision against the mortgage. At the time of foreclosure, mortgages are written down to net realizable value. Declines in the net realizable value of foreclosed properties are charged to income immediately.
Stocks	Recognition of unrealized gains and losses is on a moving average market basis whereby carrying values are adjusted towards market value at 5% per quarter.	Deferred and brought into income at the rate of 5% of unamortized deferred realized gains and losses each quarter.	Specific stocks are written down to market value if an impairment in the value of the entire stock portfolio (determined net of deferred realized gains) is considered to be other than temporary.
Real estate	Recognition of unrealized gains and losses is on a moving average market basis whereby carrying values are adjusted towards market value at 3% per quarter.	Deferred and brought into income at the rate of 3% of unamortized deferred realized gains and losses each quarter.	Specific properties are written down to market value if an impairment in the value of the entire real estate portfolio (determined net of deferred realized gains) is considered to be other than temporary.
Policy loans	At their unpaid balance.	Not applicable. Fully secured by the cash surrender value of the policies on which the loans are made.	Not applicable. Fully secured by the cash surrender value of the policies on which the loans are made.

Once established, an allowance against impairment of bonds or mortgages is reversed only if the conditions that caused the impairment no longer exist. On disposition of an impaired asset, the allowance is written off against the related asset.

In addition to allowances against the carrying value of impaired assets, the Company provides for potential future impairments by reducing investment yields assumed in the calculation of actuarial liabilities.

Other investments include investments in oil and gas properties, equipment leases, limited partnerships, commercial loans, investments in segregated and mutual funds and derivative assets.

c) Cash and short-term investments Cash and short-term investments in the Consolidated Statements of Cash Flows comprise cash, current operating accounts, overnight bank and term deposits with an original maturity of three months or less, and fixed-income securities with an original term to maturity of three months or less. Net payments in transit and overdraft bank balances are included in other liabilities.

d) Goodwill Goodwill represents the excess of the cost of businesses acquired over fair values of the net assets acquired. Goodwill is not amortized but is tested for impairment on at least an annual basis. If goodwill is determined to be impaired, a charge is recorded in income to the extent the carrying value exceeds the estimated fair value.

e) Miscellaneous assets Included in miscellaneous assets are amounts due from reinsurers and capital assets. The latter are carried at cost less accumulated amortization computed on a straight-line basis over their estimated useful lives, which vary from two to ten years.

f) Segregated funds The Company manages a number of segregated funds on behalf of policyholders. The investment returns on these funds accrue directly to the policyholders, with the Company assuming no risk. Consequently, these funds are segregated and presented separately from the general fund of the Company. Income earned from fund management fees is included in other revenue in the general fund. Investments held in segregated funds are carried at market value.

The Company also provides minimum guarantees on individual variable life and annuity contracts. These include minimum death benefit guarantees, minimum maturity value guarantees and minimum income benefit guarantees. The liabilities associated with these minimum guarantees are recorded in actuarial liabilities in the general fund of the Company.

g) Actuarial liabilities Actuarial liabilities represent the amount which, together with estimated future premiums and net investment income, will be sufficient to pay estimated future policy benefits, policyholder dividends, taxes (other than income taxes) and expenses on policies in force. The Company's Appointed Actuary is responsible for determining the amount of actuarial liabilities that must be set aside each year to ensure that sufficient funds will be available in the future to meet these obligations. The valuation methods employed by the Appointed Actuary are based on standards established by the Canadian Institute of Actuaries. In accordance with Canadian generally accepted actuarial practices, liabilities have been determined using the Canadian Asset Liability Method ("CALM").

h) Income taxes The Company provides for income taxes using the liability method of tax allocation. Under this method, the provision for income taxes is calculated based on income tax laws and income tax rates substantively enacted as at the Consolidated Balance Sheet dates. The income tax provision is comprised of two components: current income taxes and future income taxes. Current income taxes are amounts expected to be payable or recoverable as a result of operations in the current year. Future income taxes arise from changes during the year in cumulative temporary differences between the accounting carrying value of assets and liabilities and their respective tax bases. A future income tax asset is recognized to the extent that future realization of the tax benefit is more likely than not, with a valuation allowance for the excess.

i) Translation of foreign currencies Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates in effect at the Consolidated Balance Sheet dates. Revenue and expenses are translated at the average exchange rates prevailing during the year. Unrealized foreign currency translation gains and losses on investments in self-sustaining operations and the results of hedging these positions, net of applicable taxes, are recorded in equity. Translation gains and losses on disposition of investments in self-sustaining operations are included in income.

j) Stock-based compensation The Company provides compensation to certain employees and directors in the form of stock options, deferred share units and restricted share units. The Company changed its accounting policy from the intrinsic value method to the fair value method effective January 1, 2002 for stock-based compensation awarded to non-employees, direct awards of stock, awards that call for settlement in cash or other assets and stock appreciation rights awarded to employees after January 1, 2002. Effective January 1, 2003, the Company changed its accounting policy for stock options granted to employees from the intrinsic value method to the fair value method for awards granted on or after January 1, 2002. The value is recognized over the applicable vesting period as an increase in compensation expense and contributed surplus. For restricted share units, the related compensation expense is recognized over the vesting period.

k) Employee future benefits The Company maintains a number of pension plans for its eligible employees and agents. The assets supporting trusteed pension plans are held in separate trusteed pension funds. Other pension plan benefits are included in Other liabilities and are supported by the Company's general fund assets.

The defined contribution plans were established in 1998 and provide pension benefits based on the accumulated contributions and fund earnings. The cost of defined contribution benefits is the required contribution provided by the Company in exchange for the services of employees rendered during the period.

The defined benefit plans provide pension benefits based on length of service and final average earnings. The cost of defined benefit pension benefits is recognized using the projected benefit method pro-rated on services. Actuarial gains and losses are amortized to income over the estimated average remaining service lives of plan members.

The Company also provides supplementary pension, health, dental and life insurance benefits to qualifying employees upon retirement. The estimated present value of these benefits is charged to income over the employees' years of service to their dates of full entitlement.

l) Derivatives The Company uses derivatives to manage exposures to foreign currency, interest rate and other market risks arising from its on-balance sheet financial instruments. These derivatives are designated and effective as hedges, as there is a high correlation between changes in market value of the derivative and the underlying hedged item at inception and over the life of the hedge. Realized and unrealized gains and losses on these derivatives are accounted for on the same basis as the underlying assets and liabilities. Realized and unrealized gains and losses on derivative transactions established as hedges but no longer considered hedges are included in income from the date at which they are no longer considered to be hedges. Derivative income and expenses related to invested assets and financial liabilities are included in investment income and interest expense, respectively, in the Consolidated Statements of Operations. Cash flows relating to derivatives associated with invested assets and financial liabilities are included in the Consolidated Statements of Cash Flows on a basis consistent with the cash flows from the underlying invested assets and financial liabilities. Derivative assets and liabilities are included in Other investments and Other liabilities, respectively, and deferred realized net gains are presented as such in the Consolidated Balance Sheets.

m) 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.

When premiums are recognized, the related actuarial liabilities are computed, resulting in benefits and expenses being matched with such revenue.

Note 2 Changes in Accounting Policies and Estimates and Newly Issued Accounting Pronouncements

a) Business combinations and goodwill and other intangible assets Effective January 1, 2002, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1581, "Business Combinations" and Section 3062, "Goodwill and Other Intangible Assets." Section 1581 requires that all business combinations be accounted for using the purchase method and provides specific criteria for recognizing intangible assets separately from goodwill. Under Section 3062, goodwill and intangible assets with indefinite useful lives are no longer amortized but are reviewed for impairment annually, or more frequently if impairment indicators arise. The Company completed the transitional and annual impairment tests and determined that goodwill is not impaired.

b) Stock-based compensation Effective January 1, 2002, the Company adopted prospectively CICA Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments," which requires that stock-based compensation awarded to non-employees, direct awards of stock, awards that call for settlement in cash or other assets or stock appreciation rights awarded to employees be recognized at fair value as an expense. Other stock options awarded to employees must either be recognized at fair value as an expense, or require the disclosure of the pro forma net income and pro forma earnings per share amounts as if fair value based accounting had been used. This standard did not materially affect these consolidated financial statements and the calculation of MFC's earnings per share. The Company changed its accounting policy for stock options granted to employees from the intrinsic value method to the fair value method effective January 1, 2003 for awards granted on or after January 1, 2002.

c) Hedging relationships In November 2001, the CICA issued Accounting Guideline 13, "Hedging Relationships," effective for fiscal years beginning on or after July 1, 2003, which requires the identification, documentation, designation and determination of effectiveness of a hedging relationship to apply hedge accounting. However, it does not specify hedge accounting methods. The new Guideline also outlines conditions whereby hedge accounting for hedging relationships established in prior periods can be continued. The Company is in the process of reviewing its hedging relationships in relation to the new Guideline and the impact of this Guideline is not expected to materially impact the consolidated financial statements.

d) Moving average market method In the second quarter of 2002, OSFI modified the moving average market method for stocks and real estate portfolios. As such, the rates used to adjust carrying values towards market value have been changed to 5% per quarter from 15% per annum for stocks and to 3% per quarter from 10% per annum for real estate. The Company adopted the change in rates effective for the second quarter of 2002.

e) Disclosure of guarantees The CICA issued Accounting Guideline 14, "Disclosure of Guarantees," in February 2003 effective for financial statements of interim and annual periods commencing on or after January 1, 2003. The Guideline clarifies disclosure requirements for certain guarantees.

f) Consolidation of variable interest entities In June 2003, the CICA issued Accounting Guideline 15, "Consolidation of Variable Interest Entities," effective for financial statements of interim and annual periods commencing on or after January 1, 2004, which clarifies the application of consolidation principles to certain entities that are subject to control on a basis other than ownership of voting interests. The Company is currently evaluating the impact of this Guideline.

g) Financial instruments In November 2003, the Accounting Standards Board approved a revision to CICA Handbook Section 3860, "Financial Instruments: Disclosure and Presentation," to require certain obligations that must or could be settled with a variable number of the issuer's own equity instruments to be presented as a liability. This revision will result in the Company having to reclassify its preferred shares out of shareholders' equity, as the preferred shares are convertible into a variable number of common shares. The revision is effective for fiscal years beginning on or after November 1, 2004.

Note 3 Invested Assets and Investment Income

a) Invested assets

As at December 31	Carrying value	Fair value	Unrealized gains	Unrealized losses	Deferred realized net gains	Total realized and unrealized net gains
2003						
Bonds (fixed maturity)						
Canadian government & agency	**$ 8,568**	**$ 9,506**	**$ 955**	**$ (17)**	**$ 382**	**$ 1,320**
Foreign governments & agency	**8,684**	**8,856**	**224**	**(52)**	**387**	**559**
Corporate	**24,476**	**26,240**	**1,839**	**(75)**	**1,092**	**2,856**
Mortgage/asset-backed securities	**488**	**517**	**33**	**(4)**	**22**	**51**
Mortgages	**10,401**	**11,145**	**755**	**(11)**	**41**	**785**
Stocks	**5,866**	**6,126**	**1,087**	**(827)**	**1,281**	**1,541**
Real estate	**3,962**	**4,293**	**422**	**(91)**	**87**	**418**
Policy loans	**4,348**	**4,348**	**—**	**—**	**—**	**—**
Cash and short-term investments	**5,877**	**5,877**	**—**	**—**	**—**	**—**
Manulife Bank loans	**934**	**949**	**15**	**—**	**—**	**15**
Other investments	**861**	**878**	**17**	**—**	**51**	**68**
Total invested assets	**$ 74,465**	**$78,735**	**$ 5,347**	**$ (1,077)**	**$ 3,343**	**$ 7,613**
2002						
Bonds (fixed maturity)						
Canadian government & agency	$ 8,505	$ 9,877	$ 1,374	$ (2)	$ 272	$ 1,644
Foreign governments & agency	10,114	10,724	611	(1)	322	932
Corporate	27,092	28,521	1,785	(356)	865	2,294
Mortgage/asset-backed securities	966	1,033	69	(2)	31	98
Mortgages	9,294	10,023	735	(6)	46	775
Stocks	6,898	5,799	566	(1,665)	1,632	533
Real estate	3,570	3,868	372	(74)	100	398
Policy loans	4,939	4,939	—	—	—	—
Cash and short-term investments	5,143	5,144	1	—	—	1
Manulife Bank loans	566	566	—	—	—	—
Other investments	475	511	46	(10)	29	65
Total invested assets	$ 77,562	$81,005	$ 5,559	$ (2,116)	$ 3,297	$ 6,740

Fair values are determined with reference to quoted market prices where available. Fair values of mortgages and Manulife Bank loans reflect changes in interest rates, which have occurred since the mortgages and loans were originated, and changes in the credit-worthiness of individual borrowers. For fixed-rate mortgages and Manulife Bank loans, fair value is determined by discounting the expected future cash flows at market interest rates for mortgages and loans with similar credit risks. Fair values of real estate are determined by a combination of internal and external appraisals utilizing expected net cash flows discounted at market interest rates. Foreclosed properties of $17 are included in real estate as at December 31, 2003 (2002 – $13). Included in Other investments are oil and gas properties, the fair value of which is determined by external appraisals. Fair values of policy loans, cash and short-term investments and the remaining other investments approximate their carrying values due to their short-term nature.

The following table presents the carrying value and fair value of bonds, based on period to maturity:

Bonds As at December 31	2003 Carrying value	2003 Fair value	2002 Carrying value	2002 Fair value
Maturity				
Due in one year or less	**$ 4,123**	**$ 4,192**	$ 4,111	$ 4,147
Due after one year through five years	**11,433**	**11,893**	14,993	15,487
Due after five years through ten years	**9,782**	**10,367**	9,682	10,414
Due after ten years	**16,390**	**18,150**	16,925	19,074
Mortgage/asset-backed securities	**488**	**517**	966	1,033
Total	**$42,216**	**$45,119**	$46,677	$50,155

The following table presents the carrying value and fair value of mortgages, by type of property:

Mortgages As at December 31	2003 Carrying value	2003 Fair value	2002 Carrying value	2002 Fair value
Residential	**$ 2,383**	**$ 2,497**	$2,064	$ 2,171
Office	**2,708**	**2,939**	2,619	2,869
Retail	**2,735**	**2,926**	2,196	2,357
Industrial	**2,308**	**2,497**	2,160	2,350
Other	**267**	**286**	255	276
Total	**$10,401**	**$11,145**	$9,294	$10,023

The carrying value of government-insured mortgages was 4% of the total carrying value of the mortgage portfolio as at December 31, 2003 (2002 – 4%) and the value of privately-insured mortgages was 1.1% of the total mortgage portfolio as at December 31, 2003 (2002 – 1.1%).

b) Investment income

For the years ended December 31	Gross investment income (loss)	Provision for impairment, net (note 3(e))	Amortization of net realized and unrealized gains	Total	Yield (%)
2003					
Bonds	**$ 2,318**	**$ 13**	**$ 280**	**$2,611**	**6.38**
Mortgages	**676**	**(17)**	**14**	**673**	**7.18**
Stocks	**156**	**—**	**197**	**353**	**7.03**
Real estate	**277**	**—**	**54**	**331**	**9.53**
Policy loans	**368**	**—**	**—**	**368**	**8.02**
Cash and short-term investments	**109**	**—**	**—**	**109**	**N/A**
Manulife Bank loans	**43**	**—**	**—**	**43**	**6.06**
Other investments	**44**	**(1)**	**30**	**73**	**N/A**
Total	**$ 3,991**	**$ (5)**	**$ 575**	**$4,561**	**6.50**
2002					
Bonds	$ 2,627	$ (198)	$ 160	$2,589	5.82
Mortgages	635	(3)	15	647	7.95
Stocks	101	—	185	286	5.84
Real estate	272	4	50	326	10.64
Policy loans	393	—	—	393	8.23
Cash and short-term investments	77	—	—	77	N/A
Manulife Bank loans	27	—	—	27	5.44
Other investments	(113)	—	3	(110)	N/A
Total	$ 4,019	$ (197)	$ 413	$4,235	5.93

Yields are based on total investment income divided by the aggregate of the average carrying value of assets plus accrued income less deferred realized net gains.

c) Securities lending The Company engages in securities lending to generate additional income. Certain securities from its portfolio are loaned to other institutions for periods of time. Collateral, which exceeds the market value of the loaned securities, is lodged by the borrower with the Company and retained by the Company until the underlying security has been returned to the Company. The market value of the loaned securities is monitored on a daily basis with additional collateral obtained or refunded as the market value fluctuates. As at December 31, 2003, the Company had loaned securities (which are included in invested assets) with a carrying value and market value of approximately $3,022 and $3,062, respectively (2002 – $3,347 and $3,387, respectively).

d) Mortgage securitization In prior years, the Company sold commercial mortgages for cash, with limited recourse. The maximum recourse on these mortgages was less than 10% of the proceeds. When the mortgages were sold, they were removed from the Company's Consolidated Balance Sheets with any resultant gain or loss deferred and amortized to investment income. During 2003, the securitized mortgage trusts were closed and the outstanding balance of sold mortgages with limited recourse as at December 31, 2003 was nil (2002 – $313).

e) Credit risk Credit risk is the risk that a party to a financial instrument, such as a mortgage borrower, will fail to fully honour its financial obligations to the Company. Credit risks are primarily associated with investment, derivative and reinsurance counterparties (see reinsurance risk in note 4(d)).

The Company has provided for credit risks by establishing allowances against the carrying value of impaired assets in the Consolidated Balance Sheets. In addition to these allowances, the Company provides for potential future impairments by reducing investment yields assumed in the calculation of actuarial liabilities (note 4(c)).

The carrying value of impaired assets was as follows:

As at December 31	Gross amount	Allowance	Carrying value
2003			
Bonds	**$ 273**	**$ 193**	**$ 80**
Mortgages	**96**	**37**	**59**
Total	**$ 369**	**$ 230**	**$ 139**
2002			
Bonds	$ 377	$ 270	$ 107
Mortgages	36	20	16
Total	$ 413	$ 290	$ 123

The changes during the year in respect of the allowance for impairment were as follows:

Allowance for impairment	2003	2002
Balance, January 1	**$290**	$ 208
Net provisions during the year	**5**	197
Write-offs, net of recoveries	**(65)**	(115)
Balance, December 31	**$230**	$ 290

Concentrations of credit risk The Company's exposure to credit risk is managed through risk management policies and procedures with emphasis on the quality of the investment portfolio together with maintenance of issuer, industry and geographic diversification standards.

As at December 31, 2003, 96% of bonds (2002 – 96%) were rated at investment grade "BBB" or higher, and 79% (2002 – 81%) were rated "A" or higher. Government bonds represented 41% (2002 – 40%) of the bond portfolio. The Company's highest exposure to a single non-government issuer was $399 (2002 – $436). Mortgages and real estate are diversified geographically and by property type. The Company's largest concentration of mortgages and real estate was in Ontario, Canada and amounted to $4,930 (2002 – $4,222). Income-producing commercial office properties were the largest concentration in the real estate portfolio with $3,050 (2002 – $2,530). As at December 31, 2003, 96% (2002 – 95%) of the stock portfolio was comprised of publicly listed corporations. The largest single issuer represented 6% (2002 – 6%) of the portfolio.

The Company's exposure to loss on derivatives is limited to the extent that default by counterparties to these contracts results in the loss of any gains that may have accrued. All contracts are held with counterparties rated "A" or higher. As at December 31, 2003, 58% (2002 – 48%) of the exposed amount was with counterparties rated "AA" or higher. The largest single counterparty exposure as at December 31, 2003 was $88 (2002 – $61).

Note 4 Actuarial Liabilities

a) Composition Actuarial liabilities represent the amount which, together with estimated future premiums and net investment income, will be sufficient to pay estimated future benefits, policyholder dividends, taxes (other than income taxes) and expenses on policies in force. Under Canadian GAAP, the determination of actuarial liabilities is based on an explicit projection of cash flows using best estimate assumptions for each material cash flow item and contingency. Investment returns are based on projected investment income using the current asset portfolios and projected reinvestment strategies. Each assumption is adjusted by a margin for adverse deviation. For investment returns, this margin is established by scenario testing. For other assumptions, this margin is established by directly adjusting the best estimate assumption.

For minimum guarantees on segregated funds, the Company determines actuarial liabilities using stochastic models as defined by the Canadian Institute of Actuaries. The models are based on the nature of the segregated fund guarantees. Investment performance, mortality and termination assumptions are the key variables that are modeled.

The composition of actuarial liabilities by line of business and geographic territory was as follows:

	Individual life insurance				
As at December 31	**Participating**	**Non-participating**	**Annuities and pensions**	**Other insurance liabilities**	**Total**
2003					
United States	**$ 9,544**	**$ 3,621**	**$ 5,417**	**$ 1,254**	**$19,836**
Canada	**3,127**	**3,149**	**11,174**	**2,090**	**19,540**
International	**9,018**	**1,893**	**1,225**	**135**	**12,271**
Total	**$ 21,689**	**$ 8,663**	**$ 17,816**	**$ 3,479**	**$51,647**
2002					
United States	$ 11,294	$ 3,735	$ 7,000	$ 1,360	$23,389
Canada	2,914	2,840	10,892	1,953	18,599
International	11,070	1,827	1,423	89	14,409
Total	$ 25,278	$ 8,402	$ 19,315	$ 3,402	$56,397

For participating policies in force as at demutualization, separate sub-accounts were established within the participating account. These sub-accounts permit this participating business to be operated as separate “closed blocks” of business. As at December 31, 2003, $14,079 (2002 – $15,983) of both assets and actuarial liabilities related to the participating policyholders’ account were included in the closed blocks.

b) Assets backing liabilities and equity The Company has established target invested asset portfolio mixes, which take into account the risk attributes of the liabilities supported by the assets, expectations of market performance, and a generally conservative investment philosophy. Assets are segmented and matched to liabilities with similar underlying characteristics by product line and major currency. Liabilities with rate and term guarantees, such as annuities and pensions, are predominantly backed by fixed-rate instruments such as bonds and commercial and mortgage loans. Insurance products, such as participating whole life insurance, are backed by a broader range of asset classes. The Company’s equity is primarily invested in North American and international securities and North American real estate.

Changes in the fair value of assets backing actuarial liabilities would have a limited impact on the Company’s equity, as it would be substantially offset by a corresponding change in the fair value of the liabilities. The fair value of assets backing actuarial liabilities as at December 31, 2003 was estimated at $54,412 (2002 – $59,087).

A change in the fair value of assets supporting capital and other liabilities results in a corresponding change in equity when recognized, offset by changes in related liabilities when recognized. The fair value of assets backing capital and other liabilities as at December 31, 2003 was estimated at $27,358 (2002 – $25,551).

The deferred realized net gains taken into account in the computation of actuarial liabilities as at December 31, 2003 were $1,776 (2002 – $1,859).

The carrying value of total assets backing actuarial liabilities, other liabilities and capital was as follows:

As at December 31 2003	Individual life insurance: Participating	Individual life insurance: Non-participating	Annuities and pensions	Other[1]	Capital[2]	Total
Assets						
Bonds	**$ 11,155**	**$ 4,844**	**$ 10,480**	**$ 9,965**	**$ 5,772**	**$42,216**
Mortgages	**1,639**	**1,081**	**3,960**	**3,350**	**371**	**10,401**
Stocks	**1,984**	**447**	**258**	**851**	**2,326**	**5,866**
Real estate	**1,836**	**773**	**77**	**1,143**	**133**	**3,962**
Other	**5,075**	**1,518**	**3,041**	**2,008**	**3,429**	**15,071**
Total	**$ 21,689**	**$ 8,663**	**$ 17,816**	**$17,317**	**$12,031**	**$77,516**
2002						
Assets						
Bonds	$ 13,809	$ 5,197	$ 12,412	$ 9,507	$ 5,752	$46,677
Mortgages	1,583	880	3,886	2,393	552	9,294
Stocks	2,317	311	307	1,157	2,806	6,898
Real estate	1,772	483	61	915	339	3,570
Other	5,797	1,531	2,649	2,250	2,529	14,756
Total	$ 25,278	$ 8,402	$ 19,315	$16,222	$11,978	$81,195

(1) Other includes group insurance, reinsurance and non-insurance liabilities and non-controlling interest in subsidiaries.

(2) Capital represents total equity, subordinated debt, non-controlling interest in Manulife Financial Capital Trust and trust preferred securities issued by subsidiaries.

c) Significant reserve assumptions The preparation of financial statements involves the use of estimates and assumptions; however, actual results may differ from those estimates. The most significant estimation processes for insurance companies relate to the determination of actuarial liabilities and provisioning for asset impairment.

Actuarial liabilities have two major components: a best estimate amount and a provision for adverse deviation. In conjunction with prudent business practices to manage both business and investment risks, the selection and monitoring of appropriate assumptions are designed to minimize the extent to which the Company is financially exposed to measurement uncertainty.

Best estimate reserve assumptions In the computation of actuarial liabilities, best estimate reserve assumptions are made. Assumptions are made for the lifetime of the policies and include assumptions with respect to mortality and morbidity, investment returns, rates of policy termination, operating expenses and certain taxes. Actuarial assumptions may be subject to change in the future. Actual experience is monitored regularly to ensure that the assumptions remain appropriate. 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 assumptions are based on past and emerging Company and industry experience. Assumptions are differentiated by sex, underwriting class and policy type. Morbidity relates to the occurrence of accidents and sickness. Morbidity assumptions are based on Company and industry experience.	The Company establishes appropriate 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 2003 experience was favourable when compared with the Company's assumptions. Morbidity is also monitored monthly and 2003 experience was favourable when compared with the Company's assumptions.

	Nature of factor and assumption methodology	Risk management
Investment returns	The Company matches assets and liabilities by business segment, using investment objectives that are appropriate for each line of business. The projected cash flows from these assets are combined with future reinvestment rates derived from the current economic outlook and the Company's investment policy in order to determine expected rates of return on these assets for all future years.	The Company's policy of closely matching cash flows of the assets with those of the corresponding liabilities reduces 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 the Canadian Asset Liability Method (CALM), the reinvestment rate is quantified by using interest rate scenario testing.
	Investment return assumptions include expected future asset defaults. Asset defaults are projected based on both past Company and industry experience and specific reviews of the current investment portfolio.	The exposure to asset default is managed by policies and procedures, which limit concentrations by issuer, connections, ratings, sectors and geographic regions. On certain policies, such as for participating insurance and universal life, asset default experience is passed back to policyholders through the investment return crediting formula. The Company holds explicit provisions in actuarial liabilities for asset credit risk, which including provisions for adverse deviation, totaled $1,574 as at December 31, 2003 (2002 – $1,699). In 2003, default experience on both bonds and mortgages continued to be favourable when compared to the Company's assumptions. Stocks and real estate are used primarily to support liabilities where investment return experience is passed back to policyholders through dividends or credited investment return adjustments. A limited amount of stocks are also used to support long-dated obligations in the Company's U.S. annuity and pension businesses, and for insurance liabilities in Japan.
Policy terminations	Lapse relates to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are based on the Company's experience adjusted for expected future conditions. Assumptions reflect differences in geographic markets and lapse patterns for different types of contracts.	The Company designs its products in order to minimize financial exposure to lapse and surrender risk. In addition, the Company monitors lapse and surrender experience monthly. In aggregate, 2003 lapse experience on insurance products was 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 and associated overhead expenses. These expenses are derived from the Company's internal cost studies projected into the future with an allowance for inflation. Taxes reflect assumptions for future premium taxes and other non-income related taxes. The impact of income taxes, projected on the basis of the valuation assumptions (expected plus margin for adverse deviation), is also included.	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 2003 were favourable when compared with the Company's assumptions used in the computation of actuarial liabilities. The Company prices its products to cover the expected cost of taxes.

Provision for adverse deviation assumptions The basic assumptions made in establishing actuarial liabilities are best estimates for a range of possible outcomes. To recognize the uncertainty in establishing these best estimate reserve assumptions, to allow for possible deterioration in experience and to provide greater comfort that the reserves are adequate to pay future benefits, the Appointed Actuary is required to include a margin in each assumption.

The impact of these margins is to increase actuarial liabilities and decrease the income that would be recognized at inception of the policy. Minimum conditions are prescribed by the Canadian Institute of Actuaries for determining margins related to interest rate risk. For other risks, which are not specifically addressed by the Canadian Institute of Actuaries, a range is defined as 5% to 20% of the expected experience assumption, taking into account the risk profiles of the business. The Company uses assumptions at the conservative end of the permissible ranges.

d) Risk management In addition to risks related to reserve assumptions, the Company is also exposed to the following risks, which are considered in establishing actuarial liabilities:

Interest rate risk Interest rate changes may result in losses if asset and liability cash flows are not closely matched with respect to timing and amount. The Company measures and manages interest rate risk exposure using a variety of sophisticated measures, including cash flow gaps, durations, key rate durations, convexity, and economic value at risk based on both stochastic scenarios and predetermined scenarios.

The Company's exposure to interest rate movements, expressed as the impact on economic value [(1)], was as follows:

For the years ended December 31	2003	2002
1% increase	**$(58)**	$(31)
1% decrease	**$(31)**	$ 46

(1) Impact on economic value represents the potential after tax economic gain (loss) to shareholders as a result of an immediate and parallel change of 1% in interest rates across all maturities in all markets, subject to a zero % interest rate floor.

Foreign currency risk The Company's strategy of matching the currency of its assets with the currency of the liabilities that these assets support results in minimal financial exposure related to foreign currency fluctuations on assets backing actuarial liabilities. The Company also generally matches the currency of its equity with the currency of its liabilities.

As at December 31, 2003, assets exceeded liabilities denominated in foreign currencies by approximately $5,398 (2002 – $4,318), of which $4,909 as at December 31, 2003 (2002 – $3,360) related to the U.S. dollar. The impact of a 1% strengthening of the Canadian dollar relative to the U.S. dollar would have resulted in a $9 decrease in net income for the year ended December 31, 2003 (2002 –$8) and a $49 decrease in equity as at December 31, 2003 (2002 – $34).

Liquidity risk Liquidity risk is the risk that the Company will not have access to sufficient funds to meet its liabilities as they become due. Certain of the Company's policies have features that allow them to be terminated at short notice, creating a potential liquidity exposure. In the normal course of business, the Company matches the maturity of invested assets to the maturity of actuarial liabilities. The economic impact of dis-intermediation risk is captured as part of the interest rate risk testing in the CALM methodology.

The Company has established minimum levels for both operating and strategic liquidity measures. Operating liquidity is maintained at or above the level of one month's operating cash outflows. Strategic liquidity is measured using an industry-accepted model under both immediate (within one month) and ongoing (within one year) stress scenarios. Under this model, adjusted liquid assets include cash and short-term investments, and marketable bonds and stocks discounted to reflect their convertibility to cash, net of maturing debt obligations. Under the model, actuarial liabilities are adjusted to reflect their potential for withdrawal. The Company's policy is to maintain adjusted liquid assets at a level well above adjusted actuarial liabilities.

The Company's strategic liquidity was as follows:

	2003		2002	
As at December 31	Immediate scenario	Ongoing scenario	Immediate scenario	Ongoing scenario
Adjusted liquid assets	**$47,723**	**$48,414**	$52,463	$53,231
Adjusted actuarial liabilities	**$ 8,596**	**$11,641**	$ 9,176	$12,617
Liquidity ratio	**555%**	**416%**	572%	422%

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. In order 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 a result of ceded reinsurance, actuarial liabilities have been reduced by $3,255 as at December 31, 2003 (2002 – $3,306).

The effect of reinsurance on premium income was as follows:

For the years ended December 31	2003	2002
Direct premium income	**$10,398**	$10,272
Reinsurance assumed	**788**	1,109
Reinsurance ceded	**(646)**	(602)
Total premium income	**$10,540**	$10,779

e) Change in actuarial liabilities Change in actuarial liabilities during the year was a result of the following business activities and changes in actuarial estimates:

For the years ended December 31	2003	2002
Balance, January 1	**$56,397**	$54,690
Normal change		
New policies	**1,597**	1,605
In force	**(509)**	(1,307)
Changes in methods and assumptions	**59**	9
Changes due to acquisition and assumption transactions	**88**	668
Currency impact	**(5,985)**	732
Balance, December 31	**$51,647**	$56,397

The Company examines the assumptions used in determining actuarial liabilities on an ongoing basis. Policy liabilities are increased when expected benefit costs and related risks increase, and vice versa. Policy liabilities include actuarial liabilities and liabilities for policy benefits in the course of settlement.

In 2003, changes in methods and assumptions used in the determination of actuarial and policy liabilities resulted in a net increase of $59 (2002 – $9) in actuarial liabilities and $19 (2002 – nil) in benefits payable and provision for unreported claims. A portion of the net increase was in a non-wholly owned subsidiary, reducing the impact on pre-tax income to $58 (2002 – $9). The income statement impact of the changes in methods and assumptions is reported in the “Corporate and Other” segment.

Changes to persistency assumptions, reflecting recent persistency experience, increased actuarial liabilities principally in the U.S. and Japan. Actuarial liabilities also increased due to changes in interest rate assumptions, which reflect lower interest rates in Asia and more conservative reinvestment assumptions in North America, offset by improvements in the Japanese interest rate environment. Updates to methods and models also resulted in an increase in policy liabilities. Partially offsetting the impact of these increases in policy liabilities were changes to mortality and morbidity assumptions, which reflect the recent trend of favourable experience, most significantly in Japan and Reinsurance Divisions. As well, changes to expense assumptions, including taxes, resulted in a decrease to policy liabilities.

Note 5 Income Taxes

The effective income tax rate for the provision for income taxes varies from the income taxes computed at the Canadian statutory tax rate of 36% as at December 31, 2003 (2002 – 38%) for the following reasons:

Reconciliation of income tax expense

For the years ended December 31	2003	2002
Income tax at Canadian statutory tax rate	**$ 667**	$ 636
Increase (decrease) in taxes due to:		
Tax-exempt investment income	**(76)**	(80)
Differences in tax rates on income not subject to tax in Canada	**(260)**	(265)
Recognition of tax benefit from prior years	**(14)**	(15)
Changes in future tax asset from statutory rate changes	**—**	(14)
Other	**(1)**	42
Income tax expense	**$ 316**	$ 304

Components of income tax expense included in the Consolidated Statements of Operations were as follows:

For the years ended December 31	2003	2002
Canadian income tax expense:		
Current	**$ 64**	$ 96
Future	**76**	28
	$140	$ 124
Foreign income tax expense:		
Current	**$ 50**	$(105)
Future	**126**	285
	$176	$ 180
Income tax expense	**$316**	$ 304

The amount of income taxes paid in cash during the year ended December 31, 2003 was $91 (2002 – $103).

Income taxes are included in the Consolidated Financial Statements as follows:

For the years ended December 31	2003	2002
Consolidated Statements of Operations		
Income taxes	**$316**	$304
Consolidated Statements of Equity		
Currency translation adjustment	**102**	—
Income taxes	**$418**	$304

Undistributed earnings of non-Canadian subsidiaries may be taxed upon repatriation to Canada. The Company has recognized a future tax liability on these undistributed earnings to the extent that management expects it will be incurred on earnings repatriated in the foreseeable future. If undistributed earnings were repatriated, the taxes that would be payable as at December 31, 2003 are estimated to be $370 (2002 – $380).

The following table presents future income taxes in total, and the principal components:

As at December 31	2003	2002
Future income tax asset:		
Gains on sale of invested assets	**$ 409**	$ 457
Other	**1,086**	1,185
	$ 1,495	$ 1,642
Valuation allowance	**(160)**	(174)
Future income tax asset	**$ 1,335**	$ 1,468
Future income tax liability:		
Actuarial liabilities	**$ (997)**	$ (613)
Real estate	**(327)**	(392)
Securities	**(101)**	(245)
Other	**(80)**	(86)
Future income tax liability	**$(1,505)**	$(1,336)
Net future income tax asset (liability)	**$ (170)**	$ 132

As at December 31, 2003, the Company has approximately $3,130 (2002 – $2,903) of tax loss carryforwards available, which expire between the years 2005 and 2017. A future tax benefit has been recognized in the amount of $940 (2002 – $843). A future tax benefit in the amount of $160 (2002 – $174) has not been recognized.

