GUIDE TO THE PLAN OF ALLOCATION

This document is intended as a guide to understanding the Plan of Allocation. If anything in this summary is inconsistent with any provisions in the Plan of Allocation, the provisions in the Plan of Allocation will apply.

Background

In 2009, parallel class actions in Ontario and Québec were commenced against Manulife Financial Corporation (“MFC”) and certain former MFC executives ("Individual Defendants", together, the “Defendants”). In January 2017, the Plaintiffs in the class actions entered into a settlement with the Defendants. Pursuant to the settlement agreement, the Defendants will pay C$69 million into a settlement fund to be distributed (after certain deductions) to Claimants.

Q: Who are the Claimants?

The Plan of Allocation sets out a method for how the Net Settlement Amount (described below) is distributed among Claimants. A Claimant is a Class Member (or, in some circumstances, an individual acting on behalf of a Class Member) who submits a Claim Form. The Class Members are defined as follows:

1. **Ontario Class Members** are all persons and entities, wherever they may reside or be domiciled, who acquired MFC common shares over the TSX, or under a prospectus filed with a Canadian securities regulator at any time during the period between April 1, 2004 and February 12, 2009, inclusive, and continued to hold the common shares at least until February 12, 2009; but excluding:

a) the Defendants, members of the immediate families of the Individual Defendants, any officers or directors of MFC or of any direct or indirect subsidiary of MFC, any entity in respect of which any such person or entity has a controlling interest, and any legal representatives, heirs, successors or assigns of any such person or entity; and

b) all persons and entities resident or domiciled in the Province of Québec who are not precluded from participating in a class action by virtue of Article 999 of the Québec *Code of Civil Procedure*, R.S.Q., c. C-25, and who did not opt out of Québec Action.

2. **Québec Class Members** means all residents of Québec, except legal persons established for a private interest, partnerships or associations which, at all times during the twelve (12) month period preceding the motion for authorization, had more than fifty (50) persons bound to it by contract of employment under their direction or control, which, in the period between January 26, 2004 and February 12, 2009, bought or otherwise acquired shares or other securities of Manulife Financial Corporation and held them through February 12, 2009.

Q: How much money will be distributed to Claimants?

Before being distributed to Claimants, certain expenses must be deducted from the $69 million settlement amount. Those expenses include lawyer fees, administration fees and, with regard to Ontario Class Members (but not Québec Class Members), payment to a third-party funder.

The amount that remains after the deduction of those expenses and is available to be distributed to the Claimants is called the “Net Settlement Amount.”

Q: How will the money be distributed?

The objective of the Plan of Allocation is to equitably distribute the Net Settlement Amount among Claimants that submit valid and timely claims.

The Plan of Allocation sets out a process for calculating the amount of money that each Claimant will receive from the Net Settlement Amount. There are a number of steps in this calculation.

<u>Step 1: Calculating a Claimant’s Net Loss</u>

The first step is determining whether the Claimant suffered a Net Loss. To suffer a Net Loss, the monies paid by the Claimant to acquire MFC common shares during the Class Period must exceed the total proceeds paid to the Claimant on the sale of those Shares.

Claimants who still hold their shares will be deemed to have sold their shares for $14.55 – the volume weighted average price of MFC shares ten days after February 12, 2009.

The Administrator will apply “first-in first-out” methodology (“FIFO”) to all purchases of common shares by the Claimant. This means that the first common shares purchased are deemed to be the first sold. Claimants who held MFC shares at the commencement of the Class Period must have completely sold those shares before Eligible Shares are sold.

<u>Step 2: Calculating a Claimant’s Nominal Entitlement</u>

Only Claimants holding "Eligible Shares" of MFC on February 12, 2009 are eligible for a portion of the Net Settlement Amount. Eligible Shares must be purchased after:

a. in the case of Québec Class Members, January 26, 2004; or
b. in the case of Ontario Class Members, April 1, 2004.

The damages for each purchase of Eligible Shares are calculated as follows (the "Nominal Entitlement"):

Time of Sale of Shares[1]	*Damages*
before February 12, 2009	no damages
sold between February 12, 2009 and February 26, 2009, inclusive	number of common shares sold x ([purchase price – sale price] x adjustment value [2]) x risk value [3]
sold after February 26, 2009	**THE LESSER OF *(A)* and *(B)*** ***(A)*** number of common shares sold x ([purchase price – sale price] x adjustment value) x risk value ***(B)*** number of common shares sold x ([purchase price – 14.55] x adjustment value) x risk value
still held at time of Claim	number of common shares held x ([purchase price – 14.55] x adjustment value) x risk value

[1] The date of sale is the trade date, as opposed to the settlement date, of the transaction.
[2] *See* **Figure 1**
[3] *See* **Figure 2**

Figure 1: *Adjustment Value*

In the Québec class action the Plaintiff introduced expert evidence from a forensic economist that found that there was a discrepancy between the true value of MFC's common shares and the price at which they were being traded in the market due to the alleged misrepresentations. This discrepancy is known as "inflation." The inflation is the amount that a Class Member overpaid for the shares.

