



# Now Your Company

MANULIFE FINANCIAL CORPORATION

# 3

THIRD QUARTER REPORT  
TO SHAREHOLDERS

# Financial Highlights

(Canadian \$ in millions unless otherwise stated and per share information, unaudited)

	For the three months ended September 30			As at and for the nine months ended September 30		
	2000	1999	% change	2000	1999	% change
<b>Premiums and deposits:</b>						
Life and health insurance premiums	\$ 1,410	\$ 1,506	(6)	\$ 4,507	\$ 4,841	(7) <sup>(a)</sup>
Annuity and pension premiums	571	604	(5)	1,894	1,616	17
Segregated fund deposits	3,665	2,653	38	11,117	7,681	45
Mutual fund deposits	145	108	34	496	405	22
ASO premium equivalents	166	135	23	460	402	14
<b>Total premiums and deposits</b>	<b>\$ 5,957</b>	<b>\$ 5,006</b>	<b>19</b>	<b>\$ 18,474</b>	<b>\$ 14,945</b>	<b>24<sup>(a)</sup></b>
<b>Funds under management:</b>						
General fund				\$ 59,486	\$ 56,809	5
Segregated funds				58,365	42,408	38
Mutual and other managed funds				8,346	5,906	41
<b>Total funds under management</b>				<b>\$126,197</b>	<b>\$105,123</b>	<b>20</b>
<b>Net income:</b>						
<b>Net loss attributed to:</b>						
Participating policyholders (after demutualization)	\$ -	\$ -	n/a	\$ (7)	\$ -	n/a
<b>Net income attributed to:</b>						
Shareholders (after demutualization)	\$ 315	\$ 16	n/a	\$ 789	\$ 16	n/a
Mutual operations (prior to demutualization)	-	208	n/a	-	607	n/a
<b>Adjusted shareholders' net income</b>	<b>\$ 315</b>	<b>\$ 224</b>	<b>41</b>	<b>\$ 789</b>	<b>\$ 623</b>	<b>27</b>
<b>Net income</b>	<b>\$ 315</b>	<b>\$ 224</b>	<b>41</b>	<b>\$ 782</b>	<b>\$ 623</b>	<b>26</b>
<b>Capitalization:</b>						
Subordinated debt				\$ 588	\$ 597	(2)
Trust preferred securities issued by subsidiaries				753	733	3
Equity						
Participating policyholders' equity				54	69	(22)
Shareholders' equity						
Common shares				612	636	(4)
Shareholders' retained earnings				6,331	5,718	11
<b>Total capital</b>				<b>\$ 8,338</b>	<b>\$ 7,753</b>	<b>8</b>
<b>Selected key performance measures:</b>						
Adjusted basic earnings per share <sup>(b)</sup>	\$ 0.65	\$ 0.45		\$ 1.63	\$ 1.24	
Return on shareholders' equity (annualized)	18.6 %	14.2 %		16.0 %	13.4 %	
Return on assets (annualized)	2.1 %	1.6 %		1.8 %	1.5 %	
Adjusted book value per share <sup>(c)</sup>				\$ 14.40	\$ 12.69	
Shares outstanding (in millions)						
End of period				482	501	
Weighted average	482	501		483	501	

(a) Life and health insurance premiums increased 11% and total premiums and deposits increased 30% after excluding a one-time assumption reinsurance premium of \$766 relating to the pre-liquidation liabilities of the Canadian group life and health business of Confederation Life (recorded in the second quarter of 1999).

(b) In these financial highlights, adjusted basic earnings per share have been calculated using total income attributed to shareholders and/or mutual operations for the period and the weighted average number of shares outstanding during the period. All common shares issued at demutualization and for the initial public offering are assumed to have been outstanding as at January 1, 1999.

(c) In these financial highlights, adjusted book value per share has been calculated using shareholders' equity (common shares and shareholders' retained earnings) or surplus and shares outstanding as at the end of the period.

# Message to Shareholders

A year ago, Manulife Financial completed its demutualization process and was listed as a public company. A consistent track record of strong financial and operating results allowed us to go public at the highest market multiple of any demutualization to date. Continued strong growth in our sales and earnings are now producing excellent results for our shareholders. The financial markets have validated our success with a more than doubling of our share price from the initial public offering.

## *Financial Performance Above Target*

We have set ambitious performance targets of 15 per cent earnings growth and 15 per cent return on equity. I am very pleased that we have exceeded these objectives in our first year of public operation. Manulife Financial reported an increase of 41 per cent in shareholders' earnings this quarter to a record \$315 million, or \$0.65 per share. Included in this quarter's net income is a \$49 million (\$0.10 per share) one-time reduction in tax expense in the United States. Excluding this item, net income for the quarter was \$266 million, an increase of 19 per cent from a year ago. The increase in net income was primarily due to strong business growth in all core operations and improved unit expenses. Return on shareholders' equity of 18.6 per cent (15.7 per cent excluding the one-time item) exceeded our long term target of 15 per cent for the second quarter in a row. Premiums and deposits increased by 19 per cent to \$6.0 billion for the quarter. As at September 30, 2000, funds under management were \$126.2 billion, an increase of 20 per cent from the prior year.

## *Strong Business Franchises Deliver Top Line Growth*

Our insurance and wealth management businesses continue to experience strong sales growth in all territories, the result of continued expansion of our distribution networks, a focus on customer service and the success of new and innovative products. In North America, insurance sales grew 78 per cent in Canada and 34 per cent in the United States in the third quarter compared to the third quarter of 1999. Insurance sales growth in the Asian territories this quarter was led by Indonesia (74 per cent over 1999), Vietnam (36 per cent over second quarter) and Hong Kong (11 per cent over 1999). Sales in the wealth management businesses were led by the United States where premiums and deposits rose by 35 per cent over the third quarter of 1999. In Canada, individual wealth management sales increased by 14 per cent. In Hong Kong, mutual fund deposits were more than twice 1999 levels. These solid sales results are building stronger business franchises and delivering gains in market share in all core operations.