Note 6 Subordinated Debt

As at December 31	2003	2002
7.875% U.S. dollar	**$ 323**	$ 395
8.25% U.K. pound	**—**	241
5.70% Canadian dollar	**250**	250
6.24% Canadian dollar	**550**	550
Total	**$1,123**	$1,436
Fair value	**$1,199**	$1,523

The fair value of subordinated debt is determined by reference to current market prices. These issues form part of the Company's regulatory capital. During the period the U.K. pound subordinated debt was outstanding, the Company used derivatives to reduce exposure to foreign exchange fluctuations.

The cash amount of interest paid during the year ended December 31, 2003 was $93 (2002 – $98).

a) 7.875% U.S. dollar subordinated notes During 1995, the Company issued U.S. $250 ($341) in 7.875% subordinated notes due April 15, 2005. This debt was issued as a private placement under Rule 144A of the Securities Act (United States).

b) 8.25% U.K. pound subordinated notes On January 1, 1996, on amalgamation with North American Life Assurance Company, the Company assumed £100 ($202) in 8.25% subordinated notes. Concurrently, £5 ($10) of debt, which was held by the Company, was extinguished. The Company redeemed the remaining £95 notes on November 17, 2003.

c) Canadian dollar subordinated debt On February 16, 2001, the Company issued, in two tranches, $800 in unsecured subordinated debentures, redeemable in whole or in part by the Company at any time. Debentures with principal of $250, maturing on February 16, 2011, bear interest at a fixed rate of 5.70% for five years and thereafter at a rate of 1% plus the 90-day Bankers Acceptance Rate (adjusted quarterly). In addition, debentures with principal of $550, maturing on February 16, 2016, bear interest at

a fixed rate of 6.24% for 10 years and thereafter at a rate of 1% plus the 90-day Bankers Acceptance Rate (adjusted quarterly). Proceeds to Manufacturers Life, net of issuance costs, were approximately $796. The debt constitutes Tier 2B regulatory capital.

Note 7 Non-Controlling Interest in Subsidiaries

As at December 31	2003	2002
Non-controlling interest in common equity of subsidiaries	**$ 37**	$ 59
Manulife Financial Capital Securities – Series A	**60**	60
Manulife Financial Capital Securities – Series B	**940**	940
Total	**$1,037**	$1,059

On December 10, 2001, Manulife Financial Capital Trust (the "Trust"), a wholly-owned open-end trust, issued 60,000 Manulife Financial Capital Securities ("MaCS") – Series A and 940,000 Manulife Financial Capital Securities – Series B. These securities are exchangeable into newly issued Manufacturers Life Class A Shares Series 2, in the case of MaCS – Series A, or newly issued Manufacturers Life Class A Shares Series 4, in the case of MaCS – Series B, under certain circumstances.

Each MaCS – Series A entitles the holder to receive fixed cash distributions payable semi-annually in the amount of $35.00. Each MaCS – Series B entitles the holder to receive fixed cash distributions payable semi-annually in the amount of $33.50.

The MaCS, with regulatory approval, may be redeemed in whole, upon the occurrence of certain tax or regulatory capital changes, or on or after December 31, 2006, at the option of the Trust.

Under certain circumstances, each MaCS will be automatically exchanged, without the consent of the holders, for Manufacturers Life Class A Shares Series 3, in the case of MaCS – Series A, and Manufacturers Life Class A Shares Series 5, in the case of MaCS – Series B.

The MaCS – Series A and MaCS – Series B constitute Tier 1 regulatory capital.

Note 8 Trust Preferred Securities Issued by Subsidiaries

As at December 31	2003	2002
Trust preferred securities	**$650**	$794

Capital Trust Pass-through Securities Units of U.S. $500 ($672) were issued by subsidiaries of MFC in January 1997, maturing February 1, 2027.

Each unit consists of one 8.25% trust preferred security, issued by the trust subsidiary, and one 0.125% preferred purchase contract, issued by Manufacturers Investment Corporation ("MIC"). The trust subsidiary's only asset is an investment in notes issued by MIC. Holders of each purchase contract may be required to purchase 20 non-cumulative perpetual preferred shares, Series A of MIC, at U.S. $50 per share. Holders may satisfy this purchase by delivering the trust preferred securities to MIC in exchange for the perpetual preferred shares.

The Securities Units were issued as a private placement under Rule 144A of the Securities Act (United States).

From the Company's perspective, the issue is equivalent to a combination of 8.25% subordinated debt maturing February 1, 2027, and an option exercisable by the Company, requiring contract holders to purchase an equivalent amount of perpetual preferred shares in MIC. The securities form part of the Company's regulatory capital.

Note 9 Share Capital

The authorized capital of MFC consists of:

a) an unlimited number of common shares without nominal or par value; and

b) an unlimited number of Class A and Class B preferred shares without nominal or par value, issuable in series.

Preferred shares On June 19, 2003, MFC issued 14 million Class A Shares, Series 1 ("Series 1 Preferred Shares") at a price of $25.00 per share, for an aggregate amount of $350. The Series 1 Preferred Shares are non-voting and are entitled to non-cumulative preferential cash dividends payable quarterly, if and when declared, at a per annum rate of 4.10% per Series 1 Preferred Share. With regulatory approval, the Series 1 Preferred Shares may be redeemed by MFC on or after June 19, 2010, in whole or in part, at declining premiums that range from $1.25 to nil per Series 1 Preferred Share, by either payment of cash or the issuance of MFC common shares. On or after December 19, 2015, the Series 1 Preferred Shares will be convertible at the option of the holder into MFC common shares, the amount of which is determined by a prescribed formula, and is subject to the right of MFC prior to the conversion date to redeem for cash or find substitute purchasers for such preferred shares.

Common shares On October 30, 2003, MFC received acceptance from the Toronto Stock Exchange (the "Exchange") of the Company's intention to make a normal course issuer bid to purchase up to 46 million of its common shares, representing approximately 9.9% of common shares then outstanding. Purchases made under the bid will be executed on the Exchange in the 12 months following the commencement of the bid on November 4, 2003. Transactions will be executed on the Exchange at prevailing market prices in amounts and at times determined by MFC, subject to compliance with applicable law and regulations. Any common shares purchased as part of the bid will be cancelled.

A previous normal course issuer bid program terminated on October 16, 2003.

During the year ended December 31, 2003, MFC purchased and subsequently cancelled 220,200 (2002 – 20 million) of its common shares pursuant to normal course issuer bids at a total cost of $9 (2002 – $726).

	2003		2002	
For the years ended December 31	Number of shares (in millions)	Amount	Number of shares (in millions)	Amount
Common shares				
Balance, January 1	**463**	**$ 596**	482	$ 614
Issued on exercise of stock options and deferred share units (note 10)	**—**	**3**	1	8
Normal course issuer bids – purchased for cancellation	**—**	**—**	(20)	(26)
Balance, December 31	**463**	**$ 599**	463	$ 596

Note 10 Stock-Based Compensation

Under the Company's Executive Stock Option Plan ("ESOP"), stock options are periodically granted to selected individuals. Options provide the holder with the right to purchase common shares at an exercise price equal to the closing market price of MFC's common shares on the Exchange on the business day immediately preceding the date the options were granted. The options vest over a period not exceeding four years and expire not more than 10 years from the grant date. A total of 36,800,000 common shares have been reserved for issuance under the ESOP.

In 2000, the Company also granted deferred share units ("DSUs") to certain employees under the ESOP. The DSUs vest over a four-year period and each unit entitles the holder to receive one common share on retirement or termination of employment. The DSUs attract dividends in the form of additional DSUs at the same rate as dividends on the common shares. No DSUs were granted during 2003 and 2002. The number of DSUs outstanding was two million as at December 31, 2003 (2002 – two million).

Effective January 1, 2001, the Company established the Global Share Ownership Plan ("GSOP") for its eligible employees and the Stock Plan for Non-Employee Directors.

Under the Company's GSOP, qualifying employees can choose to have up to 5% of their annual base earnings applied toward the purchase of common shares of MFC. Subject to certain conditions, the Company will match 50% of the employee's eligible contributions. The Company's contributions vest immediately. All contributions will be used by the plan's trustee to purchase common shares in the open market.

Under the Company's Stock Plan for Non-Employee Directors, each eligible director may elect to receive DSUs or common shares in lieu of cash equal to his or her annual director's retainer and fees. Upon termination of Board service, the eligible director may elect to receive cash or common shares equal to the value of the DSUs accumulated in his or her account. A total of 500,000 common shares have been reserved for issuance under the Stock Plan for Non-Employee Directors.

The Company also granted stock options to eligible directors under the Director Equity Incentive Plan ("DEIP"). The exercise price of each option is equal to the closing market price of MFC's common shares on the Exchange on the business day immediately preceding the date the option was granted. These DEIP options vest immediately and expire not more than 10 years from the grant date. A total of 500,000 common shares have been reserved for issuance under the DEIP.

During the first quarter of 2003, the Company established a new Restricted Share Unit ("RSU") plan and granted 969,000 RSUs to certain eligible employees. RSUs represent phantom common shares of MFC that entitle a participant to receive payment equal to the market value of the same number of common shares at the time the RSUs vest. RSUs vest and are paid out in 34 months and the related compensation expense is recognized over the period. Compensation expense related to RSUs was $13 for the year ended December 31, 2003.

For the years ended December 31	2003 Number of options (in millions)	2003 Weighted average exercise price	2002 Number of options (in millions)	2002 Weighted average exercise price
Outstanding, January 1	**11**	**$ 38.20**	8	$ 36.22
Granted	**1**	**$ 36.38**	3	$ 42.76
Outstanding, December 31	**12**	**$ 37.87**	11	$ 38.20
Exercisable, as at December 31	**6**	**$ 35.54**	4	$ 33.91

The exercise price of stock options outstanding ranged from $31.60 to $46.95 and had a weighted average contractual remaining life of 7.5 years.

The weighted average fair value of each option granted in the year has been estimated at $10.75 (2002 – $13.85) using the Black-Scholes option-pricing model. The pricing model uses the following weighted average assumptions for these options: risk-free interest rate of 4.8% (2002 – 5.2%), dividend yield of 1.8% (2002 – 1.4%), expected volatility of 25% (2002 – 25%) and expected life of seven (2002 – seven) years.

Effective January 1, 2003, the Company changed its accounting policy on a prospective basis for stock options granted to employees on or after January 1, 2002, from the intrinsic value method to the fair value method, and recorded an additional compensation expense, with an offsetting increase to contributed surplus, of $14 during the year ended December 31, 2003.

Note 11 Acquisition and Assumption Transactions

a) Proposed Business Combination with John Hancock Financial Services, Inc. On September 28, 2003, the Company announced that it had entered into an agreement with John Hancock Financial Services, Inc. ("JHF") under which JHF will merge with a newly-formed wholly-owned subsidiary of MFC. In conjunction with this transaction, MFC expects to issue approximately 337 million common shares, subject to adjustment, and replace JHF's existing stock options with MFC stock options. The transaction is expected to close in the second quarter of 2004 and is subject to customary closing conditions, including the receipt of applicable regulatory approvals.

b) Other The fair value of assets acquired or assumed was as follows:

Transaction date	Company/business	Fair value of assets acquired or assumed: General fund	Fair value of assets acquired or assumed: Segregated funds
November 25, 2002	CMG Life Insurance Co., Inc. and CMG Plans, Inc.	$ 134	$ —
March 25, 2002	Zurich Life Insurance Company of Canada	754	40

Note 12 Employee Future Benefits

The Company maintains a number of pension and benefit plans for its eligible employees and agents. The Company's funding policy for all applicable plans is to make at least the minimum annual contributions required by regulations of the countries in which the plans are offered. Different assumptions and methods are prescribed for regulatory funding purposes compared to accounting purposes. Information about the Company's benefit plans, in aggregate, was as follows:

For the years ended December 31	Pension benefits 2003	Pension benefits 2002	Other employee benefits 2003	Other employee benefits 2002
Changes in accrued benefit obligation:				
Balance, January 1	**$ 810**	$ 727	**$ 141**	$ 130
Service cost	**26**	25	**6**	6
Interest cost	**47**	47	**8**	8
Plan participants' contributions	**1**	1	**—**	—
Amendments	**6**	4	**—**	—
Actuarial loss	**63**	52	**12**	—
Benefits paid	**(50)**	(48)	**(3)**	(3)
Currency impact	**(30)**	2	**(7)**	—
Balance, December 31	**$ 873**	$ 810	**$ 157**	$ 141

For the years ended December 31	Pension benefits 2003	Pension benefits 2002	Other employee benefits 2003	Other employee benefits 2002
Changes in plan assets:				
Fair value of plan assets, January 1	**$ 558**	$ 632	**$ —**	$ —
Actual return on plan assets	**68**	(33)	**—**	—
Employer contribution	**16**	6	**3**	3
Plan participants' contributions	**1**	1	**—**	—
Benefits paid	**(50)**	(48)	**(3)**	(3)
Currency impact	**(18)**	—	**—**	—
Fair value of plan assets, December 31	**$ 575**	$ 558	**$ —**	$ —

As at December 31	Pension benefits 2003	Pension benefits 2002	Other employee benefits 2003	Other employee benefits 2002
Funded status, end of year	**$ (298)**	$ (252)	**$ (157)**	$ (141)
Unrecognized net actuarial loss (gain)	**188**	174	**(39)**	(56)
Unrecognized initial transition gain	**(1)**	(5)	**—**	—
Unrecognized prior service cost	**23**	20	**—**	—
Accrued benefit liability	**$ (88)**	$ (63)	**$ (196)**	$ (197)
Amounts recognized in the Consolidated Balance Sheets consist of:				
Prepaid benefit – cost	**$ 104**	$ 120	**$ —**	$ —
Accrued benefit liability	**(192)**	(183)	**(196)**	(197)
Accrued benefit liability	**$ (88)**	$ (63)	**$ (196)**	$ (197)

As at December 31, 2003, pension plans subject to regulatory required contributions consist of assets of $575 (2002 – $558) and pension benefit obligations of $625 (2002 – $585).

Of the $298 unfunded amount (2002 – $252), $193 (2002 – $174) relates to the Company's executive supplementary pension plan of which $133 (2002 – $126) has been charged to earnings to date. Charges for other unfunded plans amount to $52 (2002 – $49) and have been charged to earnings or otherwise accrued for in the Company's accounts. The assets supporting these pension liabilities are not separately segregated and form part of the general fund assets of the Company.

Components of the net benefit expense were as follows:

For the years ended December 31	Pension benefits 2003	Pension benefits 2002	Other employee benefits 2003	Other employee benefits 2002
Defined benefit service cost	**$ 26**	$ 25	**$ 6**	$ 6
Defined contribution service cost	**17**	15	**—**	—
Interest cost	**47**	47	**8**	8
Expected return on plan assets	**(41)**	(47)	**—**	—
Net amortization and deferrals	**5**	1	**(3)**	(4)
Net benefit expense	**$ 54**	$ 41	**$ 11**	$ 10

For the years ended December 31	Pension benefits 2003	Pension benefits 2002
Weighted-average assumptions:		
Discount rate	**6.0%**	6.6%
Expected return on plan assets	**7.2%**	7.7%
Rate of compensation increase	**3.6%**	3.6%

Assumed health care cost trends have a significant effect on the amounts reported for the health care plan. The impact of a 100 basis-point change in assumed health care cost trend rates would have been as follows:

	100 basis-point increase	100 basis-point decrease
Effect on total service and interest costs	**3**	**(2)**
Effect on post-employment benefit obligation	**22**	**(15)**

Note 13 Commitments and Contingencies

a) Legal proceedings The Company is subject to legal actions arising in the ordinary course of business. These legal actions are not expected to have a material adverse effect on the consolidated financial position of the Company.

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 $507 of outstanding investment commitments as at December 31, 2003, of which $198 mature in 30 days, $240 mature in 31 to 365 days and $69 mature in 2005 or later. There were $706 of outstanding investment commitments as at December 31, 2002, of which $127 matured in 30 days, $383 matured in 31 to 365 days and $196 mature in 2004 or later.

c) Letters of credit In the normal course of business, third party relationship banks issue letters of credit on the Company's behalf. As at December 31, 2003, letters of credit in the amount of $2,211 (2002 – $2,739), which included nil (2002 – $21) against which assets have been pledged, were outstanding.

d) Pledged assets In the normal course of business, certain of MFC's subsidiaries pledge their assets as security for liabilities incurred. The amounts pledged were as follows:

As at December 31	2003		2002	
	Bonds	Other	Bonds	Other
In respect of:				
Letters of credit	**$ —**	**$ —**	$ 21	$ —
Derivatives	**—**	**7**	—	7
Regulatory requirements	**43**	**—**	49	—
Real estate	**—**	**74**	—	87
Total	**$ 43**	**$ 81**	$ 70	$ 94

e) Capital requirements Dividends and capital distributions are restricted under the ICA. The ICA requires Canadian insurance companies to maintain, at all times, minimum levels of capital (which principally includes common shareholders' equity (including retained earnings), non-cumulative perpetual preferred shares, subordinated debt, other financial instruments that qualify as regulatory capital and the participating account) calculated in accordance with Minimum Continuing Capital and Surplus Requirements. In addition to the requirements under Canadian law, MFC must also maintain minimum levels of capital for its foreign subsidiaries. Such amounts of capital are based on the local statutory accounting basis in each jurisdiction. The most significant of these are the Risk Based Capital requirements for MFC's U.S. insurance subsidiaries. The Company maintains capital well in excess of the minimum required in all foreign jurisdictions in which the Company does business.

There are additional restrictions on distributions in foreign jurisdictions in relation to shareholder dividends. In the U.S., MFC's principal insurance subsidiary is domiciled in Michigan. Michigan regulatory approval is required if a shareholder dividend distribution from a Michigan insurance subsidiary to the parent company would exceed that subsidiary's earned surplus. Regulatory approval is also required if the distribution (together with other distributions during the previous 12 months) exceeds the greater of the subsidiary's statutory net operating income for the previous year or 10% of its surplus determined at the end of the previous year. The determination must be made in accordance with statutory accounting principles.

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 the policyholder dividends. For participating business operating as separate "closed blocks," transfers are governed by the terms of Manufacturers Life's Plan of Demutualization.

Note 14 Fair Value of Financial Instruments

Financial instruments refer to both on- and off-balance sheet instruments and may be assets or liabilities. They are contracts that ultimately give rise to a right for one party to receive an asset and an obligation for another party to deliver an asset. Fair values are management's best estimates of the amounts at which instruments could be exchanged in a current transaction between willing parties and are generally calculated based on the characteristics of the instrument and the current economic and competitive environment. These calculations are subjective in nature, involve uncertainties and matters of significant judgment and do not include any tax impact.

Both the fair values and the basis for determining the fair value of invested assets, actuarial liabilities, subordinated debt and derivative financial instruments are disclosed in notes 3, 4, 6 and 15, respectively.

The fair values of accrued investment income, outstanding premiums, miscellaneous assets, policy benefits in the course of settlement, provision for unreported claims, policyholder amounts on deposit and other liabilities approximate their carrying values due to their short-term nature.

The fair value of Manulife Bank deposits is estimated at $2,554 as at December 31, 2003 (2002 – $1,444) compared to a carrying value of $2,550 as at December 31, 2003 (2002 – $1,437). The fair value of these financial instruments is determined by discounting the contractual cash flows, using market interest rates currently offered for deposits with similar terms and conditions.

Note 15 Derivative Financial Instruments

Derivative financial instruments are financial contracts, the values of which are derived from underlying assets or interest or foreign exchange rates. In the ordinary course of business, the Company enters into primarily over-the-counter contracts for asset liability management purposes. Derivatives such as foreign exchange contracts, interest rate and cross currency swaps, forward contracts, total return swaps, futures agreements and options are used to manage exposures to interest rate, foreign currency and equity fluctuations in order to ensure a consistent stream of earnings.

Swaps are contractual agreements between the Company and a third party to exchange a series of cash flows. For interest rate swaps, counterparties generally exchange fixed and floating interest rate payments based on a notional value in a single currency. Cross currency swaps involve the exchange of fixed or floating interest payments in one currency for the receipt of fixed or floating interest payments in another currency. Equity contracts involve the exchange of floating rate interest payments for the receipt of returns from an equity market index.

Notional amount represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows. The notional principal amounts are not included in the Consolidated Balance Sheets.

Forward and futures agreements are contractual obligations to buy or sell a financial instrument at a future date at a specified price. Forward contracts are over-the-counter contracts negotiated between counterparties and futures agreements are standardized contracts that are transacted on regulated exchanges.

Options are contractual agreements whereby the holder has the right, but not the obligation, to buy or sell a specified amount of the financial instrument at a predetermined price within a specified time.

Credit risk equivalent is the sum of replacement cost and the potential future credit exposure. Replacement cost represents the cost of replacing, at current market rates, all contracts with a positive fair value. The amounts do not take into consideration legal contracts that permit offsetting of positions or any collateral that may be obtained. The potential future credit exposure represents the potential for future changes in value based upon a formula prescribed by OSFI.

Risk-weighted amount represents the credit risk equivalent, weighted according to the creditworthiness of the counterparty, as prescribed by OSFI.

Fair value is summarized by derivative type and represents the unrealized net gain or loss, accrued interest receivable or payable, and premiums paid or received. Substantially all derivative financial instruments wholly or partially offset the change in fair values of related on-balance sheet assets and liabilities.

The Company had the following amounts outstanding:

	Remaining term to maturity (notional amounts)				Fair value				
As at December 31 2003	Under 1 year	1 to 5 years	Over 5 years	Total	Positive	Negative	Net	Credit risk equivalent	Risk-weighted amount
Interest rate contracts:									
Swap contracts	$ 492	$ 1,448	$ 451	$ 2,391	$ 59	$ (74)	$ (15)	$ 42	$ 11
Futures contracts	3	—	—	3	—	—	—	—	—
Options written	—	15	—	15	—	(1)	(1)	—	—
Sub-total	$ 495	$ 1,463	$ 451	$ 2,409	$ 59	$ (75)	$ (16)	$ 42	$ 11
Foreign exchange:									
Swap contracts	948	2,257	664	3,869	259	(130)	129	307	88
Forward contracts	1,537	65	—	1,602	48	(3)	45	26	6
Commodity contracts	35	1	—	36	—	(2)	(2)	—	—
Equity contracts	461	7	—	468	21	(1)	20	32	10
Total	$ 3,476	$ 3,793	$ 1,115	$ 8,384	$ 387	$ (211)	$ 176	$ 407	$ 115
2002 Interest rate contracts:									
Swap contracts	$ 868	$ 1,645	$ 1,110	$ 3,623	$ 111	$ (118)	$ (7)	$ 136	$ 35
Futures contracts	11	—	—	11	—	—	—	—	—
Options written	72	34	—	106	—	(3)	(3)	—	—
Sub-total	$ 951	$ 1,679	$ 1,110	$ 3,740	$ 111	$ (121)	$ (10)	$ 136	$ 35
Foreign exchange:									
Swap contracts	1,011	3,010	485	4,506	96	(294)	(198)	293	81
Forward contracts	2,890	274	—	3,164	25	(18)	7	67	13
Equity contracts	374	68	—	442	12	(3)	9	34	10
Total	$ 5,226	$ 5,031	$ 1,595	$ 11,852	$ 244	$ (436)	$(192)	$ 530	$ 139

Note 16 Segmented Information

The Company provides a wide range of financial products and services, including individual life insurance, group life and health insurance, pension products, annuities and mutual funds, to individual and group customers in the United States, Canada, Asia and Japan. The Company also offers reinsurance services, primarily life and property and casualty retrocession, and provides investment management services with respect to the Company's general fund assets, segregated fund assets and mutual funds and, in Canada and Asia, to institutional customers.

The Company's business segments include the U.S., Canadian, Asian, Japan and Reinsurance Divisions. Each division has profit and loss responsibility and develops products, services and distribution strategies based on the profile of its business and the needs of its market.

The accounting policies of the segments are the same as those described in note 1, Nature of Operations and Significant Accounting Policies.

The results of the Company's business segments differ from geographic segmentation primarily as a consequence of segmenting the results of the Company's Reinsurance Division into the different geographic segments to which its business pertains.

By segment For the year ended December 31, 2003	U.S. Division	Canadian Division	Asian Division	Japan Division	Reinsurance Division	Corporate & Other	Total
Revenue							
Premium income							
Life and health insurance	$ 2,100	$ 2,684	$1,488	$ 1,232	$ 736	$ —	$ 8,240
Annuities and pensions	1,373	832	95	—	—	—	2,300
Total premium income	$ 3,473	$ 3,516	$1,583	$ 1,232	$ 736	$ —	$10,540
Investment income	1,746	1,896	342	160	222	195	4,561
Other revenue	1,022	290	133	34	45	31	1,555
Total revenue	$ 6,241	$ 5,702	$2,058	$ 1,426	$ 1,003	$ 226	$16,656
Interest expense	$ 15	$ 90	$ 41	$ 2	$ 3	$ 102	$ 253
Income (loss) before income taxes	$ 631	$ 653	$ 328	$ 129	$ 279	$ (168)	$ 1,852
Income taxes	(176)	(158)	(17)	(23)	(63)	121	(316)
Net income (loss)	$ 455	$ 495	$ 311	$ 106	$ 216	$ (47)	$ 1,536
Segregated fund deposits	$14,014	$ 1,993	$1,013	$ 667	$ —	$ —	$17,687
As at December 31, 2003							
Actuarial liabilities	$19,271	$19,100	$4,156	$ 7,783	$ 833	$ 504	$51,647
Funds under management							
General fund	$22,756	$27,480	$6,435	$10,458	$ 3,450	$ 6,937	$77,516
Segregated funds	56,242	10,702	3,420	1,100	—	—	71,464
Mutual funds	—	1,739	1,621	—	—	—	3,360
Other managed funds	—	—	1,947	—	—	2,388	4,335

By geographic location For the year ended December 31, 2003	United States	Canada	Asia	Other	Total
Revenue					
Premium income					
Life and health insurance	$ 2,383	$2,744	$2,720	$393	$ 8,240
Annuities and pensions	1,373	832	95	—	2,300
Total premium income	$ 3,756	$3,576	$2,815	$393	$10,540
Investment income	1,874	2,136	502	49	4,561
Other revenue	1,049	308	174	24	1,555
Total revenue	$ 6,679	$6,020	$3,491	$466	$16,656

By segment For the year ended December 31, 2002	U.S. Division	Canadian Division	Asian Division	Japan Division	Reinsurance Division	Corporate & Other	Total
Revenue							
Premium income							
Life and health insurance	$ 1,939	$ 2,465	$1,424	$ 1,451	$ 1,063	$ —	$ 8,342
Annuities and pensions	1,616	726	95	—	—	—	2,437
Total premium income	$ 3,555	$ 3,191	$1,519	$ 1,451	$ 1,063	$ —	$10,779
Investment income	1,773	1,629	334	81	226	192	4,235
Other revenue	998	287	114	34	43	42	1,518
Total revenue	$ 6,326	$ 5,107	$1,967	$ 1,566	$ 1,332	$ 234	$16,532
Interest expense	$ 20	$ 64	$ 45	$ 3	$ 1	$ 110	$ 243
Income (loss) before income taxes	$ 633	$ 472	$ 265	$ 163	$ 238	$ (97)	$ 1,674
Income taxes	(162)	(104)	(6)	(52)	(54)	74	(304)
Net income (loss)	$ 471	$ 368	$ 259	$ 111	$ 184	$ (23)	$ 1,370
Segregated fund deposits	$14,229	$ 1,283	$1,024	$ 477	$ —	$ —	$17,013
As at December 31, 2002							
Actuarial liabilities	$22,668	$18,120	$4,254	$ 9,786	$ 952	$ 617	$56,397
Funds under management							
General fund	$26,790	$24,235	$6,476	$13,153	$ 4,134	$ 6,407	$81,195
Segregated funds	47,189	8,577	2,497	568	—	—	58,831
Mutual funds	—	1,324	843	—	—	—	2,167
Other managed funds	—	—	1,718	—	—	2,264	3,982

By geographic location For the year ended December 31, 2002	United States	Canada	Asia	Other	Total
Revenue					
Premium income					
Life and health insurance	$ 2,281	$2,511	$2,875	$675	$ 8,342
Annuities and pensions	1,616	726	95	—	2,437
Total premium income	$ 3,897	$3,237	$2,970	$675	$10,779
Investment income	1,880	1,872	415	68	4,235
Other revenue	1,022	315	154	27	1,518
Total revenue	$ 6,799	$5,424	$3,539	$770	$16,532

Note 17 Material Differences Between Canadian and United States Generally Accepted Accounting Principles

The consolidated financial statements of the Company are presented in accordance with Canadian GAAP. Canadian GAAP differs in certain material respects from U.S. generally accepted accounting principles ("U.S. GAAP"). The material differences between U.S. and Canadian GAAP for a life insurance company relate to the treatment of invested assets, deferred acquisition costs and actuarial liabilities. Generally, these differences will result in materially different earnings emergence patterns between statements of operations prepared in accordance with U.S. GAAP as compared to statements of operations prepared in accordance with Canadian GAAP.

a) Condensed consolidated balance sheets

As at December 31	Note 17 Reference	2003 U.S. GAAP	2003 Canadian GAAP	2002 U.S. GAAP	2002 Canadian GAAP
Assets					
Bonds	e (i)	**$ 45,119**	**$42,216**	$ 50,155	$46,677
Mortgages	e (ii)	**10,349**	**10,401**	9,182	9,294
Stocks	e (iii)	**6,126**	**5,866**	5,799	6,898
Real estate	e (iv)	**3,031**	**3,962**	2,641	3,570
Policy loans		**4,348**	**4,348**	4,939	4,939
Cash and short-term investments		**5,877**	**5,877**	5,143	5,143
Manulife Bank loans		**934**	**934**	566	566
Other investments		**774**	**861**	298	475
Total invested assets		**$ 76,558**	**$74,465**	$ 78,723	$77,562
Other assets					
Accrued investment income		**$ 914**	**$ 914**	$ 1,010	$ 1,010
Outstanding premiums		**490**	**490**	558	558
Deferred acquisition costs	e (vi)	**6,945**	**—**	7,110	—
Future income tax asset[1]		**—**	**—**	—	132
Reinsurance deposits and amounts recoverable	f (vi)	**1,602**	**—**	1,760	—
Miscellaneous		**1,867**	**1,647**	2,153	1,933
Total other assets		**$ 11,818**	**$ 3,051**	$ 12,591	$ 3,633
		$ 88,376	**$77,516**	$ 91,314	$81,195
Segregated funds net assets[2]	f (iv)	**71,464**	**—**	58,831	—
Total assets		**$159,840**	**$77,516**	$150,145	$81,195
Segregated funds net assets[2]	f (iv)		**$71,464**		$58,831
Liabilities and equity					
Actuarial liabilities	e (v), f (iii)	**$ 60,521**	**$51,647**	$ 65,450	$56,397
Other policy-related benefits		**5,205**	**4,582**	5,996	5,528
Future income tax liability[1]		**1,058**	**170**	592	—
Deferred realized net gains	e (i) – e (iv)	**—**	**3,343**	—	3,297
Manulife Bank deposits		**2,550**	**2,550**	1,437	1,437
Other liabilities		**4,090**	**3,156**	3,192	2,499
		$ 73,424	**$65,448**	$ 76,667	$69,158
Subordinated debt		**1,123**	**1,123**	1,436	1,436
Non-controlling interest in subsidiaries		**1,041**	**1,037**	1,075	1,059
Trust preferred securities issued by subsidiaries		**650**	**650**	794	794
Segregated funds net liabilities[2]	f (iv)	**71,464**	**—**	58,831	—
Preferred shares		**344**	**344**	—	—
Contributed surplus		**14**	**14**	—	—
Common shares and retained earnings		**10,166**	**8,900**	9,930	8,748
Accumulated effect of comprehensive income on equity		**1,614**	**—**	1,412	—
Total liabilities and equity		**$159,840**	**$77,516**	$150,145	$81,195
Segregated funds net liabilities[2]	f (iv)		$71,464		$58,831

(1) U.S. GAAP terminology is deferred income taxes.

(2) U.S. GAAP terminology is separate accounts.

b) Condensed consolidated statements of operations

For the years ended December 31	Note 17 Reference	2003 U.S. GAAP	2003 Canadian GAAP	2002 U.S. GAAP	2002 Canadian GAAP
Revenue					
Premium income	e (vii), f (i)	**$ 6,175**	**$10,540**	$ 6,533	$10,779
Fee income	e (vii)	**1,939**	**—**	1,829	—
Investment income	e (i) – (iv), e (viii)	**3,845**	**4,561**	4,005	4,235
Realized investment gains (losses)	e (i) – (iv), e (viii)	**1,098**	**—**	(350)	—
Other revenue		**272**	**1,555**	237	1,518
Total revenue		**$13,329**	**$16,656**	$12,254	$16,532
Policy benefits and expenses					
Policyholder payments	f (ii)	**$ 6,497**	**$ 9,331**	$ 7,154	$10,363
Change in actuarial liabilities	f (i), f (iii)	**1,416**	**1,147**	694	307
General expenses	e (vi), f (iii)	**3,395**	**4,211**	3,030	4,051
Non-controlling interest in subsidiaries		**55**	**57**	72	72
Trust preferred securities issued by subsidiaries		**58**	**58**	65	65
Total policy benefits and expenses		**$11,421**	**$14,804**	$11,015	$14,858
Income before income taxes		**$ 1,908**	**$ 1,852**	$ 1,239	$ 1,674
Income taxes		**(348)**	**(316)**	(266)	(304)
Net income		**$ 1,560**	**$ 1,536**	$ 973	$ 1,370
Weighted average number of common shares outstanding (in millions):					
Basic		**463**	**463**	476	476
Diluted		**466**	**466**	479	479
Earnings per share:					
Basic		**$ 3.37**	**$ 3.33**	$ 2.05	$ 2.90
Diluted		**$ 3.35**	**$ 3.31**	$ 2.03	$ 2.88

c) Reconciliation of Canadian GAAP net income and equity to U.S. GAAP net income, comprehensive income and equity:

For the years ended December 31	Note 17 Reference	Net income 2003	Net income 2002	Equity 2003	Equity 2002
Net income and equity determined in accordance with Canadian GAAP		**$ 1,536**	$1,370	**$ 9,258**	$ 8,748
Bonds	e (i)	**409**	338	**1,784**	1,507
Mortgages	e (ii)	**51**	85	**(11)**	(67)
Stocks	e (iii)	**11**	(932)	**350**	503
Real estate	e (iv)	**(106)**	(43)	**(844)**	(829)
Actuarial liabilities	e (v)	**(1,106)**	(901)	**(6,648)**	(6,754)
Deferred acquisition costs[1]	e (vi)	**1,018**	1,249	**7,381**	7,529
Deferred revenue	e (vii)	**(195)**	(181)	**(756)**	(610)
Future income taxes[2]		**(33)**	38	**(392)**	(274)
Derivative instruments and hedging activities	e (viii)	**18**	(12)	**53**	29
Other reconciling items		**(43)**	(38)	**349**	148
Reclassification of preferred shares		**—**	—	**(344)**	—
Net income and equity determined in accordance with U.S. GAAP		**$ 1,560**	$ 973	**$10,180**	$ 9,930
Effect of unrealized gains and losses on available-for-sale bonds and stocks:					
Bonds	e (i)	**(575)**	1,508	**2,903**	3,478
Stocks	e (iii)	**1,122**	(813)	**1,103**	(19)
Actuarial liabilities	e (v)	**(323)**	(91)	**(1,210)**	(887)
Deferred acquisition costs	e (vi)	**(18)**	(252)	**(436)**	(418)
Deferred revenue	e (vii)	**(13)**	30	**22**	35
Other		**83**	(59)	**(6)**	(89)
Future income taxes[2] on above		**(163)**	(71)	**(694)**	(531)
SFAS 133 adjustments[4]		**89**	165	**(68)**	(157)
Foreign currency translation[3]		**(958)**	52	**—**	—
Comprehensive income and equity determined in accordance with U.S. GAAP[5]		**$ 804**	$1,442	**$11,794**	$11,342

(1) Deferred acquisition costs consist of $1,576 (2002 – $1,509) of capitalized expenditures less $558 (2002 – $260) of amortization charged to income.

