

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.*

*This prospectus supplement together with the amended and restated short form base shelf prospectus dated May 8, 2009 to which it relates, amending and restating the short form base shelf prospectus dated March 30, 2009, as further amended or supplemented, and each document deemed to be incorporated by reference in the amended and restated short form base shelf prospectus, as amended or supplemented, constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.*

*The non-cumulative preferred shares to be issued hereunder have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws and, subject to certain exceptions, may not be offered, sold or delivered, directly or indirectly, in the United States of America, its territories, its possessions and other areas subject to its jurisdiction or to, or for the account or benefit of a U.S. person (as defined in Regulation S under the U.S. Securities Act).*

***Information has been incorporated by reference in this prospectus supplement and the accompanying amended and restated short form base shelf prospectus to which it relates, as amended or supplemented, from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of Manulife Financial Corporation at 200 Bloor Street East, NT-10, Toronto, Ontario, Canada, M4W 1E5 (telephone: (416) 926-3000), and are also available electronically at [www.sedar.com](http://www.sedar.com).***

## **PROSPECTUS SUPPLEMENT**

*(To the Amended and Restated Short Form Base Shelf Prospectus dated May 8, 2009, amending and restating the Base Shelf Prospectus dated March 30, 2009)*

*New Issue*

*May 27, 2009*



## **Manulife Financial Corporation**

**\$350,000,000**

**MFC Non-cumulative Rate Reset Class 1 Shares Series 1  
(14,000,000 Shares)**

This offering (the "Offering") of Non-cumulative Rate Reset Class 1 Shares Series 1 (the "Series 1 Preferred Shares") of Manulife Financial Corporation ("MFC") under this prospectus supplement (the "Prospectus Supplement") consists of 14,000,000 Series 1 Preferred Shares. The holders of Series 1 Preferred Shares will be entitled to receive fixed non-cumulative preferential cash dividends, as and when declared by the board of directors of MFC (the "Board of Directors"), for the initial period commencing on the Closing Date (as defined herein) and ending on and including September 19, 2014 (the "Initial Fixed Rate Period"), payable quarterly on the 19th day of March, June, September and December in each year (each three-month period ending on the 19th day of each such month, a "Quarter"), at an annual rate equal to \$1.40 per share. The initial dividend, if declared, will be payable September 19, 2009 and will be \$0.41425 per share, based on the anticipated closing date of June 3, 2009 (the "Closing Date"). See "Details of the Offering".

For each five-year period after the Initial Fixed Rate Period (each a "Subsequent Fixed Rate Period"), the holders of Series 1 Preferred Shares will be entitled to receive fixed non-cumulative preferential cash dividends, as and when declared by the Board of Directors, payable quarterly on the 19th day of March, June, September and December in each year, in the amount per share determined by multiplying the Annual Fixed Dividend Rate (as defined herein) applicable to such Subsequent Fixed Rate Period by \$25.00. The Annual Fixed Dividend Rate for the ensuing Subsequent Fixed Rate Period will be determined by MFC on the 30th day prior to the first day of such Subsequent Fixed Rate Period and will be equal to the sum of the Government of Canada Yield (as defined herein) on the date on which the Annual Fixed Dividend Rate is determined plus 3.23%. See "Details of the Offering".

### Option to Convert Into Series 2 Preferred Shares

The holders of Series 1 Preferred Shares will have the right, at their option, to convert their shares into Non-cumulative Floating Rate Class 1 Shares Series 2 (the “Series 2 Preferred Shares”) of MFC, subject to certain conditions, on September 19, 2014 and on September 19 every five years thereafter. The holders of Series 2 Preferred Shares will be entitled to receive floating rate non-cumulative preferential cash dividends, as and when declared by the Board of Directors, payable quarterly on the 19th day of March, June, September and December in each year (the initial quarterly dividend period and each subsequent quarterly dividend period is referred to as a “Quarterly Floating Rate Period”), in the amount per share determined by multiplying the applicable Floating Quarterly Dividend Rate (as defined herein) by \$25.00. The Floating Quarterly Dividend Rate will be equal to the sum of the T-Bill Rate (as defined herein) plus 3.23% (calculated on the basis of the actual number of days elapsed in the applicable Quarterly Floating Rate Period divided by 365) determined on the 30<sup>th</sup> day prior to the first day of the applicable Quarterly Floating Rate Period. See “Details of the Offering”.

The Series 1 Preferred Shares will not be redeemable by MFC prior to September 19, 2014. On September 19, 2014 and on September 19 every five years thereafter, but subject to the provisions of the *Insurance Companies Act* (Canada) (the “ICA”), including the requirement of obtaining the prior consent of the Superintendent of Financial Institutions (the “Superintendent”), and subject to certain other restrictions set out in “Details of the Offering — Certain Provisions of the Series 1 Preferred Shares as a Series — Restrictions on Dividends and Retirement of Series 1 Preferred Shares”, MFC may, at its option, on at least 30 days and not more than 60 days prior written notice, redeem for cash all or from time to time any part of the outstanding Series 1 Preferred Shares for \$25.00 per Series 1 Preferred Share, together in each case, with an amount equal to the sum (the “Accrued Amount”) of (i) all declared and unpaid dividends in respect of completed Quarters preceding the date fixed for redemption; and (ii) an amount equal to the cash dividend in respect of the Quarter in which the redemption occurs, whether declared or not, pro rated to such date. See “Details of the Offering”.

The Series 1 Preferred Shares and the Series 2 Preferred Shares do not have a fixed maturity date and are not redeemable at the option of the holders thereof. See “Risk Factors”.

**There is no market through which these securities may be sold and purchasers may not be able to resell securities purchased under the short form prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See “Risk Factors”.**

The Class A Shares Series 1, Class A Shares Series 2, Class A Shares Series 3 and Class A Shares Series 4 of MFC are listed for trading on the Toronto Stock Exchange (the “TSX”) under the symbols “MFC.PR.A”, “MFC.PR.B”, “MFC.PR.C” and “MFC.PR.D”, respectively. On May 22, 2009, the last trading day before the date of the public announcement of the Offering, the closing sale prices of the Class A Shares Series 1, Class A Shares Series 2, Class A Shares Series 3 and Class A Shares Series 4 on the TSX were \$25.10, \$19.10, \$18.30 and \$26.99, respectively. MFC has applied to list the Series 1 Preferred Shares and the Series 2 Preferred Shares on the TSX. Listing will be subject to MFC fulfilling all of the requirements of the TSX.

MFC’s head and registered office is located at 200 Bloor Street East, Toronto, Ontario, Canada M4W 1E5.

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**PRICE: \$25.00 per Series 1 Preferred Share to yield initially 5.60% per annum**

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Scotia Capital Inc., RBC Dominion Securities Inc., CIBC World Markets Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., TD Securities Inc., HSBC Securities (Canada) Inc., Desjardins Securities Inc., Blackmont Capital Inc., Canaccord Capital Corporation, Dundee Securities Corporation and Laurentian Bank Securities Inc. (collectively, the “Underwriters”), as principals, conditionally offer the Series 1 Preferred Shares, subject to prior sale, if, as and when issued by MFC and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under “Plan of Distribution” and subject to approval of certain legal matters on behalf of MFC by Torys LLP and on behalf of the Underwriters by Davies Ward Phillips & Vineberg LLP.

**The Canadian chartered bank affiliate of each of BMO Nesbitt Burns Inc., CIBC World Markets Inc., National Bank Financial Inc., RBC Dominion Securities Inc. and Scotia Capital Inc. is party to a credit agreement with MFC. The amount outstanding under the credit agreement will be reduced by approximately \$170 million using the net proceeds of this Offering. As a result, MFC may be considered to be a connected issuer of each of those Underwriters under Canadian securities legislation. See “Plan of Distribution”.**

	<u>Price to Public</u>	<u>Underwriters' Fee<sup>(1)</sup></u>	<u>Net Proceeds to MFC<sup>(2)</sup></u>
Per Series 1 Preferred Share .....	\$25.00	\$0.75	\$24.25
Total <sup>(3)</sup> .....	\$350,000,000	\$10,500,000	\$339,500,000

(1) The underwriting fee is \$0.25 for each share sold to certain institutions and \$0.75 per share for all other shares sold. The total represents the underwriting fee assuming no shares are sold to such institutions.

(2) Before deduction of MFC's expenses of this issue, estimated at \$325,000, which, together with the Underwriters' fee, will be paid from the proceeds of the Offering.

The offering price was determined by negotiation between MFC and the Underwriters. In connection with the Offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Series 1 Preferred Shares at a higher level than that which might exist in the open market. These transactions may be commenced, interrupted or discontinued at any time. **The Underwriters may offer the Series 1 Preferred Shares at a lower price than stated above. See "Plan of Distribution".**

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the closing of the Offering will take place on June 3, 2009 or on such later date as MFC and the Underwriters may agree (the "Closing Date"). A global certificate representing the Series 1 Preferred Shares will be issued in registered form only to CDS Clearing and Depository Services Inc. ("CDS"), or its nominee, and will be deposited with CDS on closing of the Offering. A purchaser of the Series 1 Preferred Shares under the Offering will receive only a customer confirmation from the registered dealer who is a CDS participant and from or through whom the Series 1 Preferred Shares are purchased. See "Details of the Offering — Depository Services".

**The earnings coverage ratios of MFC for the 12 months ended March 31, 2009 are less than one-to-one. See "Earnings Coverage Ratios".**

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In this Prospectus Supplement, unless otherwise indicated, capitalized terms which are defined in the accompanying amended and restated short form base shelf prospectus of MFC dated May 8, 2009, amending and restating the short form base shelf prospectus dated March 30, 2009 (the "Prospectus") are used herein with the meanings defined therein. All references herein to "Canada" mean Canada, its provinces, its territories, its possessions and all areas subject to its jurisdiction. Unless otherwise indicated, all references to "\$" or "dollar" are to Canadian dollars.

### CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus Supplement, the Prospectus and the documents incorporated by reference in the Prospectus contain forward-looking statements within the meaning of the "safe harbour" provisions of Canadian provincial securities laws and the U.S. *Private Securities Litigation Reform Act of 1995*. These forward-looking statements relate to, among other things, Manulife Financial's objectives, goals, strategies, intentions, plans, beliefs, expectations and estimates, and can generally be identified by the use of words such as "may", "will", "could", "should", "would", "likely", "suspect", "outlook", "expect", "intend", "estimate", "anticipate", "believe", "plan", "forecast", "objective", "continue" and "endeavour" (or the negative thereof) and words and expressions of similar import, and include statements concerning possible or assumed future results of Manulife Financial. Although Manulife Financial believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements, and actual results may differ materially from those expressed or implied in such statements. Important factors that could cause actual results to differ materially from expectations include but are not limited to: general business and economic conditions (including but not limited to performance of equity markets, interest rate fluctuations, currency rates, investment losses and defaults, movements in credit spreads, market liquidity and creditworthiness of guarantors and counterparties); liquidity of Manulife Financial including the availability of financing to satisfy existing financial liabilities on their expected maturity dates when required; level of competition and consolidation; changes in laws and regulations; accuracy of information received from counterparties and the ability of counterparties to meet their obligations; accuracy of estimates used in applying accounting policies and actuarial methods used by Manulife Financial; the ability to maintain Manulife Financial's reputation; the ability to implement effective hedging strategies; legal and regulatory proceedings; the ability to adapt products and services to the changing market; the ability to attract and retain key executives; the ability to complete acquisitions including the availability of equity and debt financing when required for this purpose; the ability to execute strategic plans; the disruption of or changes to key elements of Manulife Financial's or public infrastructure systems; and environmental concerns. Additional information about material factors that could cause actual results to differ materially from expectations and about material factors or assumptions applied in making forward-looking statements may be found in this Prospectus Supplement and the Prospectus under "Risk Factors" as well as under "Risk Factors" in MFC's most recent annual information form, under "Risk Management" and "Critical Accounting and Actuarial Policies" in the management's discussion and analysis in MFC's most recent annual and interim reports, in the "Risk Management" note to the consolidated financial statements in MFC's most recent annual and interim reports, and elsewhere in MFC's filings with Canadian and U.S. securities regulators. Manulife Financial does not undertake to update any forward-

looking statement that is contained in this Prospectus Supplement, the Prospectus or the documents incorporated by reference in the Prospectus except as required by law.

### ELIGIBILITY FOR INVESTMENT

In the opinion of Torys LLP and Davies Ward Phillips & Vineberg LLP, the Series 1 Preferred Shares, if issued on the date of this Prospectus Supplement, would be, on such date, a qualified investment under the *Income Tax Act* (Canada) (the “Tax Act”) and the regulations thereunder for a trust governed by a registered retirement savings plan, a registered retirement income fund, a registered education savings plan, a registered disability savings plan, a deferred profit sharing plan and a tax-free savings account. The Series 1 Preferred Shares will not be “prohibited investments” for a tax-free savings account where the holder of the tax-free savings account is not a “specified shareholder” of MFC, within the meaning of the Tax Act, and MFC deals at arm’s length with the holder and any person in which the holder has a “significant interest”, within the meaning of the Tax Act.

### DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus Supplement is deemed to be incorporated by reference into the accompanying Prospectus solely for the purpose of the Offering. The following documents, as filed by MFC with the various securities commissions or similar authorities in Canada, are incorporated by reference into the Prospectus:

- (a) Annual Information Form dated March 26, 2009 (the “AIF”);
- (b) amended audited comparative consolidated financial statements and the notes thereto for the years ended December 31, 2008 and 2007, together with the auditors’ report thereon, as filed on May 8, 2009;
- (c) management’s discussion and analysis for the audited comparative consolidated financial statements for the years ended December 31, 2008 and 2007, as filed on March 26, 2009;
- (d) unaudited comparative interim consolidated financial statements for the three months ended March 31, 2009;
- (e) management’s discussion and analysis for the unaudited comparative interim consolidated financial statements referred to in paragraph (d); and
- (f) management proxy circular dated March 17, 2009 regarding MFC’s annual and special meeting of shareholders held on May 7, 2009.

Any documents of the type described in Section 11.1 of Form 44-101F1 - *Short Form Prospectus* filed by MFC with the securities commissions or similar authorities in Canada after the date of this Prospectus Supplement and prior to the termination of the Offering shall be deemed to be incorporated by reference in the Prospectus.

**Any statement contained in this Prospectus Supplement, the Prospectus or in a document incorporated or deemed to be incorporated by reference in the Prospectus shall be deemed to be modified or superseded, for the purposes of this Prospectus Supplement, to the extent that a statement contained herein, or in the Prospectus or in any other subsequently filed document that also is or is deemed to be incorporated by reference in the Prospectus, modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or includes any other information set forth in the document that it modifies or supersedes. The making of a modified or superseded statement will not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of the Prospectus.**

### DETAILS OF THE OFFERING

#### Certain Provisions of the Class 1 Shares as a Class

See “MFC Share Structure — Certain Provisions of the Class 1 Shares as a Class” and “— Certain Provisions Common to the Class A Shares, Class B Shares and Class 1 Shares” in the Prospectus for a summary of the provisions attaching to the Class 1 Shares as a class.

The Board of Directors may from time to time issue Class 1 Shares in one or more series. Prior to issuing shares in a series, the Board of Directors is required to fix the number of shares in the series and determine the designation, rights, privileges, restrictions and conditions attaching to that series of Class 1 Shares.

The Series 1 Preferred Shares and the Series 2 Preferred Shares will each be issued as a series of Class 1 Shares of MFC.

#### **Certain Provisions of the Series 1 Preferred Shares as a Series**

The following is a summary of certain provisions attaching to the Series 1 Preferred Shares as a series.

#### ***Definition of Terms***

The following definitions are relevant to the Series 1 Preferred Shares.

“**Annual Fixed Dividend Rate**” means, for any Subsequent Fixed Rate Period, the rate (expressed as a percentage rate rounded down to the nearest one hundred-thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the Government of Canada Yield on the applicable Fixed Rate Calculation Date plus 3.23%.

“**Bloomberg Screen GCAN5YR Page**” means the display designated as page “GCAN5YR<INDEX>” on the Bloomberg Financial L.P. service (or such other page as may replace the GCAN5YR page on that service) for purposes of displaying Government of Canada bond yields.

“**Fixed Rate Calculation Date**” means, for any Subsequent Fixed Rate Period, the 30<sup>th</sup> day prior to the first day of such Subsequent Fixed Rate Period.

“**Government of Canada Yield**” on any date means the yield to maturity on such date (assuming semi-annual compounding) of a Canadian dollar denominated non-callable Government of Canada bond with a term to maturity of five years as quoted as of 10:00 a.m. (Toronto time) on such date and which appears on the Bloomberg Screen GCAN5YR Page on such date; provided that, if such rate does not appear on the Bloomberg Screen GCAN5YR Page on such date, the Government of Canada Yield will mean the average of the yields determined by two registered Canadian investment dealers selected by MFC, as being the yield to maturity on such date (assuming semi-annual compounding) which a Canadian dollar denominated non-callable Government of Canada bond would carry if issued in Canadian dollars at 100% of its principal amount on such date with a term to maturity of five years.

“**Initial Fixed Rate Period**” means the period commencing on the Closing Date and ending on and including September 19, 2014.

“**Subsequent Fixed Rate Period**” means for the initial Subsequent Fixed Rate Period, the period commencing on September 20, 2014 and ending on and including September 19, 2019 and for each succeeding Subsequent Fixed Rate Period, the period commencing on the day immediately following the end of the immediately preceding Subsequent Fixed Rate Period and ending on and including September 19 in the fifth year thereafter.

#### ***Issue Price***

The Series 1 Preferred Shares will have an issue price of \$25.00 per share.

#### ***Dividends***

During the Initial Fixed Rate Period, the holders of the Series 1 Preferred Shares will be entitled to receive fixed quarterly non-cumulative preferential cash dividends, as and when declared by the Board of Directors, subject to the provisions of the ICA, on the 19th day of March, June, September and December in each year, at an annual rate equal to \$1.40 per share. The initial dividend, if declared, will be payable September 19, 2009 and will be \$0.41425 per share, based on the anticipated Closing Date of June 3, 2009.

During each Subsequent Fixed Rate Period, the holders of Series 1 Preferred Shares will be entitled to receive fixed non-cumulative preferential cash dividends, as and when declared by the Board of Directors, subject to the provisions of the ICA, payable quarterly on the 19th day of March, June, September and December in each year, in the amount per share determined by multiplying the Annual Fixed Dividend Rate applicable to such Subsequent Fixed Rate Period by \$25.00.

The Annual Fixed Dividend Rate applicable to a Subsequent Fixed Rate Period will be determined by MFC on the Fixed Rate Calculation Date. Such determination will, in the absence of manifest error, be final and binding upon MFC and upon all holders of Series 1 Preferred Shares. MFC will, on the Fixed Rate Calculation Date, give written notice of the Annual Fixed Dividend Rate for the ensuing Subsequent Fixed Rate Period to the registered holders of the then outstanding Series 1 Preferred Shares.

If the Board of Directors does not declare the dividends, or any part thereof, on the Series 1 Preferred Shares on or before the dividend payment date for a particular quarter, then the entitlement of the holders of the Series 1 Preferred Shares to such dividends, or to any part thereof, for such quarter shall be forever extinguished. Payments of dividends and other amounts in respect of the Series 1 Preferred Shares will be made by MFC to CDS, or its nominee, as the case may be, as registered holder of the Series 1 Preferred Shares. As long as CDS, or its nominee, is the registered holder of the Series 1 Preferred Shares, CDS, or its nominee, as the case may be, will be considered the sole owner of the Series 1 Preferred Shares for the purposes of receiving payment on the Series 1 Preferred Shares. See “Depository Services”.

### ***Redemption***

The Series 1 Preferred Shares will not be redeemable by MFC prior to September 19, 2014. On September 19, 2014 and on September 19 every five years thereafter, but subject to the provisions of the ICA, including the requirement of obtaining the prior consent of the Superintendent, and subject to certain other restrictions set out in “Restrictions on Dividends and Retirement of Series 1 Preferred Shares”, MFC may, at its option, on at least 30 days and not more than 60 days prior written notice, redeem all or from time to time any part of the outstanding Series 1 Preferred Shares by payment in cash of a per share sum equal to \$25.00, in each case with an amount equal to the Accrued Amount up to but excluding the date fixed for redemption.