## *New and Innovative Products and Services*

Manulife Financial continually evolves its product portfolio within the changing insurance landscape to meet the needs of our clients and their financial advisors. Anticipating customer preferences and being quick to market with new ideas and products is key to continued growth. Recent initiatives include:

- The launch of ManulifeDirect.com which allows Canadian consumers to buy insurance coverage over the Internet;
- The marketing of a unique Accelerated Annuity product in Canada to help Canadians with a serious illness maximize their annuity income;
- The introduction of new universal life products in the United States which provide innovative coverage continuity features and lower cost term riders;
- An enhanced investment line-up for our 401(k) pension customers providing them with access to more of America's top fund managers;
- New guarantees for Mandatory Provident Fund clients in Hong Kong which guarantee the completion of services within pre-determined time limits; and
- Offering our customers in the Philippines a more comprehensive line of savings products with the introduction of education and pension plan products.

## *Asian Developments*

Sales by our Japanese venture, Manulife Century Life, have rebounded from their June low following the failure of our minority partner, with sales growth strongest in the more desirable recurring premium business. We recently hosted over 300 of our top Japanese agents in Toronto and their enthusiasm and dedication give me great confidence in our ability to grow this business. And in China, the addition of 800 agents, as a result of recent licensing exams, is expected to spur sales in the coming months.

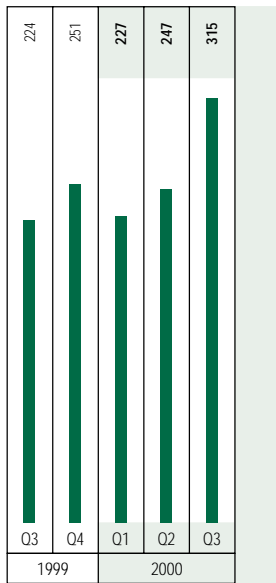
As we enter our second year as a public company, Manulife Financial is extremely well positioned to participate in the new opportunities that are occurring in our businesses. All of our franchises are exhibiting strong organic growth and the Company is financially strong. This continuing success is good for our shareholders, policyholders, agents and employees.

**Dominic D'Alessandro**  
President and Chief Executive Officer

# Key Performance Measures

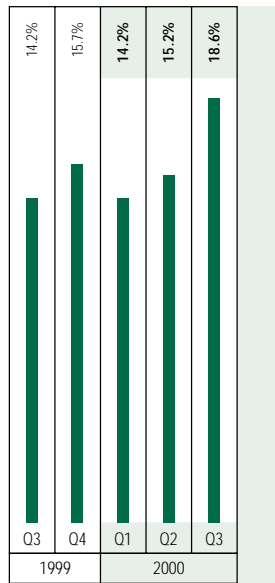
## Adjusted Shareholders' Net Income

(Canadian \$ in millions, unaudited)



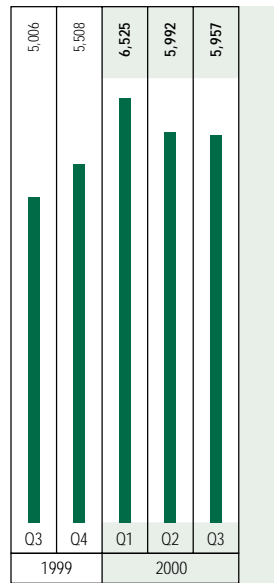
## Return on Shareholders' Equity

(Canadian GAAP annualized %, unaudited)



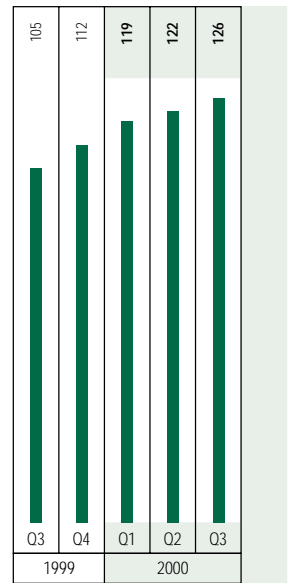
## Premiums and Deposits

(Canadian \$ in millions, unaudited)



## Funds under Management

(Canadian \$ in billions, unaudited)



# Management's Analysis of Operations

## Overview

Manulife Financial reported a 41 per cent increase in shareholders' net income for the third quarter ended September 30, 2000, increasing to \$315 million from \$224 million in 1999. Net income this quarter included a \$49 million one-time reduction in tax expense in the U.S., as a result of a new IRS technical memorandum clarifying the dividends received deduction for U.S. segregated funds. Excluding this one-time reduction in tax expense, net income was \$266 million, a 19 per cent increase over the prior year. This 19 per cent increase was primarily due to strong business growth in core insurance and wealth management operations and improved unit expenses, offset by less favourable claims experience.

The third quarter return on shareholders' equity was 18.6 per cent compared to 14.2 per cent for the same period in 1999. For the three months ended September 30, 2000, earnings per share were \$0.65 compared to adjusted basic earnings per share of \$0.45 in 1999. Excluding the one-time reduction in tax expense, return on shareholders' equity and earnings per share would have been 15.7 per cent and \$0.55, respectively.

For the nine months ended September 30, 2000, shareholders' net income was \$789 million, an increase of 27 per cent over 1999, while earnings per share rose to \$1.63 from \$1.24 and return on shareholders' equity increased to 16.0 per cent from 13.4 per cent in 1999. Excluding the one-time reduction in tax expense, shareholders' net income, return on shareholders' equity and earnings per share, would have been \$740 million, 15.0 per cent and \$1.53, respectively.