(2) U.S. GAAP terminology is deferred income taxes.

(3) Included a gain of $107 (2002 – loss of $1), net of tax, arising from hedges of foreign currency exposure of a net investment in a foreign operation.

(4) Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." Other comprehensive income related to SFAS 133 is net of $28 in income taxes (2002 – $83).

(5) Included in comprehensive equity was gross unrealized investment gains and gross unrealized investment losses of $4,760 and $754 (2002 – $4,238 and $779), respectively.

d) Additional information required to be reported under U.S. GAAP:

(i) Fair value of actuarial liabilities of investment contracts The fair value of actuarial liabilities of investment contracts as at December 31, 2003 was estimated at $15,171 (2002 – $17,237).

(ii) Derivative instruments and hedging activities The Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by Statement of Financial Accounting Standards No. 138, on January 1, 2001.

For fair value hedges, the Company is hedging changes in the fair value of assets, liabilities or firm commitments with changes in fair values of the derivative instruments recorded in income. For cash flow hedges, the Company is hedging the variability of cash flows related to variable rate assets, liabilities or forecasted transactions. The effective portion of changes in fair values of derivative instruments is recorded in other comprehensive income and reclassified into income in the same period or periods during which the hedged transaction affects earnings. The Company estimates that deferred net losses of $53, included in other comprehensive income as at December 31, 2003 (2002 – $37), will be reclassified into earnings within the next twelve months. Cash flow hedges include hedges of certain forecasted transactions up to a maximum of 40 years. For a hedge of its net investment in a foreign operation, the Company is hedging the foreign currency exposure of a net investment in a foreign subsidiary with changes in fair values of derivative instruments recorded in the cumulative translation account.

e) Valuation and income recognition differences between Canadian GAAP and U.S. GAAP:

		Canadian GAAP	U.S. GAAP
(i)	**Bonds**	Bonds are carried at amortized cost, less an allowance for specific losses. Allowances are provided on a specific bond whenever a decline in the value of the bond is considered to be other than temporary. Realized gains and losses on sale are deferred and brought into income over the lesser of 20 years or the remaining term to maturity of the bond sold.	Bonds may be classified as "available-for-sale," "held to maturity" or "trading" securities. All bonds are classified as "available-for-sale" by the Company and are carried at fair value in the Consolidated Balance Sheets. A decline in the value of a specific bond that is considered to be other than temporary results in a write-down in the cost basis of the bond and a charge to income in the period of recognition. Realized gains and losses on sale are recognized in income immediately. Unrealized gains and losses, other than losses considered to be other than temporary, are excluded from income and reported net of tax in other comprehensive income, a component of equity.
(ii)	**Mortgages**	Mortgages are carried at amortized cost less repayments and an allowance for specific losses. Realized gains and losses are deferred and brought into income over the lesser of 20 years or the remaining term to maturity of the mortgage sold.	Mortgages are carried at amortized cost less repayments and an allowance for losses. Realized gains and losses are recognized in income immediately.
(iii)	**Stocks**	Stocks are carried at a moving average market basis whereby carrying values are adjusted towards market value at 5% per quarter. Specific stocks are written down to fair value if an impairment in the value of the entire stock portfolio (determined net of deferred realized gains) is considered to be other than temporary. Realized gains and losses are deferred and brought into income at the rate of 5% of the unamortized deferred realized gains and losses each quarter.	Stocks may be classified as "available-for-sale" or "trading" securities. All stocks are classified as "available-for-sale" by the Company and are carried at fair value in the Consolidated Balance Sheets. Other than temporary declines in the value of stocks result in a write-down in the cost basis of the stocks and a charge to income in the period of recognition. Realized gains and losses are recognized in income immediately. Unrealized gains and losses, other than losses considered to be other than temporary, are excluded from income and reported net of tax in other comprehensive income, a component of equity.

		Canadian GAAP	U.S. GAAP
(iv)	**Real estate**	Real estate is carried at a moving average market basis whereby the carrying values are adjusted towards market value at 3% per quarter. Specific properties are written down to market value if an impairment in the value of the entire real estate portfolio (determined net of deferred realized gains) is considered to be other than temporary. Realized gains and losses are deferred and brought into income at the rate of 3% of the unamortized deferred realized gains and losses each quarter.	Real estate is carried at cost less accumulated depreciation. Specific properties are written down, taking into account discounted cash flows, if an impairment in the value of the property is considered to be other than temporary. Realized gains and losses are recognized in income immediately.
(v)	**Actuarial liabilities**	Actuarial liabilities for all types of policies are calculated using the Canadian Asset Liability Method (CALM) and represent the amount which, together with estimated future premiums and net investment income, will be sufficient to pay estimated future benefits, policyholder dividends, tax (other than income taxes) and expenses on policies in force. Actuarial liabilities are comprised of a best estimate reserve and provisions for adverse deviation. Best estimate reserve assumptions are made for the term of the liabilities and include assumptions with respect to mortality and morbidity trends, investment returns, rates of policy termination, policyholder dividend payments, operating expenses and certain taxes. To recognize the uncertainty in the assumptions underlying the calculation of best estimate reserves, to allow for possible deterioration in experience and to provide greater comfort that actuarial liabilities are adequate to pay future benefits, the Appointed Actuary is required to add a margin to each assumption. These margins result in the calculation of provisions for adverse deviation, the impact of which is to increase actuarial liabilities and decrease the income that would otherwise be recognized when products are sold. Assumptions are updated regularly and the effects of any changes in assumptions are recognized in income immediately. The provisions for adverse deviations are recognized in income over the term of the liabilities as the risk of deviation from estimates declines.	There are three main standards for valuing actuarial liabilities as follows: Statement of Financial Accounting Standards No. 60, “Accounting and Reporting by Insurance Enterprises” (“SFAS 60”) applies to non-participating insurance, including whole life and term insurance, payout annuities, disability insurance and certain reinsurance contracts. Actuarial liabilities are calculated using a net level premium method and represent the present value of future benefits to be paid to, or on behalf of, policyholders and related expenses, less the present value of future net premiums. The assumptions include expected investment yields, mortality, morbidity, terminations and maintenance expenses. A provision for adverse deviation is also included. The assumptions are based on best estimates of long-term experience at the time of policy issue. The assumptions are not changed for future valuations unless it is determined that future income is no longer adequate to recover the existing Deferred Acquisition Cost (“DAC”) asset, in which case the DAC asset is reduced or written off and, to the extent necessary, actuarial liabilities are increased. The actuarial liabilities may not subsequently be reduced if the circumstances causing the strengthening are no longer applicable. Statement of Financial Accounting Standards No. 97, “Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments” (“SFAS 97”) applies to universal life type contracts and investment contracts. The actuarial liability for these contracts is equal to the policyholder account value. There is no provision for adverse deviation. If it is determined that future income for universal life type contracts is no longer adequate to recover the existing DAC, the DAC asset is reduced or written off and, to the extent necessary, actuarial liabilities are increased. The actuarial liabilities may not subsequently be reduced if the circumstances causing the strengthening are no longer applicable. Statement of Financial Accounting Standards No. 120, “Accounting and Reporting by Mutual Life Enterprises and by Insurance Enterprises for Certain Long-Duration Participating Contracts” (“SFAS 120”) applies to participating insurance contracts. The actuarial liability for these contracts is computed using a net level premium method with mortality and interest assumptions consistent with the non-forfeiture assumptions. There is no provision for adverse deviation. The assumptions are not changed unless it is determined that future income is no longer adequate to recover the existing DAC, in which case the DAC asset is reduced or written off and, to the extent necessary, actuarial liabilities are increased. The actuarial liabilities may not subsequently be reduced if the circumstances causing the strengthening are no longer applicable.

		Canadian GAAP	U.S. GAAP
(v)	**Actuarial liabilities (cont'd)**		In addition, in accordance with Emerging Issues Task Force Topic No. D-41 ("EITF D-41"), U.S. GAAP requires that actuarial liabilities be adjusted to reflect the changes that would have been necessary if the unrealized gains and losses not already provided for on bonds and stocks had been realized. This adjustment to actuarial liabilities is recognized directly in equity and is not included in income.
(vi)	**Deferred acquisition costs**	The cost of acquiring new insurance and annuity business, consisting primarily of commissions and underwriting and issue expenses, is implicitly recognized as a reduction in actuarial liabilities for most policies.	Acquisition costs which vary with, and are primarily related to, the production of new business are deferred and recorded as an asset. This DAC asset is amortized into income in proportion to different measures, depending on the policy type. DAC associated with SFAS 60 policies are amortized and charged to income in proportion to premium income recognized. For non-participating limited payment policies, including annuities not classified as investment contracts, the DAC asset is amortized in proportion to the amount of the expected future benefit payments for payout annuities and in proportion to the face amount for insurance contracts. DAC associated with SFAS 97 and SFAS 120 policies (i.e. universal life type contracts, investment contracts and participating insurance contracts) are amortized and charged to income in proportion to the estimated gross profit margins expected to be realized over the life of the contracts. Under SFAS 97 and SFAS 120, the assumptions used to estimate future gross profits change as experience emerges. In addition, EITF D-41 requires that DAC related to SFAS 97 and SFAS 120 contracts should be adjusted to reflect the changes that would have been necessary if the unrealized gains and losses on available-for-sale bonds and stocks had actually been realized. This adjustment to the DAC asset is recognized directly in equity and is not included in income.
(vii)	**Deferred revenue**	All premium income is recorded as revenue. The anticipated costs of future services are included within the actuarial liabilities.	Under SFAS 97, fees assessed to policyholders relating to services that are to be provided in future years are recorded as deferred revenue. Deferred revenue is amortized to fee income in the same pattern as the amortization of the DAC asset.
(viii)	**Derivatives**	Derivatives are designated and effective as hedges if there is a high correlation between changes in market value of the derivative and the underlying hedged item at inception and over the life of the hedge. Realized and unrealized gains and losses on derivatives designated and effective as hedges are accounted for on the same basis as the underlying assets and liabilities. Realized and unrealized gains and losses on derivatives no longer considered hedges are included in income from the date they are no longer considered hedges.	All derivatives are reported in the Consolidated Balance Sheets at their fair values, with changes in fair values recorded in income or equity, depending on the nature and effectiveness of the hedge. Changes in the fair value of derivatives not designated as hedges will be recognized in current period earnings. Specific guidance is provided relating to the types of hedges, the measurement of hedge ineffectiveness and hedging strategies.

f) Presentation differences between Canadian GAAP and U.S. GAAP:

		Canadian GAAP	U.S. GAAP
(i)	**Premiums**	All premium income is reported as revenue when due. A partially offsetting increase in actuarial liabilities for the related policies is recorded in the Consolidated Statements of Operations.	Under SFAS 60 and SFAS 120, gross premiums are reported as revenue when due. A partially offsetting increase in actuarial liabilities for the related policies is recorded in the Consolidated Statements of Operations. Premiums collected on SFAS 97 contracts are not reported as revenue in the Consolidated Statements of Operations but are recorded as deposits to policyholders' account balances. Fees assessed against policyholders' account balances relating to mortality charges, policy administration and surrender charges are recognized as revenue.
(ii)	**Death, maturity and surrender benefits**	All death, maturity and surrender benefits are reported in the Consolidated Statements of Operations when incurred. Additionally, to the extent these amounts have previously been provided for in actuarial liabilities, a corresponding release of actuarial liabilities is recorded in the Consolidated Statements of Operations.	For SFAS 60 and SFAS 120 contracts, all death, maturity and surrender benefits are reported in the Consolidated Statements of Operations when incurred. Additionally, to the extent these amounts have previously been provided for in actuarial liabilities, a corresponding release of actuarial liabilities is recorded in the Consolidated Statements of Operations. For universal life type contracts and investment contracts accounted for under SFAS 97, benefits incurred in the period in excess of related policyholders' account balances are recorded in the Consolidated Statements of Operations.
(iii)	**Change in actuarial liabilities**	Interest credited on policyholders' account balances is included in change in actuarial liabilities in the Consolidated Statements of Operations.	Interest required to support SFAS 97 contracts is included in actuarial liabilities in the Consolidated Balance Sheets and is classified in general expenses in the Consolidated Statements of Operations.
(iv)	**Segregated funds assets and liabilities**	Investments held in segregated funds are carried at market value. Segregated funds are managed separately from those of the general fund of the Company and are, therefore, presented in a separate schedule and are not included in the general fund Consolidated Balance Sheets or Consolidated Statements of Operations.	Assets and liabilities are called separate accounts and are presented in summary lines in the Consolidated Balance Sheets. Assets and liabilities are carried at market values and contract values, respectively.
(v)	**Consolidated statements of cash flows**	The cash flows from investment contracts, including deferred annuities and group pensions, are disclosed as an operating activity in the Consolidated Statements of Cash Flows.	The cash flows from investment contracts accounted for under SFAS 97 are disclosed as a financing activity in the Consolidated Statements of Cash Flows.
(vi)	**Reinsurance**	Reinsurance recoverables relating to ceded life insurance risks and ceded annuity contract risks are recorded as an offset to actuarial liabilities.	Where transfer of risk has occurred, life insurance actuarial liabilities are presented as a gross liability with the reinsured portion included as reinsurance recoverable. Actuarial liabilities related to annuities are also presented on a gross basis with the reinsured portion accounted for as deposits with reinsurers.
(vii)	**Equity**	Shares issued to policyholders are recorded at nominal value and shares issued in a treasury offering are recorded at proceeds received net of share issuance costs in the Consolidated Balance Sheets.	Surplus is reclassified to share capital net of share issuance costs. Shares issued in a treasury offering are recorded at proceeds received net of share issuance costs.

g) Newly issued accounting statements *Statement of Position 03-1 – "Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts" ("SOP 03-1")*

In July 2003, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued SOP 03-1. SOP 03-1 provides guidance on a number of topics including separate account presentation, interests in separate account, gains and losses on the transfer of assets from the general account to a separate account, liability valuation, returns based on a contractually referenced pool of assets or index, accounting for contracts that contain death or other insurance benefit features, accounting for reinsurance and other similar contracts, accounting for annuitization guarantees, and sales inducements to contract holders.

SOP 03-1 will be effective for the Company's financial statements on January 1, 2004. The Company is currently evaluating the impact of adopting SOP 03-1 on its consolidated financial statements.

Statement of Financial Accounting Standards No. 15 – "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity" ("SFAS No. 150")

In May 2003, the Financial Accounting Standards Board ("FASB") issued SFAS No. 150. SFAS No. 150 changes the accounting for certain financial instruments that, under previous guidance, issuers could account for as equity. It requires that certain financial instruments be classified as liabilities on issuer balance sheets, including those instruments that are issued in shares and are mandatorily redeemable, those instruments that are not issued in shares but give the issuer an obligation to repurchase previously issued equity shares, and certain financial instruments that give the issuer the option of settling an obligation by issuing more equity shares. SFAS No. 150 is effective for all financial instruments issued into or modified after May 31, 2003. The adoption of SFAS No. 150 has resulted in the Company reclassifying its preferred shares out of shareholders' equity, as the preferred shares are convertible into a variable number of common shares. Dividends paid on the preferred shares are classified as interest expense.

FASB Interpretation 46 – Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51("FIN 46")

In January 2003, the FASB issued FIN 46 which clarifies the consolidation accounting guidance in Accounting Research Bulletin No. 51, "Consolidated Financial Statements," as it applies to certain entities in which equity investors which do not have the characteristics of a controlling financial interest, or do not have sufficient equity at risk for the entities to finance their activities without additional subordinated financial support from other parties. This interpretation is effective immediately for variable interest entities created after January 31, 2003 and on January 1, 2004 for all other variable interest entities. The Company is currently evaluating the impact of this pronouncement for variable interest entities created before January 31, 2003.

FASB Derivative Implementation Group SFAS No. 133 Implementation Issue No. 36 – "Embedded Derivatives: Bifurcation of a Debt Instrument that Incorporates Both Interest Rate Risk and Credit Rate Risk Exposures that are Unrelated or Only Partially Related to the Creditworthiness of the Issuer of that Instrument" ("DIG B36")

In April 2003, the FASB's Derivative Implementation Group ("DIG") released DIG B36, which addresses whether SFAS No. 133 requires bifurcation of a debt instrument into a debt host contract and an embedded derivative if the debt instrument incorporates both interest rate risk and credit risk exposures that are unrelated or only partially related to the creditworthiness of the issuer of that instrument. Under DIG B36, modified coinsurance and coinsurance with funds withheld reinsurance agreements as well as other types of receivables and payables where interest is determined by reference to a pool of fixed maturity assets or a total return debt index are examples of arrangements containing embedded derivatives requiring bifurcation. The effective date of the implementation guidance is January 1, 2004. The Company has determined that certain of its reinsurance agreements contain embedded derivatives requiring bifurcation. The Company has not yet determined the fair value of the embedded derivatives or completed its evaluation of the pronouncement.

SFAS No. 148 – "Accounting for Stock-Based Compensation – Transition and Disclosure, an amendment of FASB Statement No. 123" ("SFAS No. 148")

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure, an amendment of FASB Statement No. 123," which is effective for fiscal years ending after December 31, 2002.

SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation, which is an optional alternative method of accounting presented in SFAS No. 123, "Accounting for Stock-Based Compensation." The Company adopted the fair value provisions of SFAS No. 123 on January 1, 2003 and utilized the transition provisions described in SFAS No. 148 on a prospective basis. For the periods prior to January 1, 2003, Accounting Principles Board Opinion (APB) No. 25, "Accounting for Stock Issued to Employees" was applied. Had the Company applied the fair value recognition provisions of SFAS No. 123 to all stock-based employee compensation, net income for the year ended December 31, 2003 would have been reduced by $22 (2002 – $33). Basic and diluted earnings per common share for the year ended December 31, 2003 would have decreased by $0.05 (2002 – $0.07).

Note 18 Comparatives

Certain comparative amounts have been reclassified to conform with the current year's presentation.

Financial Performance

Canadian generally accepted accounting principles ("GAAP") require the presentation of financial information in discrete segments. The Company views the contracts comprising the general fund, segregated funds and other funds under management as alternative offerings that are managed interdependently. The reason for this is that there are transfer options between the general fund and the segregated funds as a result of a policyholder's ability to change investment options or products. Fee income for investment management and administrative services provided to segregated funds is recorded in the general fund.

As a result of similarities between general fund, segregated fund and mutual fund products from a business perspective and the many interdependencies, the Company measures certain key business indicators in aggregate. These key business indicators are:

(1) Growth of total premiums and deposits; and

(2) Growth in funds under management.

Taxes, levies and assessments are a significant component of Manulife Financial's expenses. In addition to income and capital-based taxes, the Company is subject to other taxes, which are reported as part of the Company's total expenses, including property and business taxes, premium taxes, employer payroll taxes, commodity and consumption taxes, and Canadian investment income taxes. Total taxes, levies and assessments, excluding income and certain capital-based taxes, which are recorded separately as income taxes in the Consolidated Statements of Operations, amounted to $324 million in 2003.

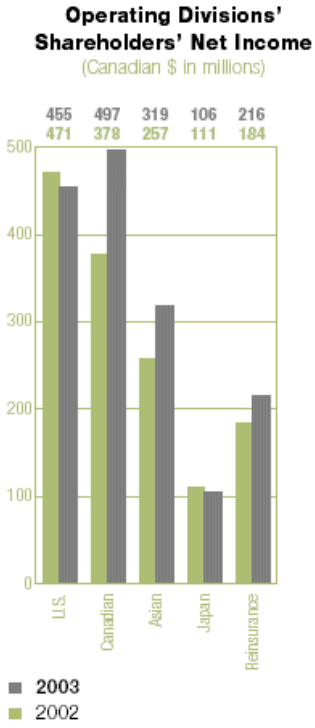
Consolidated Net Income

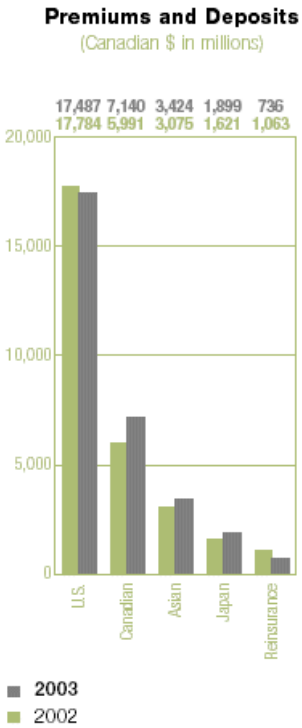
Manulife Financial reported record earnings in 2003 as shareholders' net income increased by 12 per cent to $1,546 million compared to $1,378 million reported in 2002. The Company achieved its medium-term targets of 15 per cent growth in earnings per share and 16 per cent return on shareholders' equity. Earnings per common share grew by 15 per cent to $3.33 from $2.90 in 2002 and the return on common shareholders' equity for the year ended December 31, 2003 was 17.7 per cent compared to 16.2 per cent for 2002.

The increase in shareholders' earnings was largely driven by the impact of exceptional equity markets, business growth, continued prudent management of expenses, together with very good claims experience in Japan and Canada. However, earnings were dampened by mortality experience in the United States that was modestly unfavourable compared to the very good experience of a year ago, and the $92 million negative impact of a strengthening Canadian dollar.

Summary Statements of Operations

For the years ended December 31 (Canadian $ in millions, unless otherwise stated)	2003	2002	2001
Premium income	**$10,540**	$10,779	$10,247
Investment income	**4,561**	4,235	4,479
Other revenue	**1,555**	1,518	1,505
Total revenue	**$16,656**	$16,532	$16,231
Policy benefits	**$10,478**	$10,670	$10,826
General expenses	**2,559**	2,490	2,478
Commissions	**1,280**	1,207	1,133
Interest expense	**253**	243	257
Premium taxes	**119**	111	105
Non-controlling interest in subsidiaries	**57**	72	4
Trust preferred securities issued by subsidiaries	**58**	65	65
Total policy benefits and expenses	**$14,804**	$14,858	$14,868
Income before income taxes	**$ 1,852**	$ 1,674	$ 1,363
Income taxes	**(316)**	(304)	(196)
Net income	**$ 1,536**	$ 1,370	$ 1,167
Less: net income (loss) attributed to participating policyholders	**(10)**	(8)	8
Net income attributed to shareholders	**$ 1,546**	$ 1,378	$ 1,159
Preferred share dividends	**7**	–	–
Net income available to common shareholders	**$ 1,539**	$ 1,378	$ 1,159
Basic earnings per share	**$ 3.33**	$ 2.90	$ 2.40





Premiums and Deposits

Premiums and deposits increased by four per cent to $30.7 billion in 2003 compared to $29.5 billion for the year ended December 31, 2002. Excluding the $2.4 billion negative impact of a stronger Canadian dollar, premiums and deposits increased by approximately 13 per cent.

Segregated fund deposits increased by six per cent to $17.7 billion in 2003 from $16.7 billion in 2002; however, on a constant currency basis, they increased by 17 per cent over the prior year. This increase was driven by record sales of 401(k) pension products in the United States, a 56 per cent increase in deposits from Canadian Division's wealth management businesses and a fourfold increase in variable annuity sales in Japan.

General fund premiums were negatively impacted by a stronger Canadian dollar and decreased marginally to $10.5 billion in 2003 from $10.8 billion in 2002. Excluding the currency impact, general fund premiums increased approximately five per cent over the prior year. This increase reflects particularly strong growth in the universal life insurance business in the United States and growth in the Canadian insurance businesses.

This increase was partially offset by a decline in Individual Wealth Management premiums in the United States, as the appreciation in equity markets attracted customers to segregated funds, and a decline in the block of policies acquired in Japan from Daihyaku in 2001. In addition, 2002 general fund premiums were buoyed by significant one-time premiums recorded in the Reinsurance Division.

Premiums and Deposits

For the years ended December 31 (Canadian $ in millions)	2003	2002	2001
General fund premiums	**$10,540**	$10,779	$10,247
Segregated fund deposits	**17,687**	16,706	14,044
Mutual fund deposits	**1,576**	1,189	754
ASO premium equivalents	**883**	860	795
Total	**$30,686**	$29,534	$25,840

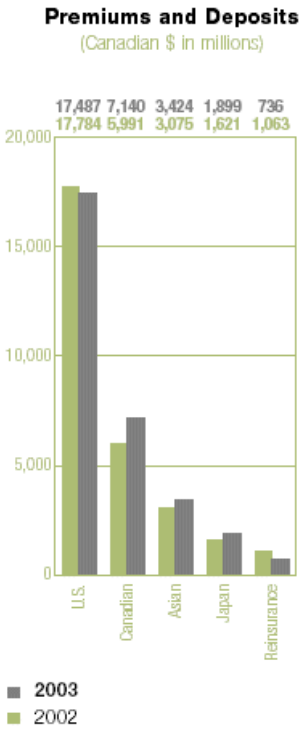
Investment Income

Investment income increased by eight per cent to $4.6 billion in 2003 from $4.2 billion in 2002. The favourable impact of robust equity markets, excellent credit experience and an increase in the average yield of fixed-income investments, was partially offset by the negative impact of a strengthened Canadian dollar. As at December 31, 2003, approximately 34 per cent of stocks supported the Company's participating policies and the impact of an increase or decrease in investment income from these stocks is substantially offset by a change in actuarial liabilities. The remaining 66 per cent of stocks supported other actuarial liabilities and the Company's capital. Investment income on these stocks impacts the Company's net income over time.

Provisions against impaired assets were significantly offset by net recoveries in the mortgage portfolios and resulted in a current year net provision of $5 million, reflecting excellent credit experience. This compares to the establishment of $220 million in specific provisions in the second quarter of 2002 against certain investments in the telecommunications sector, partially offset by recoveries related to U.S. dollar-denominated bonds, including investments in Californian utilities. As a result of the aforementioned, the total investment yield for the Company increased to 6.50 per cent from 5.93 per cent in 2002.

Investment Income

For the years ended December 31 (Canadian $ in millions)	2003	2002	2001
Gross investment income	**$3,991**	$4,019	$3,962
Net provision for impaired assets	**(5)**	(197)	(99)
Amortization of net realized and unrealized gains	**575**	413	616
Total	**$4,561**	$4,235	$4,479
Yield	**6.50%**	5.93%	6.90%



Other Revenue

Other revenue increased marginally to $1.6 billion in 2003. Fee income increased to $1.5 billion in 2003 from $1.4 billion a year ago. The impact of a higher average level of segregated fund assets under management, particularly in the U.S. Division wealth management business where average segregated fund assets increased by 20 per cent over the prior year, was significantly offset by the negative impact of a stronger Canadian dollar.

Policy Benefits and Expenses

Policy benefits decreased slightly to $10.5 billion in 2003 from $10.7 billion in 2002, primarily reflecting the impact of a stronger Canadian dollar. The decline in maturity and surrender payments was offset by a corresponding increase in the change in actuarial liabilities.

Policyholder dividends and experience rating refunds decreased by five per cent to $889 million in 2003 from $932 million in 2002. Excluding the impact of a stronger Canadian dollar, policyholder dividends and experience rating refunds increased by approximately four per cent, primarily due to continued growth in the cash value of participating policies.

General expenses increased marginally to $2.6 billion in 2003 from $2.5 billion a year ago. On a constant currency basis, general expenses increased by approximately nine per cent driven by higher variable costs related to increased business activity. In addition, in 2003 the Company incurred one time expenses associated with the Company's proposed acquisition of Canada Life, recorded costs related to a planned move of its U.S. Division home office and began expensing stock-based compensation. Excluding these items and the variable costs related to sales growth, expenses were up by one per cent on a constant currency basis. Commissions increased by six per cent in 2003, primarily due to increases in new business activity in the United States, Canada, and Japan.

Interest expense increased by four per cent to $253 million in 2003 from $243 million in 2002, primarily due to the growth in Manulife Bank's customer deposits. Premium taxes increased by seven per cent to $119 million from $111 million in 2002 due to an increase in taxable premiums.

Income taxes increased to $316 million in 2003 from $304 million in 2002. The Company's 2003 provision for income taxes of $316 million is comprised of $114 million of current taxes and $202 million of future taxes. The increase in the income tax expense is consistent with the increase in earnings and reflects the mix of earnings derived in tax jurisdictions with differing income tax rates and regulations.

Funds Under Management

Funds under management increased by seven per cent to $156.7 billion in 2003 from $146.2 billion in 2002, despite a $18.8 billion negative impact of a stronger Canadian dollar. General fund assets decreased by $3.7 billion to $77.5 billion as at December 31, 2003 from $81.2 billion as at December 31, 2002 as business growth was more than offset by an $8.3 billion decline due to the stronger Canadian dollar.

Segregated fund assets increased by 21 per cent to $71.5 billion as at December 31, 2003 from $58.8 billion as at December 31, 2002. The impact of excellent North American and Hong Kong equity markets, together with strong net deposits of U.S. 401(k) and annuity products in the United States and positive net segregated fund cash flows in Canada were partially offset by a $10.1 billion reduction caused by a strengthened Canadian dollar.

Funds Under Management

As at December 31 (Canadian $ in millions)	2003	2002	2001
General fund	**$ 77,516**	$ 81,195	$ 78,613
Segregated funds	**71,464**	58,831	59,206
Mutual and other managed funds	**7,695**	6,149	4,363
Total	**$156,675**	$146,175	$142,182

Other managed funds represent pension funds, pooled funds, endowment funds and other institutional funds managed by the Company on behalf of others.

Segregated fund assets, mutual fund assets and other managed funds are not available to satisfy the liabilities of the Company's general fund.

Differences Between Canadian and U.S. GAAP

The consolidated financial statements of Manulife Financial are presented in accordance with Canadian GAAP. Canadian GAAP differs in certain significant respects from U.S. GAAP.

The differences between Canadian GAAP and U.S. GAAP include accounting for premiums and deposits, invested assets, investment income and segregated funds. There are also differences in the calculation and accounting for actuarial liabilities and differences in reporting policy cash flows. These differences are described in more detail in note 17 to the consolidated financial statements.

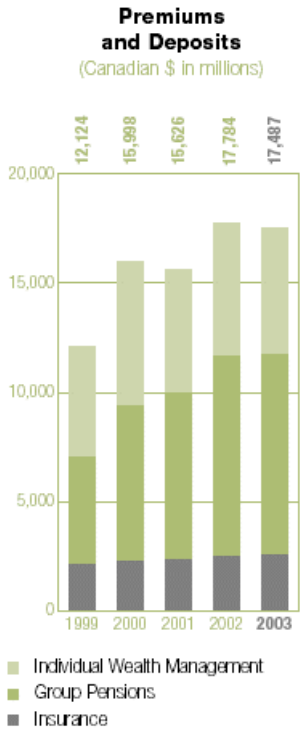
Differences Between Canadian and Hong Kong GAAP

The consolidated financial statements of Manulife Financial are presented in accordance with Canadian GAAP. Canadian GAAP differs in certain respects from Hong Kong GAAP.

In Hong Kong, there are no accounting standards specific to life insurance companies; consequently, companies have more discretion in selecting appropriate accounting principles to prepare financial statements. The Canadian GAAP requirements for life insurance enterprises used by the Company in relation to non-invested assets and non-actuarial liabilities are generally considered acceptable within the Hong Kong accounting framework. Under Hong Kong GAAP, invested assets are carried at market value as compared to Canadian GAAP where stocks are carried on a moving average market basis and fixed interest investments are held at amortized cost. The computation of actuarial liabilities in Hong Kong is governed by the requirements of the Hong Kong Insurance Authority. In certain interest rate environments, actuarial liabilities determined in accordance with Hong Kong GAAP may be higher than actuarial liabilities computed in accordance with Canadian GAAP.

The Hong Kong Insurance Authority requires that insurance companies meet minimum solvency requirements. Each year, the Company compares the amount of net assets prepared in accordance with Canadian GAAP, as reported in the Company's annual regulatory return, with the minimum solvency margin required in Hong Kong. As at December 31, 2003, the Company's net assets determined in accordance with Canadian GAAP exceeded the minimum solvency margin required in Hong Kong.

U.S. Division



U.S. Division provides insurance and wealth management products and services to select markets. The Division's Insurance operation focuses on the sale of life insurance products to high net-worth individuals. Wealth management offerings include Group Pensions and Individual Wealth Management products. Group Pensions operations mainly provide 401(k) plans to small and medium-sized businesses and mutual fund offerings to medium-sized organizations. Individual Wealth Management operations offer variable annuities, College Savings 529 plans and personalized Private Account investment products primarily to middle- and upper-income individuals.

In 2003, U.S. Division contributed 29 per cent of the Company's shareholders' net income, 57 per cent of total premiums and deposits and as at December 31, 2003, accounted for 50 per cent of the Company's funds under management.

Financial Performance

U.S. Division's net income was $455 million in 2003 compared to $471 million in 2002. On a U.S. dollar basis, 2003 earnings increased nine per cent due to the impact of improved equity market performance in all business units, ongoing business growth, and continued tight management of fixed expenses. The increase in earnings was partially offset by mortality experience that was modestly unfavourable in 2003 compared to the very good experience in 2002, and by higher new business strain. Growth in earnings was unfavourably impacted by the weakened U.S. dollar.

The following Summary Statements of Operations present U.S. Division results on both a Canadian dollar and U.S. dollar basis.

Summary Statements of Operations

	Canadian $			U.S. $		
For the years ended December 31 (In $ millions)	**2003**	**2002**	**2001**	**2003**	**2002**	**2001**
Premium income	**$3,473**	$3,555	$3,836	**$2,472**	$2,264	$2,475
Investment income	**1,746**	1,773	1,942	**1,247**	1,129	1,254
Other revenue	**1,022**	998	939	**733**	636	606
Total revenue	**$6,241**	$6,326	$6,717	**$4,452**	$4,029	$4,335
Policyholder benefits	**$3,994**	$4,155	$4,697	**$2,841**	$2,646	$3,031
General expenses	**897**	856	830	**643**	544	536
Commissions	**658**	620	572	**471**	395	369
Other	**61**	62	94	**44**	40	61
Total policyholder benefits and expenses	**$5,610**	$5,693	$6,193	**$3,999**	$3,625	$3,997
Income before income taxes	**$ 631**	$ 633	$ 524	**$ 453**	$ 404	$ 338
Income taxes	**(176)**	(162)	(151)	**(127)**	(103)	(97)
Net income attributed to shareholders	**$ 455**	$ 471	$ 373	**$ 326**	$ 301	$ 241

Premiums and Deposits

Premiums and deposits of $17.5 billion in 2003 remained relatively unchanged compared to 2002; however, they increased by 10 per cent over the prior year on a U.S. dollar basis. This growth reflects U.S. Division's diverse distribution capabilities, innovative product designs and superior customer service. Premiums grew by nine per cent in 2003, largely driven by extremely strong growth in the universal life insurance business. This growth was dampened by a decline in Individual Wealth Management premiums, as increasing equity markets attracted customers to segregated funds. Segregated fund deposits increased by 11 per cent over 2002. Deposits from 401(k) business reached record levels in 2003, growing by 12 per cent as a result of in force participant growth. Variable annuity deposits increased by 11 per cent mainly due to increased investor confidence and the new Scudder Investments distribution relationship.