Notice of any redemption will be given by MFC at least 30 days and not more than 60 days prior to the date fixed for redemption. If less than all of the outstanding Series 1 Preferred Shares are to be redeemed, the shares to be redeemed shall be selected on a pro rata basis disregarding fractions or, if such shares are at such time listed on such exchange, with the consent of the TSX, in such manner as the Board of Directors in its sole discretion may, by resolution, determine. Consistent with MFC’s policy of maintaining an adequate and appropriate mix of high quality capital, it is MFC’s intention to fund any cash redemption of the Series 1 Preferred Shares in full by issuing securities that will have equity characteristics that are similar or equivalent to the Series 1 Preferred Shares and qualify as Tier 1 capital from a regulatory perspective, or common equity, within six months of the date of redemption.

The Series 1 Preferred Shares do not have a fixed maturity date and are not redeemable at the option of the holders of Series 1 Preferred Shares. See “Risk Factors”.

### ***Conversion of Series 1 Preferred Shares into Series 2 Preferred Shares***

Holders of Series 1 Preferred Shares will have the right, at their option, on September 19, 2014 and on September 19 every five years thereafter (a “Series 1 Conversion Date”), to convert, subject to the restrictions on conversion described below and the payment or delivery to MFC of evidence of payment of the tax (if any) payable, all or any of their Series 1 Preferred Shares registered in their name into Series 2 Preferred Shares on the basis of one Series 2 Preferred Share for each Series 1 Preferred Share. The conversion of Series 1 Preferred Shares may be effected upon written notice given by the registered holders of the Series 1 Preferred Shares not earlier than the 30<sup>th</sup> day prior to, but not later than 5:00 p.m. (Toronto time) on the 15<sup>th</sup> day preceding, a Series 1 Conversion Date.

MFC will, at least 30 days and not more than 60 days prior to the applicable Series 1 Conversion Date, give notice in writing to the then registered holders of Series 1 Preferred Shares of the above-mentioned conversion right. On the 30<sup>th</sup> day prior to each Series 1 Conversion Date, MFC will give notice in writing to the then registered holders of the Series 1 Preferred Shares of the Annual Fixed Dividend Rate for the next succeeding Subsequent Fixed Rate Period and the Floating Quarterly Dividend Rate applicable to the Series 2 Preferred Shares for the next succeeding Quarterly Floating Rate Period.

If MFC gives notice to the registered holders of the Series 1 Preferred Shares of the redemption on a Series 1 Conversion Date of all the Series 1 Preferred Shares, MFC will not be required to give notice as provided hereunder to the registered holders of the Series 1 Preferred Shares of an Annual Fixed Dividend Rate or of the conversion right of holders of Series 1 Preferred Shares and the right of any holder of Series 1 Preferred Shares to convert such Series 1 Preferred Shares will cease and terminate in that event.

Holders of Series 1 Preferred Shares will not be entitled to convert their shares into Series 2 Preferred Shares if MFC determines that there would remain outstanding on a Series 1 Conversion Date less than 1,000,000 Series 2 Preferred Shares, after having taken into account all Series 1 Preferred Shares tendered for conversion into Series 2 Preferred Shares and all Series 2 Preferred Shares tendered for conversion into Series 1 Preferred Shares. MFC will give notice in writing to all registered holders of Series 1 Preferred Shares of their inability to convert their Series 1 Preferred Shares at least seven days prior to the applicable Series 1 Conversion Date. Furthermore, if MFC determines that there would remain outstanding on a Series 1 Conversion Date less than 1,000,000 Series 1 Preferred Shares, after having taken into account all Series 1 Preferred Shares tendered for conversion into Series 2 Preferred Shares and all Series 2 Preferred Shares tendered for conversion into Series 1 Preferred Shares, then, all, but not part, of the remaining outstanding Series 1 Preferred Shares will automatically be converted into Series 2 Preferred Shares on the basis of one Series 2 Preferred Share for each Series 1 Preferred Share, on the applicable Series 1 Conversion Date and MFC will give notice in writing to this effect to the then registered holders of such remaining Series 1 Preferred Shares at least seven days prior to the Series 1 Conversion Date.

Upon exercise by a registered holder of its right to convert Series 1 Preferred Shares into Series 2 Preferred Shares (and upon an automatic conversion), MFC reserves the right not to deliver Series 2 Preferred Shares to (i) any person whose address is in, or whom MFC or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such issue would require MFC to take any action to comply with the securities, insurance or analogous laws of such jurisdiction or (ii) any person who beneficially owns, or who would own as a result of the conversion, directly, or indirectly through entities controlled by such person or persons associated with or acting jointly or in concert with such person, Series 2 Preferred Shares in excess of 10% of the total number of outstanding shares of that class.

In such circumstances the following procedures will apply: MFC or its agent will hold all Series 1 Preferred Shares that would otherwise be delivered to such persons, as agent for such persons, and attempt to sell those Series 1 Preferred Shares (to parties other than MFC and its affiliates) on behalf of such person. Such sales, if any, will be made at such times, and at such prices, as MFC or its agent in its sole discretion may determine. MFC and its agent will not be subject to any liability for failing to sell Series 1 Preferred Shares on behalf of any such person at any particular price on any particular day. The net proceeds received by MFC or its agent from the sale of Series 1 Preferred Shares will be divided among such persons in proportion to the number of Series 1 Preferred Shares that would otherwise have been deliverable to them, after deducting the cost of sale and any applicable withholding taxes. MFC or its agent will make payment of the aggregate net proceeds to CDS (if the Series 1 Preferred Shares are held in the book-entry only system) or to the registrar and transfer agent (in all other cases) for distribution to such persons in accordance with the customary practice and procedures of CDS or the registrar and transfer agent, as applicable. See “MFC Share Structure”.

#### ***Conversion of Series 1 Preferred Shares into Another Series of Class 1 Shares at the Option of the Holder***

MFC may, subject to the provisions of the ICA, including the requirement of any necessary consent of the Superintendent, and the New Preferred Shares (as defined below) being listed on a stock exchange, give holders of the Series 1 Preferred Shares notice that they thereafter will have the right, pursuant to the terms of the Series 1 Preferred Shares, at their option, to convert their Series 1 Preferred Shares on the date specified in the notice into fully-paid New Preferred Shares on a share for share basis. Notice shall be given by MFC in writing not more than 60 days and not less than 30 days prior to such conversion date. The holders may exercise their conversion right by delivering a conversion notice to MFC or as directed by MFC. If a holder of Series 1 Preferred Shares does not deliver such conversion notice, the holder shall be deemed not to have elected to convert their Series 1 Preferred Shares into New Preferred Shares.

“New Preferred Shares” means a further series of Class 1 Shares constituted by the board of directors of MFC having rights, privileges, restrictions and conditions attaching thereto which would qualify such New Preferred Shares as Tier 1 capital or equivalent of MFC under the then current capital adequacy guidelines established by the Superintendent.

Upon exercise by the holder of this right to convert Series 1 Preferred Shares into New Preferred Shares, MFC reserves the right not to deliver New Preferred Shares to (i) any person whose address is in, or whom MFC or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such issue would require MFC to take any action to comply with the securities, insurance or analogous laws of such jurisdiction or (ii) any person who beneficially owns, or who would own as a result of the conversion, directly, or indirectly through entities controlled by such person or persons associated with or acting jointly or in concert with such person, New Preferred Shares in excess of 10% of the total number of outstanding shares of that class.

In such circumstances the following procedures will apply: MFC or its agent will hold all Series 1 Preferred Shares that would otherwise be delivered to such persons, as agent for such persons, and attempt to sell those Series 1 Preferred Shares (to parties other than MFC and its affiliates) on behalf of such person. Such sales, if any, will be made at such times, and at such prices, as MFC or its agent in its sole discretion may determine. MFC and its agent will not be subject to any liability for failing to sell Series 1 Preferred Shares on behalf of any such person at any particular price on any particular day. The net proceeds received by MFC or its agent from the sale of Series 1 Preferred Shares will be divided among such persons in proportion to the number of Series 1 Preferred Shares that would otherwise have been deliverable to them, after deducting the cost of sale and any applicable withholding taxes. MFC or its agent will make payment of the aggregate net proceeds to CDS (if the Series 1 Preferred Shares are held in the book-entry only system) or to the registrar and transfer agent (in all other cases) for distribution to such persons in accordance with the customary practice and procedures of CDS or the registrar and transfer agent, as applicable. See “MFC Share Structure”.

#### ***Purchase for Cancellation***

Subject to the provisions of the ICA, including the requirement of obtaining the prior consent of the Superintendent, and subject to certain other restrictions set out under “MFC Share Structure” and “Restrictions on Dividends and Retirement of Series 1 Preferred Shares”, MFC may at any time or times purchase for cancellation all or any number of the Series 1 Preferred Shares outstanding from time to time, by private contract or tender or in the open market, at any price.



### ***Priority***

The Series 1 Preferred Shares will rank on a parity with every other series of the Class 1 Shares with respect to dividends and return of capital. The Series 1 Preferred Shares shall rank equally with the Class A Shares and shall be entitled to a preference over the Class B Shares, the Common Shares and any other shares ranking junior to the Series 1 Preferred Shares with respect to priority in the payment of dividends and in the distribution of assets in the event of any liquidation, dissolution or winding-up of MFC, whether voluntary or involuntary, or any other distribution of the assets of MFC for the purpose of winding-up its affairs.

### ***Rights on Liquidation***

In the event of the liquidation, dissolution or winding-up of MFC, or any other distribution of assets of MFC for the purpose of winding up its affairs, the holders of Series 1 Preferred Shares will be entitled to receive \$25.00 for each Series 1 Preferred Share held by them, together with all declared and unpaid dividends to the date of payment, before any amounts are paid or any assets of MFC distributed to holders of any shares ranking junior to the Series 1 Preferred Shares. After payment of those amounts, the holders of Series 1 Preferred Shares will not be entitled to share in any further distribution of the property or assets of MFC.