### Premiums and Deposits

Total premiums and deposits increased by 19 per cent to \$6.0 billion in the third quarter of 2000 from \$5.0 billion in 1999. This increase was driven by a 38 per cent increase in segregated fund deposits, primarily due to strong third quarter sales of 401(k) pension products and variable annuities.

### Funds under Management

Funds under management increased by 20 per cent to \$126.2 billion as at September 30, 2000 from \$105.1 billion as at September 30, 1999. This increase was predominantly driven by a 38 per cent growth in segregated fund assets, primarily due to strong sales of 401(k) pension products and variable annuities along with market appreciation and the impact of a strengthening U.S. dollar. General fund assets increased by five per cent, driven by growth in insurance and annuity businesses. Other managed funds increased by 41 per cent due to institutional sales and market appreciation.

### Capital

Total capital increased to \$8.3 billion as at September 30, 2000 from \$7.8 billion as at September 30, 1999. The increase was primarily a result of net income, partially offset by shareholder dividends and the repurchase of common shares through the normal course issuer bid, which expired on October 11, 2000.

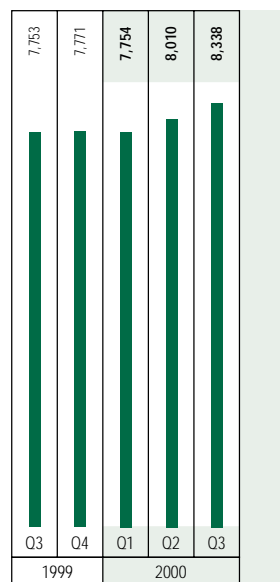
## Results of Operations by Division

### U.S. Division

U.S. Division net income increased by 89 per cent to \$157 million, an increase of \$74 million over the third quarter of 1999. Year-to-date net income rose to \$364 million, from \$258 million in 1999. Net income this quarter included a \$49 million one-time reduction in tax expense, as a result of a new IRS technical memorandum clarifying the treatment of the dividends received deduction for U.S. segregated funds. Excluding this reduction in tax expense, net income for the quarter increased by 30 per cent to \$108 million and year-to-date net income increased by 22 per cent to \$315 million. The increase in net income was attributable to the growth in new insurance sales, increased fees from the management of segregated fund variable annuity and 401(k) pension business and a reduction in unit expenses. Third quarter premiums and deposits increased by 30 per cent to \$4.1 billion, driven primarily by increased 401(k) pension and variable annuity sales resulting from the effective penetration of the broker dealer market and increased productivity of the expanded annuity wholesaling team. Improved insurance sales in all product lines also contributed to this growth.

## Capital

(Canadian \$ in millions, unaudited)



# Management's Analysis of Operations (cont'd)

---

Funds under management increased by 25 per cent to \$72.2 billion as at September 30, 2000 from \$57.6 billion as at the same time last year. This is largely due to growth in segregated fund assets from net new deposits, strong U.S. equity markets and the impact of a strengthening U.S. dollar.

## *Canadian Division*

Canadian Division net income increased by 22 per cent to \$76 million, compared to \$63 million in the third quarter of 1999; year-to-date net income rose to \$204 million from \$170 million in 1999. Higher investment income and continued growth in both insurance and wealth management businesses largely drove the increased earnings. Premiums and deposits were up by eight per cent to \$1.2 billion in the third quarter with increases in the insurance and wealth management businesses. Funds under management increased by eight per cent to \$32.0 billion as at September 30, 2000 from \$29.6 billion as at the same time last year. This increase was largely due to segregated fund asset growth driven by asset appreciation and net new deposits.

## *Asian Division*

Asian Division net income increased by 29 per cent to \$54 million from \$42 million in the third quarter of 1999. Year-to-date net income was \$134 million compared to \$111 million in 1999. The increase in the quarter was primarily due to strong results in the Hong Kong insurance line. Premiums and deposits increased \$17 million to \$529 million for the quarter ended September 30, 2000. The increase in individual insurance premiums in Hong Kong was partially offset by a decrease in sales of single premium products in Japan. Funds under management increased by 36 per cent to \$9.1 billion as at September 30, 2000 from \$6.6 billion as at September 30, 1999. This increase was due to business growth in all units.

## *Reinsurance Division*

Reinsurance Division reported net income of \$27 million in the third quarter of 2000, down from the \$29 million reported in the third quarter of 1999. Year-to-date net income was \$80 million compared to \$86 million in 1999. All lines of business performed well, with the exception of the Accident and Health reinsurance line, which had less favourable claims experience on contracts that had previously been cancelled by Manulife. Premiums decreased by 31 per cent from \$258 million in what was an unusually high third quarter of 1999 to \$178 million in the third quarter of 2000, mainly due to an inforce retrocession contract in the Life reinsurance line recorded in the third quarter of 1999. Accident and Health reinsurance premiums continued to decline due to the Company's exit from the U.S. medical reinsurance market and from personal accident pools. General fund assets increased by 10 per cent to \$3.1 billion as at September 30, 2000 from \$2.8 billion as at September 30, 1999, reflecting business growth and the impact of a strengthening U.S. dollar.

## *Normal Course Issuer Bid*

On October 7, 1999, the Company announced the establishment of a normal course issuer bid program on The Toronto Stock Exchange (the "Exchange") authorizing the Company to purchase up to 25,045,161 common shares, representing approximately 5 per cent of common shares issued and outstanding. The normal course issuer bid, accepted by the Exchange, commenced on October 12, 1999 and expired on October 11, 2000. As at September 30, 2000, the Company had purchased and cancelled 19 million of its common shares at a total cost of \$334 million.

## *Quarterly Dividend*

On August 14, 2000, the Board of Directors declared a quarterly shareholders' dividend of \$0.10 per share on common shares of the Company, which was paid on September 29, 2000 to shareholders of record at the close of business on August 25, 2000.