The following premiums and deposits table presents U.S. Division results on both a Canadian dollar and U.S. dollar basis.

Premiums and Deposits

For the years ended December 31 (In $ millions)	Canadian $			U.S. $		
	2003	2002	2001	2003	2002	2001
Premiums	**$ 3,473**	$ 3,555	$ 3,836	**$ 2,472**	$ 2,264	$ 2,475
Segregated fund deposits	**14,014**	14,229	11,790	**10,025**	9,058	7,615
Total premiums and deposits	**$17,487**	$17,784	$15,626	**$12,497**	$11,322	$10,090

Funds Under Management

Funds under management of $79.0 billion grew by seven per cent over 2002 and by 31 per cent on a U.S. dollar basis. Funds under management significantly exceeded 2002 levels as a result of strong growth in segregated funds. Segregated funds under management grew by 46 per cent due to the impact of improved equity markets and strong 401(k) and variable annuity net policyholder cashflows. General fund assets increased by four per cent in 2003, resulting from strong universal life sales, partially offset by the scheduled transfer of variable annuity dollar-cost-averaging assets to segregated funds.

The following funds under management table presents U.S. Division results on both a Canadian dollar and U.S. dollar basis.

Funds Under Management

As at December 31 (In $ millions)	Canadian $			U.S. $		
	2003	2002	2001	2003	2002	2001
General fund	**$22,756**	$26,790	$26,731	**$17,607**	$16,960	$16,781
Segregated funds	**56,242**	47,189	47,975	**43,518**	29,874	30,116
Total funds under management	**$78,998**	$73,979	$74,706	**$61,125**	$46,834	$46,897

Moving Forward

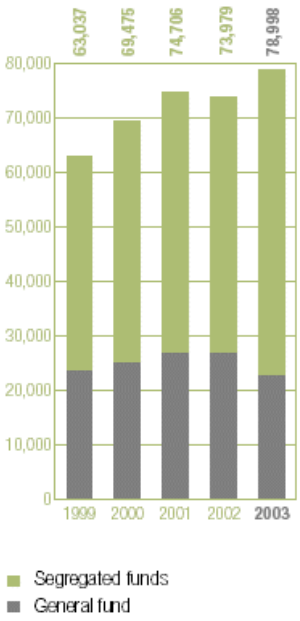
U.S. Division remains focused on developing and maintaining strong distribution relationships, providing innovative products and offering excellent customer service. In 2004, U.S. Division will continue to expand and build on these strengths.

Product developments in 2004 will include enhancing Insurance's highly successful universal life portfolio. The launch of a new survivorship universal life product will build on the market leading position of Insurance in this product line. To support sales growth in the core brokerage market, Insurance will also pursue select new product lines which leverage its core competencies in product development, distribution and underwriting. In 2004, Group Pensions will focus on enhancements to two major initiatives launched in 2003 – the Manulife Retirement Select mutual fund product and programs aimed at building the loyalty of plan participants. Effort will also be directed at capturing more of the emerging retiree market by providing opportunities for pension participants to roll their funds into other Manulife products at the time of employment termination or retirement. Individual Wealth Management will refresh its various product lines in 2004. The variable annuity product line will offer innovative features that build on the guaranteed minimum withdrawal benefit and enhanced death benefit riders that were both launched late in the fourth quarter of 2003 and, at the same time, will continue to manage the risk profile of this business. Individual Wealth Management initiatives will also include new Private Account portfolios and investment manager options, as well as additional 529 plan features.

Distribution and service developments in 2004 will include continued investment by Insurance to strengthen relationships with key distribution partners, and additional investment in underwriting to maintain a competitive advantage in the advanced age market. In addition, enhancements to new business and sales compensation systems aimed at improving the efficiency and quality of service to Insurance's broad based multi-channel distribution network are also planned. In 2004, Group Pensions will focus distribution efforts on expanding its broker-dealer network while continuing to enhance relationships with Third Party Administrators. Increasing Field Office effectiveness and

Funds Under Management

(Canadian $ in millions)



focusing on national marketing campaigns will increase Group Pensions' sales capacity, while further automation will be directed at Plan Sponsors. Individual Wealth Management distribution initiatives in 2004 will include expansion of the Manulife Wood Logan network, further development of the Scudder Investments relationship, continued exploration of new distribution channels, and the pursuit of additional broker-dealer distribution agreements. Service initiatives in Individual Wealth Management will be focused on expanding automated variable annuity processing capabilities with broker-dealer back offices, 529 plan enhancements to both the financial consultant website and electronic communications, and augmented Private Account web-based functionality and continued product education.

The proposed merger of Manulife Financial and John Hancock will provide the U.S. Division with a unique strategic opportunity. In addition to improving operational efficiency, the merger will dramatically diversify the U.S. Division's product portfolio, enabling clients to access John Hancock products that are highly complementary with those offered by Manulife. John Hancock offerings include fixed annuities, long-term care insurance and institutional GIC products, as well as the full spectrum of John Hancock mutual fund offerings. U.S. Division's distribution capabilities will be significantly expanded, with additional distribution opportunities available from John Hancock's strong career agency force, bank distribution capabilities, and strong relationships with mutual fund broker-dealers and long-term care brokerage firms.

Canadian Division

Canadian Division is one of the leading life insurance-based financial services organizations in Canada. Its individual wealth management product offerings include variable and fixed annuities, individual investment and banking products and mutual funds. Individual life insurance products are aimed at middle- and upper-income individuals and business owners. Insurance products are also directly marketed to members of professional, alumni, retiree and other associations and to the customers of financial and retail institutions. Group life, health and pension products and services are marketed to Canadian employers.

In 2003, the Canadian Division contributed 32 per cent to the Company's shareholders' net income, 23 per cent of total premiums and deposits and, as at December 31, 2003, accounted for 25 per cent of the Company's funds under management.

Financial Performance

Canadian Division's shareholder net income increased by 32 per cent to $497 million in 2003 from $378 million in 2002. All businesses showed significant shareholder earnings growth year over year, with Individual Wealth Management improving by 64 per cent, Group Business up 31 per cent, and Individual Insurance increasing by 13 per cent over 2002. Favorable claims experience in all lines, strong investment returns and organic growth across the Division drove the increase in earnings.

Summary Statements of Operations

For the years ended December 31 (Canadian $ in millions)	2003	2002	2001
Premium income	**$3,516**	$3,191	$2,924
Investment income	**1,896**	1,629	1,617
Other revenue	**290**	287	287
Total revenue	**$5,702**	$5,107	$4,828
Policyholder benefits	**$3,863**	$3,581	$3,418
General expenses	**748**	679	654
Commissions	**291**	260	238
Other	**147**	115	101
Total policyholder benefits and expenses	**$5,049**	$4,635	$4,411
Income before income taxes	**$ 653**	$ 472	$ 417
Income taxes	**(158)**	(104)	(82)
Net income	**$ 495**	$ 368	$ 335
Loss attributed to participating policyholders	**2**	10	4
Net income attributed to shareholders	**$ 497**	$ 378	$ 339

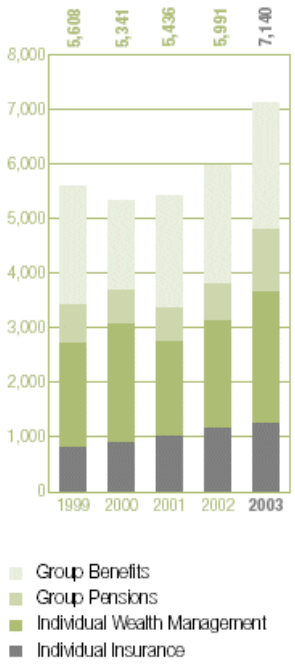
Premiums and Deposits

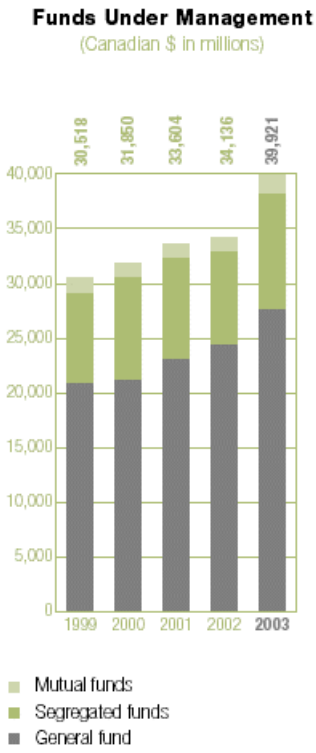
Premiums and deposits of $7.1 billion increased by $1.1 billion or 19 per cent from $6.0 billion in 2002, driven by growth from all businesses. Group Pensions experienced a 70 per cent increase from a year ago, while improving consumer confidence in equity markets helped increase segregated fund deposits by 55 per cent. Sales of long-term and MIX mutual funds were also very strong, increasing $156 million or 40 per cent from 2002. This increase was partially offset by a decline in money market fund sales, which left an overall increase of 14 per cent in mutual fund deposits. Premiums were up 10 per cent over 2002, with all businesses showing good growth.

Premiums and Deposits

For the years ended December 31 (Canadian $ in millions)	2003	2002	2001
Premiums	**$3,516**	$3,191	$2,924
Segregated fund deposits	**1,993**	1,283	1,190
Mutual fund deposits	**748**	657	527
ASO premium equivalents	**883**	860	795
Total premiums and deposits	**$7,140**	$5,991	$5,436

Premiums and Deposits
(Canadian $ in millions)





Funds Under Management

Funds under management as at December 31, 2003 were $39.9 billion, an increase of $5.8 billion, or 17 per cent over the $34.1 billion reported in 2002. Improving equity markets and very significant organic growth in all businesses contributed to this increase. Manulife Bank had a very successful year with a 72 per cent increase in loan volumes over 2002, driven by sales of both Manulife One and leveraged loans.

Funds Under Management

As at December 31 (Canadian $ in millions)	2003	2002	2001
General fund	**$27,480**	$24,235	$23,012
Segregated funds	**10,702**	8,577	9,279
Mutual funds	**1,739**	1,324	1,313
Total funds under management	**$39,921**	$34,136	$33,604

Moving Forward

Canadian Division's vision is to be the premier life insurance-based financial services organization in Canada with a reputation in the market for innovative products, excellent service, and professional value-added advice that meets the unique needs of customers.

In 2004, the Division will continue to improve its innovative product line by enhancing products in individual and group insurance, as well as wealth management. In Individual Insurance, product enhancements to its Security Universal Life product will provide a simplified Universal Life product for the Canadian market. In early 2004, Group Benefits will launch two new products into the Corporate Accounts market place. Flex Admin is a new product that will allow Manulife to administer flex benefit plans. These are plans where clients can pick and choose the most appropriate insurance levels, and combinations on a member-by-member basis. Group Benefits will also launch an integrated disability management product that allows employers to proactively manage employee absenteeism. Individual Wealth Management will be developing and launching an integrated wrap product that offers multiple investment types in a single contract. This product will appeal to the private client market. There are also other innovative Mutual Fund products currently being developed.

Distribution excellence is a key component of providing excellent service and professional value-added advice. Manulife's strategy is to ensure that each of its distribution channels is serviced in an appropriate manner and also ensure that the Company maintains a multi-channel presence, in order to minimize its risk and maximize its growth opportunities. In 2003, Canadian Division made a significant strategic investment in supporting the Managing General Agent channel. This has proven to be successful and further investment in this area will continue through 2004. This investment realignment of our distribution channels has also allowed Manulife to better meet the needs of its Independent Agent channel. This strategy of adapting to the needs of the specific channel is what the Division has very successfully achieved with its National Accounts. In 2003, the Group Benefits and Group Pensions businesses have been very successful in developing quality relationships with key consultants and distribution organizations. In 2004, Canadian Division will continue to strengthen existing relationships, as well as develop new partnerships.

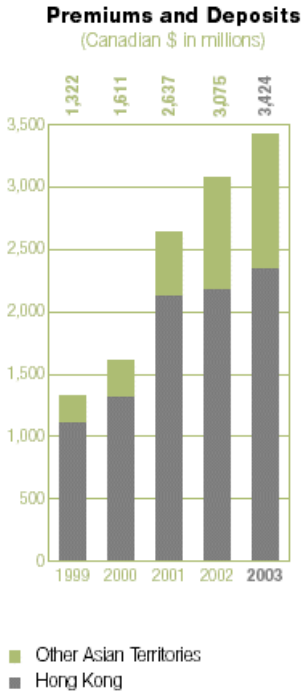
Providing excellent service to both advisors and customers means that the Canadian Division must constantly evaluate and invest in new technologies. In 2004, all new Group Benefits Corporate Accounts clients will have their business administered on a new administration system. This new system improves all aspects of the client administration process, including the introduction of real time updating of customer administration records. Conversion of existing business will begin early in 2004 and is expected to be completed before the end of the year. In Individual Insurance, service enhancements will improve the ease with which advisors can service their clients and will differentiate Manulife in the market. As well, Ez-app, a short-form Web-based application for life insurance advisors will speed up the application process. Advisors will no longer need to ask for medical information as in-house tele-underwriters will call customers to collect that information and pass the completed application on to underwriters for faster processing. Plans are also underway to expand the Automatic Workflow Distribution system, currently being used by Individual Wealth Management, to the Individual Insurance business unit. This technology uses imaging and workflow queuing to improve workflow design, increase productivity and facilitate remote working arrangements.

The planned merger with John Hancock will result in the addition of Maritime Life to Manulife's Canadian Operations and will place the combined company in a leadership position in most of our Canadian businesses. The Canadian Division will be able to improve operational efficiency as a result of the increased scale in all of its businesses. In addition, the Division's distribution networks will be expanded and the availability of product offerings to customers will be broadened as new products become available following the merger.

Asian Division

Manulife Financial has operated in Asia since 1897, beginning in Hong Kong and the Philippines, expanding into Singapore, Indonesia, Taiwan, China (Shanghai, Guangzhou and most recently Beijing) and Vietnam. Asian Division provides a wide range of insurance and wealth management products including individual and group life and health insurance and pension and mutual funds.

In 2003, Asian Division contributed 21 per cent to the Company's shareholders' net income, 11 per cent of total premiums and deposits and as at December 31, 2003, accounted for nine per cent of the Company's funds under management. Hong Kong continues to be Asian Division's largest operation, accounting for almost 68 per cent of the Division's premiums and deposits in 2003.



Financial Performance

Asian Division's shareholder net income increased by 24 per cent to $319 million in 2003 from $257 million in 2002. On a U.S. dollar basis, shareholder net income increased by 40 per cent. This significant increase reflected business growth across all units in the Division, particularly in Hong Kong, as well as higher fee income from the administration of a growing Mandatory Provident Fund business in Hong Kong and mutual fund business in Indonesia. This growth was driven by the continuous expansion of the agency force, which increased 17 per cent to 21,730 agents as at December 31, 2003 despite the outbreak of SARS and the ensuing challenging business environment. Product initiatives, such as the launch of the Retirement Income and Single Premium Whole Life savings products in Hong Kong, Participating Pension & Education plans in the Philippines and the new Single Premium Unit-linked products in Singapore and Taiwan also supported this strong growth. In addition, 2003 earnings included a one-time gain resulting from a regulatory approved restructuring of the Company's accounts in Singapore. Assets associated with non-participating policies, previously held in the participating fund, were transferred to a non-participating fund.

The following Summary Statements of Operations present Asian Division results on both a Canadian dollar and U.S. dollar basis.

Summary Statements of Operations

For the years ended December 31 (In $ millions)	Canadian $			U.S. $		
	2003	**2002**	**2001**	**2003**	**2002**	**2001**
Premium income	**$1,583**	$1,519	$1,347	**$1,134**	$ 968	$ 870
Investment income	**342**	334	333	**245**	213	215
Other revenue	**133**	114	94	**96**	72	60
Total revenue	**$2,058**	$1,967	$1,774	**$1,475**	$1,253	$1,145
Policy benefits	**$1,103**	$1,033	$ 956	**$ 790**	$ 658	$ 618
General expenses	**379**	418	382	**271**	266	246
Commissions	**192**	197	183	**138**	126	118
Other	**56**	54	57	**40**	34	37
Total policy benefits and expenses	**$1,730**	$1,702	$1,578	**$1,239**	$1,084	$1,019
Income before income taxes	**$ 328**	$ 265	$ 196	**$ 236**	$ 169	$ 126
Income taxes	**(17)**	(6)	1	**(12)**	(4)	1
Net income	**$ 311**	$ 259	$ 197	**$ 224**	$ 165	$ 127
Less: net income (loss) attributed to participating policyholders	**(8)**	2	12	**(6)**	1	8

Net income attributed to shareholders	**$ 319**	$ 257	$ 185	**$ 230**	$ 164	$ 119

Premiums and Deposits

Premiums and deposits increased by 11 per cent to $3.4 billion in 2003 from $3.1 billion in 2002. On a U.S. dollar basis, premiums and deposits increased by 25 per cent. This increase was driven by strong growth in mutual fund deposits in Hong Kong and Indonesia as well as by growth in the insurance businesses across the Division. Mutual fund deposits grew by more than 50 per cent in 2003, primarily attributable to solid returns in Hong Kong's China Value Fund and continued business growth in Indonesia. In Hong Kong, growth in pension deposits, while higher than 2002 levels, was dampened by an unfavorable economic climate.

The following premiums and deposits table presents Asian Division results on both a Canadian dollar and U.S. dollar basis.

Premiums and Deposits

For the years ended December 31 (In $ millions)	Canadian $			U.S. $		
	2003	2002	2001	2003	2002	2001
Premiums	**$1,583**	$1,519	$1,347	**$1,134**	$ 968	$ 870
Segregated fund deposits	**1,013**	1,024	1,063	**726**	652	688
Mutual fund deposits	**828**	532	227	**598**	340	145
Total premiums and deposits	**$3,424**	$3,075	$2,637	**$2,458**	$1,960	$1,703

Funds Under Management

Funds under management increased by 16 per cent to $13.4 billion in 2003 from $11.5 billion in 2002. On a U.S. dollar basis, funds under management increased by 42 per cent, primarily due to increases in Hong Kong and Indonesia. Growth in Hong Kong reflected increased business volumes in the Insurance and Mandatory Provident Fund businesses as well as higher mutual fund sales and an increase in institutional funds managed by Manulife Asset Management, while growth in Indonesia was driven by higher mutual fund deposits. General fund assets increased 21 per cent from 2002, driven by business growth across the region. Segregated fund assets increased by 67 per cent primarily due to Mandatory Provident Fund deposits in Hong Kong and stronger equity markets.

The following funds under management table presents Asian Division results on both a Canadian dollar and U.S. dollar basis.

Funds Under Management

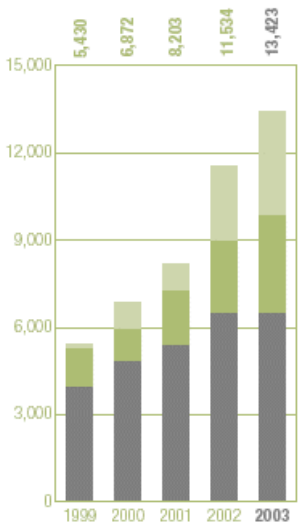
As at December 31 (In $ millions)	Canadian $			U.S. $		
	2003	2002	2001	2003	2002	2001
General fund	**$ 6,435**	$ 6,476	$5,361	**$ 4,979**	$4,100	$3,365
Segregated funds	**3,420**	2,497	1,865	**2,646**	1,580	1,171
Mutual and other managed funds	**3,568**	2,561	977	**2,760**	1,620	700
Total funds under management	**$13,423**	$11,534	$8,203	**$10,385**	$7,300	$5,236

Moving Forward

Asian Division's vision is to develop significant professional life insurance businesses in each of the territories in which it operates. The Division's strategy combines rapid expansion of the career agency force with disciplined geographic and business line expansion. Best practices related to agency, product and systems development are driven regionally.

The career agency force will remain the primary distribution channel in the region. The Division will continue to expand its career agency force while focusing on the professional delivery of services through division-wide initiatives such as the development of, and training in, Agency Best Practices and the establishment of the Manulife University. The agency force has grown rapidly in recent years to almost 22,000 agents at the end of 2003. The Manulife University is one key program to assist in the development of the skills needed to manage the sizeable agency force.

Funds Under Management
(Canadian $ in millions)



The Division will continue to leverage technology to improve efficiency and enhance customer service. The implementation of the Customer Administration System (CAS) in all territories provides a common platform, allowing systems development to be shared across the region. Similarly, a common platform of Internet sales support applications is being rolled out across the region, led by Hong Kong.

In 2003, strong mutual fund deposits in Hong Kong and Indonesia contributed to business growth. In 2004, a major focus of the Division's business strategy will be to leverage the success of its wealth management products by broadening product offerings and enhancing distribution capabilities. Initiatives include the launch of new and enhanced investment-linked products across the Division and continued focus on developing product riders to meet changing customer needs. In addition, the Division will develop new life insurance products targeting different market segments, including the pre-retirement and juvenile markets in Hong Kong and the overseas workers market in the Philippines.

In China, the Company received regulatory approval during 2003 for the establishment of a new branch in the capital city of Beijing. A standardized model for branch expansion has been developed which will be first applied to Beijing. In 2004, the Division plans to leverage its successful operation in Shanghai by applying to establish new branches in various satellite cities in the area. These offices will draw on Shanghai for administrative and sales support. As the Guangzhou and Beijing operations become more established, they too will become regional centers around which new branches will be developed.

In 2003, Asian Division's business expansion included two acquisitions in Indonesia and one in the Philippines. In 2004, the Division will continue to actively pursue further opportunities to acquire and expand its businesses in the region. The planned merger with John Hancock will add to the Company's market position across Asia, doubling the scale in Singapore, enhancing operations in Indonesia and the Philippines, and providing entry into Malaysia and Thailand.

Japan Division

Japan Division provides insurance and wealth management products to one of the largest insurance markets in the world, a market that currently suffers from limited product choice. For insurance products, the Division focuses on developing universal life product concepts tailored to meet the needs of two key market segments – middle- to upper-income individuals and their families, and small and medium-sized businesses. Wealth management products contribute to the overall product strategy for these two segments and provide the opportunity to expand bank and stockbroker distribution channels. The Division's universal life product, ManuFlex, one of the first of its type in Japan, and variable annuity products, leverage the Company's expertise with these types of products in North America.

In 2003, Japan Division contributed seven per cent to the Company's shareholders' net income, six per cent of premiums and deposits and as at December 31, 2003, accounted for seven per cent of the Company's funds under management.

Financial Performance

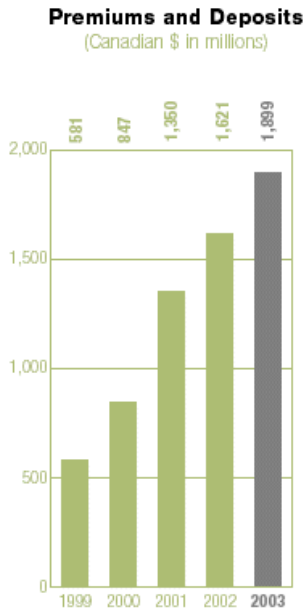
Japan Division's net income decreased by $5 million to $106 million in 2003, down from $111 million in 2002. Noticeable improvements in investment returns, claims and lapse experience, and expense reductions generated by field office restructuring and other cost saving initiatives, were more than offset by the continued but moderating decline of the block of policies acquired from Daihyaku.

Summary Statements of Operations

For the years ended December 31 (Canadian $ in millions)	2003	2002	2001
Premium income	**$1,232**	$1,451	$1,349
Investment income	**160**	81	114
Other revenue	**34**	34	25
Total revenue	**$1,426**	$1,566	$1,488
Policyholder benefits	**$ 795**	$ 875	$ 787
General expenses	**384**	428	436
Commissions	**110**	92	96
Other	**8**	8	2
Total policyholder benefits and expenses	**$1,297**	$1,403	$1,321
Income before income taxes	**$ 129**	$ 163	$ 167
Income taxes	**(23)**	(52)	(47)
Net income attributed to shareholders	**$ 106**	$ 111	$ 120

Premiums and Deposits

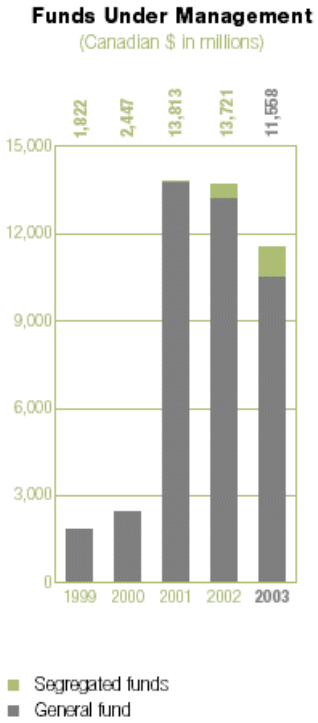
Premiums and deposits increased by 17 per cent to $1.9 billion for the year ended December 31, 2003. This increase reflected higher variable annuity premiums generated through the bank distribution channel and Nikko Cordial Securities. Universal life premiums also increased, due in part to an eight per cent increase in the number of sales agents to 3,551 as at December 31, 2003 and the successful launch of ManuMed, a new universal life product offering medical insurance coverage. The growth in universal life premiums, however, was more than offset by the planned discontinuance of traditional product sales in 2003 and lower renewal premiums from the policies acquired from Daihyaku.



Premiums and Deposits

For the years ended December 31 (Canadian $ in millions)	2003	2002	2001
Premiums	**$1,232**	$1,451	$1,349
Segregated fund deposits [1]	**667**	170	1
Total premiums and deposits	**$1,899**	$1,621	$1,350

(1) Segregated fund deposits for the year ended December 31, 2003 excluded $33 million (2002- $319 million) of net seed capital.



Funds Under Management

Funds under management decreased by $2.1 billion to $11.6 billion as at December 31, 2003 from $13.7 billion as at December 31, 2002. Higher net policyholder cash flows from sales of variable annuity and universal life products were more than offset by the depreciation of the Japanese yen and a decrease in funds related to the block of policies acquired from Daihyaku.

Funds Under Management

As at December 31 (Canadian $ in millions)	2003	2002	2001
General fund	**$10,458**	$13,153	$13,726
Segregated funds [1]	**1,100**	568	87
Total funds under management	**$11,558**	$13,721	$13,813

(1) Segregated funds under management as at December 31, 2003 included $215 million (2002- $317 million) of seed capital.

Moving Forward

There has been significant improvement in the Japanese economy in 2003. Efforts of the Government and the Bank of Japan to stimulate an export-led recovery have contributed to economic growth. Additionally, there have been substantial improvements in equity markets and interest rates during the year. While developments in 2003 have been encouraging, deflationary factors remain, contributing to a cautious outlook for further economic growth in the short- to medium-term.

The total market for traditional life insurance is expected to continue to decrease over time. Offsetting this, however, are high growth expectations for new product segments including universal life, variable annuity, interest-sensitive insurance products, and sickness and medical insurance products. The Division aims to be a product leader in these market segments.

In line with this objective and in recognition of the declining market for traditional life insurance, the Division's traditional product line was closed to new business in 2003, allowing for a strategic focus on universal life and variable annuity products. In 2004, the Division will launch enhancements to its suite of universal life products and offer a broader array of flexible options to meet changing consumer demand. Additional enhancements will also be introduced for variable annuity products to expand target markets and support continued sales growth.

Increasing the size and enhancing the professionalism and efficiency of the Division's distribution channels remains a key priority. Building on recruiting successes in 2003, the sales agent distribution force will be expanded and strengthened through ongoing, active recruitment and training.

On January 26, 2004, Japan Division entered into a significant strategic alliance with The Bank of Tokyo-Mitsubishi, continuing the development and expansion of the Division's presence in the bank and stockbroker distribution channels. The initial phase of this alliance will involve the launch of a range of customized variable annuities through The Bank of Tokyo-Mitsubishi branch network beginning in April 2004. This alliance is expected to facilitate further sales growth of the Division's variable annuity products.

During the year, the Division maintained a high level of customer service and improved its operational efficiency. In 2004, the Division will further

its 2003 successes by continuing to leverage technology investments and pursuing additional opportunities to streamline operational processes. These efforts will generate cost savings and, at the same time, enhance service to customers and agents.

Reinsurance Division

Established in 1984, Reinsurance Division has grown to be one of North America's leading providers of risk management solutions, specializing in retrocession. In the simplest terms, reinsurance refers to the transfer of all or part of certain risks related to policies issued by an insurance company to a reinsurer. Retrocession is a form of reinsurance involving the assumption of risk from reinsurers. Manulife's innovative products generate customer interest worldwide, with business written in North America, Europe, and Asia. Through offices in Canada, the United States, Germany and Barbados, the Reinsurance Division provides customer-focused solutions through the following lines of business:

- **Life (offering retrocession of traditional life mortality risk as well as specialized coverages such as structured/non-traditional solutions);**
- **Property and Casualty (offering traditional property catastrophe and aviation as well as specialized non-traditional retrocession for property and casualty reinsurers); and**
- **Long Term Care which was recently launched (offering turnkey solutions and reinsurance support to direct writers of long term care insurance).**

In 2003, Reinsurance Division contributed 14 per cent to the Company's shareholders' net income, two per cent of premiums and deposits and as at December 31, 2003, accounted for two per cent of the Company's funds under management.

Financial Performance

Reinsurance Division's net income increased to $216 million in 2003 from $184 million in 2002. Growth in earnings was unfavourably impacted by the weakened U.S. dollar. On a U.S. dollar basis, earnings increased by 32 per cent reflecting favourable mortality experience on Life Reinsurance, improved equity market performance and higher earnings in the Property and Casualty line.

The following Statements of Operations present Reinsurance Division results on both a Canadian dollar and U.S. dollar basis.

Summary Statements of Operations

For the years ended December 31 (In $ millions)	Canadian $			U.S. $		
	2003	2002	2001	2003	2002	2001
Premium income	**$ 736**	$1,063	$ 791	**$527**	$678	$511
Investment income	**222**	226	231	**159**	144	149
Other revenue	**45**	43	38	**32**	27	25
Total revenue	**$1,003**	$1,332	$1,060	**$718**	$849	$685
Policyholder benefits	**$ 642**	$1,003	$ 963	**$459**	$640	$622
General expenses	**43**	45	40	**32**	28	26
Commissions	**29**	38	44	**20**	24	29
Other	**10**	8	11	**7**	5	7
Total policyholder benefits and expenses	**$ 724**	$1,094	$1,058	**$518**	$697	$684
Income before income taxes	**$ 279**	$ 238	$ 2	**$200**	$152	$ 1
Income taxes	**(63)**	(54)	46	**(45)**	(35)	30
Net income attributed to shareholders	**$ 216**	$ 184	$ 48	**$155**	$117	$ 31

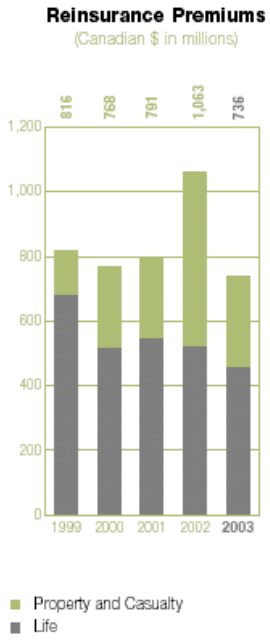
Premium Income

Premium income declined to $736 million in 2003 from $1.1 billion in 2002. On a U.S. dollar basis, premiums decreased by 22 per cent to $527 million in 2003 from $678 million a year ago. Life Reinsurance premiums decreased marginally, reflecting one-time premiums recorded in 2002. Property and Casualty Reinsurance premiums decreased considerably in 2003 as a result of significant one-time premiums recorded in 2002.

The premiums table presents Reinsurance Division results on both a Canadian dollar and U.S. dollar basis.

Premiums

For the years ended December 31 (In $ millions)	Canadian $			U.S. $		
	2003	2002	2001	2003	2002	2001
Life reinsurance	**$454**	$ 519	$542	**$325**	$331	$350
Property and Casualty reinsurance	**282**	544	249	**202**	347	161
Total premiums	**$736**	$1,063	$791	**$527**	$678	$511



Moving Forward

In 2004, Reinsurance Division will continue to pursue opportunities to expand existing relationships with key business partners as well as developing new associations. Risk management remains a key priority for the Division, with a focus both on ensuring appropriate product pricing for new business and monitoring and managing the performance of the in force block. The Division will continue to leverage its technical expertise and provide innovative solutions to meet the needs of its customers.

Reinsurance Division will seek to maintain its leadership position within the markets served by Life Reinsurance. Increased capital constraints within the life insurance and reinsurance industries continue to provide opportunities for both traditional and non-traditional solutions. The Property and Casualty line is expecting to continue to grow, taking advantage of the current hard market for property and casualty retrocession support that has resulted in improved terms and rates. In Long Term Care Reinsurance, the Division has recently established operations and secured senior staff with significant experience in this market niche. For 2004, the Division will focus on providing long term care reinsurance solutions to markets that it believes are currently underserved.

Investment Operations

Manulife Financial's Investment Operations manages assets for the Company's insurance and wealth management businesses and for external third party clients. Manulife is a significant player in all the asset classes that it manages, with investment management offices located around the globe.

The Operations

The Investment Management group, operating as MFC Global Investment Management, manages investments in a wide range of asset classes and securities markets, using a variety of investment styles. The group has offices in Toronto, London, Tokyo, Hong Kong and Southeast Asia. As at December 31, 2003, MFC Global Investment Management (Canada), a division of Elliott & Page, managed assets totaling $51 billion for the Company as well as for institutional and individual investors. The London office manages $1 billion of general, segregated and mutual funds for the Company and third parties. Assets managed by the investment offices in Hong Kong and Japan total $20 billion. The Asset Origination group manages $16 billion of assets that include mortgages, real estate assets located throughout North America, private placement debt and equity investments through Manulife Capital, and oil and gas properties of NAL Resources Management Limited.

General Fund Assets

Manulife Financial's general fund invested assets decreased to $74.5 billion as at December 31, 2003 from $77.6 billion as at December 31, 2002 as business growth was more than offset by a $7.7 billion decline due to the strengthening Canadian dollar. The goal in investing these assets is to maximize total returns while operating within the Company's investment and risk management policies. The following table shows the composition of the Company's general fund invested assets.

General Fund Assets

As at December 31 (Canadian $ in millions)	2003 Carrying value	2003 % of total	2002 Carrying value	2002 % of total
Bonds	**$42,216**	**57**	$46,677	60
Mortgages	**10,401**	**14**	9,294	12
Stocks	**5,866**	**8**	6,898	9
Real estate	**3,962**	**5**	3,570	5
Policy loans	**4,348**	**6**	4,939	6
Cash and short-term investments	**5,877**	**8**	5,143	7
Manulife Bank loans	**934**	**1**	566	1
Other investments	**861**	**1**	475	–
Total invested assets	**$74,465**	**100**	$77,562	100

Bonds The Company's bond portfolio represented 57 per cent of invested assets as at December 31, 2003. This portfolio is diversified by sector as well as by industry and issuer. There was no significant change in sector distribution over the year. The portfolio is monitored closely to enhance yields while optimizing the matching of asset cash flows to the estimated liability cash flows. As at December 31, 2003, 96 per cent of the portfolio was invested in securities rated investment grade (BBB and higher).

The following table shows the distribution of the bond portfolio by sector and industry.

