

## Consolidated Statements of Operations

For the years ended December 31

(Canadian \$ in millions except per share amounts)

	2004	2003
<b>Revenue</b>		
Premium income	\$ 16,287	\$ 10,540
Net investment income (note 6)	7,823	4,419
Other revenue	3,040	1,547
<b>Total revenue</b>	<b>\$ 27,150</b>	<b>\$ 16,506</b>
<b>Policy benefits and expenses</b>		
To policyholders and beneficiaries		
Death and disability benefits	\$ 4,778	\$ 3,109
Maturity and surrender benefits	8,659	3,200
Annuity payments	2,828	1,268
Policyholder dividends and experience rating refunds	1,391	889
Net transfers to segregated funds	507	865
Change in actuarial liabilities (note 7)	(1,137)	1,147
General expenses	3,233	2,011
Commissions	2,609	1,678
Interest expense	494	253
Premium taxes	208	119
Non-controlling interest in subsidiaries	87	57
Trust preferred securities issued by subsidiaries	54	58
<b>Total policy benefits and expenses</b>	<b>\$ 23,711</b>	<b>\$ 14,654</b>
<b>Income before income taxes</b>	<b>\$ 3,439</b>	<b>\$ 1,852</b>
Income taxes (note 9)	(874)	(316)
<b>Net income</b>	<b>\$ 2,565</b>	<b>\$ 1,536</b>
<b>Net income (loss) attributed to participating policyholders</b>	<b>\$ 1</b>	<b>\$ (10)</b>
<b>Net income attributed to shareholders</b>	<b>\$ 2,564</b>	<b>\$ 1,546</b>
Preferred share dividends	(14)	(7)
<b>Net income available to common shareholders</b>	<b>\$ 2,550</b>	<b>\$ 1,539</b>
<b>Weighted average number of common shares outstanding</b> (in millions)	<b>698</b>	<b>463</b>
<b>Weighted average number of diluted common shares outstanding</b> (in millions)	<b>704</b>	<b>466</b>
<b>Basic earnings per common share</b>	<b>\$ 3.65</b>	<b>\$ 3.33</b>
<b>Diluted earnings per common share</b>	<b>\$ 3.62</b>	<b>\$ 3.31</b>

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)

2004 2003

### Assets

#### Invested assets (note 6)

Bonds	\$ 106,612	\$ 42,216
Mortgages	28,684	10,401
Stocks	7,805	5,866
Real estate	4,669	3,962
Policy loans	6,743	4,348
Cash and short-term investments	8,517	5,877
Bank loans	1,391	934
Other investments	4,721	861

#### Total invested assets

\$ 169,142 \$ 74,465

#### Other assets

Accrued investment income	\$ 1,777	\$ 914
Outstanding premiums	549	490
Goodwill	7,332	589
Intangible assets (note 5)	1,806	–
Miscellaneous	3,640	1,058

#### Total other assets

\$ 15,104 \$ 3,051

#### Total assets

\$ 184,246 \$ 77,516

#### Segregated funds net assets

\$ 117,890 \$ 71,464

### Liabilities and Equity

Actuarial liabilities (note 7)	\$ 130,608	\$ 51,647
Benefits payable and provision for unreported claims	1,933	2,083
Policyholder amounts on deposit	4,869	2,499
Deferred realized net gains (note 6)	3,667	3,293
Bank deposits	4,373	2,550
Consumer notes (note 10)	2,881	–
Future income tax liability (note 9)	980	170
Other liabilities	6,800	3,206

\$ 156,111 \$ 65,448

#### Long-term debt (note 12)

2,948 1,123

#### Non-controlling interest in subsidiaries (note 13)

1,043 1,037

#### Trust preferred securities issued by subsidiaries (note 14)

606 650

#### Preferred shares issued by a subsidiary (note 15)

93 –

#### Equity

Participating policyholders' equity	150	82
Shareholders' equity		
Preferred shares	344	344
Common shares	14,646	599
Contributed surplus	102	14
Retained earnings and currency translation account	8,203	8,219