# Consolidated Statements of Operations

(Canadian \$ in millions, unaudited)	For the three months ended September 30		For the nine months ended September 30	
	2000	1999	2000	1999
<b>Revenue</b>				
Premium income	\$ 1,981	\$ 2,110	\$ 6,401	\$ 6,457
Investment income	1,120	1,023	3,294	3,065
Other revenue	337	261	949	739
<b>Total revenue</b>	<b>\$ 3,438</b>	<b>\$ 3,394</b>	<b>\$ 10,644</b>	<b>\$ 10,261</b>
<b>Policy benefits and expenses</b>				
To policyholders and beneficiaries				
Death and disability benefits	\$ 598	\$ 510	\$ 1,780	\$ 1,556
Maturity and surrender benefits	595	547	1,897	1,561
Annuity payments	311	314	911	942
Policyholder dividends and experience rating refunds	200	200	605	529
Net transfers to segregated funds	427	279	1,332	782
Increase in actuarial liabilities	134	541	645	2,033
General expenses	510	481	1,535	1,303
Commissions	283	241	807	656
Interest expense	48	34	136	121
Premium taxes	24	23	71	64
Non-controlling interest in subsidiaries	(42)	(67)	(81)	(132)
Trust preferred securities issued by subsidiaries	16	14	47	47
<b>Total policy benefits and expenses</b>	<b>\$ 3,104</b>	<b>\$ 3,117</b>	<b>\$ 9,685</b>	<b>\$ 9,462</b>
<b>Income before income taxes</b>	<b>\$ 334</b>	<b>\$ 277</b>	<b>\$ 959</b>	<b>\$ 799</b>
Income taxes	(19)	(53)	(177)	(176)
<b>Net income</b>	<b>\$ 315</b>	<b>\$ 224</b>	<b>\$ 782</b>	<b>\$ 623</b>
<b>Net loss attributed to:</b>				
Participating policyholders (after demutualization)	\$ -	\$ -	\$ (7)	\$ -
<b>Net income attributed to:</b>				
Shareholders (after demutualization)	\$ 315	\$ 16	\$ 789	\$ 16
Mutual operations (prior to demutualization)	-	208	-	607
<b>Adjusted shareholders' net income</b>	<b>\$ 315</b>	<b>\$ 224</b>	<b>\$ 789</b>	<b>\$ 623</b>
<b>Net income</b>	<b>\$ 315</b>	<b>\$ 224</b>	<b>\$ 782</b>	<b>\$ 623</b>

Earnings per share (note 3)

# Consolidated Balance Sheets

(Canadian \$ in millions, unaudited)		Sept. 30, 2000	Dec. 31, 1999	Sept. 30, 1999
As at				
<b>ASSETS</b>	<b>Invested assets</b>			
	Bonds	\$ 33,241	\$ 30,853	\$ 30,337
	Mortgages	6,971	6,867	7,099
	Stocks	5,325	4,832	4,331
	Real estate	3,305	3,179	3,156
	Policy loans	3,545	3,207	3,195
	Cash and short-term investments	2,928	3,047	4,107
	Other investments	847	1,180	1,050
	<b>Total invested assets</b>	<b>\$ 56,162</b>	<b>\$ 53,165</b>	<b>\$ 53,275</b>
	<b>Other assets</b>			
	Accrued investment income	\$ 821	\$ 727	\$ 731
	Outstanding premiums	309	357	338
	Future income taxes	559	529	632
	Miscellaneous	1,635	1,930	1,833
	<b>Total other assets</b>	<b>\$ 3,324</b>	<b>\$ 3,543</b>	<b>\$ 3,534</b>
	<b>Total assets</b>	<b>\$ 59,486</b>	<b>\$ 56,708</b>	<b>\$ 56,809</b>
	<b>Segregated fund net assets</b>	<b>\$ 58,365</b>	<b>\$ 49,055</b>	<b>\$ 42,408</b>
<b>LIABILITIES AND EQUITY</b>	<b>Actuarial liabilities</b>	\$ 41,337	\$ 39,748	\$ 39,624
	Benefits payable and provision for unreported claims	1,664	1,522	1,412
	Policyholder amounts on deposit	1,291	1,166	1,153
	Deferred realized net gains	3,316	2,266	2,413
	Banking deposits	539	333	298
	Other liabilities	2,612	3,152	3,450
		\$ 50,759	\$ 48,187	\$ 48,350
	<b>Subordinated debt</b>	<b>588</b>	<b>582</b>	<b>597</b>
	<b>Non-controlling interest in subsidiaries</b>	<b>389</b>	<b>750</b>	<b>706</b>
	<b>Trust preferred securities issued by subsidiaries</b>	<b>753</b>	<b>735</b>	<b>733</b>
	<b>Equity</b>			
	Participating policyholders' equity	54	61	69
	Shareholders' equity (note 1)			
	Common shares	612	628	636
	Shareholders' retained earnings	6,331	5,765	5,718
	<b>Total equity</b>	<b>\$ 6,997</b>	<b>\$ 6,454</b>	<b>\$ 6,423</b>
	<b>Total liabilities and equity</b>	<b>\$ 59,486</b>	<b>\$ 56,708</b>	<b>\$ 56,809</b>
	<b>Segregated fund net liabilities</b>	<b>\$ 58,365</b>	<b>\$ 49,055</b>	<b>\$ 42,408</b>