Bonds

As at December 31 (Canadian $ in millions)	2003 Carrying value	2003 % of total	2003 % Investment grade	2002 Carrying value	2002 % of total	2002 % Investment grade
Government and agency	**$17,252**	**41**	**99**	$18,619	40	100
Financial	**10,097**	**24**	**98**	11,023	23	97
Telecommunications	**2,325**	**5**	**83**	2,860	6	84
Utilities	**3,675**	**9**	**96**	3,802	8	94
Energy	**2,071**	**5**	**94**	2,418	5	94
Industrial	**1,717**	**4**	**94**	2,181	5	97
Securitized (ABS/MBS)	**488**	**1**	**99**	966	2	99
Consumer (non-cyclical)	**1,916**	**5**	**95**	1,750	4	93
Consumer (cyclical)	**1,071**	**2**	**82**	1,232	3	84
Basic materials	**405**	**1**	**82**	384	1	75
Technology	**278**	**1**	**89**	423	1	93
Media and Internet	**814**	**2**	**82**	868	2	94
Other	**107**	**–**	**88**	151	–	94
Total	**$42,216**	**100**	**96**	$46,677	100	96

Mortgages and Real Estate As at December 31, 2003, mortgages represented 14 per cent of invested assets with 67 per cent of the mortgage portfolio in Canada and 33 per cent in the United States. Commercial mortgages accounted for 89 per cent of total mortgages. Mortgages increased by $1.1 billion in the year, as continued favourable conditions for commercial mortgage originations were supported by demands for this asset class for asset liability management purposes. The mortgage portfolio consists almost entirely of first mortgages and is diversified by geographic region, property type and mortgagor. Government-insured loans represented four per cent of the total mortgage portfolio. All mortgages are secured by real properties.

As at December 31, 2003, five per cent of the Company's invested assets were held in real estate. The portfolio is focused on high quality office buildings located in superior downtown and large suburban markets across North America and Japan. It is diversified by geographic region and property type, with 53 per cent located in the United States, 37 per cent in Canada and 10 per cent in Asia. Commercial office properties represented 77 per cent of the portfolio, with the remainder split among industrial, retail, residential and other property classifications.

Stocks As at December 31, 2003, stocks represented eight per cent of invested assets. The portfolio consists primarily of publicly traded common stocks and is diversified by industry sector and issuer. As at December 31, 2003, the stock portfolio was invested 40 per cent in U.S. issuers, 27 per cent in Canadian issuers, 23 per cent in Asian issuers and 10 per cent in other issuers.

Moving Forward

Consistently achieving superior asset returns and significantly growing the wealth management business remain the two primary goals of Investment Operations. To secure superior asset returns, the strategy is to combine traditional asset management techniques with risk management expertise. A portfolio of non-traditional assets will continue to be included to enhance yields, diversify invested assets and provide a competitive advantage. To grow the wealth management business, Investment Operations will continue to build the visibility of MFC Global Investment Management, its investment management expertise and product offerings among institutional and retail prospects and clients.

The planned merger with John Hancock brings great opportunities for growth and diversification. The investment operations of both companies are complementary in terms of the range of asset classes, balance of investment portfolios and in-house expertise. It is expected that the combined operation will be able to generate revenue synergies by utilizing the skills of both organizations to optimize asset mix, and to exploit cross-marketing opportunities that exist within the Company's global investment operations.

Risk Management

Overview

Manulife Financial employs an integrated, enterprise-wide framework to manage all risks across the organization. The framework guides all risk-taking activities and ensures that they are aligned with the Company's overall risk-taking philosophy as well as shareholder and customer expectations. While Manulife Financial seeks to maximize shareholder value by achieving strong growth and earning an appropriate return on capital, the Company limits the aggregate level of risk assumed and ensures it is diversified across risk types and businesses.

The enterprise risk management framework is built around four key elements: comprehensive risk governance; effective risk management policies and processes; rigorous risk exposure measurement; and risk limit management. A network of qualified risk management professionals and business managers is accountable for ensuring business operations are consistent with the Company's risk-taking philosophy, standards and limits.

Risk Governance

The governance structure is designed to foster a strong and well-informed risk culture across the organization and to facilitate sound business decisions. The Board of Directors, through its Audit and Risk Management Committee and Conduct Review and Ethics Committee, has overall responsibility for overseeing the Company's risk-taking activities and risk management programs.

Audit and Risk Management Committee

- Approves and monitors compliance with key financial and operational risk policies and limits
- Reviews trends in key risk positions and exposures and major risk-taking activities
- Reviews risk management practices and internal controls

Chair: External Director

Conduct Review and Ethics Committee

- Approves code of business conduct and ethics policy
- Reviews procedures to disclose information to customers under the Insurance Companies Act (Canada) and for dealing with customer complaints
- Reviews procedures to resolve conflicts of interest and restrict use of confidential information

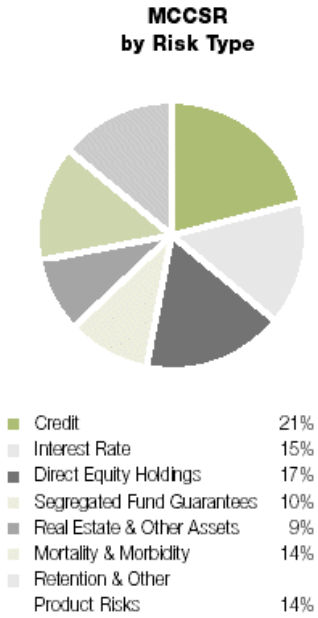
Chair: External Director

The Chief Executive Officer ("CEO") is directly accountable to the Board of Directors for all of Manulife Financial's risk-taking activities and risk management programs. In carrying out these responsibilities the CEO is supported by the Chief Financial Officer and the Chief Risk Officer, who are responsible for administering the Company's enterprise risk management program, and executive risk committees including the Corporate Risk Management Committee, Credit Committee, Global Asset Liability Committee and Product Risk Committee.

Corporate Risk Management Committee

- Approves and monitors compliance with key financial and operational risk policies and limits
- Endorses global risk management strategic priorities
- Reviews key risk positions and exposure trends, risk-taking activities and risk management strategies
- Oversees administration of the enterprise risk management framework

Chair: Chief Risk Officer

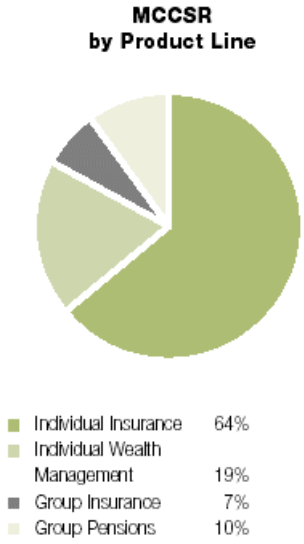


Risk Management Policies and Processes

Manulife Financial's enterprise risk management framework provides the overall infrastructure designed to ensure all new business initiatives, acquisitions and potential investments are evaluated on a consistent risk-adjusted basis and that all risks to which the Company is exposed are managed using a common set of standards and guidelines. These standards and guidelines are defined within the Company's Enterprise Risk Policy and the risk management programs administered through the Company's risk committees and overseen by global risk managers. These comprehensive programs incorporate a set of standard components covering the establishment, review, approval, documentation and communication of:

- policies and limits
- risk management accountabilities
- delegated authorities
- control and mitigation strategies
- risk identification, assessment, measurement, monitoring and reporting processes

A comprehensive Risk Position Report and Risk Policy Compliance Report is presented by the Chief Risk Officer and discussed with the Corporate Risk Management Committee and the Audit and Risk Management Committee quarterly, following a formal risk identification and assessment process involving all global risk managers and division general managers. In addition, internal audits of risk controls and risk management programs are performed and independently reported to the Audit and Risk Management Committee by the Internal Auditor. Stress scenario analysis is performed as part of the Dynamic Capital Adequacy Testing process, independently reported to the Board of Directors by the Chief Actuary. Finally, prudent actuarial liabilities are established based on scenario projection models and are independently signed off by the Chief Actuary.



Risk Measurement

Individual quantitative measures are used to assess risk exposures from various financial and operational risks. In aggregate, Manulife Financial assesses its overall capital at risk using the risk-based capital required by its primary regulator, the Office of the Superintendent of Financial Institutions, the Minimum Continuing Capital and Surplus Requirements ("MCCSR"). In some situations, the Company utilizes a stochastically modeled Economic Capital at Risk measure that reflects the potential economic loss that could occur, given an outcome of extremely unfavourable scenarios, and is in the process of extending its use across the Company. The Company allocates risk-based capital to its businesses and assesses profitability relative to the allocated capital.

Risk Limit Management

Manulife Financial's risk-taking activities are managed against an overall capacity for assuming risk, established based on the risk tolerances of the Board of Directors and management and the Company's financial condition. This overall capacity is defined in terms of the Company's MCCSR ratio, the ratio of its available capital to its risk-based capital requirements. Manulife Financial targets an MCCSR ratio of 200 per cent, with a 180 per cent minimum. In addition, to manage its risk profile and limit exposure to specific risks, the Company manages risk exposures against enterprise-wide limits established for various financial risks, based on the risk-specific exposure measures used to assess these risks. The Company's risk profile is well diversified across risks and products, as shown by the makeup of our risk-based capital requirements.

Manulife Financial uses a standard inventory of risks in all aspects of risk identification, assessment, monitoring and reporting. These risks are grouped into major risk areas, each of which is discussed below.

Strategic Risk

Strategic risk is the risk of loss resulting from the inability to adequately plan or implement an appropriate business strategy, or to adapt to change in the external business, political or regulatory environment.

Manulife Financial faces many strategic and environmental challenges, including product, service and distribution competition, changing political and regulatory environments, and potential loss of reputation. The Company manages risks of a strategic nature by utilizing:

- strategic planning and capital allocation processes incorporating thorough risk analyses, with final approval by the Board of Directors;
- detailed business plans developed and executed by local divisional executive management;
- operational reviews of all businesses by the CEO quarterly and by the Board of Directors annually;
- acquisition and divestiture review processes, incorporating thorough risk analyses and controls, with final approvals by the CEO and Board of Directors; and
- high standards for business conduct in all its operations, well communicated through the Company's Code of Business Conduct and Ethics and published P.R.I.D.E. values.

Product Risk

Product risk is the risk of loss due to actual experience emerging differently than assumed when the product was designed and priced, as a result of investment returns, expenses, taxes, mortality and morbidity claims, and policyholder behaviour.

Product Risk Committee

- Approves and monitors compliance with product design and pricing policies and standards
- Reviews emerging product risk exposures and risk management strategies
- Oversees the Individual Business Underwriting and Claims Risk Committee

Chair: Chief Risk Officer

Manulife Financial's product design and pricing risk is managed through a program overseen by the Product Risk Committee incorporating standards and guidelines designed to ensure the level of risk borne by the Company is within acceptable levels and is consistent with its targeted profile. The standards and guidelines cover:

- product design
- use of reinsurance
- pricing methods and assumption setting
- risk-based capital allocations
- profit objectives
- pricing models and software
- stochastic and stress scenario analyses
- required documentation
- approval processes
- experience monitoring programs

Designated pricing officers in each business unit are accountable for all pricing activities. The general manager and chief financial officer of each business unit approve the design and pricing of each product, ensuring the Company's standards and guidelines are met. The Chief Risk Officer approves the introduction, or modification, of any product and related reinsurance treaty that introduces material changes in product design or risk exposure. Annual risk and compliance self-assessments and periodic internal audits are performed for all businesses to ensure compliance with standards.

The Company's underwriting and claims risk management program incorporates underwriting policies and procedures, including criteria for approval of risks and claims adjudication policies and procedures. A global underwriting manual utilized by all businesses ensures underwriting practices are consistent across the organization while reflecting local conditions. Periodic reviews of business units ensure compliance with the standards.

Enterprise-wide, claims risk is diversified as a result of the Company's international operations with a wide range of insured individuals and products covering varied risk events. Exposure to individual large claims is mitigated through established retention limits per insured life varying

by market and jurisdiction, reviewed periodically and approved by the CEO. Coverage in excess of these limits is

reinsured with other companies. The current retention limits in Canada and the U.S. are $10 million in local currency ($15 million for joint life policies). For direct written business, current retention limits are Yen 500 million in Japan and U.S. $100,000 in Hong Kong and, for assumed reinsurance, are U.S. $10 million in both Japan and Hong Kong.

Exposure to claims concentrations is mitigated through the use of geographical aggregate retention limits for certain covers and through catastrophe reinsurance covers for life and disability insurance worldwide. The Company's catastrophe reinsurance covers losses in excess of U.S. $50 million, up to U.S. $150 million (U.S. $100 million for Japan) and covers losses due to certain terrorist activities in Canada, where the concentrations are highest.

Asset Liability and Market Risk

Asset liability and market risk is the risk of loss resulting from price volatility, interest rate changes, adverse movements in foreign currency rates, and from not having access to sufficient funds to meet both expected liabilities and unexpected cash demands.

Global Asset Liability Committee

- Approves and monitors compliance with asset mix, interest rate risk, market risk, liquidity, foreign exchange and derivatives policies
- Reviews key risk positions
- Approves key investment strategies
- Oversees divisional asset liability committee activities

Chair: Chief Risk Officer

Manulife Financial's asset liability and market risk management program is carried out through a network of asset liability committees, under the umbrella of the Global Asset Liability Committee. Global investment policies, approved by the Audit and Risk Management Committee, establish enterprise-wide and portfolio level targets and limits and establish delegated approval authorities. The targets and limits are designed to ensure investment portfolios are widely diversified across asset classes and individual investment risks. Actual investment positions are monitored regularly. They are reported to the asset liability committees monthly and to the Corporate Risk Management Committee and Audit and Risk Management Committee quarterly.

Segmentation and Asset Mix The foundation of the asset liability and market risk management program is the segmentation of shareholders' equity from product liabilities, the grouping of liabilities with similar characteristics, and the establishment of investment policies and goals for each segment. The investment policies and goals incorporate currency mix, asset mix, asset quality, industry mix, interest rate risk exposure and liquidity targets, and are approved by both the governing divisional asset liability committee and the Global Asset Liability Committee.

The Company invests in assets with characteristics that closely match the characteristics of the liabilities they support. Products providing interest rate guarantees for specified terms, being primarily annuity and pension products, are supported predominantly by fixed income assets, such as public bonds, private debt and mortgages. Products that allow pass-through of investment returns through adjustments in interest rates credited or benefits, such as participating whole life and universal life insurance, and policies with very long-dated liabilities with interest rate risk that cannot be fully hedged with fixed income assets, are supported by a broader range of assets, including real estate and equities. For these products, target asset mixes are established to optimize returns considering embedded minimum guarantees, return volatility, extreme tail risk, regulatory capital and management risk tolerances.

The Company uses derivatives, including foreign exchange contracts, interest rate and cross currency swaps, forward rate agreements and equity options, to manage interest rate, foreign currency and equity risk. The risks associated with the use of derivatives are limited by established risk management policies and procedures, including specific limits on the size of derivative transactions, authorized types of derivatives and applications, authorization limits for specific personnel, and detailed derivative strategy documentation requirements.

Interest Rate Risk Interest rate changes may result in losses if asset and liability cash flows are not closely matched with respect to timing and amount, or if there are options or minimum guarantees embedded in the liabilities. Manulife Financial employs interest rate risk management programs for each product liability segment designed to keep potential losses within acceptable limits. Policies and procedures, including delegated authorities and accountabilities for managing and monitoring interest rate risk, are clearly defined. Target asset durations or cash flow profiles are established for fixed income assets to minimize interest rate risk exposure, considering liability characteristics and holding periods for equities and real estate if held in the segment. Interest rate risk positions are held within prescribed limits. These targets are reviewed and modified with a frequency ranging from daily to annually, depending on the type of liabilities and the frequency and size of potential changes in the liability profiles. Actual

asset positions are monitored against targets and rebalanced with a frequency ranging from daily to monthly, depending on the potential exposure to changes in assets and liabilities. Interest rate risk exposures are monitored and reported to the asset liability committees monthly and the Corporate Risk Management Committee and the Audit and Risk Management Committee quarterly.

The Company monitors interest rate risk exposure using a variety of measures, depending on the nature of the assets and liabilities, primarily based on projected cash flows under a variety of future interest rate scenarios. These measures include cash flow gaps, durations, key rate durations, convexity, and earnings and economic value at risk based on stochastic modeling or stress scenarios. The following table shows the potential after tax economic gain (loss) to shareholders as a result of an immediate and parallel change of one per cent in interest rates across all maturities in all markets, subject to a zero per cent interest rate floor, calculated as at December 31, 2003.

Impact on Economic Value of Interest Rate Movements

	2003		2002	
As at December 31 (Canadian $ in millions)	**One per cent increase**	**One per cent decrease**	**One per cent increase**	**One per cent decrease**
Wealth Management	**$ 17**	**$ (20)**	$ (1)	$ 1
Insurance	**154**	**(277)**	178	(179)
Shareholders' equity	**(229)**	**266**	(208)	224
Total	**$ (58)**	**$ (31)**	$ (31)	$ 46

As at December 31, 2003, the Company's interest rate risk exposure arose due to differences in the amount and timing of asset and liability cashflows in the insurance segments, fixed income assets held in its shareholders' equity segment and minimum rate guarantees embedded in U.S. fixed annuities. In the Japan and Canadian Divisions' insurance segments, assets are being held with a shorter duration than that of the liabilities to take advantage of potential interest rate increases, and are being actively managed as management's view of future interest rates change. In addition, assets in these segments have lower convexity than those of the liabilities, resulting in greater sensitivity to an interest rate decline than to an interest rate increase.

Manulife Financial establishes actuarial reserves that are sufficient to provide for adverse deviations in future interest rates, based on a set of future interest rate scenarios prescribed under the Canadian Asset Liability Method. The actuarial reserves held by the Company as at December 31, 2003 were sufficient to provide for its liabilities, on the assumption that long maturity risk free interest rates do not fall, or remain below 4.5 per cent in Canada, 4 per cent in the U.S., 4 per cent in Hong Kong and 1.6 per cent in Japan for a prolonged period of time, and in the case of U.S. fixed annuities, that short maturity risk free interest rates do not fall more than 0.5 per cent below December 31, 2003 levels.

Equity and Real Estate Market Risk Fluctuations in equity market prices, and to a lesser extent real estate prices, may impact returns on assets held in the general fund, fee income earned on market-based funds, and liabilities associated with investment-related guarantees, primarily on variable annuities and segregated funds. The Company's investment-related guarantees include death, maturity, income and withdrawal guarantees on variable products and segregated funds. Direct equity and real estate holdings represent a small proportion of the Company's total assets and are held in shareholders' equity segments or used primarily to support participating or other pass-through liabilities and long-dated liabilities. Equity holdings are diversified and managed against established targets and limits by industry type and corporate connection. Real estate holdings are diversified and managed against established limits by property type and location.

The Company manages equity risk exposure on an integrated basis, enterprise-wide. The policies and procedures established to limit the exposure to losses from equity market volatility include:

- managing risk exposures to established aggregate limits for equity risk arising from all sources, including investment-related segregated fund and variable product guarantees, market-based fees and direct equity investments;
- employing guidelines, incorporating specific economic capital at risk limits, for product design and pricing of products exposing the Company to equity risk;

- employing guidelines related to direct investments in equities, incorporating targeted levels and maximum limits, and actively managed asset allocation programs;
- reinsuring investment-related guarantees where deemed effective and economical, subject to established counterparty risk limits;
- hedging equity-related guarantees in liabilities with capital market instruments, where deemed effective and economical;
- monitoring equity risk exposures based on earnings and economic value at risk under specific stress scenarios, and economic capital at risk based on stochastic models; and
- monitoring the profile of investment-related guarantees embedded in variable annuity and segregated fund products.

The following table shows the potential after-tax economic loss to shareholders as a result of an immediate 10 per cent decline in the market value of direct real estate and equity holdings, calculated as at December 31, 2003.

Impact on Economic Value of a Ten Per Cent Decline in Market Values of Direct Real Estate and Equity Holdings

As at December 31 (Canadian $ in millions)	2003	2002
Direct real estate holdings	**$277**	$250
Direct equity holdings		
Liability segments	**$108**	$115
Surplus	**152**	173
Total direct equity holdings	**$260**	$288

In addition, as at December 31, 2003 the potential after tax economic loss to shareholders, as a result of an immediate 10 per cent decline in the market value of variable product, segregated fund and mutual fund investments in equities is $312 million. Additional information related to investment-related guarantees on variable annuities and segregated funds is shown in the table below.

Variable Annuity and Segregated Fund Investment-Related Guarantees

As at December 31 (Canadian $ in millions)	Fund value[1]	Amount at risk[1]	2003 Expected Guarantee Cost[2]	Fund value[1]	Amount at risk[1]	2002 Expected Guarantee Cost[2]
Maturity/income benefits	**$ 9,306**	**$ 745**		$ 7,325	$1,237	
Death benefits[3]	**6,811**	**1,851**		7,098	3,301	
Total	**$16,117**	**$2,596**	**$ (166)**	$14,423	$4,538	$ (181)

(1) Amount at risk is the excess of guaranteed values over fund values on all policies where the guaranteed value exceeds the fund value. Fund value and amount at risk are net of amounts reinsured.

(2) Expected guarantee cost is net of reinsurance and fee income allocated to support the guarantees.

(3) Death benefits include stand-alone guarantees and guarantees in excess of maturity or income guarantees where both are provided on a policy.

The amount at risk represents a theoretical value only as it is not currently payable. Guaranteed benefits are contingent and only payable upon death, maturity, withdrawal or annuitization, if fund values remain below guaranteed values. The Company calculates the present value of projected future guaranteed benefit payments, net of reinsurance and net of fee income allocated to support the guarantees, based on stochastically modeled investment return scenarios, and considering future mortality, policy termination, and annuitization rates. The expected guarantee cost represents the average of this present value across all investment return scenarios modeled, and was negative as at December 31, 2003 and December 31, 2002.

The Company holds actuarial liabilities for guaranteed benefit payments related to variable annuities and segregated funds calculated as the present value of the projected guaranteed benefit payments, net of reinsurance and net of fee income allocated to support the guarantees, based on investment

return scenarios, modeled stochastically using the same model and assumptions as described above for the expected guarantee cost. The actuarial liabilities held must be in a confidence range defined by the most adverse 40 per cent to the most adverse 20 per cent of the stochastically modeled investment return scenarios.

As at December 31, 2003 and December 31, 2002, actuarial liabilities held for these guaranteed benefit payments were $532 million and $579 million respectively, exceeding both the minimum requirement and the expected guarantee cost. While determined based on stochastic scenarios, in aggregate, the actuarial liabilities held as at December 31, 2003 are adequate to fund the projected guaranteed benefit payments should long term equity returns, including dividends, average no more than four per cent across all businesses with such guarantees.

Where the Company holds direct equity and real estate holdings in liability segments supporting products, the actuarial liabilities include provisions to cover potential adverse deviations in their future returns, as well as a material immediate market price correction. The actuarial liabilities held as at December 31, 2003 for these products are adequate to fund policy obligations should long term equity returns, including dividends, average no more than six per cent in North America and a lower rate in Japan.

Foreign Currency Risk Manulife Financial may be exposed to losses resulting from adverse movements in foreign exchange rates due to the fact that it manages operations in many currencies and reports financial results in Canadian dollars. The Company's foreign currency risk management program incorporates a policy of matching the currency of its assets with the currency of the liabilities these assets support. The program also incorporates a policy of generally matching the currency of its equity, up to its target MCCSR ratio, with the currency of its liabilities, to limit the impact of changes in foreign exchange rates on the Company's MCCSR ratio. The Company holds equity in excess of its target MCCSR ratio predominantly in Canadian dollars to mitigate the impact of changes in foreign exchange rates on shareholders' equity. The program also delineates the currencies in which the Company is authorized to transact.

The Company monitors the sensitivity of earnings and shareholders' equity to predetermined stress scenarios regularly and also monitors its currency risk exposure relative to its policy position of matching the currency of its equity with the currency of its liabilities, against an established foreign currency Value at Risk exposure limit, based on the industry-accepted J.P. Morgan RiskMetrics methodology.

Impact on Shareholders' Equity and Net Income of a One Per Cent Increase in the Canadian Dollar Relative to Foreign Currencies

As at December 31 (Canadian $ in millions)	Shareholders' Equity		Net Income	
	2003	2002	2003	2002
U.S. dollar	**$ (49)**	$ (34)	**$(9)**	$ (8)
Japanese yen	**$ (3)**	$ (5)	**$(1)**	$ (2)

Liquidity Risk Manulife Financial's global liquidity risk management program incorporates policies and procedures designed to ensure that adequate liquidity is available. These policies and procedures include managing against established minimum levels of operating and strategic liquidity by focusing on:

- designing products to reduce the possibility of unexpected liquidity demands;
- centrally forecasting and monitoring actual cash movements on a daily basis;
- maintaining investment portfolios with adequate levels of marketable investments; and
- maintaining access to other sources of liquidity such as commercial paper funding and committed standby bank credit facilities.

The Company has established minimum levels for both operating and strategic liquidity measures. Operating liquidity is to be maintained at or above the level of one month's operating cash outflows. Strategic liquidity is measured using an industry-accepted model under both immediate (within one month) and ongoing (within one year) stress scenarios. Under this model, adjusted liquid assets include cash and short-term investments, and marketable bonds and stocks discounted to reflect their convertibility to cash, net of maturing debt obligations. Under the model, actuarial liabilities are adjusted to reflect their potential for withdrawal. The Company's policy is to maintain adjusted liquid assets at a level well above adjusted actuarial liabilities.

Strategic Liquidity

As at December 31 (Canadian $ in millions unless otherwise stated)	2003		2002	
	Immediate scenario	Ongoing scenario	Immediate scenario	Ongoing scenario
Adjusted liquid assets	**$47,723**	**$48,414**	$52,463	$53,231
Adjusted actuarial liabilities	**$ 8,596**	**$11,641**	$ 9,176	$12,617
Liquidity ratio	**555%**	**416%**	572%	422%

Credit Risk

Credit risk is the risk of loss due to the inability or unwillingness of a borrower or counter-party to fulfill its payment obligations.

Credit Committee

- Approves and monitors compliance with credit policies
- Actively monitors credit exposures and overall portfolio quality
- Approves credits within tiered authority structure
- Oversees provisioning for impaired assets

Chair: Chief Financial Officer

Manulife Financial's credit risk management program, overseen by the Credit Committee, incorporates policies and procedures that emphasize the quality and diversification of the Company's investment portfolio and establish criteria for the selection of counterparties and intermediaries. The policies establish exposure limits by borrower or issuer, corporate connection, quality rating, industry, and geographic region. Distinct derivative counterparty exposure limits are in place with respect to notional amounts outstanding and daily mark-to-market exposures. Specific reinsurance counter-party exposure measures and limits are in place. All counterparties are required to meet minimum credit-rating criteria.

Delegated credit approval authorities are established and approved by the Audit and Risk Management Committee. Each business unit involved with credit granting has a defined evaluation process that provides an objective assessment of credit proposals. Credit decisions are made on a case-by-case basis at a management level appropriate to the size and risk level of the transaction. All major credit decisions are referred to the Credit Committee for adjudication. The largest credits are referred to the CEO for adjudication and, in certain cases, to the Board of Directors.

Regular reviews of the credits within the various portfolios are undertaken to ensure that changes to the credit quality are identified, and where appropriate, corrective actions taken. Prompt identification of problem credits is a key objective. A centralized list of problem and potential problem credits is maintained by Credit Risk Management, which provides an independent credit risk oversight function. The Credit Committee reviews credits on the list regularly.

An allowance for losses on invested assets is established when an asset or portfolio of assets 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 assets and related investment income. The carrying value of an impaired asset is reduced to net realizable value at the time of recognition of impairment. There is no assurance that the allowance for losses will be adequate to cover future losses or that additional provisions or asset write-downs will not be required. However, the Company remains conservatively provisioned for credit losses overall and the level of impaired assets continues to be very low. Actuarial liabilities also include general provisions for credit losses from future asset impairments. These are set conservatively, taking into account normal historical levels and future expectations, with an allowance for adverse deviations. The Company monitors a variety of aggregate credit risk exposure measures, as shown in the table on the following page.

Credit Risk Measures

As at December 31 (Canadian $ in millions unless otherwise stated)	2003	2002
Net impaired assets	**$ 139**	$ 123
Net impaired assets as a per cent of total invested assets	**0.19%**	0.16%
Allowance for impairment	**$ 230**	$ 290
Provision for future credit losses included in actuarial liabilities	**$1,574**	$1,699
Performing assets coverage ratio (1)	**4.10%**	4.27%
Impaired assets coverage ratio (1)	**489%**	482%

(1) Performing assets coverage ratio is calculated as allowance for impairment and provision for future credit losses included in actuarial liabilities less gross impaired assets, as a per cent of total mortgages and non-government bonds less gross impaired assets. Impaired assets coverage ratio is calculated as allowance for impairment and provision for future credit losses included in actuarial liabilities, as a per cent of gross impaired assets.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, systems failures, human performance failures or from external events.

Manulife Financial's operational risk management programs seek to minimize exposure by ensuring appropriate internal controls and systems, together with trained and competent people, are in place throughout the Company. The Company uses an established program of comprehensive risk self-assessments in conjunction with independent internal audits to monitor and assess inherent operational risks and the effectiveness of internal controls. External auditors review the effectiveness of internal controls to the extent necessary to conduct an audit of the Company's financial statements. Both the internal and external auditors report independently to the Audit and Risk Management Committee on the findings of their audits. Established global risk management programs for potential high risks, including business interruption, technology management, information security and privacy, and regulatory compliance, ensure risk controls are effective enterprise-wide.

A global business continuity program is in place to ensure key business functions can continue and normal operations can resume effectively and efficiently in the event of a major disruption. The program incorporates periodic scenario analysis to validate the assessment of both critical and noncritical units and the establishment and testing of appropriate business continuity plans for all key units. Off-site backup facilities are available to minimize recovery time. Systems-related risks are managed through a rigorous systems development protocol, global information security programs, and comprehensive policies and procedures for managing outsourcing arrangements.

The Company's regulatory compliance management program facilitates compliance with regulatory obligations worldwide, ensuring awareness of the laws and regulations that affect the Company and the risks associated with failing to comply. The program covers a broad range of regulations impacting product design, financial reporting, investment activities, employment practices, underwriting and claims processing, and sales and marketing practices. The program includes processes for assessing risks and monitoring compliance with related obligations.

Critical Accounting Policies

The Company's significant accounting policies are described in Note 1 to the consolidated financial statements on page 42. Certain of these accounting policies are recognized as critical as they require the Company to make estimates and assumptions about matters that are inherently uncertain and because actual results could differ from those estimates. The most significant estimation processes of life insurance companies relate to the provisioning for asset impairment and the determination of actuarial liabilities as described in Notes 3 and 4 to the consolidated financial statements, respectively.

Allowance for Asset Impairment

The allowance for credit losses adjusts the value of assets to reflect their estimated realizable value. In assessing the estimated realizable value, the Company must rely on estimates. Judgment is exercised relating to matters including economic factors, developments affecting companies in particular industries, and specific issues with respect to single borrowers, for which the ultimate outcome is unknown.

Changes in circumstances may cause future assessments of credit risk to be materially different from current assessments, which could require an increase or decrease in the allowance for credit losses. Additional information on the process and methodology for determining the allowance for credit losses is included in the discussion of credit risk on page 32.

Actuarial Liabilities

Actuarial liabilities have two major components: a best estimate reserve and a provision for adverse deviation. In conjunction with prudent business practices to manage both business and investment risks, the selection and monitoring of appropriate assumptions are designed to minimize the extent to which the Company is financially exposed to measurement uncertainty related to existing policy liabilities.

Best estimate reserve assumptions are made for the lifetime of the policies and include assumptions related to mortality and morbidity, investment returns, rates of policy termination, operating expenses and certain taxes. To recognize the uncertainty that is involved in establishing these best estimate reserve assumptions, the Appointed Actuary is required to include a margin in each assumption to allow for possible deterioration in experience and to provide greater comfort that the policy liabilities are adequate to pay future benefits. The impact of these margins is to increase actuarial liabilities and decrease the income that would have been recognized at inception of the policy.

The Appointed Actuary is responsible for ensuring that the assumptions and methods used in the determination of policy liabilities are appropriate to the circumstances and that such actuarial liabilities will be adequate to meet the Company's future obligations under insurance and annuity contracts at each valuation date. Assumptions are regularly reviewed and updated where appropriate.

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.

Contractual Obligations

As at December 31, 2003 Payments due by period (Canadian $ in millions)	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Debt	$1,123	$ —	$323	$ —	$ 800
Capital Trust Securities	1,650	—	—	—	1,650
Purchase obligations	829	141	237	193	258
Operating leases	133	26	73	30	4
Other	75	3	7	5	60
Total contractual obligations	$3,810	$ 170	$640	$228	$2,772

In the normal course of business, the Company enters into investment commitments, which are not reflected in the consolidated financial statements. As at December 31, 2003, there were $507 million of investment commitments, of which $438 million matures within one year and $69 million matures within one to three years.

MANULIFE FINANCIAL CORPORATION

RENEWAL ANNUAL INFORMATION FORM
March 30, 2004

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GLOSSARY

For the purpose of this Annual Information Form, the term "Company" or "Manulife Financial" refers, at all times prior to September 23, 1999, to The Manufacturers Life Insurance Company ("Manufacturers Life") and its subsidiaries, and at all times on or after September 23, 1999, to Manulife Financial Corporation ("MFC") and its subsidiaries, including Manufacturers Life.

The following are brief explanations of certain terms as used in this Annual Information Form.

ACLI (American Council of Life Insurers) — an insurance industry association for life insurance companies in the United States, which works to promote a legislative and regulatory environment favourable to its members and provides information and educational resources to the public.

annuities — contracts that provide income payments at regular intervals, usually for a specified period (an annuity certain) or for the lifetime of the annuitant (a life annuity). Annuity contracts are offered on both an immediate and a deferred basis. Under immediate annuities, the payment of income commences at, or very shortly after, the date of issue of the contract. Under deferred annuity contracts, the payment of income commences on some specified future date, such as five years after the contract is issued. Contracts can be fixed or variable.

Canadian GAAP — Canadian generally accepted accounting principles as promulgated by The Canadian Institute of Chartered Accountants.

cash value — the gross value for which an in force policy can be surrendered.

COLI (corporate owned life insurance) — a specialized insurance product which provides tax-efficient funding vehicles for employee deferred compensation programs.

common investment platform — a common group of investment funds that are offered to the Company's customers across multiple variable insurance, annuity and pension product lines.

DALBAR (Dalbar, Inc.) — an independent U.S. company that provides specialized market research, consulting services and computer systems design.

endowment insurance — life insurance policy which pays the face value at earlier of death or a fixed maturity date.

Fraser Group Universe Report — an annual report on pricing, profitability and market share in the Canadian group insurance industry, published by the Fraser Group, an independent Canadian consulting firm.

general fund — those assets and liabilities which a life insurance company reports on its consolidated balance sheets and for which a life insurance company bears the investment risk. Products treated as part of the general fund include participating whole life insurance, universal life insurance, term insurance, group life and health insurance and fixed-rate insurance, annuity and pension products, as well as reinsurance.

GIC (guaranteed investment contracts) — certificates of deposit on which guaranteed interest is payable or compounded annually and maturity is a specified term, usually one to five years.

group life and health insurance — insurance which insures the lives of a group of people (group life) or provides coverage for medical and dental costs, and income replacement for disabilities (group health) to a group of people under a master contract. Typically used by employers to provide coverage for their employees.

ICA — the *Insurance Companies Act* (Canada) including the regulations thereunder which apply to insurance companies that are incorporated under Canadian federal law and to foreign insurance companies that operate in Canada on a branch basis.

in force — an insurance or annuity contract which has not expired or otherwise been terminated.

individual life insurance — insurance which pays a stipulated sum in the event of the death of a named individual.

Letters Patent of Conversion — the letters patent issued under the ICA to effect the conversion proposal of Manufacturers Life from a mutual company to a company with common shares effective September 23, 1999.