### ***Voting Rights***

Subject to applicable law, holders of the Series 1 Preferred Shares will not be entitled as such to receive notice of or to attend or to vote at any meeting of the shareholders of MFC unless and until the first time at which the rights of such holders to any undeclared dividends have been extinguished as described under "Dividends". In that event, subject to the provisions of the ICA, the holders of the Series 1 Preferred Shares will be entitled to receive notice of, and to attend, only meetings of shareholders of MFC at which directors are to be elected and will be entitled to one vote for each Series 1 Preferred Share held in the election of directors voting together with all other shareholders of MFC who are entitled to vote at such meetings, and the holders of the Series 1 Preferred Shares will not be entitled to vote in respect of any other business conducted at such meetings. The voting rights of the holders of the Series 1 Preferred Shares shall immediately cease upon payment by MFC of the whole amount of a dividend on the Series 1 Preferred Shares to which the holders are entitled subsequent to the time such voting rights first arose. At such time as the rights of such holders to any undeclared dividends on the Series 1 Preferred Shares have again been extinguished, such voting rights shall become effective again and so on from time to time.

### ***Restrictions on Dividends and Retirement of Series 1 Preferred Shares***

So long as any of the Series 1 Preferred Shares are outstanding, MFC will not, without the approval of the holders of the Series 1 Preferred Shares given as specified under "Shareholder Approvals":

- (a) declare, pay or set apart for payment any dividend on the Common Shares or any other shares ranking junior to the Series 1 Preferred Shares (other than stock dividends in any shares ranking junior to the Series 1 Preferred Shares);
- (b) redeem, purchase or otherwise retire any Common Shares or any other shares ranking junior to the Series 1 Preferred Shares (except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the Series 1 Preferred Shares);
- (c) redeem, purchase or otherwise retire less than all of the Series 1 Preferred Shares; or
- (d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching to any series of Preferred Shares redeem, purchase or otherwise retire any other shares ranking *pari passu* with the Series 1 Preferred Shares;

unless, in each case, all dividends on each series of non-cumulative Class 1 Shares (including the Series 1 Preferred Shares) then issued and outstanding, up to and including those payable on the dividend payment date for the last completed period for which dividends shall be payable and in respect of which the rights of the holders thereof have not been extinguished, and all dividends then accrued on all other shares ranking prior to or *pari passu* with the Class 1 Shares, have been declared and paid or set apart for payment.

### ***Issue of Additional Series of Class 1 Shares and Amendments to the Series 1 Preferred Shares***

Although the approval of the holders of the Class 1 Shares voting separately as a class or series is not required on a proposal to amend the by-laws of MFC to create a new class of shares equal to or superior to the Class 1 Shares, MFC will not create any such class of shares superior to the Class 1 Shares without the approval of the holders of the series of Class 1 Shares

voting together as a class. MFC may issue other series of Class 1 Shares ranking *pari passu* with the Series 1 Preferred Shares without the approval of the holders of the Series 1 Preferred Shares. MFC will not without, but may from time to time with, the approval of the holders of the Series 1 Preferred Shares given as specified under “Shareholder Approvals” and the prior consent of the Superintendent, add, delete or vary any rights, privileges, restrictions and conditions attaching to the Series 1 Preferred Shares.

### ***Shareholder Approvals***

Any approval given by the holders of Series 1 Preferred Shares shall be deemed to have been sufficiently given if it shall have been given by a resolution passed with the affirmative vote of not less than 66 2/3% of the votes cast at a meeting of the holders of the Series 1 Preferred Shares duly called and held, in accordance with the terms and conditions attaching to the Series 1 Preferred Shares and the Class 1 Shares as a class, as if such class provisions referred to authorization by holders of the Series 1 Preferred Shares.

### ***Tax Election***

The Series 1 Preferred Shares will be “taxable preferred shares” as defined in the Tax Act. The terms of the Series 1 Preferred Shares require MFC to make the necessary election under Part VI.1 of the Tax Act so that corporate holders will not be subject to tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on the Series 1 Preferred Shares. See “Canadian Federal Income Tax Considerations”.

### ***Depository Services***

Except as otherwise provided below, the Series 1 Preferred Shares will be issued in “book-entry only” form and must be purchased, transferred, exchanged or redeemed through participants (“Participants”) in the depository service of CDS or its nominee. Each of the Underwriters is a Participant. On the closing of this Offering, MFC will cause a global certificate or certificates representing the Series 1 Preferred Shares to be delivered to, and registered in the name of, CDS or its nominee. Except as described below, no purchaser of Series 1 Preferred Shares will be entitled to a certificate or other instrument from MFC or CDS evidencing that purchaser’s ownership thereof, and no purchaser will be shown on the records maintained by CDS except through a book-entry account of a Participant acting on behalf of such purchaser. Each purchaser of Series 1 Preferred Shares will receive a customer confirmation of purchase from the registered dealer from which the Series 1 Preferred Shares are purchased in accordance with the practices and procedures of that registered dealer. The practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order. CDS will be responsible for establishing and maintaining book-entry accounts for its Participants having interests in the Series 1 Preferred Shares. Reference in this Prospectus Supplement to a holder of Series 1 Preferred Shares means, unless the context otherwise requires, the owner of the beneficial interest in the Series 1 Preferred Shares.

Neither MFC nor the Underwriters will assume any liability for: (a) any aspect of the records relating to the beneficial ownership of the Series 1 Preferred Shares held by CDS or the payments relating thereto; (b) maintaining, supervising or reviewing any records relating to the Series 1 Preferred Shares; or (c) any advice or representation made by or with respect to CDS and those contained in this Prospectus Supplement and relating to the rules governing CDS or any action to be taken by CDS or at the direction of Participants. The rules governing CDS provide that it acts as the agent and depository for the Participants. As a result, Participants must look solely to CDS and persons, other than Participants, having an interest in the Series 1 Preferred Shares must look solely to Participants for payments made by or on behalf of MFC to CDS in respect of the Series 1 Preferred Shares.

If MFC determines, or CDS notifies MFC in writing, that CDS is no longer willing or able to discharge properly its responsibilities as depository with respect to the Series 1 Preferred Shares and MFC is unable to locate a qualified successor, or if MFC at its option elects, or is required by law, to withdraw the Series 1 Preferred Shares from the book-entry system, then Series 1 Preferred Shares will be issued in fully registered form to holders or their nominees.

### ***Business Days***

If any action is required to be taken by MFC on a day that is not a business day, then such action will be taken on the next succeeding day that is a business day.

### ***Certain Provisions of the Series 2 Preferred Shares as a Series***

The following is a summary of certain provisions attaching to the Series 2 Preferred Shares as a series.

## ***Definition of Terms***

The following definitions are relevant to the Series 2 Preferred Shares.

“**Floating Quarterly Dividend Rate**” means, for any Quarterly Floating Rate Period, the rate (expressed as a percentage rate rounded down to the nearest one hundred-thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the T-Bill Rate on the applicable Floating Rate Calculation Date plus 3.23% (calculated on the basis of the actual number of days elapsed in such Quarterly Floating Rate Period divided by 365).

“**Floating Rate Calculation Date**” means, for any Quarterly Floating Rate Period, the 30<sup>th</sup> day prior to the first day of such Quarterly Floating Rate Period.

“**Quarterly Commencement Date**” means the 20th day of each of March, June, September and December in each year.

“**Quarterly Floating Rate Period**” means, for the initial Quarterly Floating Rate Period, the period commencing on September 20, 2014 and ending on and including December 19, 2014, and thereafter the period from and including the day immediately following the end of the immediately preceding Quarterly Floating Rate Period to but excluding the next succeeding Quarterly Commencement Date.

“**T-Bill Rate**” means, for any Quarterly Floating Rate Period, the average yield expressed as a percentage per annum on three-month Government of Canada Treasury Bills, as reported by the Bank of Canada, for the most recent treasury bills auction preceding the applicable Floating Rate Calculation Date.

## ***Issue Price***

The Series 2 Preferred Shares will have an issue price of \$25.00 per share.

## ***Dividends***

The holders of the Series 2 Preferred Shares will be entitled to receive floating rate non-cumulative preferential cash dividends, as and when declared by the Board of Directors, subject to the provisions of the ICA, payable quarterly on the 19th day of March, June, September and December in each year, in the amount per share determined by multiplying the applicable Floating Quarterly Dividend Rate by \$25.00.

The Floating Quarterly Dividend Rate for each Quarterly Floating Rate Period will be determined by MFC on the 30<sup>th</sup> day prior to the first day of each Quarterly Floating Rate Period. Such determination will, in the absence of manifest error, be final and binding upon MFC and upon all holders of Series 2 Preferred Shares. MFC will, on the Floating Rate Calculation Date, give written notice of the Floating Quarterly Dividend Rate for the ensuing Quarterly Floating Rate Period to the registered holders of the then outstanding Series 2 Preferred Shares.

If the Board of Directors does not declare the dividends, or any part thereof, on the Series 2 Preferred Shares on or before the dividend payment date for a particular Quarterly Floating Rate Period, then the entitlement of the holders of the Series 2 Preferred Shares to such dividends, or to any part thereof, for such Quarterly Floating Rate Period shall be forever extinguished. Payments of dividends and other amounts in respect of the Series 2 Preferred Shares will be made by MFC to CDS, or its nominee, as the case may be, as registered holder of the Series 2 Preferred Shares. As long as CDS, or its nominee, is the registered holder of the Series 2 Preferred Shares, CDS, or its nominee, as the case may be, will be considered the sole owner of the Series 2 Preferred Shares for the purposes of receiving payment on the Series 2 Preferred Shares. See “Depository Services”.

## ***Redemption***

Subject to the provisions of the ICA, including the requirement of obtaining the prior consent of the Superintendent, and subject to certain other restrictions set out in “Restrictions on Dividends and Retirement of Series 2 Preferred Shares”, MFC may, at its option, on at least 30 days and not more than 60 days prior written notice, redeem all or from time to time any part of the outstanding Series 2 Preferred Shares by payment in cash of a per share sum equal to (i) \$25.00 in the case of redemptions on September 19, 2019 and on September 19 every five years thereafter, or (ii) \$25.50 in the case of redemptions on any other date after September 19, 2014, in each case with an amount equal to the Accrued Amount up to but excluding the date fixed for redemption.