# Consolidated Statements of Equity

(Canadian \$ in millions, unaudited)	For the nine months ended September 30	Participating Policyholders	Shareholders	2000	1999
<b>Operating retained earnings</b>					
Balance, January 1		\$ 61	\$ 5,722	\$ 5,783	\$ 5,762
Conversion costs		-	-	-	(31)
Net income as a mutual operation		-	-	-	607
Balance, September 23, 1999 as restated on demutualization		\$ 61	\$ 5,722	\$ 5,783	\$ 6,338
Cash distributions by Manufacturers Life to certain participating policyholders		-	-	-	(694)
Net income (loss) as a stock company		(7)	789	782	16
Shareholder dividends		-	(145)	(145)	-
Purchase and cancellation of common shares		-	(190)	(190)	-
<b>Balance, September 30</b>		<b>\$ 54</b>	<b>\$ 6,176</b>	<b>\$ 6,230</b>	<b>\$ 5,660</b>
<b>Currency translation account</b>					
Balance, January 1		\$ -	\$ 43	\$ 43	\$ 243
Change during the period as a stock company		-	112	112	-
Change during the period as a mutual company		-	-	-	(116)
<b>Balance, September 30</b>		<b>\$ -</b>	<b>\$ 155</b>	<b>\$ 155</b>	<b>\$ 127</b>
<b>Retained earnings</b>		<b>\$ 54</b>	<b>\$ 6,331</b>	<b>\$ 6,385</b>	<b>\$ 5,787</b>
<b>Common shares</b>					
Balance, January 1		\$ -	\$ 628	\$ 628	\$ -
Issue of common shares		-	-	-	694
Initial public offering costs		-	-	-	(58)
Purchase and cancellation of common shares		-	(16)	(16)	-
Balance, September 30		\$ -	\$ 612	\$ 612	\$ 636
<b>Total equity</b>		<b>\$ 54</b>	<b>\$ 6,943</b>	<b>\$ 6,997</b>	<b>\$ 6,423</b>

# Consolidated Statements of Cash Flows

(Canadian \$ in millions, unaudited)	For the three months ended September 30		For the nine months ended September 30	
	2000	1999	2000	1999
<b>Operating activities</b>				
<b>Operating cash inflows</b>				
Premiums and annuity considerations	\$ 2,003	\$ 2,113	\$ 6,449	\$ 5,759
Investment income received	902	823	2,720	2,542
Other revenue	337	261	949	739
<b>Total operating cash inflows</b>	<b>\$ 3,242</b>	<b>\$ 3,197</b>	<b>\$ 10,118</b>	<b>\$ 9,040</b>
<b>Operating cash outflows</b>				
Benefit payments	\$ 1,451	\$ 1,367	\$ 4,437	\$ 4,031
Insurance expenses and taxes	854	688	2,638	2,030
Dividends paid to policyholders	200	200	605	529
Net transfers to segregated funds	427	279	1,332	782
Change in other assets and liabilities	(104)	(85)	(580)	(125)
<b>Total operating cash outflows</b>	<b>\$ 2,828</b>	<b>\$ 2,449</b>	<b>\$ 8,432</b>	<b>\$ 7,247</b>
<b>Cash provided by operating activities</b>	<b>\$ 414</b>	<b>\$ 748</b>	<b>\$ 1,686</b>	<b>\$ 1,793</b>
<b>Investing activities</b>				
Purchases and mortgage advances	\$ (7,596)	\$ (7,163)	\$ (26,461)	\$ (22,728)
Disposals and repayments	7,546	7,115	25,681	22,144
<b>Cash used in investing activities</b>	<b>\$ (50)</b>	<b>\$ (48)</b>	<b>\$ (780)</b>	<b>\$ (584)</b>
<b>Financing activities</b>				
Increase (decrease) in repurchase agreements and securities sold but not yet purchased	\$ (732)	\$ 199	\$ (675)	\$ 808
Shareholder dividends	(97)	–	(145)	–
Purchase and cancellation of common shares	–	–	(206)	–
Borrowed funds (repaid)	(1)	52	(1)	52
Issue of common shares	–	694	–	694
<b>Cash provided by (used in) financing activities</b>	<b>\$ (830)</b>	<b>\$ 945</b>	<b>\$ (1,027)</b>	<b>\$ 1,554</b>
<b>Cash and short-term investments</b>				
Increase (decrease) during the period	\$ (466)	\$ 1,645	\$ (121)	\$ 2,763
Balance, beginning of period	3,155	2,258	2,810	1,140
<b>Balance, September 30</b>	<b>\$ 2,689</b>	<b>\$ 3,903</b>	<b>\$ 2,689</b>	<b>\$ 3,903</b>
<b>Composition of cash and short-term investments</b>				
<b>Beginning of period</b>				
Gross cash and short-term investments	\$ 3,355	\$ 2,475	\$ 3,047	\$ 1,329
Net payments in transit, included in other liabilities	(200)	(217)	(237)	(189)
<b>Net cash and short-term investments, beginning of period</b>	<b>\$ 3,155</b>	<b>\$ 2,258</b>	<b>\$ 2,810</b>	<b>\$ 1,140</b>
<b>End of period</b>				
Gross cash and short-term investments	\$ 2,928	\$ 4,107	\$ 2,928	\$ 4,107
Net payments in transit, included in other liabilities	(239)	(204)	(239)	(204)
<b>Net cash and short-term investments, September 30</b>	<b>\$ 2,689</b>	<b>\$ 3,903</b>	<b>\$ 2,689</b>	<b>\$ 3,903</b>

# Segregated Funds

## Consolidated Statements of Net Assets

(Canadian \$ in millions, unaudited)	As at	Sept. 30, 2000	Dec. 31, 1999	Sept. 30, 1999
<b>Investments, at market values</b>				
	Bonds	\$ 2,677	\$ 3,188	\$ 3,142
	Mortgages	-	-	2
	Stocks	53,197	42,903	36,580
	Real estate	4	7	9
	Cash and short-term investments	2,468	2,948	2,650
	Accrued investment income	23	24	29
	Other liabilities, net	(4)	(15)	(4)
	<b>Total segregated fund net assets</b>	<b>\$ 58,365</b>	<b>\$ 49,055</b>	<b>\$ 42,408</b>
<b>Composition of segregated fund net assets:</b>				
	Held by Policyholders	\$ 58,107	\$ 48,993	\$ 42,350
	Held by the Company	258	62	58
	<b>Total segregated fund net assets</b>	<b>\$ 58,365</b>	<b>\$ 49,055</b>	<b>\$ 42,408</b>