LIMRA (Life Insurance Marketing Research Association) — an association which supports and enhances the marketing functions of life insurance companies through original research, as well as products and services.

MCCSR (Minimum Continuing Capital and Surplus Requirements) — capital and liquidity requirements imposed by OSFI for Canadian federally-regulated life insurance companies.

Minister of Finance — the Minister of Finance (Canada) or any Minister of State appointed pursuant to the *Ministries and Ministers of State Act* (Canada) to assist the Minister of Finance and who has been delegated any of the Minister's powers, duties and functions under the ICA.

morbidity risk — the risk arising from an insured person's sickness or accident.

Morningstar Inc. — an independent U.S.-based publisher of investment data.

mortality risk — the risk arising from an insured person's death.

NAIC (National Association of Insurance Commissioners) — an association of the chief insurance supervisory officials of each state, territory or possession of the United States.

OSFI — the Office of the Superintendent of Financial Institutions (Canada), the primary regulator of federal financial institutions and federal pension plans.

Plan of Demutualization — the plan of demutualization of Manufacturers Life, which, for the purposes of the ICA, constituted a conversion proposal.

policy loan — a loan made to a policyholder based on the security of the cash value of a policy.

policyholder — the person who owns an insurance or annuity policy. Although the policyholder is usually the insured, in the case of group insurance the policyholder is usually the employer rather than the employee.

preferred underwriting — a form of underwriting designed to provide insurance at a lower cost to persons who exhibit healthier characteristics, with corresponding higher life expectancy. Based on key criteria, the underwriting process identifies applicants who can qualify for preferred rates.

producer group — groups of agents and brokers who deal collectively with insurance companies in the areas of products, underwriting and compensation. A producer group also offers marketing and sales support to its members, as well as continuing education.

RRIF (registered retirement income fund) — a fund of undistributed accumulations of retirement savings, within the meaning of the *Income Tax Act* (Canada).

RRSP (registered retirement savings plan) — a savings plan for the purpose of providing a retirement income, within the meaning of the *Income Tax Act* (Canada).

reinsurance — the acceptance by one or more insurers, called reinsurers, of a portion of the risk underwritten by another insurer which has directly contracted to provide the coverage. The legal rights of the policyholder are not affected by the reinsurance transaction and the insurer issuing the insurance contract remains primarily liable to the policyholder for payment of policy benefits.

retrocession — a form of reinsurance that involves the assumption of risk from a reinsurer rather than the direct writer of the policy or policies.

segregated fund — a fund, having its own portfolio of investments, kept separate from the general fund of a life insurance company in connection with one or more insurance policies or annuity contracts under which the company's liability to the policyholders varies with the performance of the fund. Products for which funds are invested in segregated funds include variable life insurance, variable annuities and certain pensions.

Superintendent — the Superintendent of Financial Institutions (Canada).

surplus — the excess of assets over liabilities and other obligations in an insurance company's financial statements calculated in accordance with applicable accounting principles.

term life insurance — a life insurance policy which pays a stipulated sum on the death of the individual life insured, provided that death occurs within a specified number of years. There is usually no cash value.

third party administrator — a company that provides administrative support, including regulatory compliance and reporting and document processing, to sponsors of group plans.

underwriting — the process by which an insurance company assesses the risk inherent in an application for insurance prior to acceptance and issuance of the policy.

universal life insurance — a life insurance policy in which premiums, less expense charges, are credited to a policy account from which periodic charges for life insurance are deducted and to which interest and investment income are credited. Typically, the policyholder can vary the amount and timing of premium payments and change the amount of insurance coverage. Universal life insurance accumulates a cash value.

variable product — an insurance, annuity or pension product contract for which the reserves and/or benefits may vary in amount with the market value of a specified group of assets held in a segregated fund.

whole life insurance — a life insurance policy payable upon the death of the insured, with a fixed premium and accumulating cash values. Whole life insurance policies are available in participating or non-participating form.

401(k) pension product — a product that allows employed individuals to contribute pre-tax income in a retirement savings account which provides for tax-deferred investment accumulation, meeting the requirements of the U.S. *Employee Retirement Income Savings Act of 1974* , as amended, and the U.S. Department of Labor.

FINANCIAL PRESENTATION AND EXCHANGE RATE INFORMATION

Unless otherwise indicated, all financial information contained herein is given for Manulife Financial. The Company maintains its financial books and records in Canadian dollars and presents its financial statements in accordance with Canadian GAAP as applied to life insurance enterprises in Canada, including the accounting requirements of the Superintendent.

Unless otherwise indicated, references in this Annual Information Form to "$," "Cdn.$" or "dollars" are to Canadian dollars. Exchange rates used for currency conversion to Canadian dollars for financial statements in this Annual Information Form are summarized in the following table:

	As at and for the year ended December 31		
	2003	2002	2001
U.S. dollar			
Balance sheet	1.2924	1.5796	1.5930
Statement of operations	1.3160	1.5705	1.5480
Japanese yen			
Balance sheet	0.012066	0.013302	0.012157
Statement of operations	0.012095	0.012811	0.012760

Note: Rates shown are the Canadian dollar price per U.S. dollar and Japanese yen. In accordance with Canadian GAAP, balance sheet amounts are converted at rates on the dates indicated, while statement of operations amounts are converted using the average rate for the period. Rates are based upon noon rates of exchange published by the Bank of Canada.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This report includes forward-looking statements, which include, among others, statements with respect to the business operations and strategy as well as the financial performance and condition of the Company. These statements generally can be identified by the use of forward-looking words such as "may," "will," "expect," "intend," "estimate," "anticipate," "believe," or "continue" or the negative thereof or similar variations. These statements involve inherent risks and uncertainties that may cause actual results to differ materially from those expressed or implied by the forward-looking statements. Factors that could cause actual results to differ materially from the Company's expectations include, but are not limited to, general economic conditions worldwide, market factors (including global capital market activity), interest rate and currency value fluctuations, business competition, changes in government regulations or in tax laws (including estate taxes and changes in treatment of dividends), technological changes, changes in consumer demand for our products and services, realizing increased revenue from the expansion and development of distribution channel capacity, our ability to complete strategic acquisitions and to integrate acquisitions, catastrophic events, political conditions and developments and international conflicts, including the war on terrorism. Readers are cautioned to consider these and other factors carefully and not to place undue reliance on the Company's forward-looking statements. The Company does not undertake to update any forward-looking statements.

THE COMPANY

HISTORY AND INCORPORATION

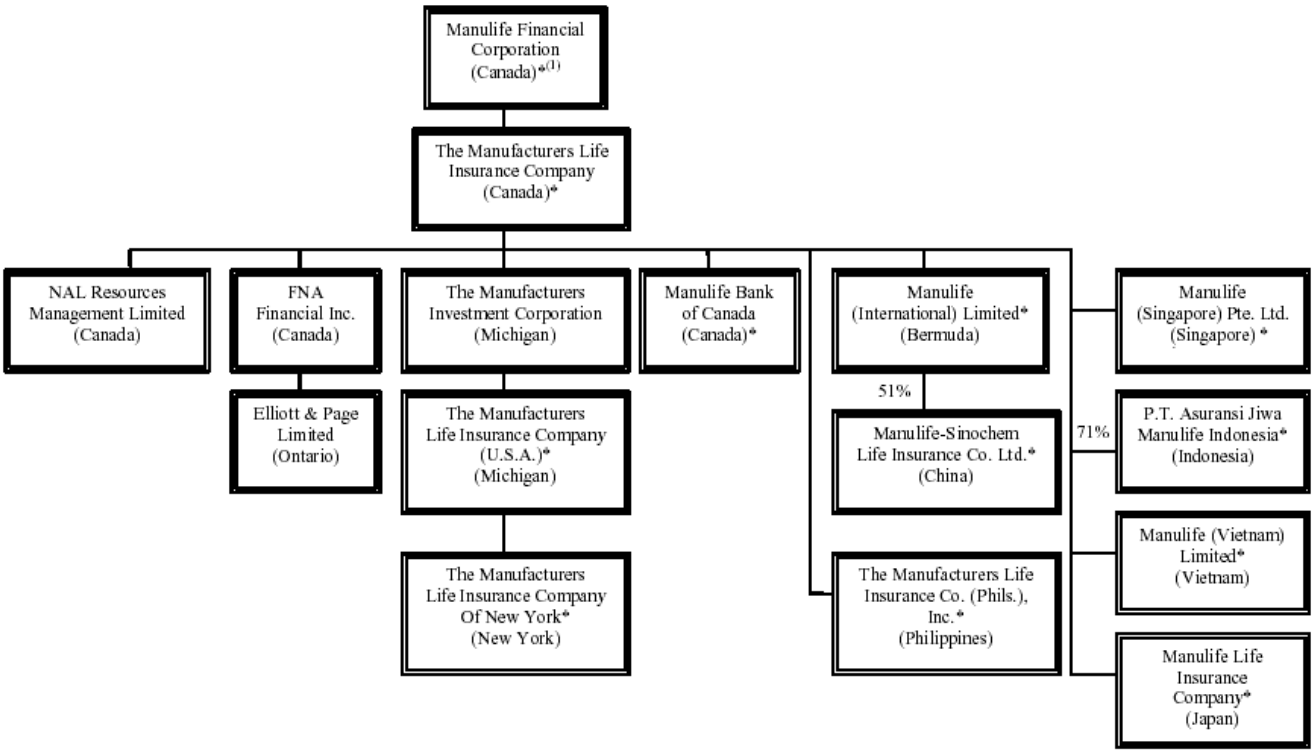
MFC was incorporated under the ICA on April 26, 1999 for the purpose of becoming the holding company of Manufacturers Life. Manufacturers Life was incorporated on June 23, 1887, by a Special Act of Parliament of the Dominion of Canada. Pursuant to the provisions of the *Canadian and British Insurance Companies Act* (Canada), the predecessor legislation to the ICA, Manufacturers Life undertook a plan of mutualization and became a mutual life insurance company on December 19, 1968. As a mutual life insurance company, Manufacturers Life had no common shareholders and its board of directors was elected by its participating policyholders in accordance with the ICA. 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.

Manulife Financial's head office is located at 200 Bloor Street East, Toronto, Canada, M4W 1E5. The Company's principal office in the United States is located at 38500 Woodward Avenue, Suite 250, Bloomfield Hills, Michigan, 48304, its principal office in Hong Kong is located at Manulife Plaza, the Lee Gardens, 48th Floor, 33 Hysan Avenue, Causeway Bay, its principal office in the Philippines is located at LKG Tower, 6801 Ayala Avenue 1226, Makati City, and its principal office in Japan is located at 4-34-1 Kokuryo-cho Chofu-shi, Tokyo, 182-8621. As at December 31, 2003, Manulife Financial had approximately 13,000 employees worldwide.

PRINCIPAL SUBSIDIARIES

Manulife Financial conducts its business activities through subsidiary companies in Canada, the United States, Hong Kong, Japan, the Philippines, Singapore and Vietnam. The Company operates through branches of subsidiaries in Taiwan and Macau. In Indonesia and China, Manulife Financial operates through joint ventures established with local companies.

The principal subsidiaries of Manulife Financial, including direct and indirect subsidiaries, are shown in the following chart (with their place of incorporation, continuance or organization indicated in brackets following their names):



* Denotes companies regulated by insurance or banking regulatory authorities
(1) All subsidiaries are 100% owned except as shown

CORPORATE STRATEGY

Manulife Financial's overall corporate objective is to continue its record of profitable growth by building on its position as a leading provider of financial protection and wealth management products and services in Canada and selected international markets. In pursuing this objective, management seeks to operate Manulife Financial in accordance with certain core values: professionalism; providing real value to its customers; integrity; maintaining financial strength; and being an employer of choice. To realize its objective, Manulife Financial pursues the following specific strategies.

Build on Existing Business Franchises

Management believes that Manulife Financial has built strong platforms for future growth in Canada, the United States and Asia. The Company enjoys recognized financial strength and leadership positions in a number of diverse international markets ranging from developing to mature. Management intends to strengthen the Company's business franchises in its existing markets and to expand into new markets where management believes that Manulife Financial has a competitive advantage that will enable the Company to establish a leading market position. Management believes that the Asian region's economic and demographic trends offer excellent medium and long-term growth potential. In 1996, Manulife opened the first foreign joint venture life insurance company in China with operations in Shanghai and in 2002 the Company opened a branch in Guangzhou. In late 2003, the Company received a branch license for Beijing and expects to commence operations in that city in 2004. In 1999, the Company became the first Canadian life insurer with operations in Japan, one of the world's largest insurance markets. The Japanese operation was expanded with the purchase of the in force business of Daihyaku Mutual Life Insurance Company ("Daihyaku") in 2001. In 1999, Manulife became the first foreign insurer to operate in Vietnam with the creation of Manulife (Vietnam) Limited ("Manulife Vietnam"). The Company has also expanded its Asian operations in recent years through acquisitions in the Philippines, Indonesia and Taiwan. In 2000, the Hong Kong operations expanded with the Company's entry into the new Mandatory Provident Fund business. Management believes there are also opportunities for growth in North America. Manulife Financial was the first insurer to enter

the U.S. College Savings Plan ("529 Plan") business in 2001 and, in 2002, the first insurance company to enter the multi-style, managed account market as well as the first to offer this type of product in the financial planner channel. Also, in 2003 the Company launched Avon Long Term Care Leaders, LLC ("Avon LTCL"), a specialized reinsurance intermediary and risk manager in the long-term care marketplace.

Deliver Customized and Innovative Products and Services

Management believes that delivering customized and innovative financial protection products and wealth management products and services, which provide sustainable value at competitive prices, will continue to be a growth driver for Manulife Financial. Accordingly, the Company focuses on understanding customer needs and on developing, maintaining and deepening long-term customer relationships. To address the changing needs of its target customers, the Company has developed the ability to quickly bring new offerings to the marketplace to complement its broad array of products. In Canada, the Manulife Insured Portfolio Fund is a next generation segregated fund product that allows Canadian investors to customize their portfolios to meet their own personal needs and financial goals. Also in Canada, the Company was the first to introduce a single combined personal borrowing and banking account, Manulife One, which provides customers with flexibility in managing their finances as well as the first to offer, through independent financial advisors, a mutual fund investment account giving customers access to multiple investment management firms. In the United States, the Company has expanded the breadth and depth of its product range with new products and features in all business lines as well as new investment offerings and managers for its common investment platform. In Asia, the Company introduced the first participating life insurance policy to China and the first investment-linked insurance product to Taiwan. In Vietnam, the Company was first to link life insurance face amounts to the U.S. dollar exchange rate or gold prices. Manulife Life Insurance Company ("Manulife Japan") has been a leader in offering innovative products to Japanese consumers, being among the first insurers to offer universal life insurance and variable annuity products in Japan.

Capitalize on Multiple Distribution Channels

Management believes that tailoring the Company's distribution channels to allow customers in each geographic and product market to purchase the Company's products and services through their preferred channel will enable Manulife Financial to further penetrate its target markets. In the United States and Canada, the Company has been highly successful in expanding and diversifying its distribution capabilities while at the same time continuing to nurture traditional relationships. The many new relationships established in recent years with national and regional broker-dealers and national and local producer groups have been strong contributors to sales growth in North America. In Canada, the Company has significantly expanded its relationship with managing general agencies and has executed several unique strategic alliances with other financial services companies to expand the product portfolio available to its distributors and to broaden distribution of its own products. The new 529 Plan business has extended the Company's distribution reach in the United States with 60% of sales coming from producers that had not previously done business with Manulife Financial. In late 2002, The Manufacturers Life Insurance Company (U.S.A.) ("Manulife USA") announced a distribution agreement with Scudder Investments that has contributed to increased variable annuity sales. In Asia, where it is the norm for agents to represent a single company, the Company sells its products and services through an exclusive agency force. Manulife Financial has significantly expanded its agency force in Asia over the past several years, particularly in new territories. As at December 31, 2003, the Company had approximately 22,000 agents in Asia (excluding Japan), an increase of approximately 17% from the previous year. In Japan, Manulife has expanded its distribution reach through agreements with a number of banks and stockbrokers. In early 2004, Manulife Japan entered into a strategic alliance with the Bank of Tokyo-Mitsubishi, Ltd. for individual variable annuity product development and sales. The Company's agency force in Japan grew 8% in 2003 to more than 3,500 representatives. By offering a diverse range of products and providing ongoing sales and marketing support, Manulife Financial strives to maintain long-term relationships with its agents, brokers and other distributors in each market. The Company expects to continue its strategy of anticipating and responding to changing customer distribution preferences.

Leverage Technology to Enhance Customer and Producer Services

Manulife Financial is committed to the development and leveraging of technology with a focus on e-commerce and the Internet. Technology plays a crucial role in servicing clients and supporting the Company's distribution partners. New services introduced in the United States enable 401(k) pension plan customers to enroll online, 401(k) plan administrators to submit participant contribution files via the Internet, and brokers to submit variable annuity contracts electronically. In Canada, the Company's Internet support services for group plan administrators and customers include electronic processing and enrollment for Group Pension clients as well as electronic claims processing and payments for Group Benefits members. In Asia, Manulife Financial introduced Hong Kong's first bilingual insurance Web site for agents and launched a Web site for its Vietnamese customers. Manulife Japan expanded functionality of its Web site supporting Japanese policyholders. Manulife Financial has also invested in technology to realize productivity gains from improved business processes. In 2002, Manulife Financial outsourced the management of its information technology infrastructure and operations, helping the Company deliver improved

customer service and significant expense management opportunities as well as providing strategic flexibility to integrate new businesses.

Leverage Successful Strategies across Different Markets

Manulife Financial's product and geographic diversity positions the Company to transfer products and services, technology, distribution and marketing strategies, and business knowledge from one market to other markets. Management believes that the ability to leverage across markets enables the Company to capitalize quickly on emerging economic and demographic trends. In Japan, the Company introduced universal life insurance and variable annuities, leveraging its expertise with these products in Canada and the United States. The Japanese market is among the largest in the world but currently suffers from limited product choice. Also in Japan, the Company revitalized its sales force by leveraging the expertise of its Asian businesses in managing and growing career agency forces. Other recent initiatives include introducing product features and marketing approaches from the U.S. pension product market to the Canadian market, and building on U.S. pension product knowledge in developing strategies for the Hong Kong Mandatory Provident Fund pension market.

Implement Strategic Acquisitions

Manulife Financial intends to focus on making strategic acquisitions in the financial services industry that strengthen and complement its core operations and that are priced to provide acceptable financial returns. Management believes that it is essential for the Company to participate proactively in the continuing consolidation of the financial services industry, with the objective of increasing Manulife Financial's overall size and enhancing its market position in internationally diverse markets. Management believes that the Company's experience in executing and implementing strategic acquisitions, together with its management and capital resources, positions Manulife Financial to continue its acquisition program with a focus on expanding its financial protection and wealth management businesses internationally.

GENERAL DEVELOPMENT OF THE BUSINESS

Significant Developments

The Company continued its strong record of growth during the three-year period ended December 31, 2003. During that period, premiums and deposits and shareholders' net income grew at compound annual growth rates of 8% and 13% respectively, while funds under management and total equity grew at compound annual growth rates of 8% and 9%, respectively. Organic growth, efficiencies and selective acquisitions contributed to this strong growth, despite the appreciation of the Canadian dollar.

Manulife Financial has proactively participated in the continuing consolidation and globalization of the life insurance industry with selective strategic acquisitions and divestitures. In 2003 the Company made three acquisitions, all in Asia. In Indonesia, the Company acquired the Indonesian life business of Zurich Financial Group on October 31, 2003, and acquired PT ING-Aetna Life on November 30, 2003. In the Philippines, the Company acquired the insurance portfolio of Zurich Life Philippines, Inc. on November 4, 2003.

In 2002, there were two new acquisitions and two increases in ownership of joint venture operations by the Company. In the Philippines, the Company acquired the Philippines life and pension and education operations of CMG Life Insurance Company, Inc. ("CMG") in November 2002. In September 2002, Manulife Financial acquired the remaining interest in OUB Manulife Pte. Ltd. from its former joint venture partner, and subsequently renamed the wholly-owned subsidiary Manulife (Singapore) Pte. Ltd. During 2002, the Company also increased its equity interest in P.T. Asuransi Jiwa Manulife Indonesia from 51% to 71%. On March 25, 2002, Manulife Financial and Zurich North America Canada completed an agreement to transfer all outstanding shares of Zurich Life Insurance Company of Canada ("Zurich Life") to Manulife Financial, making Zurich Life a wholly-owned subsidiary of Manulife Financial.

In 2001, the Company completed acquisition transactions in Vietnam, Indonesia, Japan and Canada. On November 30, 2001, the Company purchased the remaining shares from its joint venture partner in Vietnam and increased its interest in the Vietnam operations from 60% to 100% demonstrating the Company's commitment to expansion in Vietnam. The Company commenced operations in Vietnam in September 1999 through a joint venture company, Chinfon-Manulife Insurance Company Limited, which was renamed Manulife (Vietnam) Limited in November 2001.

On August 31, 2001, Manulife Financial acquired The Principal Financial Group in Indonesia, which provided the Company with opportunities for expansion in the high-potential Indonesian pension industry.

On January 25, 2001, Manulife Financial acquired the minority interest in Manulife Japan from Daihyaku, a local company, making Manulife Japan a wholly-owned subsidiary of the Company. Effective April 2, 2001, Manulife

Japan also assumed Daihyaku's existing insurance policies. With the transfer of Daihyaku's policies, Manulife Financial enhanced its position in the largest life insurance market in Asia.

The acquisition of the Canadian group life and health insurance operations of Zurich Life completed in April 2001 added approximately $100 million in annualized premiums, while the purchase of Commercial Union Life Assurance Company of Canada's ("Commercial Union") Canadian operations, also in April 2001, increased funds under management by almost $1.3 billion and positioned the Company as a leader in the Canadian critical illness market.

Significant Future Events

On September 28, 2003, the Company announced its intent to acquire John Hancock Financial Services, Inc. ("John Hancock"), including its Canadian subsidiary, The Maritime Life Assurance Company. Under the terms of the merger agreement between the Company and John Hancock, a newly formed wholly-owned subsidiary of the Company will merge with and into John Hancock with the result that John Hancock will become a wholly-owned subsidiary of the Company. The shareholders of John Hancock approved this merger on February 24, 2004 and the merger is expected to be completed in April 2004. On completion of the merger, Manulife Financial will be the second largest life insurance company in North America and the fifth largest life insurance company in the world. More information on the proposed merger and its effect on the business, financial condition and results of the Company can be found in the Form F-4 Registration Statement filed by the Company and John Hancock with the U.S. Securities and Exchange Commission on January 5, 2004. The information in the Form F-4 Registration Statement is incorporated into this Annual Information Form by reference.

BUSINESS OPERATIONS

Manulife Financial provides a wide range of financial products and services, including individual life insurance, group life and health insurance, pension products, annuities and mutual funds to individual and group customers in the United States, Canada, Asia and Japan. Manulife Financial also offers reinsurance services, primarily life and accident reinsurance, and provides investment management services with respect to the Company's general fund assets, segregated fund assets and mutual funds and, in Canada and Asia, provides institutional investment services.

As at December 31, 2003, Manulife Financial operated in 15 countries and territories worldwide. The Company's business is organized into five operating divisions, comprised of the U.S., Canadian, Asian, Japan and Reinsurance Divisions. Each division has profit and loss responsibility and develops products, services, distribution and marketing strategies based on the profile of its business and the needs of its market.

SELECTED FINANCIAL STATISTICS BY DIVISION

The following chart provides a break down by operating division of the Company's total net income, premiums and deposits and funds under management as at and for the year ended December 31, 2003.

Division	Net Income	Premiums and Deposits	Funds Under Management
U.S.	30%	57%	50%
Canadian	32%	23%	26%
Asian	20%	11%	9%
Japan	7%	6%	7%
Reinsurance	14%	3%	2%

UNITED STATES

U.S. Division is organized into three business units: Individual Wealth Management, Group Pensions and Insurance. The Individual Wealth Management business unit markets a range of variable annuity, 529 Plan and Private Account (personalized managed account) investment products to middle and upper income individuals. The Group Pensions business unit focuses on providing pension products to small and medium-sized organizations, while the Insurance business unit offers life insurance products to high net-worth individuals. In 2003, Individual Wealth Management, Group Pensions and Insurance accounted for 33%, 53% and 14%, respectively, of U.S. Division's total premiums and deposits, and accounted for 39%, 38% and 23%, respectively, of the Division's total funds under management.

U.S. Division principally operates through two insurance subsidiaries, Manulife U.S.A. and The Manufacturers Life Insurance Company of New York ("Manulife New York,") as well as through Manulife Financial Securities LLC (a registered broker-dealer and registered investment advisor that is wholly-owned by Manulife U.S.A.). In all states except New York, Manulife U.S.A. offers individual life insurance, 401(k) group annuity pension and individual annuity products, while Manulife New York offers these products in the State of New York. Manulife Financial Securities LLC distributes 529 Plans, Private Account products and 401(k) direct mutual fund contracts in all states.

Investment Platform

Each of Individual Wealth Management, Group Pensions and Insurance offers products that provide customers with fixed and variable rate investment returns. Fixed rate products provide customers with a guaranteed investment return, while variable rate products enable clients to participate in equity market growth by investing principally in segregated funds.

The Common Investment Platform

For its U.S. segregated fund business, Manulife Financial has developed a common investment platform. This platform allows customers to retain their existing investment fund selection when transferring between or purchasing new 401(k) group annuity pension, variable annuity or variable insurance products. The common investment platform, offered through the Manufacturers Investment Trust, means that customers need only be familiar with one set of investment funds that accommodates all risk profiles. Customers are provided with tools to assist in identifying an asset mix that best matches their risk and return preferences.

Management believes that clients consider the investment performance to be a key criterion in selecting a segregated fund. The Company offers a broad spectrum of diversified domestic and international investment funds that are managed by leading investment companies, selected for their distinctive investment style and expertise. To ensure that the Company's investment platform remains comprehensive, Manulife Financial draws on a variety of internal and external experts to proactively and continually review and adjust its common investment platform selections. The Company "manages the managers" by comparing fund performance to benchmarks, as well as monitoring the managers' investment processes and risk controls.

For those customers who desire a simplified segregated fund portfolio selection method, U.S. Division uses the common investment platform to offer a variety of pre-packaged portfolios of investment funds, marketed as the Lifestyle Funds. Each portfolio has been established to match a particular risk profile, ranging from conservative to aggressive.

Retail and Manulife Retirement Select Investment Platforms

For its Group Pension customers, U.S. Division also offers a retail platform and the Manulife Retirement Select Investment platform. The retail platform enables smaller 401(k) pension plan sponsors to access well-known investment funds through the Company's separate accounts, while the recently introduced Manulife Retirement Select Investment platform offers customers direct access to familiar and highly distinguished mutual funds. These platforms are subject to the same rigorous selection and review process as the common investment platform.

Individual Wealth Management

Individual Wealth Management offers a variety of products to help customers achieve their personal and family financial goals. A range of variable annuity products are available to assist individuals to reach their retirement objectives, while the growing 529 Plan product line helps clients save for post-secondary education. The Private Accounts product line offers individuals their own personal investment portfolio, along with investment advice from brand name third-party money managers.

The Manulife Wood Logan wholesaling group ("Manulife Wood Logan"), a marketing unit of Manulife U.S.A., is a leading organization in the broker-dealer distribution channel that provides sales and marketing support for Individual Wealth Management's variable annuity, 529 Plan and Private Account products. Manulife Wood Logan also offers a continuing education curriculum to registered representatives.

The Variable Annuity Product Line

Individual Wealth Management's variable annuity product line offers customers a range of individual annuity products. These products, sold mainly to middle and upper-income individuals, provide a tax-efficient way to save for retirement or preserve wealth, as earnings on these products are subject to taxation only when withdrawn.

As a leading provider in the variable annuity industry, Manulife Financial's product offerings include the Venture, Venture III and Venture Vantage products. The Venture product offers customers traditional variable annuity features, such as a minimum death benefit guarantee, no front-end sales costs and a gradually declining surrender charge rate. In addition to these traditional features, the Venture III product offers a shortened surrender charge period for improved investor liquidity, while the Venture Vantage product offers a deposit-driven payment enhancement. These products offer several optional benefits, such as Guaranteed Retirement Income Program ("GRIP"), Guaranteed Earnings Multiplier ("GEM") and Guaranteed Minimum Withdrawal Benefit ("GMWB"). The GRIP option provides a predetermined guaranteed future lifetime income or living benefit, while the optional GEM provision provides funds to pay taxes triggered at death following favourable investment performance. The recently launched GMWB option provides for guaranteed returns through periodic withdrawals of amounts invested. These options, as well as other optional death benefit provisions, involve additional charges to the customer. A dollar-cost-averaging feature is also offered, enabling pre-authorized periodic transfers from the fixed-rate general fund portfolio to the segregated funds.

Management believes that high quality customer service is critical to developing and maintaining market share in the individual variable annuity market. In recognition of its continued commitment to exceptional service, the business unit was honoured in 2003 with various awards for its outstanding service to broker-dealers, wholesalers, wire houses and financial advisors. These awards were received from such prominent organizations as DALBAR and the Operations Managers Roundtable. The variable annuity product line has a proven history of providing exceptional service to its contract holders and distribution partners.

Management's strategy for continued growth in the individual variable annuities business line focuses on the promotion of newly developed product features, strong customer service and expanding distribution. Throughout 2003, Individual Wealth Management continued to develop its variable annuity portfolio with a clear focus on both meeting the needs of customers and managing the risk profile of the business. The GRIP rider was refreshed in 2003 to provide clients with guaranteed income regardless of investment performance, while the new GMWB provision and enhanced death benefit riders were introduced in December 2003 to offer increased client benefit options. In addition to remaining focused on exploring new distribution relationships, Individual Wealth Management developed the Scudder Investments network, which contributed significantly to top line growth in 2003. Service levels were further enhanced in 2003 through additional Web-based tools that expanded client information access and data management capabilities.

The 529 Plan Product Line

Individual Wealth Management's 529 Plan product line offers a selection of education savings products aimed at middle-income and high net-worth individuals. Sponsored by the University of Alaska as trustee and administered by T. Rowe Price, the 529 Plan product line is offered through U.S. Division's existing distribution networks. Manulife Financial is one of the first companies to offer a nationally distributed multi-managed college savings product to financial intermediaries and, at U.S. $250,000, has one of the highest maximum contribution limits.

Management believes that investment variety and flexibility, as well as fund performance, are critical to developing and maintaining market share in the 529 Plan market. Manulife Financial offers clients a multi-managed product platform with various flexible investment options. Prominent fund companies are employed to manage the 529 Plan investment fund portfolios while Manulife Financial works with its partner, T. Rowe Price, to oversee and evaluate the performance of these investment managers.

Management is committed to providing innovative and unique 529 Plan products, as well as strong customer service. Individual Wealth Management introduced additional 529 Plan investment portfolios and fund managers, a dollar-cost-average savings program and a B-share offering. The new B-share product eliminates a client's up-front sales charge in favour of a declining surrender charge attached to distributions made in years one to six. The Company also developed additional tools to enable clients to better evaluate the tax and estate planning advantages of investing in 529 Plans.

The Private Accounts Product Line

Individual Wealth Management's Private Accounts product line was introduced in late 2002. This new product line offers high net-worth individuals a personalized investment portfolio and brand name third-party money managers, as well as increased tax efficiency through the ability to customize and diversify investments.

Manulife Financial was the first insurance company to enter the multi-style managed account market, as well as the first to offer this service in the financial planner channel. Prior to U.S. Division's entry into the managed accounts market, similar products were primarily distributed through large wire house firms and frequently required account values well in excess of Manulife Financial's U.S. $100,000 minimum.

Management's strategy for developing the Private Accounts business focuses on offering distinctive products, strong customer service and an expanding distribution network. During 2003, several analysis tools were launched that enable advisors to create customized portfolio proposals, as well as provide clients with a comparative assessment between their existing portfolio and a Manulife Private Accounts portfolio. The Company also introduced additional Private Accounts investment portfolios and fund managers. Distribution developments in 2003 and early 2004 included the completion of selling agreements with AIG and ING, which represents a growth opportunity as both organizations have a strong relationship with Manulife Wood Logan wholesalers.

Group Pensions

The Group Pensions business unit offers small and medium-sized businesses, consisting of companies with five to 500 employees, 401(k) group annuity contracts designed for tax-qualified pension plans. Direct mutual fund contracts are offered to medium-sized organizations. Based on LIMRA/Cerulli's pension survey results, Group Pensions is ranked as the top seller of 401(k) plan products for the small plan market in 2003 (up to the end of September), as measured by premiums and deposits, new cases and new participants.

Group Pensions primarily offers its clients a 401(k) group annuity product that includes investment, communication, and record-keeping services with plan administration provided through third party administrators ("TPAs"). Group Pensions also sells group annuity products offering "investment services only" intended for distribution through TPAs who provide their own record-keeping services for the qualified pension plan market.

Management is committed to delivering quality investment alternatives, participant education and communications, and superior service. In recognition of its commitment in these areas, Group Pensions was honoured with various awards in 2003 from such prominent organizations as Plan Sponsor Magazine, The League of American Communication Professionals and the Profit Sharing/401(k) Council of America. Group Pensions has a proven history of commitment to its plan participants, plan sponsors and distribution partners.

The Company's pension products are marketed by internal sales account executives mainly to TPAs and broker-dealers. TPAs are important both as a distribution channel and as a provider of plan administration services to plan sponsors. The Company provides support to TPAs in the form of direct data links, training, marketing, educational programs, and access to enhanced e-commerce functionality. Manulife Financial also has an established advisory council of TPAs that provides feedback to the Company on product development and marketing strategies. As part of the Company's commitment to the growing broker-dealer channel, Group Pensions' National Support Centre provides sales support to brokers primarily as an initial point of contact for new brokers. Group Pensions also

provides broker-dealer support through its broker Web site, which offers a variety of on-line marketing, educational and client/broker-dealer administrative functions.

In 2003, Group Pensions introduced Manulife Retirement Select, a new direct mutual fund investment offering aimed at increasing penetration of its target market and providing sponsors with greater investment flexibility. Group Pensions also added several high profile fund managers to its investment line-up. While distribution networks continued to be developed in 2003, service initiatives included redesigned participant statements that simplified investment performance tracking, an enhanced Web site, and a new retirement goal selection and planning tool.

Insurance

The Insurance business unit focuses primarily on providing customized financial and estate planning solutions to high net-worth individuals and to other target niches, such as the emerging affluent market and the business insurance market. Insurance has well developed expertise in underwriting mortality risk for the older age market, particularly risks associated with coronary disease, cancer and diabetes. The Company has also developed expertise in the coordination and placement of very large individual insurance policies through its expertise in the affluent older age market. The business unit has pre-arranged reinsurance programs for large individual policies where the insurance needs are above Manulife Financial's internal retention limits of U.S. $10 million for single lives and U.S. $15 million on survivorship cases.

Manulife Financial primarily offers its clients single and survivorship universal life and variable universal life products, as well as specialized COLI products. The rate of investment return the Company provides clients on universal life policies may change from time to time due to factors such as the investment performance of the Company's universal life asset portfolio, but is subject to minimum guaranteed rates. Variable universal life products offer clients an opportunity to participate in equity market growth by investing in segregated funds. COLI products, targeted to medium-sized corporations, offer companies tax-efficient funding vehicles for executive deferred compensation programs. COLI products are predominantly structured around a variable universal life insurance product with the investment options provided by Manulife Financial's common investment platform.

The Company's insurance products are sold through a multi-channel strategy that includes traditional independent agents, brokerage general agents, producer groups, broker-dealers, and banks. Manulife Financial actively develops and maintains its relationships with these distributors by providing technical support, delivery of customized products, advanced marketing, and sales support. The business unit also provides enhanced support and sales incentives for a segment of its most closely affiliated producers. Over the years, the business unit has broadened its distribution channels by establishing new relationships with broker-dealers, producer groups, and banks.