The expert determined that the amount of inflation varied throughout the Class Period. The variations were due to changes in MFC's sensitivities to equity and interest rates, as well as the amount of segregated funds it had under management. Generally, the amount of the inflation increased over time, as Manulife had greater amounts of segregated funds under management, resulting in greater sensitivity to the equity and interest rate markets, and therefore posing greater risks to MFC.

The Plan of Allocation distributes money among Claimants in manner consistent with the expert's determinations. As a result, a Claimant's entitlement under the settlement is modified by an "Adjustment Value," which is the amount the expert determined shares were inflated at the time the Claimant purchased their MFC shares. The adjustment value is calculated as follows:

Acquisition Date	***Adjustment Value***
January 26, 2004 – February 4, 2004[4]	0.40
February 5, 2004 – March 31, 2004[5]	0.43
April 1, 2004 – April 23, 2004	0.43
April 26, 2004 – August 5, 2004	0.47
August 6, 2004 – November 4, 2004	0.69
November 5, 2004 – February 9, 2005	0.67
February 10, 2005 – May 4, 2005	0.71
May 5, 2005 – August 3, 2005	0.73
August 4, 2005 – November 2, 2005	0.78
November 3, 2005 – February 8, 2006	0.80
February 9, 2006 – May 3, 2006	0.84
May 4, 2006 – August 2, 2006	0.91
August 3, 2006 – November 1, 2006	0.88
November 2, 2006 – February 12, 2007	0.93

[4] Applicable only to Claims by or on behalf of Québec Class Members.
[5] *Ibid.*

February 13, 2007 – February 12, 2009	1.00

Figure 2: *Risk Value*

In some cases, the timing of the Claimant's share purchase gives rise to different legal issues. Beginning on October 13, 2008, MFC made a series of disclosures informing shareholders of certain risks it faced. Because of these disclosures, the legal claims attached to some share purchases in the Class Period are weaker than the claims attached to other shares purchased earlier in the Class Period. Class Counsel has assessed the relative strengths and weaknesses of Claims throughout the Class Period and assigned a risk value to shares purchased after the first of these announcements.

Class Counsel has assessed the risks arising out of various admissions by MFC on October 14, 2008, November 6, 2008, and December 2, 2008 and assigned a risk adjustment factor to MFC common shares purchased after each admission. The risk value is based on the Claimant's purchase date, and will be calculated as follows:

Acquisition Date	***Risk Value***
Before October 14, 2008	1
October 14, 2008 – November 5, 2008	.975
November 6, 2008 – December 1, 2008	.950
December 2, 2008 – February 12, 2009	.925

To provide a very simple example, if a Claimant purchased 2,500 shares on October 10, 2006 at $36.00, and a further 2,500 shares on November 7, 2008 at $26.00 and held both at the end of the Class Period, their Nominal Entitlement for share purchase would be:

October 10, 2006: 2,500 x ([36.00-14.55=21.45] x 0.880) x 1 = $47,190.00

November 7, 2008: 2,500 x ([26.00-14.55=11.45] x 1) x .950 = $27,193.75

for a total Nominal Entitlement of $74,383.75.

<u>Step 3: *Pro Rata* Allocation of Funds</u>

After each Claimant's Nominal Entitlement is determined, the Net Settlement Amount will be allocated to Claimants on a *pro rata* basis based upon each Claimant's Nominal Entitlement.

What this means is that each Claimant will be entitled to a share of the Net Settlement Amount equal to their relative share of the total Nominal Entitlements of all Claimants. For example, if a Claimant had a Nominal Entitlement of $2 million, and the total Nominal Entitlements of all Claimants was $100 million, that Claimant would be entitled to 2% of the Net Settlement Amount.

All Funds will be paid in Canadian currency.

Step 4: Claims under $10.00

Claimants who's *pro rata* allocation described in Step 3 is less than $10.00 will not be paid out because the cost to distribute these funds is greater than the amount to be distributed. Instead, those amounts will be allocated *pro rata* to other eligible Claimants.

Step 5: Payments to Claimants

The claims administrator will make payment to Claimants by either bank transfer or cheque.

Step 6: Remaining Amounts

If a Claimant does not cash a cheque within 180 days after the date of distribution or funds otherwise remain after the Claimants are paid, the remaining amounts attributable to Ontario Class Members will be allocated among Claimants or distributed to a charity or other organization approved by the Courts.

The Act Respecting the Fonds d'aide aux actions collectives, CQLR c F-3.2.0.1.1 will apply to the portion of any remaining balance, if any, attributable to Québec Class Members.