# Segregated Funds

## Consolidated Statements of Changes in Net Assets

(Canadian \$ in millions, unaudited)	For the three months ended September 30		For the nine months ended September 30	
	2000	1999	2000	1999
<b>Additions</b>				
	\$ 3,665	\$ 2,653	\$ 11,117	\$ 7,681
	53	(1,600)	461	1,267
	285	227	1,072	701
	427	279	1,332	782
	923	(8)	1,969	(1,555)
	<b>\$ 5,353</b>	<b>\$ 1,551</b>	<b>\$ 15,951</b>	<b>\$ 8,876</b>
<b>Deductions</b>				
	\$ 1,919	\$ 1,484	\$ 6,052	\$ 4,208
	207	161	589	460
	<b>\$ 2,126</b>	<b>\$ 1,645</b>	<b>\$ 6,641</b>	<b>\$ 4,668</b>
	<b>\$ 3,227</b>	<b>\$ (94)</b>	<b>\$ 9,310</b>	<b>\$ 4,208</b>
	55,138	42,502	49,055	38,200
	<b>\$ 58,365</b>	<b>\$ 42,408</b>	<b>\$ 58,365</b>	<b>\$ 42,408</b>

# Notes to the Summary Consolidated Financial Statements

(Canadian \$ in millions unless otherwise stated, unaudited)

## • NOTE 1 | Significant Accounting Policies

---

These summary financial statements have been prepared in accordance with Canadian generally accepted accounting principles including the accounting requirements of the Superintendent of Financial Institutions (Canada) ("OSFI"). None of the accounting requirements of OSFI is an exception to accounting principles generally accepted in Canada. The significant accounting policies followed in the preparation of these interim Consolidated Financial Statements are consistent with those found in the 1999 Annual Report.

Manulife Financial Corporation ("Manulife Financial," the "Company") is a publicly traded stock life insurance company and the insurance holding company of The Manufacturers Life Insurance Company ("Manufacturers Life") which was organized as a mutual life insurance company until September 23, 1999, on which date it demutualized. The assets, liabilities, equity and results of operations of Manufacturers Life have been presented in the consolidated financial statements of Manulife Financial Corporation on a continuity of interest basis.

## • NOTE 2 | Subsequent Event

---

On October 2, 2000, under the Executive Stock Option Plan approved at the Annual and Special Meeting of shareholders on May 4, 2000, the Company granted common share options ("Options") and deferred share units ("DSUs") to certain employees and directors. The total number of Options granted was 4,569,945 and subject to vesting provisions, may be exercised at a price equal to \$31.60. This was the closing price of Manulife Financial's common shares on the Toronto Stock Exchange on the immediately preceding business day, September 29, 2000. The Options have an expiry date of October 1, 2010.

The total number of DSUs granted was 2,732,573 and subject to vesting provisions, each unit entitles the holder to receive, at the Company's discretion, either one common share or the equivalent cash value on a date within the period beginning six months before the date of retirement or termination of employment and ending on December 15 of the following calendar year. No Options or DSUs were granted to directors who are not full-time employees of the Company.

## • NOTE 3 | Earnings Per Share

---

Basic earnings per share for the three-month period from July 1, 2000 to September 30, 2000 were \$0.65, calculated using net income attributable to shareholders of \$315 and the weighted average of the number of shares outstanding for that period of 482 million.

Basic earnings per share for the nine-month period from January 1, 2000 to September 30, 2000 were \$1.63, calculated using net income attributable to shareholders of \$789 and the weighted average of the number of shares outstanding for that period of 483 million.

## • NOTE 4 | 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 Canada, the United States and Asia. The Company also offers reinsurance services, primarily life and accident and health 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, to institutional customers.

The Company's business segments include the Canadian, U.S., Asian 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 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.

<b>By segment</b>	Canadian Division	U.S. Division	Asian Division	Reinsurance Division	Other	Total
For the nine months ended September 30, 2000						
<b>Revenue</b>						
<b>Premium income</b>						
Life and health insurance	\$ 1,377	\$ 1,233	\$ 1,348	\$ –	\$ –	\$ 3,958
Reinsurance	–	–	–	548	–	548
Annuities and pensions	456	1,287	152	–	–	1,895
<b>Total premium income</b>	\$ 1,833	\$ 2,520	\$ 1,500	\$ 548	\$ –	\$ 6,401
Investment income	1,235	1,459	258	145	197	3,294
Other revenue	184	654	57	15	39	949
<b>Total revenue</b>	\$ 3,252	\$ 4,633	\$ 1,815	\$ 708	\$ 236	\$ 10,644
<b>Interest expense</b>	\$ 35	\$ 39	\$ 29	\$ 2	\$ 31	\$ 136
Income (loss) before income taxes	\$ 262	\$ 478	\$ 144	\$ 98	\$ (23)	\$ 959
Income taxes	(58)	(114)	(10)	(18)	23	(177)
<b>Net income (loss)</b>	\$ 204	\$ 364	\$ 134	\$ 80	\$ –	\$ 782
<b>Amortization of realized and unrealized gains</b>	\$ 105	\$ 196	\$ 34	\$ 6	\$ 149	\$ 490
<b>Segregated fund deposits</b>	\$ 1,273	\$ 9,548	\$ 296	\$ –	\$ –	\$ 11,117
As at September 30, 2000						
<b>Actuarial liabilities</b>	\$ 16,237	\$ 20,237	\$ 3,814	\$ 844	\$ 205	\$ 41,337
<b>Funds under management</b>						
General fund	\$ 20,931	\$ 24,927	\$ 6,582	\$ 3,052	\$ 3,994	\$ 59,486
Segregated funds	9,620	47,305	1,440	–	–	58,365
Mutual funds	1,450	–	227	–	–	1,677
Other managed funds	–	–	803	–	5,866	6,669