Notice of any redemption will be given by MFC at least 30 days and not more than 60 days prior to the date fixed for redemption. If less than all of the outstanding Series 2 Preferred Shares are to be redeemed, the shares to be redeemed shall be selected on a pro rata basis disregarding fractions or, if such shares are at such time listed on such exchange, with the consent of the TSX, in such manner as the Board of Directors in its sole discretion may, by resolution, determine. Consistent with MFC’s

policy of maintaining an adequate and appropriate mix of high quality capital, it is MFC's intention to fund any cash redemption of the Series 2 Preferred Shares in full by issuing securities that will have equity characteristics that are similar or equivalent to the Series 2 Preferred Shares and qualify as Tier 1 capital from a regulatory perspective, or common equity, within six months of the date of redemption.

The Series 2 Preferred Shares do not have a fixed maturity date and are not redeemable at the option of the holders of Series 2 Preferred Shares. See "Risk Factors".

### ***Conversion of Series 2 Preferred Shares into Series 1 Preferred Shares***

Holders of Series 2 Preferred Shares will have the right, at their option, on September 19, 2019 and on September 19 every five years thereafter (a "Series 2 Conversion Date"), to convert, subject to the restrictions on conversion described below and the payment or delivery to MFC of evidence of payment of the tax (if any) payable, all or any of their Series 2 Preferred Shares registered in their name into Series 1 Preferred Shares on the basis of one Series 1 Preferred Share for each Series 2 Preferred Share. The conversion of Series 2 Preferred Shares may be effected upon written notice given by the registered holders of the Series 2 Preferred Shares not earlier than the 30<sup>th</sup> day prior to, but not later than 5:00 p.m. (Toronto time) on the 15<sup>th</sup> day preceding, a Series 2 Conversion Date.

MFC will, at least 30 days and not more than 60 days prior to the applicable Series 2 Conversion Date, give notice in writing to the then registered holders of the Series 2 Preferred Shares of the above-mentioned conversion right. On the 30<sup>th</sup> day prior to each Series 2 Conversion Date, MFC will give notice in writing to the then registered holders of Series 2 Preferred Shares of the Floating Quarterly Dividend Rate for the next succeeding Quarterly Floating Rate Period and the Annual Fixed Dividend Rate applicable to the Series 1 Preferred Shares for the next succeeding Subsequent Fixed Rate Period.

If MFC gives notice to the registered holders of the Series 2 Preferred Shares of the redemption on a Series 2 Conversion Date of all the Series 2 Preferred Shares, MFC will not be required to give notice as provided hereunder to the registered holders of the Series 2 Preferred Shares of an Annual Fixed Dividend Rate or of the conversion right of holders of Series 2 Preferred Shares and the right of any holder of Series 2 Preferred Shares to convert such Series 2 Preferred Shares will cease and terminate in that event.

Holders of Series 2 Preferred Shares will not be entitled to convert their shares into Series 1 Preferred Shares if MFC determines that there would remain outstanding on a Series 2 Conversion Date less than 1,000,000 Series 1 Preferred Shares, after having taken into account all Series 2 Preferred Shares tendered for conversion into Series 1 Preferred Shares and all Series 1 Preferred Shares tendered for conversion into Series 2 Preferred Shares. MFC will give notice in writing to all registered holders of Series 2 Preferred Shares of their inability to convert their Series 2 Preferred Shares at least seven days prior to the applicable Series 2 Conversion Date. Furthermore, if MFC determines that there would remain outstanding on a Series 2 Conversion Date less than 1,000,000 Series 2 Preferred Shares, after having taken into account all Series 2 Preferred Shares tendered for conversion into Series 1 Preferred Shares and all Series 1 Preferred Shares tendered for conversion into Series 2 Preferred Shares, then, all, but not part, of the remaining outstanding Series 2 Preferred Shares will automatically be converted into Series 1 Preferred Shares on the basis of one Series 1 Preferred Share for each Series 2 Preferred Share, on the applicable Series 2 Conversion Date and MFC will give notice in writing to this effect to the then registered holders of such remaining Series 2 Preferred Shares at least seven days prior to the Series 2 Conversion Date.

Upon exercise by a registered holder of its right to convert Series 2 Preferred Shares into Series 1 Preferred Shares (and upon an automatic conversion), MFC reserves the right not to deliver Series 1 Preferred Shares to (i) any person whose address is in, or whom MFC or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such issue would require MFC to take any action to comply with the securities, insurance or analogous laws of such jurisdiction or (ii) any person who beneficially owns, or who would own as a result of the conversion, directly, or indirectly through entities controlled by such person or persons associated with or acting jointly or in concert with such person, Series 1 Preferred Shares in excess of 10% of the total number of outstanding shares of that class.

In such circumstances the following procedures will apply: MFC or its agent will hold all Series 2 Preferred Shares that would otherwise be delivered to such persons, as agent for such persons, and attempt to sell those Series 2 Preferred Shares (to parties other than MFC and its affiliates) on behalf of such person. Such sales, if any, will be made at such times, and at such prices, as MFC or its agent in its sole discretion may determine. MFC and its agent will not be subject to any liability for failing to sell Series 2 Preferred Shares on behalf of any such person at any particular price on any particular day. The net proceeds received by MFC or its agent from the sale of Series 2 Preferred Shares will be divided among such persons in proportion to the number of Series 2 Preferred Shares that would otherwise have been deliverable to them, after deducting the cost of sale and any applicable withholding taxes. MFC or its agent will make payment of the aggregate net proceeds to CDS (if the Series 2 Preferred Shares are held in the book-entry only system) or to the registrar and transfer agent (in all other cases) for distribution

to such persons in accordance with the customary practice and procedures of CDS or the registrar and transfer agent, as applicable. See “MFC Share Structure”.

#### ***Conversion of Series 2 Preferred Shares into Another Series of Class 1 Shares at the Option of the Holder***

MFC may, subject to the provisions of the ICA, including the requirement of any necessary consent of the Superintendent, and the New Preferred Shares (as defined below) being listed on a stock exchange, give holders of the Series 2 Preferred Shares notice that they thereafter will have the right, pursuant to the terms of the Series 2 Preferred Shares, at their option, to convert their Series 2 Preferred Shares on the date specified in the notice into fully-paid New Preferred Shares on a share for share basis. Notice shall be given by MFC in writing not more than 60 days and not less than 30 days prior to such conversion date. The holders may exercise their conversion right by delivering a conversion notice to MFC or as directed by MFC. If a holder of Series 2 Preferred Shares does not deliver such conversion notice, the holder shall be deemed not to have elected to convert their Series 2 Preferred Shares into New Preferred Shares.

“New Preferred Shares” means a further series of Class 1 Shares constituted by the board of directors of MFC having rights, privileges, restrictions and conditions attaching thereto which would qualify such New Preferred Shares as Tier 1 capital or equivalent of MFC under the then current capital adequacy guidelines established by the Superintendent.

Upon exercise by the holder of this right to convert Series 2 Preferred Shares into New Preferred Shares, MFC reserves the right not to deliver New Preferred Shares to (i) any person whose address is in, or whom MFC or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such issue would require MFC to take any action to comply with the securities, insurance or analogous laws of such jurisdiction or (ii) any person who beneficially owns, or who would own as a result of the conversion, directly, or indirectly through entities controlled by such person or persons associated with or acting jointly or in concert with such person, New Preferred Shares in excess of 10% of the total number of outstanding shares of that class.

In such circumstances the following procedures will apply: MFC or its agent will hold all Series 2 Preferred Shares that would otherwise be delivered to such persons, as agent for such persons, and attempt to sell those Series 2 Preferred Shares (to parties other than MFC and its affiliates) on behalf of such person. Such sales, if any, will be made at such times, and at such prices, as MFC or its agent in its sole discretion may determine. MFC and its agent will not be subject to any liability for failing to sell Series 2 Preferred Shares on behalf of any such person at any particular price on any particular day. The net proceeds received by MFC or its agent from the sale of Series 2 Preferred Shares will be divided among such persons in proportion to the number of Series 2 Preferred Shares that would otherwise have been deliverable to them, after deducting the cost of sale and any applicable withholding taxes. MFC or its agent will make payment of the aggregate net proceeds to CDS (if the Series 2 Preferred Shares are held in the book-entry only system) or to the registrar and transfer agent (in all other cases) for distribution to such persons in accordance with the customary practice and procedures of CDS or the registrar and transfer agent, as applicable. See “MFC Share Structure”.

#### ***Purchase for Cancellation***

Subject to the provisions of the ICA, including the requirement of obtaining the prior consent of the Superintendent, and subject to certain other restrictions set out under “MFC Share Structure” and “Restrictions on Dividends and Retirement of Series 2 Preferred Shares”, MFC may at any time or times purchase for cancellation all or any number of the Series 2 Preferred Shares outstanding from time to time, by private contract or tender or in the open market, at any price.

#### ***Priority***

The Series 2 Preferred Shares will rank on a parity with every other series of the Class 1 Shares with respect to dividends and return of capital. The Series 2 Preferred Shares shall rank equally with the Class A Shares and shall be entitled to a preference over the Class B Shares, the Common Shares and any other shares ranking junior to the Series 2 Preferred Shares with respect to priority in the payment of dividends and in the distribution of assets in the event of any liquidation, dissolution or winding-up of MFC, whether voluntary or involuntary, or any other distribution of the assets of MFC for the purpose of winding-up its affairs.

#### ***Rights on Liquidation***

In the event of the liquidation, dissolution or winding-up of MFC, or any other distribution of assets of MFC for the purpose of winding up its affairs, the holders of Series 2 Preferred Shares will be entitled to receive \$25.00 for each Series 2 Preferred Share held by them, together with all declared and unpaid dividends to the date of payment, before any amounts are paid or any assets of MFC distributed to holders of any shares ranking junior to the Series 2 Preferred Shares. After payment of

those amounts, the holders of Series 2 Preferred Shares will not be entitled to share in any further distribution of the property or assets of MFC.