The business unit has a track record of being able to rapidly develop and launch innovative products in response to industry and legislative changes. In 2003, Manulife Financial introduced new term, variable life, and universal life products, including a new low-cost universal life offering. Distribution initiatives in 2003 were principally focused on strengthening Manulife Financial's relationship with key firms. Service activities during the year were centered on providing electronic communication tools to key producers, while marketing efforts focused on educating distributors on changing regulations and determining effective ways to utilize life insurance for estate planning.

Competition

Each of the U.S. markets in which the Company operates is highly competitive. Individual Wealth Management's business environment is characterized by new market entrants and strong competition from both insurance and mutual fund companies. Competition within this market is based on fund performance, investment and product offerings, customer service, and financial strength. Group Pensions' key competitors are insurance companies, payroll companies and mutual fund firms that compete primarily on the basis of price and the ability to add value for customers. In the individual life insurance market, the Insurance business unit's competitors vary across product lines, but are primarily other large insurance companies that distribute products through similar channels. Competition in the insurance business is based on the ability to quickly develop and implement new product features, as well as on customer service and breadth of distribution channels.

U.S. Division's competitive strengths include innovation, underwriting expertise, multiple distribution channels and high quality customer service. The Company's strategy of offering the common investment platform across all of the U.S. business lines, as well as the Company's financial strength and credit ratings, enhance Manulife Financial's competitive position.

CANADA

Canadian Division is one of the leading life insurance-based financial services organizations in Canada. Its individual wealth management product offerings include variable and fixed annuities, individual investment and banking products and mutual funds. Individual life insurance products are aimed at middle- and upper-income individuals and business owners. Insurance products are also directly marketed to members of professional, alumni, retiree and other

associations and to the customers of financial and retail institutions. Group life, health and pension products and services are marketed to Canadian employers.

Canadian Division is comprised of four business units: Individual Wealth Management, Group Benefits, Individual Insurance, and Group Pensions, which in 2003 accounted for 34%, 33%, 17% and 16%, respectively, of Canadian Division's premiums and deposits.

Individual Wealth Management

Individual Wealth Management includes all individual savings and retirement products business including segregated funds and annuities, Manulife Bank of Canada ("Manulife Bank"), Manulife Securities International Ltd. ("MSIL") and the retail mutual fund business of Elliott & Page Limited ("Elliott & Page").

Individual Wealth Management offers individual annuities including fixed-rate annuity products, which are supported by the Company's general fund assets, and variable annuity products, which provide investments in segregated funds. Manulife's Guaranteed Investment Fund ("GIF") funds allow investors to customize their portfolios to fit their own personal needs and financial goals through a series of flexible options such as maturity and death benefit guarantees, reset and death benefit options, and an investment line-up that includes 77 funds. Individual Wealth Management also offers immediate annuities and RRIFs providing retirement income for individuals. Including fixed rate annuities, these products are designed to provide individuals with a regular income stream from the funds that they have deposited or that have been deposited on their behalf.

The target market for Individual Wealth Management products is middle and upper income individuals, which Canadian Division defines as individuals with an annual family income of more than $80,000. In 2003, Manulife Financial was the number two provider of individual annuities in Canada among insurers, as measured by total premiums, according to information published by LIMRA.. Individual annuity products are distributed through independent producers, advisors in general agencies and licensed representatives in stock brokerage firms. The Company had relationships with 6,800 independent advisors, 11,000 general agency brokers and more than 10,600 stockbrokers with investment dealer firms as at December 31, 2003.

Manulife Bank provides integrated lending and investment products to complement and enhance the products offered by Manulife Financial. Manulife Bank's overall product offerings include bank accounts, GICs, RRSPs, RRSP loans, leverage loans, mortgages and other specialized loan programs. Introduced in 1999, the Manulife One account, the first of its kind in Canada, enables customers to consolidate their personal finances into one home equity line of credit that includes chequing and borrowing accounts, allowing them to pay down their debts sooner. Manulife One is available through a number of channels, but is primarily distributed through independent advisors supported by Manulife Bank's proprietary sales force of banking consultants.

Elliott & Page Mutual Funds is a family of 56 mutual funds with assets under management of $3.4 billion as at December 31, 2003. Elliott & Page is the 20th largest mutual fund company in Canada as ranked by the Investment Funds Institute of Canada. In 2003, more than 4,600 registered financial advisors sold Elliott & Page mutual funds.

Through account representatives, MSIL sells mutual funds for both Manulife Financial and third party mutual fund companies. The products sold by MSIL complement the other investment products within the Individual Wealth Management portfolio. Manulife Financial and third party mutual funds are distributed by approximately 925 mutual fund representatives licensed through MSIL.

Group Benefits

Group Benefits offers a range of group life insurance products and services to Canadian businesses of all sizes, providing products and services to more than 14,000 Canadian employers. Group Benefits helps protect the health and well being of more than 3.5 million Canadians, offering short and long term disability protection (along with related management services), dental coverage, extended health and hospital coverage (insurance covering medical services and supplies), drug plan coverage, and accidental death and dismemberment protection. Group Benefits was the third largest provider of group life insurance products and services in Canada with 11.1% of the market share, as reported in the 2002 Fraser Group Universe Report. In 2003, premiums and deposits generated by Group Benefits exceeded $2.3 billion.

Canadian Division distributes its group benefits products using a number of distribution channels, including a national network of regional offices that serve major centres across Canada. Account executives in each office focus on three market segments: large, medium-sized, and small businesses, as determined by the number of employees. Each account executive works with a network of consultants, brokers and advisors contracted by clients to analyze and recommend an appropriate carrier. Upon completion of a sale, the account executive serves as the primary contact for clients, maintaining relationships that support growth within Group Benefits' established block.

Group Benefits focuses on delivering solutions to meet the needs of its customers by providing choice, innovation and superior services that add value for the customer. Marketing strategy, product and service solutions are tailored to

meet the unique requirements of defined market segments. The Alpha product offering is directed to clients with two to twenty-four employees. Group Benefits has focused on supporting this market segment though broker educational programs and quoting software (AlphaQuote) in addition to offering a competitive product at a competitive price. For medium sized businesses with 25 to 399 employees, the Signature solution offers greater product choice, ease of administration and additional value-added services. Large corporate clients with over 400 employees receive customized benefits solutions.

In 2003 Group Benefits continued to expand product offerings with the launch of a flexible benefit administration product, integrated management, stop loss protection against catastrophic drug claims and expanded Web-based services for plan advisors, plan administrators and plan members.

Individual Insurance

Individual Insurance offers a range of products including universal life insurance, term life insurance, participating whole life insurance and living benefits insurance. It focuses on offering a combination of innovative products, value-added advice and excellent customer service to increase market share in the middle and upper-income individual, family and business-owner markets. Individual Insurance encompasses the Individual Life Centre and Affinity Markets, which market products directly to consumers through associations or affinity sponsorship.

Individual Life Centre

Manulife Financial's strategy to offer a wide range of products tailored to specific markets has helped it consistently rank among the top five insurance companies in Canada in each of the past five years based on new premiums on life insurance policies sold in Canada, according to data published by LIMRA as at December 31, 2003. The primary method of distribution for individual life insurance products is through 6,800 independent advisors, 11,000 general agency brokers and more than 10,600 stockbrokers. Manulife Financial's producers are independent contractors paid by commission who sell both the Company's products and the products of other life insurance companies. A network of regional offices, which provides product, marketing and sales support, tax and estate planning expertise and financial planning tools supports producers across Canada.

In addition to strong market share positions across all major individual life insurance product lines, Manulife Financial entered the critical illness insurance market in 2001. After acquiring Commercial Union's Canadian life insurance operations in early 2001, Manulife Financial repackaged its leading critical illness product and deployed a team of living benefits wholesalers to educate sales representatives on the importance of this growing product line. In March 2002, Manulife acquired Zurich Life. This acquisition has significantly improved operating efficiencies and enabled Manulife to begin marketing a popular limited-pay participating whole life product, which offers two premium payment term options of 20 years or to the age of 65.

Management's strategy for Individual Insurance in Canada is to continue to differentiate itself from its competition by focusing on product innovation, after-sales service tools and programs, and value-added advice to distributors. It will continue to capitalize on the Company's underwriting expertise through the ongoing development and introduction of innovative products, such as the Healthstyles preferred underwriting program.

Affinity Markets

Manulife Financial is the leading provider of life and health insurance to affinity organizations in Canada. A range of products, including life, health, travel and disability insurance are directly marketed to members of professional, alumni and retiree associations, financial and retail institutions. Customers are accessed through the endorsement of the sponsoring organization and are marketed through direct mail, response advertising and the Internet.

Manulife currently insures more than 365,000 members of more than 100 sponsors. Significant accomplishments in 2003 include the successful launch of CIBC Hospital Cash program, the Creditor Mortgage program with Home Loans Canada, the expansion of travel insurance to the Canadian Automobile Association and the addition of critical illness coverage to the product portfolio of the Canadian Council of Professional Engineers, Canadian Automobile Association ("CAA") and CAA alumni.

Group Pensions

Products provided by Group Pensions include defined contribution pension plans, group RRSPs, deferred profit-sharing plans, employee share ownership plans and group non-RRSPs. Group Pensions offers two main types of products in the defined contribution and investment only markets, namely Group Retirement Options ("GRO") and Corporate Investment Options ("CIO"). GRO is a group pension service that provides customers with a series of product options and a wide range of investment choices as well as plan member administration services. CIO is an investment management only service for group clients that offers a multi-manager approach to meeting the clients' investment objectives. In 2003, Group Pensions introduced registered employee stock ownership programs.

Group Pensions provides group retirement plans to more than 3,200 GRO employers and about 340 CIO employers in Canada. The primary target market for defined contribution group products is large and medium-sized employers.

Canadian Division defines medium-sized employers as groups with 100 to 3,000 employees and combined assets plus annual cash flow of between $500,000 and $200 million. Group Pensions also has smaller case plans.

The business unit's products are distributed across Canada by a team of salaried pension account executives using external employee benefits consulting firms, brokers and independent producers. As at December 31, 2003, Canadian Division had 14 pension account executives, who are in turn assisted by 35 support personnel dedicated to meeting the complete needs of all of Group Pensions' customers.

Group Pensions' strategy is to continue to build profitable relationships with producers, employers and plan members via innovative products and exceptional service. In particular, Group Pensions is positioning itself as a business partner to producers, as a fiduciary steward to employers, and as an educator to plan members. This strategy is being delivered through Internet capability, a managed investment platform, a national education team, and flexibility in delivering large case customer solutions. Together with streamlined processing, management believes this strategy will both increase value to clients and lower unit costs.

Competition

The Company's Canadian markets are mature and extremely competitive with a large number of providers. Some of the products offered by Canadian Division, such as variable annuities, contain an investment component that places them in competition with the products offered not only by other life insurance companies but also by banks, mutual fund companies and investment dealers.

Key competitors for wealth management products and services include other Canadian insurance companies, as well as mutual fund companies and banks. In the group benefits market, market share is concentrating rapidly among the three largest providers, which are all Canadian insurance companies. Individual Insurance's primary competitors include Canadian insurance companies and branches of non-Canadian insurance companies, with growing competition from banks.

In this environment of ongoing competition, management believes Canadian Division will sustain its competitive position and leadership in the marketplace over the long term, through the Company's recognized financial strength, strong brand, its multi-channel distribution strategy, its advances and investments in technology, as well as its commitment to value, service excellence and product innovation for customers and business partners.

ASIA

Manulife Financial has operated in Asia since 1897, beginning in Hong Kong and the Philippines, expanding into Singapore, Indonesia, Taiwan, China (Shanghai and Guangzhou), and Vietnam. Asian Division provides a wide range of insurance and wealth management products including individual and group life and health insurance and pension and mutual funds.

Each Asian territory is managed as a discrete business operation, with local general managers having accountability for all aspects of operations. The Company operates through wholly-owned subsidiaries and branches of subsidiaries in Hong Kong, the Philippines, Singapore, Taiwan, Vietnam and Macau. In Indonesia and China, Manulife Financial operates through joint ventures.

A regional office in Hong Kong provides specialist functional support to each territory in the areas of financial management, human resources, information technology, regional business development and agency development. An exclusive agency force, consisting of approximately 22,000 agents, is a key part of the region's strategy and a regional leadership structure is used to develop a consistent approach to expand the distribution force. Hong Kong is Asian Division's largest operation, accounting for almost 70% of the Division's premiums and deposits.

Hong Kong

In Hong Kong, Asian Division markets individual life and health insurance, group life and health insurance, and group pension products, as well as Company-sponsored mutual funds. The sale of individual life insurance products is the primary contributor to net income.

Individual Operations

Hong Kong's Individual Operations provides a full range of life insurance products denominated in both Hong Kong and U.S. dollars, including whole life insurance, universal variable life insurance, term insurance and endowment insurance. In addition, the Company sells individual health insurance. Products have been sold primarily in the middle and upper-income markets with the goal of broadening this target segment. Based on deposits and new annualized premiums during 2003, Manulife Financial was the fourth largest provider of individual life and health insurance products in Hong Kong as at December 31, 2003, according to the Hong Kong Insurance Authority.

Insurance products are primarily marketed through agents who sell the Company's products exclusively. These agents develop and manage a client base with the objective of creating long-term relationships with customers. As at

December 31, 2003, the Company had almost 3,100 agents in Hong Kong. In this market, management believes that an exclusive agency force best allows the Company to serve its target markets because customers wanting individual life insurance prefer to purchase from individuals who are known to and trusted by them. Other distribution channels, such as brokers, direct marketing and bank retail outlets, currently account for a very small share of Asian Division new product sales in Hong Kong.

Management's strategy for Individual Operations focuses on growth of the exclusive agency force and their productivity, enhanced product offerings and enhanced customer service. Management believes that this strategy will allow the Company to increase its share of the individual life insurance market in Hong Kong. During 2003, the Company continued development of a customer service management system that supports convenient centralized services to customers, enhancement to customer call center capabilities as well as the replacement of the existing administrative system to enhance the delivery of products and services to clients in a fast-paced environment.

Group Operations

Hong Kong's Group Operations provides life and health insurance and pension products to small and medium-sized businesses. Group insurance products include group term life insurance, major medical and outpatient plans, disability income plans and defined contribution pension plans. Group products are distributed through the Company's exclusive agents as well as through brokers.

Hong Kong's Group Pension business launched the Mandatory Provident Fund ("MPF") business line in 2001 and the Company continued to expand its MPF customer base during 2003 by leveraging its large exclusive agency force and reputable service standards. Enhancements to systems and procedures continued in 2003 to provide better services to customers, including additional functionality on Web sites to enable customers to effectively manage their MPF processes through the Internet.

Mutual Funds

Manulife Financial, operating through Manulife Asset Management (Hong Kong) Limited ("MAM"), markets a range of Company-sponsored mutual funds to individuals through direct solicitation and the Company's Hong Kong agency force, and to institutional clients through direct solicitation. As at December 31, 2003, MAM had $751 million of mutual funds under management. Management believes the Company is well positioned to capitalize on the anticipated growth in the developing retail mutual fund market in Hong Kong, as the market becomes more sophisticated in its need for wealth management products.

Other Markets

In Indonesia, the Philippines, Singapore, Taiwan, Macau, China, and Vietnam, Manulife Financial distributes a range of individual life and health insurance products to the middle and upper-income markets. Group life and health insurance and pension products are also sold in some territories. Variable insurance is sold in most markets while mutual funds are sold in Indonesia. Products are primarily marketed through exclusive agents, based on the same strategy employed in the Hong Kong market. Other distribution channels, such as brokers, direct marketing and sales through bank retail outlets, currently account for a small share of new product sales, except in Indonesia, where bank distribution is employed for the mutual fund business.

Indonesia, Singapore and the Philippines currently represent the Company's largest Asian Division businesses outside of Hong Kong, in terms of funds under management, and together contributed 24% of Asian Division's premiums and deposits in 2003. In Indonesia, Manulife Financial had an individual life insurance market share, based on total premium income, of 7.9% in 2003, ranking the Company sixth based on data published by Dewan Asuransi Indonesia, the insurance council of Indonesia. During 2003, the Company acquired the Indonesian life insurance businesses of Zurich and ING, adding significant scale to the operation. In the Philippines, the Company acquired the Philippines life and pension and education operations of CMG in November 2002 and successfully integrated the operations during 2003. In Singapore, the Company acquired 100% ownership of the former joint venture operation in September 2002. As a result of this transaction, the Company no longer distributes its products through the bank channel. The Company recorded substantial new business growth by focusing on expansion of the exclusive agency force and the brokerage channel.

Manulife-Sinochem Life Insurance Co. Ltd. markets personal accident insurance, whole life insurance, term and endowment insurance, annuities and unit-linked riders in Shanghai and Guangzhou, the latter through a new branch opened in November 2002. With populations of approximately 15 million in Shanghai and seven million in Guangzhou, and a low penetration rate for insurance products, management believes that Shanghai and Guangzhou offer significant long-term potential. In addition, the Company received approval to open a third branch in Beijing, with business operations expected to commence in 2004. In Taiwan, the Company acquired the agency business of CIGNA Corporation in March 2002. This transaction positioned the Company to further expand its exclusive agency force, of over 900 agents as at December 31, 2003, compared to approximately 700 agents as at December 31, 2002, representing growth of more than 33%. The Vietnam operation has grown rapidly as recruiting and training of agents

drove expansion in the availability of life insurance products and services in all major cities across the country. After four years of operations, the agency force exceeded 8,500 as at December 31, 2003, representing an increase of 34% in 2003.

Management believes that its businesses in these Asian markets will contribute to the Company through future growth prospects, given the growing middle class, rapid growth in per capita gross domestic product over the past decade, and the relatively under-penetrated state of the insurance markets. Management believes that its strategy of being an early entrant in Asian markets, together with distribution through an exclusive agency force, will support the Company's anticipated growth in each territory.

Competition

The life insurance market in Hong Kong is highly competitive. In 2003, five companies, including Manulife Financial, together accounted for 60% of new business, measured by first year premiums, according to the Hong Kong Insurance Authority. Major competitors include both insurance companies and large banks. This is also the case in the Hong Kong group pension market. In China and Taiwan, competition is mainly from large domestic insurers. In other Asian markets, Manulife Financial primarily competes with other foreign insurance companies. In 2002 and 2003, some small foreign operations in Asia exited the market, resulting in opportunities for Manulife Financial to expand its business in various territories through acquisitions. This trend may continue and Manulife Financial will continue to look for these opportunities.

In Asia, competition is based on distribution capacity and customer service. Management believes that its large exclusive agency force, its customer focus and its long-term presence in Asia are competitive advantages.

JAPAN

Effective January 1, 2002, the Japan Operations of Manulife Financial were established as a separate division and no longer included in the results of Asian Division. The Company started operations in Japan in 1999 by establishing a new life insurance company, Manulife Japan, with a local company, Daihyaku. In 2001, Manulife Financial acquired Daihyaku's minority interest in Manulife Japan, making Manulife Japan a wholly-owned subsidiary of the Company. Manulife Japan also assumed Daihyaku's existing insurance policies at that time.

Manulife Japan provides Manulife Financial with a significant presence in the largest insurance market in Asia. The success of Manulife Japan depends on a number of factors: the performance of the economy, capital markets and property markets of Japan and other Asian countries; operational risks, such as employee attrition; acceptance of a foreign-owned company and new products in a local market; regulatory approval of new products; the ability of Manulife Japan's management to successfully operate the business; recruiting and retention of sales people; and competition from other life insurance companies, both foreign and domestic.

The market for traditional life insurance products is expected to continue to decline in Japan. However, strong growth is expected in the product segments Manulife Japan has targeted, including universal life, variable annuity and sickness and medical insurance products. In 2003, Manulife Japan closed its traditional product line to new business in keeping with its strategic focus on universal life and variable annuity products.

Manulife Japan is one of a few companies to introduce universal life products in Japan. Over the last 25 years, these products have become an important feature of all other advanced life insurance markets around the world. The universal life product line was strengthened during the year with the introduction of ManuMed, a new universal life policy offering medical insurance coverage. ManuFlex, another universal life product, was launched in 2001.

Manulife Japan's variable annuity product line was also strengthened during 2003 with the introduction of ManuVest and ManuHundred GW. ManuVest is a customized version of ManuSolution, which was Manulife Japan's first variable annuity product launched in January 2002. ManuHundred GW is distributed through Nikko Cordial Securities, a distribution alliance that began in April 2003. Regulatory changes were implemented in the fourth quarter of 2002 allowing variable annuity sales to be made through banks and brokerages, prompting the introduction of new bank distribution arrangements, and the addition of the Nikko Cordial Securities distribution arrangement during the year.

During 2003, substantial progress was made in growing and enhancing the professionalism of Manulife Japan's sales representative distribution force. A major reorganization and streamlining of the regional, branch and sales office structure and rationalization of the agency distribution channel were implemented during the year resulting in the centralization of administrative tasks, termination of distribution arrangements with non-active agencies, improvements in efficiency and cost reduction in field operation. The restructuring of field operations and rationalization of the agency channel also involved the introduction of voluntary retirement programs for field staff that, combined with voluntary retirements in the head office, resulted in a total staff reduction of 27% in 2003. At the same time, strong efforts on training and recruitment resulted in an 8% increase in the number of sales representatives in the year. Staff reductions and the streamlining of the regional, branch and sales office structure and growth in the

number of sales representatives during 2003 has created a strong base for ongoing efficiency gains, cost savings and future sales growth in this channel.

Growing and enhancing the professionalism and efficiency of Manulife Japan's distribution channels will continue to be a key priority. Manulife Japan will expand further its sales representative distribution force through ongoing, active recruitment and training. Manulife Japan will also continue developing and expanding its presence in bank and stockbroker distribution channels. In accordance with this objective, on January 26, 2004 Manulife Japan entered into a significant strategic alliance with The Bank of Tokyo-Mitsubishi. The initial phase of this alliance involves the launch of a range of customized variable annuities through The Bank of Tokyo-Mitsubishi branch network beginning in April 2004. This major strategic alliance substantially expands the Division's presence in the important bank and stockbroker distribution channel and is expected to facilitate further growth in sales of variable annuity products.

Supported by Manulife Financial's worldwide expertise, Manulife Japan will continue to develop and enhance its suite of universal life products. Additional enhancements will also be introduced for variable annuity products to expand target markets and support continued sales growth. During 2003, Manulife Japan maintained a high level of customer service and also improved its operational efficiency. In 2004 Manulife Japan will continue to leverage technology investments and pursue additional opportunities to streamline operational processes. These efforts will generate further cost savings and, at the same time, enhance service to customers and agents.

Competition

The Japanese life insurance market is extremely competitive. The household penetration rate of life insurance is over 90% and, as a result, a large percentage of new life insurance sales are replacements of existing policies. The market for traditional insurance products is shrinking and is dominated by five large, domestic companies. These companies captured approximately 57% of the total market share of premium revenue in the first half of Manulife Japan's local fiscal year ending March 31, 2004. Some foreign insurers are capturing market share by focusing on market growth segments while smaller domestic companies continue to suffer from negative interest rate spreads and decline of in force policies. The Japanese market for sickness and medical insurance and variable annuity products continues to grow and competition among foreign and domestic insurers in these product segments is intensifying, pointing to the importance of offering these products in capturing market share. Manulife Japan's universal life product line, offering a true savings vehicle along with flexible insurance and medical coverage; its strong variable annuity products together with its bank and stockbroker distribution arrangements, and recent strategic alliance with The Bank of Tokyo-Mitsubishi, provide a strong platform from which to grow market share.

Another competitor that continues to operate with important advantages is the Post Office Savings and Life Insurance organization. This organization does not pay income tax, offers an implicit government guarantee, has an extensive distribution network throughout Japan and does not have to satisfy Financial Services Agency requirements. The government has been planning to transform this operation from a wholly-owned government entity to a privatized public company, which would require it to operate on a more commercially realistic basis. However, the privatization process has been slow and the timetable for implementation is uncertain.

REINSURANCE

Established in 1984, Reinsurance Division has grown to be one of North America's leading providers of risk management solutions, specializing in retrocession. Manulife Financial's innovative products generate customer interest worldwide, with business written in North America, Europe and Asia. Through offices in Canada, Germany and Barbados, Reinsurance Division provides customer-focused solutions through the following lines of business: Life (offering retrocession of traditional life mortality risk as well as structured/non-traditional solutions); Property and Casualty (offering traditional property, catastrophe and aviation as well as specialized non-traditional retrocession for property and casualty reinsurers); and our recently launched Long Term Care initiative (offering turnkey solutions and reinsurance support to direct writers of long term care insurance).

Reinsurance Division will continue to pursue opportunities to expand existing relationships with key business partners as well as develop new associations. Risk management remains a key priority for the Division, with a focus both on ensuring appropriate product pricing for new business and monitoring and managing the performance of the in force block. Reinsurance Division will continue to leverage its technical expertise and provide innovative solutions to meet the needs of its customers.

Life

The majority of the Company's Life reinsurance business involves the retrocession of the mortality risk of traditional life insurance. The business line markets directly to leading reinsurance companies by taking advantage of the Company's long-standing relationships with many of these companies, particularly in North America and Europe. The business also provides specialized non-traditional structured reinsurance solutions for life insurance and reinsurance companies who seek to improve their capital position.

In the Company's traditional mortality risk market, reinsurance rates are beginning to firm as reinsurers seek to improve their capital position and increase their returns. This should provide the Division with opportunities to grow the business, while maintaining its focus on profitability. Management's strategy is to continue to maintain the Company's leadership position in the life retrocession market by strengthening partnerships with select clients whose business philosophies are aligned with its own.

Property and Casualty

The Property and Casualty reinsurance business provides customized non-traditional retrocession to customers who want to improve regulatory capital ratios, increase return on capital, improve price competitiveness or reduce the impact of a financial loss. To accommodate a wider range of existing customer needs and to develop new customers, the Company also underwrites traditional retrocession business, focusing on property and aviation catastrophe coverage. Property and casualty reinsurance is sold directly to reinsurance companies and through selected reinsurance brokers.

Manulife Financial is a niche competitor in a market that is dominated by a small number of large reinsurers. Management's strategy is to expand existing relationships as well as develop new ones. Management expects that the Property and Casualty reinsurance business will continue to grow and will take advantage of opportunities arising from the attractive rates and terms available in the property and casualty market.

Long Term Care

In 2003, Reinsurance Division entered the long term care ("LTC") reinsurance market. Demographic factors, strong government support for private insurance and the high cost of nursing care facilities make LTC insurance an attractive market. Reinsurance Division has recognized this growth potential and intends to become a significant player in this niche market primarily in the world's largest LTC market, the United States. The Division has secured the necessary actuarial, underwriting, claim and compliance expertise required to be successful in this unique market in Avon LTCL. Avon LTCL brings to the marketplace reinsurance, risk management and full turnkey solutions for companies wishing to enter, expand or exit this market.

Competition

Only a few well-capitalized insurance companies, such as Manulife Financial, specialize in life retrocession. Structured reinsurance and non-traditional property and casualty reinsurance coverage is written by relatively few well-capitalized international companies. The Company is a niche competitor in these markets.

INVESTMENT OPERATIONS

Manulife Financial's Investment Operations manages assets for the Company's insurance and wealth management businesses and for external third party clients. The Investment Management group, operating as MFC Global Investment Management, manages investments in a wide range of asset classes and securities markets, using a variety of investment styles. The group has offices in Toronto, London, Tokyo, Hong Kong and Southeast Asia. As at December 31, 2003, MFC Global Investment Management (Canada), a division of Elliott & Page, managed assets totaling $51 billion for the Company as well as for institutional and individual investors. The London office managed $1 billion of general, segregated and mutual funds for the Company and third parties. Assets managed by the investment offices in Hong Kong and Japan total $20 billion. The Asset Origination group managed $16 billion of assets that include mortgages, real estate assets located throughout North America, private placement debt and equity investments, and oil and gas properties.

INVESTMENTS

GENERAL FUND ASSETS

Manulife Financial manages its general fund assets with an emphasis on high credit quality, and diversification across asset classes and individual investment risks. The general fund assets of the Company are invested primarily in investment grade bonds and commercial mortgages.

The following table summarizes the Company's consolidated general fund invested assets by asset category as at December 31, 2003 and 2002.

Consolidated General Fund Invested Assets

($ millions, unless otherwise stated)	December 31, 2003 Carrying Value	December 31, 2003 % of Total	December 31, 2002 Carrying Value	December 31, 2002 % of Total
Bonds	$42,216	56.7%	$46,677	60.1%
Mortgages				
Commercial	9,251	12.4	8,505	11.0
Residential	1,150	1.5	789	1.1
Stocks	5,866	7.9	6,898	8.9
Real estate	3,962	5.3	3,570	4.6
Policy loans	4,348	5.8	4,939	6.4
Cash and short-term investments	5,877	7.9	5,143	6.6
Manulife Bank loans	934	1.3	566	0.7
Other investments	861	1.2	475	0.6
Total invested assets [1]	$74,465	100.0%	$77,562	100.0%

(1) For additional information on invested assets, see note 3(a) to the Consolidated Financial Statements in the 2003 Annual Report.

The consolidated general fund invested assets were denominated 37% in U.S. dollars, 47% in Canadian dollars, 12% in Japanese yen and 4% in other currencies, as at December 31, 2003. The Company has various policies and procedures, each subject to periodic review and approval by the Board of Directors, designed to measure and control risk in the management of the Company's general fund assets. These include policies and procedures relating to asset liability mismatch, liquidity, currency, credit and derivatives. These policies and procedures are also designed to ensure compliance with the various Canadian and U.S. regulatory requirements to which the Company is subject.

BONDS

As at December 31, 2003, the bond portfolio was $42.2 billion, representing 57% of the carrying value of consolidated general fund invested assets, with 79% of the bond portfolio rated "A" or higher and 96% rated "BBB" (investment grade) or higher. Investment grade bonds include the securities of over 633 different issuers, with no corporate issuer representing more than 1.0% of such bonds. Below investment grade bonds include the securities of more than 197 different issuers, with no corporate issuer representing more than 7.1% of such bonds. Net impaired bonds were $80 million.

The following table summarizes the Company's bond portfolio credit quality as at December 31, 2003 and 2002.

Bond Portfolio Credit Quality

($ millions, unless otherwise stated)		December 31, 2003		December 31, 2002	
NAIC Designation [1]	Rating Agency Designation [2]	Carrying Value	% of Total	Carrying Value	% of Total
1	AAA	$ 11,055	26.2%	$ 12,208	26.2%
1	AA	7,741	18.3	9,105	19.5
1	A	14,697	34.8	16,568	35.5
2	BBB	7,033	16.7	6,971	14.9
3 & below	BB & lower and unrated	1,690	4.0	1,825	3.9
Total		$ 42,216	100.0%	$ 46,677	100.0%

(1) NAIC designations are assigned no less frequently than annually.

(2) Sources: Dominion Bond Rating Service Ltd.; Standard & Poor's Ratings Services; Moody's Investors Service, Inc.; Fitch IBCA; Thomson Financial Bankwatch, Inc.; Rating & Investment Information, Inc.; Japan Credit Rating Agency, Ltd. and Internal Ratings. Rating designation includes all gradations within the relevant category.

Of the total bond portfolio, 41% was invested in government-related securities as at December 31, 2003. The remainder of the portfolio was primarily composed of non-callable corporate bonds. As at December 31, 2003, the bond portfolio was 47% denominated in U.S. dollars, 37% in Canadian dollars, 12% in Japanese yen and 4% in other currencies.

Based on a very broad definition used by regulators, as at December 31, 2003, the Company held $6.5 billion of bonds acquired through private placements and commercial loans, constituting 15.4% of the Company's total bond portfolio. Of these, 62% were rated "A" or higher and 94% rated "BBB" or higher. Using a more conventional definition, which includes only issues that are illiquid and for which a market price is not readily available, private

placement and commercial loan bonds would be only $1.0 billion, or 2.4% of the total bond portfolio. The Company invests in private placement bonds because of the generally higher yield available on such investments compared to similarly rated public bonds. Although there is usually less liquidity in the private placement bond market than in the public bond market, private placement bonds typically have more restrictive financial and business covenants and stronger prepayment protection. To the extent that its private placement bonds are not rated by nationally-recognized rating agencies, the Company assigns a rating for internal monitoring purposes using methodologies that management believes generally track methodologies employed by these rating agencies.

The following table summarizes the scheduled maturities of the bond portfolio as at December 31, 2003 and 2002.

Bond Portfolio Scheduled Maturities

($ millions, unless otherwise stated)	December 31, 2003		December 31, 2002	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Due in one year or less	$ 4,123	$ 4,192	$ 4,111	$ 4,147
Due after one year through five years	11,433	11,893	14,993	15,487
Due after five years through ten years	9,782	10,367	9,682	10,414
Due after ten years	16,390	18,150	16,925	19,074
Mortgage-backed securities	488	517	966	1,033
Total	$42,216	$45,119	$46,677	$50,155

MORTGAGES

As at December 31, 2003, mortgage investments represented 14% of general fund invested assets. The mortgage portfolio is diversified by location, property type and mortgagor. First mortgages represented 98% of total mortgages. All mortgages are secured by real properties with 67% located in Canada and 33% located in the United States. Commercial mortgages constituted 89% of total mortgages. The Company has an insignificant amount of development lending within the commercial mortgage portfolio.

The following table summarizes the Company's commercial mortgage portfolio by property type as at December 31, 2003 and 2002.

Commercial Mortgage Portfolio — Property Type

($ millions, unless otherwise stated)	December 31, 2003		December 31, 2002	
	Carrying Value	% of Total	Carrying Value	% of Total
Consolidated Company				
Multi-unit residential (1)	$ 1,233	13%	$ 1,275	15%
Retail	2,735	30	2,196	26
Office	2,708	29	2,619	31
Industrial	2,308	25	2,160	25
Other	267	3	255	3
Total	$ 9,251	100%	$ 8,505	100%
Canada				
Multi-unit residential (1)	$ 846	9%	$ 836	10%
Retail	2,128	23	1,637	19
Office	1,301	14	1,202	14
Industrial	1,443	16	1,284	15
Other	161	2	156	2
Total	$ 5,879	64%	$ 5,115	60%
United States				
Multi-unit residential (1)	$ 387	4%	$ 439	5%
Retail	607	7	559	7
Office	1,407	15	1,417	17
Industrial	865	9	876	10
Other	106	1	99	1
Total	$ 3,372	36%	$ 3,390	40%

(1) Includes multi-unit residential properties, such as condominiums.

The following table summarizes the Company's commercial mortgage portfolio by regional distribution as at December 31, 2003 and 2002.

Commercial Mortgage Portfolio — Regional Distribution

($ millions, unless otherwise stated)	December 31, 2003 Carrying Value	December 31, 2003 % of Total	December 31, 2002 Carrying Value	December 31, 2002 % of Total
Canada				
Ontario	$ 3,051	33%	$ 2,693	32%
Western Canada	2,318	25	2,062	24
Quebec	306	4	209	2
Other Canada	204	2	151	2
	$ 5,879	64%	$ 5,115	60%
United States				
Pacific	$ 1,012	11%	$ 982	11%
Mid-Atlantic	283	3	314	4
New England	90	1	117	1
Central Northeast	459	5	499	6
South Atlantic	854	9	905	11
Other	674	7	573	7
	$ 3,372	36%	$ 3,390	40%
Total	$ 9,251	100%	$ 8,505	100%

Mortgages are originated through a network of 14 branches across Canada and the United States. In 2003, Manulife Financial originated more than one-half of its business directly, with mortgage broker referrals representing the balance. Manulife Financial does not have any exclusive arrangements with brokers and does not experience any material difference in mortgage performance between direct and referred borrowers. The Company requires external appraisals on all new and renewal mortgages over $5 million. Approval of new mortgages and renewals or any amendments to mortgages must be made in accordance with the Company's mortgage lending policy guidelines, which are reviewed by the Board of Directors at least annually.