<b>By geographic location</b>	Canada	United States	Asia	Other	Total
For the nine months ended September 30, 2000					
<b>Revenue</b>					
<b>Premium income</b>					
Life and health insurance	\$ 1,411	\$ 1,466	\$ 1,353	\$ 276	\$ 4,506
Annuities and pensions	456	1,287	152	–	1,895
<b>Total premium income</b>	\$ 1,867	\$ 2,753	\$ 1,505	\$ 276	\$ 6,401
Investment income	1,488	1,534	258	14	3,294
Other revenue	219	663	57	10	949
<b>Total revenue</b>	\$ 3,574	\$ 4,950	\$ 1,820	\$ 300	\$ 10,644

<b>By segment</b>	Canadian	U.S.	Asian	Reinsurance	Other	Total
For the nine months ended September 30, 1999	Division	Division	Division	Division		
<b>Revenue</b>						
<b>Premium income</b>						
Life and health insurance	\$ 1,986	\$ 1,279	\$ 963	\$ –	\$ 2	\$ 4,230
Reinsurance	–	–	–	611	–	611
Annuities and pensions	576	960	80	–	–	1,616
<b>Total premium income</b>	<b>\$ 2,562</b>	<b>\$ 2,239</b>	<b>\$ 1,043</b>	<b>\$ 611</b>	<b>\$ 2</b>	<b>\$ 6,457</b>
Investment income	1,223	1,376	217	125	124	3,065
Other revenue	150	494	50	9	36	739
<b>Total revenue</b>	<b>\$ 3,935</b>	<b>\$ 4,109</b>	<b>\$ 1,310</b>	<b>\$ 745</b>	<b>\$ 162</b>	<b>\$ 10,261</b>
<b>Interest expense</b>	<b>\$ 25</b>	<b>\$ 28</b>	<b>\$ 25</b>	<b>\$ 2</b>	<b>\$ 41</b>	<b>\$ 121</b>
Income (loss) before income taxes	\$ 204	\$ 398	\$ 97	\$ 111	\$ (11)	\$ 799
Income taxes	(34)	(140)	14	(25)	9	(176)
<b>Net income (loss)</b>	<b>\$ 170</b>	<b>\$ 258</b>	<b>\$ 111</b>	<b>\$ 86</b>	<b>\$ (2)</b>	<b>\$ 623</b>
<b>Amortization of realized and unrealized gains</b>	<b>\$ 149</b>	<b>\$ 192</b>	<b>\$ 25</b>	<b>\$ 8</b>	<b>\$ 98</b>	<b>\$ 472</b>
<b>Segregated fund deposits</b>	<b>\$ 1,042</b>	<b>\$ 6,402</b>	<b>\$ 237</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ 7,681</b>
As at September 30, 1999						
<b>Actuarial liabilities</b>	<b>\$ 16,351</b>	<b>\$ 19,505</b>	<b>\$ 2,876</b>	<b>\$ 788</b>	<b>\$ 104</b>	<b>\$ 39,624</b>
<b>Funds under management</b>						
General fund	\$ 20,638	\$ 23,916	\$ 5,346	\$ 2,778	\$ 4,131	\$ 56,809
Segregated funds	7,516	33,725	1,167	–	–	42,408
Mutual funds	1,414	–	134	–	–	1,548
Other managed funds	–	–	–	–	4,358	4,358

#### By geographic location

For the nine months ended September 30, 1999	Canada	United States	Asia	Other	Total
<b>Revenue</b>					
<b>Premium income</b>					
Life and health insurance	\$ 2,086	\$ 1,588	\$ 967	\$ 200	\$ 4,841
Annuities and pensions	576	960	80	–	1,616
<b>Total premium income</b>	<b>\$ 2,662</b>	<b>\$ 2,548</b>	<b>\$ 1,047</b>	<b>\$ 200</b>	<b>\$ 6,457</b>
Investment income	1,375	1,437	219	34	3,065
Other revenue	183	502	50	4	739
<b>Total revenue</b>	<b>\$ 4,220</b>	<b>\$ 4,487</b>	<b>\$ 1,316</b>	<b>\$ 238</b>	<b>\$ 10,261</b>

#### • NOTE 5 | Comparatives

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

# Statistical Summary

	2000			1999	
	Q3	Q2	Q1	Q4	Q3
(Canadian \$ in millions unless otherwise stated and per share information, unaudited)					
<b>Premiums and deposits:</b>					
Life and health insurance premiums	1,410	1,526	1,571	1,527	1,506
Annuity and pension premiums	571	615	708	688	604
Segregated fund deposits	3,665	3,556	3,896	3,028	2,653
Mutual fund deposits	145	144	207	117	108
ASO premium equivalents	166	151	143	148	135
<b>Total premiums and deposits</b>	<b>5,957</b>	<b>5,992</b>	<b>6,525</b>	<b>5,508</b>	<b>5,006</b>
<b>Funds under management:</b>					
General fund	59,486	59,145	57,296	56,708	56,809
Segregated funds	58,365	55,138	53,870	49,055	42,408
Mutual and other managed funds	8,346	8,121	7,715	6,373	5,906
<b>Total funds under management</b>	<b>126,197</b>	<b>122,404</b>	<b>118,881</b>	<b>112,136</b>	<b>105,123</b>
<b>Net income:</b>					
<b>Net loss attributed to:</b>					
Participating policyholders (after demutualization)	-	(5)	(2)	(8)	-
<b>Net income attributed to:</b>					
Shareholders (after demutualization)	315	247	227	251	16
Mutual operations (prior to demutualization)	-	-	-	-	208
<b>Adjusted shareholders' net income</b>	<b>315</b>	<b>247</b>	<b>227</b>	<b>251</b>	<b>224</b>
<b>Net income</b>	<b>315</b>	<b>242</b>	<b>225</b>	<b>243</b>	<b>224</b>
<b>Capitalization:</b>					
Subordinated debt	588	582	583	582	597
Trust preferred securities issued by subsidiaries	753	754	726	735	733
Equity					
Participating policyholders' equity	54	54	59	61	69
Shareholders' equity					
Common shares	612	612	612	628	636
Shareholders' retained earnings	6,331	6,008	5,774	5,765	5,718
<b>Total capital</b>	<b>8,338</b>	<b>8,010</b>	<b>7,754</b>	<b>7,771</b>	<b>7,753</b>
<b>Selected key performance measures:</b>					
Adjusted basic earnings per share <sup>(a)</sup>	\$ 0.65	\$ 0.51	\$ 0.47	\$ 0.50	\$ 0.45
Return on shareholders' equity (annualized)	18.6 %	15.2 %	14.2 %	15.7 %	14.2 %
Return on assets (annualized)	2.1 %	1.7 %	1.6 %	1.7 %	1.6 %
Adjusted book value per share <sup>(b)</sup>	\$ 14.40	\$ 13.73	\$ 13.24	\$ 12.94	\$ 12.68
Market value to adjusted book value ratio	2.19	1.90	1.61	1.43	1.38
Market capitalization (\$ billions)	15.2	12.6	10.3	9.1	8.7
Shares outstanding (weighted average in millions)	482	482	486	499	501