### ***Voting Rights***

Subject to applicable law, holders of the Series 2 Preferred Shares will not be entitled as such to receive notice of or to attend or to vote at any meeting of the shareholders of MFC unless and until the first time at which the rights of such holders to any undeclared dividends have been extinguished as described under “Dividends”. In that event, subject to the provisions of the ICA, the holders of the Series 2 Preferred Shares will be entitled to receive notice of, and to attend, only meetings of shareholders of MFC at which directors are to be elected and will be entitled to one vote for each Series 2 Preferred Share held in the election of directors voting together with all other shareholders of MFC who are entitled to vote at such meetings, and the holders of the Series 2 Preferred Shares will not be entitled to vote in respect of any other business conducted at such meetings. The voting rights of the holders of the Series 2 Preferred Shares shall immediately cease upon payment by MFC of the whole amount of a dividend on the Series 2 Preferred Shares to which the holders are entitled subsequent to the time such voting rights first arose. At such time as the rights of such holders to any undeclared dividends on the Series 2 Preferred Shares have again been extinguished, such voting rights shall become effective again and so on from time to time.

### ***Restrictions on Dividends and Retirement of Series 2 Preferred Shares***

So long as any of the Series 2 Preferred Shares are outstanding, MFC will not, without the approval of the holders of the Series 2 Preferred Shares given as specified under “Shareholder Approvals”:

- (a) declare, pay or set apart for payment any dividend on the Common Shares or any other shares ranking junior to the Series 2 Preferred Shares (other than stock dividends in any shares ranking junior to the Series 2 Preferred Shares);
- (b) redeem, purchase or otherwise retire any Common Shares or any other shares ranking junior to the Series 2 Preferred Shares (except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the Series 2 Preferred Shares);
- (c) redeem, purchase or otherwise retire less than all of the Series 2 Preferred Shares; or
- (d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching to any series of Preferred Shares redeem, purchase or otherwise retire any other shares ranking *pari passu* with the Series 2 Preferred Shares;

unless, in each case, all dividends on each series of non-cumulative Class 1 Shares (including the Series 2 Preferred Shares) then issued and outstanding, up to and including those payable on the dividend payment date for the last completed period for which dividends shall be payable and in respect of which the rights of the holders thereof have not been extinguished, and all dividends then accrued on all other shares ranking prior to or *pari passu* with the Class 1 Shares, have been declared and paid or set apart for payment.

### ***Issue of Additional Series of Class 1 Shares and Amendments to the Series 2 Preferred Shares***

Although the approval of the holders of the Class 1 Shares voting separately as a class or series is not required on a proposal to amend the by-laws of MFC to create a new class of shares equal to or superior to the Class 1 Shares, MFC will not create any such class of shares superior to the Class 1 Shares without the approval of the holders of the series of Class 1 Shares voting together as a class. MFC may issue other series of Class 1 Shares ranking *pari passu* with the Series 2 Preferred Shares without the approval of the holders of the Series 2 Preferred Shares. MFC will not without, but may from time to time with, the approval of the holders of the Series 2 Preferred Shares given as specified under “Shareholder Approvals” and the prior consent of the Superintendent, add, delete or vary any rights, privileges, restrictions and conditions attaching to the Series 2 Preferred Shares.

### ***Shareholder Approvals***

Any approval given by the holders of Series 2 Preferred Shares shall be deemed to have been sufficiently given if it shall have been given by a resolution passed with the affirmative vote of not less than 66 2/3% of the votes cast at a meeting of the holders of the Series 2 Preferred Shares duly called and held, in accordance with the terms and conditions attaching to the Series 2 Preferred Shares and the Class 1 Shares as a class, as if such class provisions referred to authorization by holders of the Series 2 Preferred Shares.

### ***Tax Election***

The Series 2 Preferred Shares will be “taxable preferred shares” as defined in the Tax Act. The terms of the Series 2 Preferred Shares require MFC to make the necessary election under Part VI.1 of the Tax Act so that corporate holders will not be subject to tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on the Series 2 Preferred Shares. See “Canadian Federal Income Tax Considerations”.

### ***Depository Services***

If issued, the Series 2 Preferred Shares will be in “book-entry only” form unless MFC elects otherwise and may be purchased, held and transferred in substantially the same manner as the Series 1 Preferred Shares. See “Details of the Offering – Certain Provisions of the Series 1 Preferred Shares as a Series — Depository Services”.

### ***Business Days***

If any action is required to be taken by MFC on a day that is not a business day, then such action will be taken on the next succeeding day that is a business day.

## **RATINGS**

The Series 1 Preferred Shares have been given a provisional rating of Pfd-1 (low) with a stable trend by DBRS Limited (“DBRS”) and a preliminary rating of P-1(Low) and A by Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc. (“S&P”) using S&P’s Canadian scale for preferred shares and S&P’s global scale for preferred shares, respectively.

A Pfd-1 rating by DBRS is the highest of five categories granted by DBRS for preferred shares. Each category is denoted by the subcategories “High” and “Low”. A rating trend, expressed as positive, stable or negative, provides guidance in respect of DBRS’s opinion regarding the outlook for the rating. A P-1 rating by S&P is the highest of the eight categories used by S&P in its Canadian preferred share rating scale. “High” and “Low” grades may be used to indicate the relative standing of a credit within a particular rating category. The A rating by S&P is the second highest of nine categories used by S&P in its global preferred share scale.

Credit ratings are intended to provide investors with an independent assessment of the credit quality of an issue or issuer of securities and do not speak to the suitability of particular securities for any particular investor. The credit ratings assigned to the Series 1 Preferred Shares may not reflect the potential impact of all risks on the value of the Series 1 Preferred Shares. A rating is therefore not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating agency. Prospective investors should consult the relevant rating organization with respect to the interpretation and implications of the ratings.

## **CAPITALIZATION OF MFC**

The following table sets forth the share capital and consolidated indebtedness of MFC as of March 31, 2009, (a) before the Offering and the issuance on April 8, 2009 of \$600 million 7.768% medium term notes due 2019, (b) after giving effect to the issuance of 7.768% medium term notes due 2019 and the application of the net proceeds therefrom and (c) after giving effect to (i) the completion of the Offering and the application of the net proceeds therefrom and (ii) the issuance of 7.768% medium term notes due 2019 and the application of the net proceeds therefrom. Other than the proposed Offering and the issuance of the 7.768% medium term notes due 2019, there have been no other material changes to the share or loan capital of MFC on a consolidated basis since March 31, 2009. The table below should be read together with the detailed information and financial statements appearing in the documents incorporated by reference in this Prospectus.

	As of March 31, 2009 (\$ in millions)		
	(Unaudited)	(Unaudited) As adjusted <sup>(1)</sup>	(Unaudited) As adjusted <sup>(2)</sup>
Long term debt.....	\$3,602	\$4,199	\$4,029
Liabilities for preferred shares and capital instruments .....	3,683	3,683	3,683
Non-controlling interest in subsidiaries .....	222	222	222
Equity .....			
Participating policyholders' equity .....	59	59	59
Shareholders equity .....			
Preferred shares.....	1,080	1,080	1,419
Common shares.....	16,177	16,177	16,177
Contributed surplus.....	161	161	161
Shareholders retained earnings and AOCI.....	9,135	9,135	9,135
Total equity.....	<u>26,612</u>	<u>26,612</u>	<u>26,951</u>
Total capitalization .....	<u>\$34,119</u>	<u>\$34,716</u>	<u>\$34,885</u>

- (1) This unaudited pro forma capitalization at March 31, 2009 gives effect to the issuance on April 8, 2009 of \$600 million 7.768% medium term notes due 2019 and the application of the net proceeds therefrom to refinance indebtedness of a subsidiary that was repaid upon maturity from internal resources in December 2008 and for general corporate purposes of MFC, including investments in subsidiaries.
- (2) This unaudited pro forma capitalization at March 31, 2009 gives effect to (i) the issuance of \$350,000,000 Series 1 Preferred Shares and the application of the net proceeds therefrom as described under "Use of Proceeds" and (ii) the issuance on April 8, 2009 of \$600 million 7.768% medium term notes due 2019 and the application of the net proceeds therefrom to refinance indebtedness of a subsidiary that was repaid upon maturity from internal resources in December 2008 and for general corporate purposes of MFC, including investments in subsidiaries.

### MFC SHARE STRUCTURE

MFC has authorized share capital consisting of an unlimited number of Common Shares, an unlimited number of Class A Shares, an unlimited number of Class B Shares and an unlimited number of Class 1 Shares. As of the date hereof MFC has approximately 1,611 million Common Shares, 14 million Class A Shares Series 1, 14 million Class A Shares Series 2, 12 million Class A Shares Series 3 and 18 million Class A Shares Series 4 issued and outstanding. MFC has authorized but not issued Class A Shares Series 5.

The Prospectus sets out a summary of the restrictions contained in the ICA concerning the purchase or other acquisition, issue, transfer and voting of any shares of MFC, including the Preferred Shares and the Common Shares. 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. See "Constraints on Shares Under the ICA" in the Prospectus. The Prospectus also sets out a summary of additional statutory and contractual restrictions concerning on the declaration of dividends by MFC. See "ICA Restrictions and Approvals" and "Additional Restrictions on Declaration of Dividends" in the Prospectus. MFC does not anticipate that such restrictions will prevent a redemption or purchase of, or prevent a declaration or payment of dividends on, the Series 1 Preferred Shares in the normal course.

### PRIOR SALES

MFC has not issued any Class 1 Shares in the 12-month period before the date of this Prospectus Supplement.

### PRICE RANGE AND TRADING VOLUME OF LISTED SHARES

The Common Shares are listed on the TSX and are quoted under the symbol "MFC". The following table sets forth, for the periods indicated, the market price ranges and trading volumes of the Common Shares on the TSX.