#### Total equity

\$ 23,445 \$ 9,258

#### Total liabilities and equity

\$ 184,246 \$ 77,516

#### Segregated funds net liabilities

\$ 117,890 \$ 71,464

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



**Arthur R. Sawchuk**  
Chairman of the  
Board of Directors

## Consolidated Statements of Equity

For the years ended December 31 (Canadian \$ in millions)	Participating Policyholders		Shareholders		2004	2003
<b>Preferred shares</b>						
Balance, January 1	\$	–	\$	344	\$	344
Preferred shares issued (note 16)		–		–		–
Issuance costs, net of tax		–		–		–
<b>Balance, December 31</b>	<b>\$</b>	<b>–</b>	<b>\$</b>	<b>344</b>	<b>\$</b>	<b>344</b>
<b>Common shares</b>						
Balance, January 1	\$	–	\$	599	\$	599
Issued on acquisition of a subsidiary (notes 3 and 16)		–		13,510		13,510
Issued on exercise of stock options and deferred share units (notes 16 and 17)		–		712		712
Purchase and cancellation (note 16)		–		(175)		(175)
<b>Balance, December 31</b>	<b>\$</b>	<b>–</b>	<b>\$</b>	<b>14,646</b>	<b>\$</b>	<b>14,646</b>
<b>Contributed surplus</b>						
Balance, January 1	\$	–	\$	14	\$	14
Issuance of options on acquisition of a subsidiary (notes 3 and 17)		–		215		215
Loss on exchange of preferred shares issued by a subsidiary (note 15)		–		(10)		(10)
Exercise of options, net		–		(117)		(117)
<b>Balance, December 31</b>	<b>\$</b>	<b>–</b>	<b>\$</b>	<b>102</b>	<b>\$</b>	<b>102</b>
<b>Retained earnings</b>						
Balance, January 1	\$	82	\$	8,892	\$	8,974
Net income		1		2,564		2,565
Preferred share dividends		–		(14)		(14)
Common share dividends		–		(690)		(690)
Purchase and cancellation of common shares (note 16)		–		(334)		(334)
Transfer of participating policyholders' retained earnings from acquisition		67		–		67
<b>Balance, December 31</b>	<b>\$</b>	<b>150</b>	<b>\$</b>	<b>10,418</b>	<b>\$</b>	<b>10,568</b>
<b>Currency translation account</b>						
Balance, January 1	\$	–	\$	(673)	\$	(673)
Change during the year		–		(1,542)		(1,542)
<b>Balance, December 31</b>	<b>\$</b>	<b>–</b>	<b>\$</b>	<b>(2,215)</b>	<b>\$</b>	<b>(2,215)</b>
<b>Total retained earnings and currency translation account</b>	<b>\$</b>	<b>150</b>	<b>\$</b>	<b>8,203</b>	<b>\$</b>	<b>8,353</b>
<b>Total equity</b>	<b>\$</b>	<b>150</b>	<b>\$</b>	<b>23,295</b>	<b>\$</b>	<b>23,445</b>

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)