The value of government-insured loans was 4% of the total mortgage portfolio as at December 31, 2003. The Company also had privately-insured mortgages representing 1.1% of the total mortgage portfolio as at December 31, 2003. For conventional loans in both Canada and the United States, the Company's maximum loan-to-value ratio is 75% at the time the mortgage is underwritten or purchased. As at December 31, 2003, 0.13% of the Company's Canadian mortgage portfolio and none of the U.S. mortgage portfolio were considered delinquent.

STOCKS

As at December 31, 2003, stocks represented 8% of the consolidated general fund invested assets. The Company's stock portfolio is diversified by industry sector and issuer, and is 96% comprised of publicly listed common shares. The stock portfolio was invested 27% in Canadian issuers, 40% in U.S. issuers, 23% in Asian issuers and 10% in other issuers. The largest single issuer in the stock portfolio represented 6% of the portfolio.

REAL ESTATE

Real estate represented 5% of the consolidated general fund invested assets as at December 31, 2003. As at December 31, 2003, the real estate carrying value was $4.0 billion, with 53% located in the United States, 37% in Canada and 10% in Japan.

Manulife Financial's real estate investment activities focus on major urban centers. Commercial office properties are the major component, representing 77% of the portfolio as at December 31, 2003, with the remainder split among residential, retail, industrial and other property classifications. The overall occupancy rate for all real estate investments as at December 31, 2003 was 94%.

The real estate portfolio, as at December 31, 2003, had a market value surplus of $418 million over carrying value including deferred realized net gains. Real estate market values are determined by a combination of independent appraisals and values established by professional accredited appraisers who are employees of the Company. All of the Company's real estate properties having a carrying value of $30 million or greater are appraised annually with the remainder appraised at least once every three years. In 2003, approximately 60% of the real estate portfolio was appraised, almost completely by independent appraisers. An environmental site assessment, prepared by an independent third party, must be conducted for all new real estate properties. If any environmental concerns are identified, then a more detailed environmental assessment must be obtained. Additionally, approval is required from

the Company's environmental compliance officer.

POLICY LOANS

Policy loans represented 6% of invested assets as at December 31, 2003. Most individual life insurance policies, excluding term insurance, provide the policyholder with the right to obtain a policy loan from the Company. Such loans are made in accordance with the terms of the respective policies and are carried at the outstanding balance. Policy loans are fully secured by the cash value of the policies on which the respective loans are made. If a policyholder surrenders the policy, the cash value paid by the Company will be the cash value less the amount of the outstanding policy loan. Similarly, upon the death of the policyholder, the death benefit paid by the Company will be the death benefit less the amount of the outstanding policy loan. Consequently, the Company has no exposure to default risk on policy loans. The majority of policy loans are made at prevailing market interest rates.

OTHER INVESTMENTS

Other investments consist of $386 million of oil and gas producing properties, receivables, net unrealized gains on derivative contracts and other items. Oil and gas assets are located in Alberta, Saskatchewan and Ontario.

IMPAIRED ASSETS

As at December 31, 2003, impaired assets, net of allowances, were $139 million, representing 0.19% of consolidated general fund invested assets. Allowances for losses on bonds and mortgages are established when an asset or portfolio of assets 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 asset and related investment income. Stocks are written down to market value if an impairment in the value of the entire stock portfolio, determined net of deferred realized gains and losses, is considered to be other than temporary. Real estate properties are written down to market value if an impairment in the value of the entire real estate portfolio, determined net of deferred realized gains and losses, is considered to be other than temporary. Assets are reviewed quarterly to identify whether any provisions should be taken. The carrying value of an impaired asset is reduced to the net realizable value of the asset in the period of impairment and a corresponding provision is charged to income. Once established, an allowance is only reversed if the conditions that caused the impairment no longer exist. Manulife Financial had established allowances for impairment of $230 million as at December 31, 2003.

SEGREGATED FUNDS

As at December 31, 2003, the Company's segregated funds had net assets of $71.5 billion. Assets in segregated funds are primarily generated from the Company's variable annuity, pension and insurance businesses. Policyholder benefits on these variable products are based on the performance of the relevant segregated funds, subject to certain minimum guarantees provided by the Company for which reserves are held in the general fund. Of the segregated funds, approximately 20% were managed internally and 80% were managed by external advisors as at December 31, 2003.

MUTUAL FUNDS

As at December 31, 2003, the Company's mutual funds had net assets of $3.4 billion, approximately 70% of which were managed internally and 30% of which were managed by external advisors. The Company does not provide any guarantees on the Company's mutual funds.

THIRD PARTY INVESTMENT MANAGEMENT SERVICES

Through its subsidiaries, the Company offers a full range of investment management services to pension funds, pooled funds, mutual funds, endowment funds and other institutions. As at December 31, 2003, $4.3 billion of third party assets were managed by the Company. Although these services currently represent a small portion of the Company's operations, Manulife Financial intends to expand the investment management businesses of MFC Global Investment Management in Canada and the UK, as well as those of its investment offices in Asia.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

Selected consolidated financial information as at and for the years ended December 31, 2003, 2002 and 2001, located in the pages of the 2003 Annual Report as indicated below, is incorporated by reference into this Annual Information Form. The information should be read in conjunction with the Company's Management's Discussion and Analysis located on pages 6 to 34 of the 2003 Annual Report.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

MFC's Management's Discussion and Analysis, located on pages 6 to 34 of the 2003 Annual Report, is incorporated by reference into this Annual Information Form.

GOVERNMENT REGULATION

As an insurance company, Manulife Financial 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 Asian 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 Financial is governed by the ICA. The ICA is administered, and activities of the Company are supervised, by OSFI. The ICA permits insurance companies to offer, through subsidiaries and networking arrangements, a broad range of financial services, including banking, investment counselling and portfolio management, mutual funds, trust services, real property brokerage and appraisal, information processing and merchant banking services. The ICA and the regulations thereunder contain restrictions on the purchase or other acquisition, issue, transfer and voting rights of the shares of an insurance company.

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 Financial 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 Financial with supervisory power to bring about corrective action. The most recently completed periodic examination of Manulife Financial, conducted in 2003, did not raise any issues which were found to be material.

Investment Powers

Under the ICA, Manulife Financial 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 type of investment that the Company can make in excess of 10% of the voting rights or 25% of the equity of any entity.

Minimum Continuing Capital and Surplus Requirements

OSFI has established the MCCSR, under which a life insurance company is required to maintain a minimum amount of capital. This is calculated by reference to, and varies with, the risk characteristics of each category of on- and off-balance sheet assets and liabilities held by the insurance company. The MCCSR calculation typically requires the application of quantitative factors to assets and liabilities, as well as to certain off-balance sheet items, based on three types of risks: (i) Asset Default and Market Risks, which include asset default, index linked pass through products, off-balance sheet exposures and segregated fund guarantee risks; (ii) Insurance Risks, which include mortality/morbidity and lapse risks; and (iii)Interest Rate Risks, which include interest margin pricing and changes in interest environment risks. The total capital required is the sum of the calculated capital requirement for each of the risk components.

OSFI uses the total capital required and compares it to the amount of available capital in assessing an insurance company's financial strength. The principal elements of available capital include reported surplus, unamortized deferred realized and unrealized gains and losses on investments not taken into account in the valuation of liabilities on an after-tax basis, qualifying preferred shares, qualifying innovative capital instruments, qualifying non-controlling interests in subsidiaries arising on consolidation, and subordinated debt. Goodwill is deducted from available capital. Funds raised by a life insurance company through borrowing or issuing shares are treated as different categories of available capital for MCCSR purposes depending on the characteristics of the instrument.

Non-operating life insurance companies, such as MFC, do not have a minimum or target MCCSR. OSFI assesses the risk and the prudential solvency of the overall group to satisfy itself that there is sufficient capital, in aggregate, for the risks incurred. This assessment considers, among other things, leverage ratios, servicing ratios and risk aggregation techniques to ensure that there is sufficient external capital to support the risk incurred by the group of companies. OSFI can intervene and assume control of an insurance company if it deems the amount of available capital insufficient. In doing so, OSFI will consider such factors as the company's operating experience, the mix, quality and concentration of assets, the profile of insurance and the retention limits. The MCCSR formula may be adjusted by OSFI in the future, as experience with the formula develops and the risk profile of Canadian life insurers changes.

As at December 31, 2003 and 2002, the required capital for Manufacturers Life was $4.37 billion and $4.50 billion, respectively, and the available capital was $9.24 billion and $10.57 billion, respectively. The resulting MCCSR

ratios were 211% and 235% as at December 31, 2003 and 2002, respectively, well above the minimum requirement established by OSFI. The drop in both the available capital and the MCCSR ratio from 2002 to 2003 reflects a net upstream capital movement of $1.89 billion from Manufacturers Life to MFC in preparation for the business combination with John Hancock.

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 a company is, 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 any direction made to the Company by the Superintendent. Dividends exceeding retained net income for the two preceding financial years plus net income for the year to the day of declaration of the dividend require approval of the Superintendent. The ICA also requires an insurance company to notify the Superintendent of the declaration of a dividend at least 10 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 is, 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 also require the prior approval of the Superintendent. There is currently no direction against the Company paying a dividend or redeeming or purchasing its shares for cancellation.

Appointed Actuary

In accordance with the ICA, the Board of Directors of Manulife Financial has appointed a Fellow of the Canadian Institute of Actuaries as the Appointed Actuary. The Appointed Actuary is required to value the policy liabilities of Manulife Financial as at the end of each financial year in accordance with accepted actuarial practices, including selection of appropriate assumptions and methods, and provide an opinion as to whether the amount of policy liabilities makes appropriate provision for all policyholder obligations and whether the valuation of policy liabilities is fairly presented in the consolidated financial statements. At least once in each financial year, the Appointed Actuary must meet with the Board of Directors, or the Audit Committee, to report, in accordance with accepted actuarial practice, on the current and expected future financial condition of Manulife Financial. The Appointed Actuary is also required to report to the Chief Executive Officer and the Chief Financial Officer of Manulife Financial if the Appointed Actuary identifies any matters that, in the Appointed Actuary's opinion, have material adverse effects on the financial condition of Manulife Financial.

Provincial Insurance Regulation

The Company is also subject to provincial regulation and supervision in each of the provinces 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 producers. Individual variable insurance and annuity products and the underlying segregated funds to which they relate are subject to guidelines adopted by the Canadian Council of Insurance Regulators and are generally incorporated by reference into provincial insurance regulations. These guidelines govern a number of matters relating to the sale of these products and the administration of the underlying segregated funds.

Provincial Securities Laws

The Company's Canadian mutual fund and investment management businesses are subject to Canadian provincial securities laws. Elliott & Page is registered as an investment counsel and portfolio manager across Canada and is subject to regulation by the provincial securities regulators. MSIL is registered under provincial securities laws to sell mutual funds across Canada and is subject to regulation by the provincial securities regulators as well as the Mutual Fund Dealers Association of Canada, a self-regulatory organization.

CompCorp

CompCorp was created in 1988 by the life and health insurance industry in Canada to provide Canadian policyholders with protection, within limits, against loss of policy benefits in the event of the insolvency of their insurance company. CompCorp is funded by its member insurance companies, including Manufacturers Life. Member companies of CompCorp are assessed to build and maintain a liquidity fund at a target level of $100 million. Members are then primarily subject to assessment on an "as needed" basis. Assessments are calculated based on each member's MCCSR, subject to adjustments where the member operates in foreign jurisdictions.

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. insurers 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. Manulife U.S.A. and Manulife New York are registered in Michigan and New York, respectively. Under such laws, the insurance subsidiaries are required to furnish annually their financial and other 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 agencies 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 cooperation with the departments of two or three other states under guidelines promulgated by the NAIC. 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.

In addition, state regulatory authorities, industry groups and rating agencies have developed several initiatives regarding market conduct. For example, the NAIC has adopted the NAIC Life Insurance Illustrations Model Regulation, which applies to group and individual life insurance policies and certificates (other than variable policies and certificates), and the Market Conduct Handbook. At the end of 2002, more than 35 states had adopted all or major segments of the model. However, the Market Conduct Handbook can be used by all state regulators in conducting market conduct examinations. The ACLI has established the Insurance Marketplace Standards Association ("IMSA"), a self-regulatory organization, to implement its Principles and Code of Ethical Life Insurance Market Conduct, which includes a third party assessment procedure. The business practices relating to the sales, marketing and servicing of Manulife U.S.A.'s individual life insurance products (variable and non-variable) were last re-certified by IMSA in April 2001 and the practices related to its annuity products were certified by IMSA in January 2004. Manulife U.S.A. was originally admitted to membership in IMSA in April 1998 and re-certification is required every three years.

Investment Powers

The Company's U.S. insurance subsidiaries are subject to laws and regulations that require diversification of their investment portfolios and limit the amount of investment 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 purposes of measuring statutory surplus and in some circumstances would require divestiture of the non-qualifying assets. As at December 31, 2003, the Company's U.S. insurance subsidiaries complied in all material respects with all such laws and regulations.

Minimum Statutory Surplus and Capital

U.S. domiciled life insurance subsidiaries of the Company 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

In the 1970s, the NAIC developed a set of financial relationships or "tests," known as the Insurance Regulatory Information System ("IRIS"), which were 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, in the case of life insurance companies, 13 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 appear to require immediate regulatory attention. In 2000, these rankings were revised and became confidential. 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.

The RBC formula provides a mechanism for the calculation of a life insurance company's Authorized Control Level RBC and its total adjusted capital. The model law sets forth the points at which a commissioner of insurance is authorized and expected to take regulatory action. The first level is known as the Company Action Level RBC, which is set at twice the Authorized Control Level RBC. The second level is the Regulatory Action Level RBC, set at 1.5 times the Authorized Control Level RBC. The third is the Authorized Control Level RBC, and the fourth is the Mandatory Control Level RBC, set at 70% of the Authorized Control Level RBC. Based on the formula adopted by the NAIC, each of the Company's U.S. insurance company subsidiaries exceeded the Company Action Level as at December 31, 2003.

Regulation of Shareholder Dividends and Other Payments from Insurance Subsidiaries

Manulife Financial's ability to meet any debt service obligations and pay operating expenses and shareholder dividends depends on the receipt of sufficient funds from its operating subsidiaries. The payment of dividends by Manulife U.S.A. is subject to restrictions set forth in the insurance laws of Michigan, its domiciliary state. Similarly, the payment of dividends by Manulife New York is regulated by New York insurance laws. The Michigan insurance law requires domestic life insurance companies to seek prior regulatory approval to pay a dividend if the dividend exceeds a company's earned surplus. Prior approval is also required to pay dividends or distribute cash or other property if the fair market value, together with any other dividends or distributions made within the preceding 12 months, exceeds the greater of (i) 10% of surplus as of the prior December 31, or (ii) the net gain from operations of the insurer for the 12-month period ending as of the prior December 31. In New York, prior approval is required if the dividend, together with any other dividends or distributions made in a calendar year exceeds the lesser of (i) 10% of the surplus as at the prior December 31, or (ii) the net gain from operations of the insurer for the 12-month period ending as at the prior December 31. Following the payment of any dividend, an insurer's policyholder surplus must be reasonable in relation to the insurer's outstanding liabilities and adequate for its financial needs. The payment of shareholder dividends by Manulife New York and Manulife U.S.A. may also be subject to restrictions contained in various state insurance laws that limit the amount of statutory profits on those companies' participating policies (measured before dividends to policyholders) that can inure to the benefit of the Company and its shareholders. The Company does not currently expect regulatory requirements to impair its ability to meet any debt service obligations, or pay operating expenses and shareholder dividends, in the foreseeable future.

General Regulation at the Federal Level

Although the federal government does not generally regulate the insurance business directly, federal initiatives often have an impact on the business in a variety of ways. In 2001, the U.S. Congress enacted a law which phases out the estate tax over ten years. The law contains a sunset provision that reinstates the estate tax at the end of 2010. Many Republicans and some Democrats would like to remove the sunset provision and permanently repeal the tax. In addition, Congress has, from time to time, considered possible legislation that would eliminate the deferral of taxation on the accretion of value within certain annuity and life insurance products. There can be no assurance as to whether any U.S. tax legislation will be enacted which would have a material adverse effect on the Company's annuity and life insurance business in the United States.

Securities Law

Both of the Company's active U.S. insurance subsidiaries and certain policies and contracts offered by them are subject to regulation under federal securities laws administered by the Securities Exchange Commission ("SEC") and under certain state securities laws. Certain segregated funds of the Company's insurance subsidiaries are registered as investment companies under the U.S. *Investment Company Act of 1940* ("Investment Company Act"). 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*. Manulife Financial Securities LLC, is

registered as a broker-dealer under the U.S. *Securities Exchange Act of 1934* and is a member of, and subject to regulation by, the National Association of Securities Dealers Regulation, Inc.

Manufacturers Securities Services, LLC, Manulife Financial Securities LLC and MFC Global Investment Management (U.S.A.) Limited, are investment advisers registered under the U.S. *Investment Advisers Act of 1940* . The investment companies advised or managed by these subsidiaries are registered with the SEC under the Investment Company Act 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.

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 CompCorp 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. While the amount of any future assessments by guaranty funds cannot be predicted with certainty, the Company believes, based upon a review of the current significant insolvency proceedings of insurers located in states where the Company conducts business, that future guaranty association assessments for insurer insolvencies will not have a material adverse effect on the Company's liquidity and capital resources.

Employee Retirement Income Security Act of 1974, as Amended ("ERISA") Considerations

Fiduciaries of employee benefit plans that are governed by ERISA are subject to regulation by the U.S. Department of Labor. ERISA regulates the activities of a fiduciary of an employee benefit plan covered by that law, including an investment manager or advisor with respect to the plan's assets. Severe penalties are imposed by ERISA on fiduciaries that breach their duties to ERISA-covered plans.

The Company's subsidiaries issue insurance and annuity contracts for investment of employee benefit plans and provide a variety of other services to such plans. The provision of such services may cause the Company and its subsidiaries to be a "party 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. Unless a statutory or administrative exemption is available, certain transactions between parties in interest and those plans are prohibited by ERISA and the Code.

ASIA

In Asia, local insurance authorities supervise and monitor the Company's business and financial condition in each of the countries 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 and Japan are the primary regulatory jurisdictions governing Manulife Financial's operations in Asia.

Hong Kong

In Hong Kong, the authority and responsibility for supervision of the insurance industry is vested in the Insurance Authority under *the Insurance Companies Ordinance, Cap. 41* (the "Insurance Companies Ordinance"). The Chief Executive of the Government of the Hong Kong Special Administrative Region has appointed the Commissioner of Insurance to be the Insurance Authority for the purposes of the Insurance Companies Ordinance. The Insurance Companies 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 Insurance Authority, Lloyd's of the United Kingdom or an association of underwriters approved by the Insurance Authority. The Insurance Companies Ordinance stipulates certain requirements for authorized insurers, including with regard to the "fit and proper person" requirement for directors and controllers, minimum capital and solvency margin requirements, adequate reinsurance arrangement requirements and statutory reporting requirements. The Insurance Companies Ordinance also confers powers of investigation and intervention on the Insurance Authority for the protection of policyholders.

The Insurance Authority has residual power to appoint an advisor or a manager to any authorized insurer if the Insurance Authority 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 Insurance Authority's opinion, the exercise of other interventionary powers conferred by the Insurance Companies Ordinance would not be appropriate to safeguard the interests of policyholders or potential policyholders. In such circumstances, the advisor or manager appointed by the Insurance Authority will have management control of the insurer.

In Hong Kong, the Company's life insurance business is conducted through a wholly-owned subsidiary, Manulife (International) Limited, which is licensed to carry on the business of "long-term" insurance. Long-term insurance companies are required under the Insurance Companies Ordinance to maintain certain solvency margins. The required solvency margin is the aggregate of two components — a percentage of the mathematical reserves and a percentage of the capital at risk as prescribed under the Insurance Companies (Margin of Solvency) Regulation (Cap.41F), enacted pursuant to the Insurance Companies 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 Insurance Authority. Currently, all solvency margin requirements are being met.

The sale of mutual funds and investment-linked assurance products are subject to Hong Kong securities laws administered by the Securities and Futures Commission. The sale of provident (pension) fund products is subject to provident fund laws administered by the Mandatory Provident Fund Schemes Authority.

Japan

Life insurance companies in Japan, including Manulife Japan, are governed by the *Insurance Business Law* (Japan) 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, premium levels and restrictions on shareholder dividends and distributions. The administration and application of the IB Law is supervised by the Financial Services Agency. The IB Law provides for certain rules with respect to the approval of new insurance products and the setting of premium levels.

Restrictions on Shareholder Dividends

In Asia, insurance 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.

CONSTRAINTS ON OWNERSHIP OF COMMON SHARES

The ICA and the regulations thereunder contain restrictions on the purchase or other acquisition, issue, transfer and voting of the shares of MFC. Pursuant to these restrictions as currently enacted, no person is permitted to acquire any shares of MFC without the approval of the Minister of Finance if the acquisition would cause the person to have a "significant interest" in any class of shares of MFC. The restrictions also prohibit any person from becoming a major shareholder of MFC. In addition, MFC is not permitted to record any transfer or issue of shares of MFC 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 exceeding 30% of that class. If a person contravenes any of these restrictions, the Minister of Finance may, by order, direct such person to dispose of all or any portion of those shares.

In addition, under applicable insurance laws and regulations in Michigan and New York, 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 Michigan and New York, or must demonstrate to the insurance commissioner's satisfaction that the acquisition of such securities will not give them control of MFC. Under U.S. law, the failure to obtain such prior approval would entitle MFC or the insurance regulatory authorities to seek injunctive relief, including enjoining any proposed acquisition, the voting of such securities at any meeting of the holders of MFC's common shares, or seizing shares owned by such person, and such shares may not be entitled to be voted at any meeting of the holders of MFC's common shares.

CORPORATE GOVERNANCE OF MANUFACTURERS LIFE

Corporate governance rights of Manufacturers Life are shared between MFC, as the holder of all of the outstanding common shares of Manufacturers Life, and participating policyholders. The participating policyholders are entitled to elect at least one-third of the board of directors of Manufacturers Life and MFC is entitled to elect the remaining members of the board of directors. In most cases, amendments to the Letters Patent or the by-laws of Manufacturers Life are required to be approved by the participating policyholders and MFC, voting together. Participating policyholders have the right to vote as a separate class on certain significant corporate transactions, including (i) any proposal to mutualize Manufacturers Life, (ii) any proposal to amend its by-laws to add, change or remove the rights of policyholders, other than participating policyholders, to vote at meetings of policyholders or shareholders, (iii) any amalgamation agreement and (iv) any proposed agreement of Manufacturers Life to transfer all or substantially all of its policies, reinsure all or substantially all of its risks or sell all or substantially all of its assets. Each participating policyholder is entitled to one vote on such matters, irrespective of the number or size of policies owned. MFC is entitled to one vote for each common share of Manufacturers Life that it holds. As at March 9, 2004 there were 1,051,034,887 shares of MLI outstanding, all owned by MFC.

LEGAL PROCEEDINGS

The Company is subject to legal actions arising in the ordinary course of business. These legal actions are not expected to have a material adverse effect on the consolidated financial position of the Company.

DIVIDENDS

MFC declared quarterly dividends on its common shares, in the amount of $0.18 per share on February 4, 2003, and April 23 2003. On April 23, 2003, the Company announced an increase of its quarterly dividend to $0.21 per share. On July 24, 2003, October 28, 2003 and February 5, 2004, quarterly dividends of $0.21 per share were declared. The declaration and payment of future dividends and the amount thereof will be subject to the discretion of its Board of Directors, and will be 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 of Directors.

Since MFC is a holding company that conducts all 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.

Pursuant to agreements made between MFC, MLI, The Canada Trust Company and Manulife Financial Capital Trust (a subsidiary of MLI) (the “Trust), MFC and MLI have covenanted with the holders of the outstanding Trust Capital Securities of the Trust (the “MaCS”) that, if the Trust fails to pay in full a required distribution on any series of MaCS, MLI will not pay dividends of any kind on its public preferred shares (“MLI Public Preferred Shares”), if any are outstanding, and if no MLI Public Preferred Shares are outstanding, MFC will not pay dividends on MFC Preferred Shares and MFC Common Shares, in each case, until the 12^{th} month following the Trust’s failure to pay the required distribution in full, unless the Trust first pays the required distribution (or unpaid portion thereof) to the respective holders of MaCS.

MARKET FOR SECURITIES

MFC’s common shares are listed for trading as “MFC” on the Toronto Stock Exchange, the New York Stock Exchange, and the Philippine Stock Exchange and under “0945” on The Stock Exchange of Hong Kong. MFC’s Series 1 Preferred Shares are also listed for trading on the Toronto Stock Exchange under “MFC.PRA”.

DIRECTORS AND EXECUTIVE OFFICERS

DIRECTORS

The by-laws of MFC provide that the Board of Directors 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. Prior to the Annual Meeting held on April 24, 2003, Directors were generally elected for a term of three years, with terms staggered so that one-third, as nearly as may be, of the Board of Directors was elected at the annual meeting each year. At the 2003 Annual Meeting, shareholders of MFC confirmed amendments to MFC's by-laws, which eliminated the staggered board. Consequently, the entire Board will stand for election at every annual meeting beginning with the 2004 Annual Meeting on April 29, 2004.

The following table sets forth for each of the Directors of MFC, their municipality of residence, position with Manulife Financial, their principal occupation and the year in which their terms of office expire, as at March 30, 2004. The year each Director was first elected to the Company's Board of Directors appears on pages 7 to 9 of the Company's Proxy Circular dated March 10, 2004, which are incorporated herein by reference.

Each Director is elected for a term of one year, expiring at the next Annual Meeting of the Company. The next Annual Meeting of the Company will occur on April 29, 2004.

Name and Municipality of Residence	Position with Manulife Financial	Principal Occupation
Arthur R. Sawchuk Toronto, Ontario (1)(2)(3)(4)	Chairman of the Board	Chairman of the Board, Manulife Financial
Dominic D'Alessandro Toronto, Ontario	President and Chief Executive Officer, Director	President and Chief Executive Officer, Manulife Financial
Kevin E. Benson Wheaton, Illinois (2)(3)	Director	President and Chief Executive Officer, Laidlaw International, Inc. (transportation service company) (5)
John M. Cassaday North York, Ontario (1)	Director	President and Chief Executive Officer, Corus Entertainment Inc. (broadcasting company) (6)
Lino J. Celeste Saint John, New Brunswick (2)(3)	Director	Corporate Director (7)
Dr. Gail C.A. Cook-Bennett Etobicoke, Ontario (4)	Director	Chairperson, Canada Pension Plan Investment Board (Canada Pension Plan funds management)
Robert E. Dineen, Jr. New York, New York (2)(3)	Director	Partner, Shearman & Sterling (law firm)
Pierre Y. Ducros Outremont, Quebec (1)	Director	President, P. Ducros & Associates, Inc. (investment firm)
Allister P. Graham Etobicoke, Ontario (2)(3)	Director	Chairman, Nash Finch Company (food retail and distribution company) (8)
Thomas E. Kierans Toronto, Ontario (2)(3)	Director	Chairman, The Canadian Institute for Advanced Research (private sector research organization) (9)
Dr. Lorna R. Marsden Toronto, Ontario (4)	Director	President and Vice Chancellor, York University
Hugh W. Sloan, Jr. Bloomfield Village, Michigan (1)(4)	Director	Deputy Chairman, Woodbridge Foam Corporation (manufacturer of foam products)
Gordon G. Thiessen Ottawa, Ontario (4)	Director	Chair, Canadian Public Accountability Board (10)
Michael H. Wilson Toronto, Ontario (4)	Director	Chairman, UBS Canada (previously UBS Global Asset Management (Canada) Co.) (investment management) (11)

(1) Member of the Corporate Governance and Nominating Committee.

(2) Member of the Conduct Review and Ethics Committee.

(3) Member of the Audit and Risk Management Committee.

(4) Member of the Management Resources and Compensation Committee.

(5) Prior to September 16, 2002, Kevin Benson was President and Chief Executive Officer of The Insurance Corporation of British Columbia, prior to January 2002, Mr. Benson was a Corporate Director, prior to February 28, 2001 Mr. Benson was President of the Jim Pattison Group and prior to March 2000, Mr. Benson was President and Chief Executive Officer of Canadian Airlines International Ltd.

(6) Prior to September 1999, John Cassaday was President and Chief Executive Officer of Shaw Media and Executive Vice President of Shaw Communications Inc.

(7) Prior to April 2001, Lino Celeste was Chairman of Aliant Inc. and prior to March 1999, Mr. Celeste was Chairman, Bruncor Inc./The New Brunswick Telephone Company Ltd.

(8) Prior to January 1999, Allister Graham was Chairman and Chief Executive Officer, The Oshawa Group Limited.

(9) Prior to January 1, 2000, Thomas Kierans was Director, Clarkson Centre for Business Ethics & Holder of Geoffrey R. Conway Chair at the Joseph L. Rotman School of Management, University of Toronto and prior to September 1999, Mr. Kierans was President and Chief Executive Officer, C.D. Howe Institute.

(10) Prior to October 31, 2002, Gordon Thiessen was a Corporate Director, and prior to February 1, 2001, Mr. Thiessen was the Governor of the Bank of Canada.

(11) Prior to November 1, 2003 Mr. Wilson was Chairman and Chief Executive Officer of UBS Global Asset Management (Canada) Co., prior to February 24, 2003 Mr. Wilson was President and Chief Executive Officer of UBS Global Asset Management (Canada) Co., and prior to August 2001, Mr. Wilson was Chairman and Chief Executive Officer of RT Capital Management Inc. Prior to July 2000, Mr. Wilson was Vice-Chairman, RBC Dominion Securities Inc.

EXECUTIVE OFFICERS

The name, municipality of residence, and position of each of the executive officers of Manulife Financial are set forth in the following table as of March 30, 2004.

Name and Municipality of Residence	Position with Manulife Financial
Dominic D'Alessandro Toronto, Ontario	President and Chief Executive Officer
Victor S. Apps Hong Kong	Executive Vice President and General Manager, Asia
John D. DesPrez III South Natick, Massachusetts	Executive Vice President, U.S. Operations
Bruce Gordon Waterloo, Ontario	Executive Vice President and General Manager, Canadian Operations (1)
Donald A. Guloien Toronto, Ontario	Executive Vice President and Chief Investment Officer (2)
John C. Mather Oakville, Ontario	Executive Vice President and Chief Administrative Officer (3)
Trevor J. Matthews Tokyo, Japan	Executive Vice President, Japan (4)
Peter H. Rubenovitch Toronto, Ontario	Executive Vice President and Chief Financial Officer

(1) Prior to April 1, 2001, Bruce Gordon was Senior Vice President, Group Business.

(2) Prior to March 8, 2001, Donald Guloien was Executive Vice President, Business Development.

(3) Prior to January, 2003, John Mather was Executive Vice President and Chief Information Officer, and prior to May 1, 2001, Mr. Mather was Executive Vice President and Chief Information Officer with Ontario Power Generation.

(4) Prior to April 2, 2001, Trevor Matthews was Executive Vice President, Canadian Operations.

SHARE OWNERSHIP

The number of common shares held by Directors and executive officers of the Company as at March 10, 2004 was 637,560, which represented less than one per cent of the total number of outstanding common shares of MFC. The number of common shares held by each Director is set out on pages 7 to 9

of MFC's Proxy Circular dated March 10, 2004, which are incorporated herein by reference.

ADDITIONAL INFORMATION

Additional information with respect to MFC, including directors' and officers' remuneration and indebtedness, principal holders of securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the Company's Proxy Circular dated March 10, 2004. Additional financial information is provided in the Company's comparative financial statements for the most recently completed financial year and interim financial statements of the Company subsequent to the financial statements for its most recently completed financial year, which have also been filed with applicable securities regulatory authorities in Canada. When Manulife Financial is in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus has been filed in respect of a distribution of its securities, one copy of this Annual Information Form, any document (or the pertinent pages of any document) incorporated by reference in this Annual Information Form, the comparative financial statements of the Company for the most recently completed financial year with the accompanying auditor's report, any interim financial statements of the Company subsequent to the financial statements for its most recently completed financial year, one copy of the Company's most recent Proxy Circular and any other documents incorporated by reference into a preliminary short form prospectus or a short form prospectus shall be provided (collectively the "Disclosure Documents") upon request by any person. When Manulife Financial has not filed a preliminary short form prospectus or is not in the course of a distribution, it shall provide copies of any of the foregoing Disclosure Documents subject to its right to require persons who are not security holders to pay a reasonable charge. The foregoing Disclosure Documents are accessible at the Company's Web site, www.manulife.com or requests for such copies may be sent to the Investor Relations Department of Manulife Financial at 200 Bloor Street East, NT-7, Toronto, Canada M4W 1E5.

EXHIBIT 4

DISCLOSURE CONTROLS AND PROCEDURES

In accordance with the rules of the Securities and Exchange Commission, Manulife Financial Corporation (the "Company") maintains disclosure controls and procedures and, under the supervision and with the participation of its management, including its Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of these disclosure controls and procedures (as defined in Rule 13a-15e of the United States Securities Exchange Act of 1934) within 90 days prior to the date of this annual report. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that, as of the date of the evaluation, the Company's disclosure controls and procedures were adequate and effective.

Change in Internal Controls

There were no significant changes in the Company's internal controls or in other factors that could significantly affect these internal controls subsequent to the date on which the Chief Executive Officer and Chief Financial Officer completed their evaluation of these controls.

EXHIBIT 5

CONSENT OF INDEPENDENT AUDITORS

We consent to the use of our report dated February 5, 2004, with respect to the consolidated financial statements of Manulife Financial Corporation included in this Annual Report (Form 40-F) for the year ended December 31, 2003, filed with the Securities and Exchange Commission.

/s/ "Ernst & Young LLP"

Ernst & Young LLP
Toronto, Ontario
February 5, 2004

EXHIBIT 6

CONSENT OF APPOINTED ACTUARY

I hereby consent to the use in this Annual Report on Form 40-F of Manulife Financial Corporation (the "Company") for the year ended December 31, 2003 of my Appointed Actuary's Report to the Shareholders and Directors dated February 5, 2004 (the "Report"), relating to the valuation of the policy liabilities of the Company for its Consolidated Balance Sheets as at December 31, 2003 and 2002 and their change in the Consolidated Statements of Operations for the years then ended.

/s/ "*Simon Curtis*"

Simon R. Curtis
Senior Vice President and Chief Actuary
Fellow, Canadian Institute of Actuaries
Toronto, Canada

Date: March 25, 2004

EXHIBIT 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, 2003, 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:

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.

/s/ "Dominic D'Alessandro"

Name: Dominic D'Alessandro
Title: President and Chief Executive Officer

March 25, 2004

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, 2003, 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:

3. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

4. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ "Peter H. Rubenovitch"

Name: Peter H. Rubenovitch
Title: Executive Vice President and
Chief Financial Officer

March 25, 2004

EXHIBIT 8

CERTIFICATION

I, Dominic D'Alessandro, 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)) 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) [Omitted pursuant to SEC Release No. 33-8238];

   (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;

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: March 25, 2004

/s/ "Dominic D'Alessandro"

Dominic D'Alessandro
President and Chief Executive Officer

CERTIFICATION

I, Peter H. Rubenovitch, 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)) 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. [Omitted pursuant to SEC Release No. 33-8238];

    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;

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: March 25, 2004

/s/ "Peter H. Rubenovitch"

Peter H. Rubenovitch
Executive Vice President and
Chief Financial Officer