<b>Common Shares</b>	<b>High (\$)</b>	<b>Low (\$)</b>	<b>Volume</b>
<b>2008</b>			
May.....	40.59	36.60	78,864,973
June.....	39.45	35.25	68,481,690
July.....	38.86	33.22	76,989,733
August.....	38.31	35.43	50,187,206
September.....	39.40	33.70	129,099,301
October.....	39.20	21.17	142,020,662
November.....	27.21	16.28	118,666,987
December.....	22.09	18.50	143,889,478
<b>2009</b>			
January.....	24.57	18.51	97,572,872
February.....	21.74	12.25	164,573,164
March.....	16.38	9.02	286,116,437
April.....	21.00	13.76	203,139,340
May 1 to May 26.....	23.97	20.02	128,857,978

The Class A Shares Series 1, Class A Shares Series 2, Class A Shares Series 3 and Class A Shares Series 4 are listed for trading on the TSX under the symbols “MFC.PR.A”, “MFC.PR.B”, “MFC.PR.C” and “MFC.PR.D”, respectively.

The following tables set forth, for the periods indicated, the market price ranges and trading volumes of the Class A Shares Series 1, Class A Shares Series 2, Class A Shares Series 3 and Class A Shares Series 4 on the TSX.

<b>Class A Shares Series 1</b>	<b>High (\$)</b>	<b>Low (\$)</b>	<b>Volume</b>
<b>2008</b>			
May.....	25.98	25.42	105,731
June.....	25.65	25.20	98,445
July.....	25.59	25.05	357,753
August.....	25.95	25.05	96,012
September.....	25.38	24.51	557,384
October.....	25.17	23.25	1,493,185
November.....	24.86	23.81	243,632
December.....	25.29	24.00	633,502
<b>2009</b>			
January.....	24.74	24.21	920,982
February.....	24.75	23.49	320,986
March.....	25.00	23.20	156,159
April.....	25.00	24.26	258,993
May 1 to May 26.....	25.26	24.52	214,453

<b>Class A Shares Series 2</b>	<b>High (\$)</b>	<b>Low (\$)</b>	<b>Volume</b>
<b>2008</b>			
May.....	22.08	21.50	370,572
June.....	21.65	19.82	668,225
July.....	20.39	18.47	455,601
August.....	20.75	19.95	172,584
September.....	20.75	19.02	165,742
October.....	19.26	16.80	1,246,333
November.....	18.65	13.01	463,995
December.....	17.84	14.60	663,148
<b>2009</b>			
January.....	19.49	17.27	331,405
February.....	17.75	16.01	340,393
March.....	16.59	14.22	142,945
April.....	18.00	15.82	256,829
May 1 to May 26.....	19.39	17.30	454,265
<b>Class A Shares Series 3</b>			
	<b>High (\$)</b>	<b>Low (\$)</b>	<b>Volume</b>
<b>2008</b>			
May.....	21.55	21.00	180,995
June.....	21.40	19.35	579,251
July.....	19.70	17.52	305,413
August.....	20.50	18.80	334,634
September.....	19.98	18.51	489,270
October.....	19.49	15.37	601,514
November.....	17.96	12.60	396,694
December.....	18.00	13.85	859,840
<b>2009</b>			
January.....	18.90	16.60	370,541
February.....	17.50	14.26	126,200
March.....	15.97	13.10	190,277
April.....	17.50	14.88	208,683
May 1 to May 26.....	18.37	17.10	132,886
<b>Class A Shares Series 4</b>			
	<b>High (\$)</b>	<b>Low (\$)</b>	<b>Volume</b>
<b>2009</b>			
March 4 to March 31.....	24.80	23.50	1,825,452
April.....	26.48	24.65	1,207,319
May 1 to May 26.....	27.00	26.00	827,312

#### PLAN OF DISTRIBUTION

Pursuant to the Underwriting Agreement, MFC has agreed to sell and the Underwriters have severally agreed to purchase on June 3, 2009 or such later date as may be agreed upon, subject to the terms and conditions stated therein, all but not less than all of the 14,000,000 Series 1 Preferred Shares at a price of \$25.00 per Series 1 Preferred Share (the "Offering Price") payable in cash to MFC against delivery of such Series 1 Preferred Shares. The obligations of the Underwriters under the Underwriting Agreement may be terminated if there should develop, occur or come into existence any occurrence of national or international consequence or any action, governmental law or regulation, inquiry or other occurrence of any nature whatsoever, or there will have been any attack on, outbreak or escalation of hostilities or acts of terrorism involving Canada or the United States, any declaration of war by Canada or the United States or any other substantial national or international calamity or

emergency, which, in the reasonable opinion of Underwriters, seriously adversely affects, or involves, or will seriously adversely affect, or involve, the financial markets or the business, operations or affairs of MFC and its subsidiaries taken as a whole and in the reasonable opinion of Underwriters such event would reasonably be expected to have a significant adverse effect on the market price or value of the Series 1 Preferred Shares. The Underwriters may also terminate the Underwriting Agreement upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Series 1 Preferred Shares if any Series 1 Preferred Shares are purchased under the Underwriting Agreement. The Underwriting Agreement provides that the Underwriters will be paid an underwriting fee per share equal to \$0.25 with respect to Series 1 Preferred Shares sold to certain institutions and \$0.75 with respect to all other Series 1 Preferred Shares. Assuming no Series 1 Preferred Shares are sold to such institutions, the underwriting fee would be \$10,500,000.

The Underwriters propose to offer the Series 1 Preferred Shares initially at the Offering Price. After a reasonable effort has been made to sell all of the Series 1 Preferred Shares at the Offering Price, the Underwriters may subsequently reduce and thereafter change, from time to time, the price at which the Series 1 Preferred Shares are offered to an amount not greater than the Offering Price. The compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by purchasers for the Series 1 Preferred Shares is less than the gross proceeds paid by the Underwriters to MFC.

The Underwriters may not, throughout the period of distribution, bid for or purchase the Series 1 Preferred Shares. The foregoing restriction is subject to certain exceptions, on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of the Series 1 Preferred Shares. These exceptions include a bid or purchase permitted under the Universal Market Integrity Rules administered by the Investment Industry Regulatory Organization of Canada relating to market stabilization and passive market-making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. MFC has been advised that, in connection with this Offering and subject to the foregoing, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Series 1 Preferred Shares at a higher level than that which might exist in the open market. These transactions may be commenced, interrupted or discontinued at any time.

Application has been made to list the Series 1 Preferred Shares and the Series 2 Preferred Shares on the TSX. Listing will be subject to MFC fulfilling all the listing requirements of the TSX.

MFC is party to a five year non-revolving term loan of \$2.0 billion (the "Credit Facility") with the Canadian chartered bank affiliate of each of BMO Nesbitt Burns Inc., CIBC World Markets Inc., National Bank Financial Inc., RBC Dominion Securities Inc. and Scotia Capital Inc. The amount outstanding under the Credit Facility will be reduced by approximately \$170 million using the net proceeds of this Offering. As a result, MFC may be considered to be a connected issuer of each of those Underwriters under Canadian securities legislation.

Approximately \$1.9 billion is outstanding under the Credit Facility at the date of this Prospectus Supplement. The Credit Facility is unsecured and ranks *pari passu* with all other unsecured and unsubordinated indebtedness of MFC. MFC is in compliance with the terms of the Credit Facility, and there has been no breach of the Credit Facility since its execution. On February 23, 2009, each of the lenders under the Credit Facility waived the requirement that the net proceeds received by MFC from capital markets debt and equity transactions be used to repay the lenders in order to permit MFC to retain 100% of the first \$250 million of the net proceeds of offerings of Class A Shares or other preferred shares of MFC that rank *pari passu* with the Class A Shares, including the Class 1 Shares, and thereafter to retain 50% of the net proceeds of offerings of Class A Shares or such other preferred shares with the other 50% applied to repay the lenders. MFC issued \$450 million Class A Shares Series 4 on March 4, 2009. Consequently, MFC will retain 50% of the net proceeds of this Offering of Series 1 Preferred Shares with the other 50% applied to repay the lenders. On May 22, 2009, MFC and the lenders agreed to amend the Credit Facility to delete the requirement that MFC repay to the lenders an amount equal to 100% of the net proceeds received by MFC or any of its subsidiaries from all capital markets debt and equity transactions from and after the date that the amount outstanding under the Credit Facility is reduced to \$1 billion or less. There has been no material change in the financial position of MFC since the execution of the Credit Facility, except as described elsewhere in this Prospectus Supplement and in the documents incorporated by reference in this Prospectus Supplement.

This Offering was not required by the Canadian chartered bank affiliates of the Underwriters. The decision to distribute the Series 1 Preferred Shares and the determination of the terms of the distribution were made through negotiations between MFC and the Underwriters. The Underwriters have participated in the structuring and pricing of this Offering. In addition, the Underwriters have participated in due diligence meetings relating to this Prospectus Supplement with MFC and its representatives, have reviewed this Prospectus Supplement and have had the opportunity to propose such changes to this Prospectus Supplement as they considered appropriate. Other than the fee to be paid to the Underwriters in connection with the Offering of the Series 1 Preferred Shares as described above, the proceeds of the Offering of the Series 1 Preferred Shares will not be applied for the benefit of the Underwriters.

Neither the Series 1 Preferred Shares nor the Series 2 Preferred Shares have been or will be registered under the U.S. Securities Act, or any U.S. state securities laws and may not be offered or sold in the United States except in transactions exempt from the registration requirements of the U.S. Securities Act.

### CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Torys LLP and Davies Ward Phillips & Vineberg LLP, the following is a summary of the principal Canadian federal income tax considerations generally applicable to a purchaser of Series 1 Preferred Shares acquired pursuant to this Prospectus Supplement and Series 2 Preferred Shares acquired upon the conversion of the Series 1 Preferred Shares so acquired who at all relevant times, within the meaning of the Tax Act, is resident in Canada or deemed to be a resident of Canada, deals at arm's length with MFC, is not affiliated with MFC, holds the Series 1 Preferred Shares or Series 2 Preferred Shares as capital property and is not exempt from tax under Part I of the Tax Act. The Canadian federal income tax considerations generally applicable to a purchaser of New Preferred Shares acquired upon a conversion of Series 1 Preferred Shares or Series 2 Preferred Shares will depend on the terms of the New Preferred Shares, if constituted, and are not described herein.