	2004	2003
<b>Operating activities</b>		
Net income	\$ 2,565	\$ 1,536
Adjustments for non-cash items in net income:		
Increase in actuarial liabilities, excluding Guaranteed and Structured Financial Products	2,723	1,147
Amortization of net realized and unrealized gains on investments	(779)	(575)
Amortization of premium/discount and mark to market adjustments	401	83
Other amortization	104	62
Future income tax expense	633	202
Provisions on investments	115	5
Stock-based compensation expense	27	14
Non-controlling interest in subsidiaries	20	(10)
Net income adjusted for non-cash items	\$ 5,809	\$ 2,464
Changes in operating assets and liabilities:		
Decrease in other policy related liabilities	(723)	(218)
Additional changes in other assets and liabilities	667	409
<b>Cash provided by operating activities</b>	<b>\$ 5,753</b>	<b>\$ 2,655</b>
<b>Investing activities</b>		
Purchases and mortgage advances	\$ (48,219)	\$ (38,420)
Disposals and repayments	45,101	35,699
Cash received as part of acquisition of John Hancock Financial Services, Inc.	2,594	–
<b>Cash used in investing activities</b>	<b>\$ (524)</b>	<b>\$ (2,721)</b>
<b>Financing activities</b>		
Increase in repurchase agreements and securities sold but not yet purchased	\$ 61	\$ 420
Issue of long-term debt	94	–
Repayment of long-term debt	(58)	(213)
Net redemptions in Guaranteed and Structured Financial Products' institutional products	(3,860)	–
Bank deposits, net	1,333	1,113
Consumer notes issued	532	–
Sale of preferred shares of a subsidiary	62	–
Redemption of preferred shares issued by a subsidiary (note 15)	(150)	–
Preferred share dividends	(14)	(7)
Common share dividends	(690)	(361)
Borrowed funds (repaid), net	262	(1)
Purchase and cancellation of common shares	(509)	(9)
Common shares issued on exercise of options	568	3
Preferred shares issued, net	–	344
<b>Cash (used in) provided by financing activities</b>	<b>\$ (2,369)</b>	<b>\$ 1,289</b>
<b>Cash and short-term investments</b>		
Increase during the year	\$ 2,860	\$ 1,223
Currency impact on cash and short-term investments	(233)	(577)
Balance, January 1	5,554	4,908
<b>Balance, December 31</b>	<b>\$ 8,181</b>	<b>\$ 5,554</b>
<b>Cash and short-term investments</b>		
<b>Beginning of year</b>		
Gross cash and short-term investments	\$ 5,877	\$ 5,143
Net payments in transit, included in other liabilities	(323)	(235)
<b>Net cash and short-term investments, January 1</b>	<b>\$ 5,554</b>	<b>\$ 4,908</b>
<b>End of year</b>		
Gross cash and short-term investments	\$ 8,517	\$ 5,877
Net payments in transit, included in other liabilities	(336)	(323)
<b>Net cash and short-term investments, December 31</b>	<b>\$ 8,181</b>	<b>\$ 5,554</b>

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## Segregated Funds Consolidated Statements of Net Assets

As at December 31  
(Canadian \$ in millions)

	2004	2003
<b>Investments, at market values</b>		
Cash and short-term investments	\$ 1,726	\$ 3,005
Bonds	7,478	5,157
Stocks	106,304	63,213
Other investments	2,193	–
Accrued investment income	106	15
Other assets, net	83	74
<b>Total segregated funds net assets</b>	<b>\$ 117,890</b>	<b>\$ 71,464</b>

### Composition of segregated funds net assets:

Held by policyholders	\$ 117,570	\$ 71,173
Held by the Company	320	291
<b>Total segregated funds net assets</b>	<b>\$ 117,890</b>	<b>\$ 71,464</b>

## Segregated Funds Consolidated Statements of Changes in Net Assets

For the years ended December 31  
(Canadian \$ in millions)

	2004	2003
<b>Additions</b>		
Deposits from policyholders	\$ 25,104	\$ 17,713
Net realized and unrealized investment gains	8,936	11,143
Interest and dividends	2,583	1,421
Net transfers from general fund	507	865
Funds assumed on acquisition of a subsidiary	31,020	–
Currency revaluation	(8,322)	(10,068)
<b>Total additions</b>	<b>\$ 59,828</b>	<b>\$ 21,074</b>
<b>Deductions</b>		
Payments to policyholders	\$ 11,840	\$ 7,562
Management and administrative fees	1,562	879
<b>Total deductions</b>	<b>\$ 13,402</b>	<b>\$ 8,441</b>
Net additions for the year	\$ 46,426	\$ 12,633
Segregated funds net assets, January 1	71,464	58,831
<b>Segregated funds net assets, December 31</b>	<b>\$ 117,890</b>	<b>\$ 71,464</b>

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