(a) In this statistical summary, adjusted basic earnings per share have been calculated using total income attributed to shareholders and/or mutual operations for the period and the weighted average number of shares outstanding during the period. All common shares issued at demutualization and for the initial public offering are assumed to have been outstanding as at January 1, 1999.

(b) In this statistical summary, adjusted book value per share has been calculated using shareholders' equity (common shares and shareholders' retained earnings) or surplus and shares outstanding as at the end of the period.

## Stock Trading Data

The following values are the high, low and close prices plus the average daily trading volume for Manulife Financial Corporation's stock on The Toronto Stock Exchange, the New York Stock Exchange, The Stock Exchange of Hong Kong and the Philippine Stock Exchange for the third quarter. The stock symbol is **MFC** on all exchanges except Hong Kong where it is **0945**.

As at November 6, 2000, there were 482 million shares outstanding.

July 1 – September 30, 2000	Toronto	New York	Hong Kong	Philippines
High	\$ 32.55	\$ 22.00	\$ 168.00	P 970
Low	\$ 25.20	\$ 17.06	\$ 129.00	P 760
Close	\$ 31.60	\$ 20.75	\$ 163.50	P 960
Average Daily Volume (000)	1,014	149	70	12
	Canadian \$	United States \$	Hong Kong \$	Philippine Pesos

# Shareholder Information

## Manulife Financial Corporation Head Office

200 Bloor Street East  
Toronto, Ontario  
Canada M4W 1E5  
Telephone: (416) 926-3000  
Fax: (416) 926-5454

### Web site

[www.manulife.com](http://www.manulife.com)

## Investor Relations

Manulife Financial Corporation  
Investor Relations  
200 Bloor Street East  
7th Floor  
Toronto, Ontario  
Canada M4W 1E5  
Telephone: 1-800-795-9767  
Fax: (416) 926-3503  
E-Mail: [investor\\_relations@manulife.com](mailto:investor_relations@manulife.com)

## Corporate Communications

Manulife Financial Corporation  
Corporate Communications  
200 Bloor Street East  
2nd Floor  
Toronto, Ontario  
Canada M4W 1E5  
Telephone: (416) 926-5230  
Fax: (416) 926-5410  
E-Mail: [corporate\\_communications@manulife.com](mailto:corporate_communications@manulife.com)

## Transfer Agent and Registrar

Information regarding your shareholdings, including changes of address, changes in registration, lost certificates or to eliminate duplicate mailings of shareholder material, may be obtained by contacting our Transfer Agent.

### Transfer Agent and Registrar

Montreal Trust Company  
c/o Computershare Investor Services Inc.  
100 University Avenue, 11th Floor  
Toronto, Ontario  
Canada M5J 2Y1  
Telephone: 1-800-783-9495  
Fax: 1-877-713-9293  
Local fax: (416) 285-2174  
E-Mail: [manulife@montrealtrust.com](mailto:manulife@montrealtrust.com)  
Montreal Trust offices are also available in Montreal, Halifax, Vancouver and Calgary.

### Transfer Agent in the United States

American Securities Transfer & Trust Inc.  
12039 West Alameda Parkway  
Suite Z-2  
Lakewood, Colorado  
U.S.A. 80228  
Telephone: 1-800-783-9768

### Transfer Agent in Hong Kong

Central Registration Hong Kong Limited  
Rooms 1901-5, 19th Floor  
Hopewell Centre  
183 Queen's Road East  
Hong Kong  
Telephone: 852-2862-8628

### Transfer Agent in the Philippines

The Hong Kong and Shanghai Banking Corporation Limited  
33/F Philippine Stock Exchange Centre  
West Tower Exchange Road  
Ortigas Centre, Pasig City, Philippines  
Telephone: 632-635-3786

# Ratings

Financial strength is a key factor in generating new business, maintaining and expanding distribution relationships and providing a base for expansion, acquisitions and growth. As at September 30, 2000, Manulife Financial had capital of Cdn \$8.3 billion, including Cdn \$6.9 billion of shareholders' equity. The Company's financial strength and claims paying ratings are among the strongest in the life insurance industry.

A.M. Best	A++	(1st of 16 categories)
Dominion Bond Rating Service	IC-1	(1st of 5 categories)
Fitch	AAA	(1st of 22 categories)
Moody's Investor Services	Aa2	(3rd of 21 categories)
Standard & Poor's	AA+	(2nd of 21 categories)