Generally, the Series 1 Preferred Shares and the Series 2 Preferred Shares will be capital property to a purchaser provided the purchaser does not hold such shares in the course of carrying on a business of trading or dealing in securities and does not acquire them as part of an adventure in the nature of a trade. Certain purchasers who might not otherwise be considered to hold Series 1 Preferred Shares or Series 2 Preferred Shares as capital property may, in certain circumstances, be entitled to have them and every other "Canadian security", as defined in the Tax Act, owned by such holder in the taxation year of the election or any subsequent taxation year, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is not applicable to a purchaser who is a "financial institution" for the purposes of the "mark to market rules", to a purchaser an interest in which would be a "tax shelter investment" or to a purchaser who has elected to determine its Canadian tax results in a "functional currency" (which does not include Canadian currency), each as defined in the Tax Act. Such purchasers should consult their own tax advisors. Furthermore, this summary is not applicable to a purchaser that is a "specified financial institution", as defined in the Tax Act, that receives or is deemed to receive, alone or together with persons with whom it does not deal at arm's length, in the aggregate dividends in respect of more than 10% of the Series 1 Preferred Shares or the Series 2 Preferred Shares, as the case may be, outstanding at the time the dividend is received. This summary also assumes that all issued and outstanding Series 1 Preferred Shares or Series 2 Preferred Shares are listed on a designated stock exchange (which includes the TSX) in Canada (as defined in the Tax Act) at such times as dividends (including deemed dividends) are paid or received on such shares.

**This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular purchaser. Accordingly, prospective purchasers are urged to consult their own tax advisors with respect to their particular circumstances.**

This summary is based upon the current provisions of the Tax Act, the regulations thereunder, all specific proposals to amend the Tax Act and the regulations publicly announced by the Minister of Finance prior to the date hereof (the "Proposals") and counsel's understanding of the current administrative practices and assessing policies published in writing by the Canada Revenue Agency (the "CRA"). This summary does not otherwise take into account any changes in law or in administrative practices or assessing policies, whether by legislative, administrative or judicial decision or action, nor does it take into account or consider any provincial, territorial or foreign income tax considerations, which may be different from those discussed herein. No assurance can be given that the Proposals will be enacted as proposed or at all.

#### *Dividends*

Dividends (including deemed dividends) received on the Series 1 Preferred Shares or the Series 2 Preferred Shares by an individual (other than certain trusts) will be included in the individual's income and generally will be subject to the gross-up and dividend tax credit rules applicable to taxable dividends received by individuals from taxable Canadian corporations, including the enhanced dividend tax credit rules applicable to any dividends designated by MFC as "eligible dividends" in accordance with the Tax Act.

Dividends (including deemed dividends) on the Series 1 Preferred Shares and the Series 2 Preferred Shares received by a corporation will be included in computing income and will generally be deductible in computing the taxable income of the corporation.

The Series 1 Preferred Shares and the Series 2 Preferred Shares will be "taxable preferred shares" as defined in the Tax Act. The terms of the Series 1 Preferred Shares and the Series 2 Preferred Shares require MFC to make the necessary election

under Part VI.1 of the Tax Act so that corporate shareholders will not be subject to tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on the Series 1 Preferred Shares and the Series 2 Preferred Shares.

A “private corporation”, as defined in the Tax Act, or any other corporation controlled, whether by reason of a beneficial interest in one or more trusts or otherwise, by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay a 33 $\frac{1}{3}$ % refundable tax under Part IV of the Tax Act on dividends received (or deemed to be received) on the Series 1 Preferred Shares and the Series 2 Preferred Shares to the extent such dividends are deductible in computing its taxable income.

### ***Dispositions***

A holder who disposes of or is deemed to dispose of the Series 1 Preferred Shares or the Series 2 Preferred Shares (including on redemption of the shares or other acquisition by MFC but not including a conversion) will generally realize a capital gain (or sustain a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares to such holder. The amount of any deemed dividend arising on the redemption or acquisition by MFC of Series 1 Preferred Shares or the Series 2 Preferred Shares will generally not be included in computing the proceeds of disposition of a holder for purposes of computing the capital gain or capital loss arising on the disposition of such shares. See “Redemption”. If the shareholder is a corporation, any such capital loss may in certain circumstances be reduced by the amount of any dividends, including deemed dividends, which have been received on such shares to the extent and under circumstances prescribed by the Tax Act. Analogous rules apply to a partnership or trust of which a corporation, trust or partnership is a member or beneficiary.

Generally, one-half of any such capital gain will be included in computing the holder’s income as a taxable capital gain and one-half of any such capital loss may be deducted from the holder’s taxable capital gains in accordance with the rules contained in the Tax Act. Taxable capital gains of a Canadian controlled private corporation (as defined in the Tax Act) may be subject to an additional refundable tax at a rate of 6 $\frac{2}{3}$ %.

### ***Redemption***

If MFC redeems for cash or otherwise acquires the Series 1 Preferred Shares or the Series 2 Preferred Shares, other than by a purchase in the manner in which shares are normally purchased by a member of the public in the open market, the holder will be deemed to have received a dividend equal to the amount, if any, paid by MFC, including any redemption premium, in excess of the paid-up capital of such shares at such time as computed for purposes of the Tax Act. See “Dividends”. The difference between the amount paid and the amount of the deemed dividend will be treated as proceeds of disposition for the purposes of computing the capital gain or capital loss arising on the disposition of such shares. See “Dispositions”. In the case of a corporate shareholder, it is possible that in certain circumstances all or part of the amount so deemed to be a dividend may be treated as proceeds of disposition and not as a dividend.

### ***Conversion***

The conversion of a Series 1 Preferred Share into a Series 2 Preferred Share or a New Preferred Share and the conversion of a Series 2 Preferred Share into a Series 1 Preferred Share or a New Preferred Share will be deemed not to be a disposition of property and accordingly will not give rise to any capital gain or capital loss. The cost to a holder of a Series 2 Preferred Share, a Series 1 Preferred Share or a New Preferred Share, as the case may be, received on the conversion will be deemed to be equal to the holder’s adjusted cost base of the converted Series 1 Preferred Share or Series 2 Preferred Share, as the case may be, immediately before the conversion. The adjusted cost base of all of the Series 1 Preferred Shares, Series 2 Preferred Shares or New Preferred Shares held by the holder will be determined in accordance with the cost averaging rules in the Tax Act.

### ***Alternative Minimum Tax***

A capital gain realized, or a dividend received or deemed to be received, by an individual or a trust (other than certain specified trusts) may give rise to a liability for alternative minimum tax.

## **EARNINGS COVERAGE RATIOS**

MFC’s dividend requirements on all of its outstanding Preferred Shares (“MFC Dividends”), which immediately following this Offering will consist of the Class A Shares Series 1, Series 2, Series 3, Series 4 and Series 1 Preferred Shares, after giving effect to the issue of the Series 1 Preferred Shares and adjusted to a before-tax equivalent using an effective income tax rate of 13.9% for the 12 months ended December 31, 2008 and 46.9% for the 12 months ended March 31, 2009, would have amounted to \$74 million and \$124 million for such periods, respectively.

The interest requirements (the “MFC Debt Interest”) on the existing senior and subordinated long-term indebtedness of MFC, including the interest requirements on the subordinated debentures issued by Manulife Holdings (Delaware) LLC (“MHD”) to Manulife Finance (Delaware) LLC (“MFD”) and capital leases, (the “MFC Debt”) net of related currency and interest rate swaps for each of the 12 months ended December 31, 2008 and the 12 months ended March 31, 2009 amounted to \$259 million and \$297 million, respectively. The “MFC Aggregate Debt Interest”, defined as the sum of (a) the MFC Debt Interest, and (b) interest requirements on the liabilities for capital instruments related to the Manulife Financial Capital Securities (“MaCS”), for each of the 12 months ended December 31, 2008 and the 12 months ended March 31, 2009 amounted to \$326 million and \$365 million, respectively. The MFC Debt and the liabilities for capital instruments related to the MaCS are referred to as “MFC Aggregate Debt”.

The “MFC Total Debt Interest”, defined as the sum of (a) the interest requirements on existing SignatureNotes, (b) the interest requirements on the senior debentures issued by MHD to MFD net of related currency and interest rate swaps, and (c) MFC Aggregate Debt Interest, for each of the 12 months ended December 31, 2008 and the 12 months ended March 31, 2009 amounted to \$447 million and \$471 million, respectively. SignatureNotes are consumer notes issued in the United States by MFC’s indirect wholly-owned subsidiary, John Hancock Life Insurance Company. From MFC’s perspective, the consumer notes and the MHD senior debentures issued to MFD represent operational leverage, not financial leverage. The existing SignatureNotes, the MHD senior debentures issued to MFD and the MFC Aggregate Debt are referred to as “MFC Total Debt”.

The consolidated earnings of MFC before the deduction of (a) the MFC Aggregate Debt Interest, (b) dividend requirements on the Class A Shares Series 1, accounted for as interest expense, and (c) income taxes for each of the 12 months ended December 31, 2008 and the 12 months ended March 31, 2009 amounted to \$871 million and -\$2,369 million, respectively. These amounts are approximately 2.6 times and -5.6 times, respectively, the MFC Debt Interest and MFC Dividends and approximately 2.2 times and -4.8 times, respectively, the MFC Aggregate Debt Interest and MFC Dividends for the same periods, assuming the Series 1 Preferred Shares had been outstanding during such periods. In order to achieve an MFC Debt Interest and MFC Dividends coverage ratio and MFC Aggregate Debt Interest and MFC Dividends coverage ratio of one-to-one for the 12 months ended March 31, 2009, MFC would have needed to earn an additional \$2,790 million and \$2,857 million, respectively.

The consolidated earnings of MFC before the deduction of (a) MFC Total Debt Interest, (b) dividend requirements on the Class A Shares Series 1, accounted for as interest expense, and (c) income taxes for each of the 12 months ended December 31, 2008 and the 12 months ended March 31, 2009 amounted to \$992 million and -\$2,263 million, respectively. These amounts are approximately 1.9 times and -3.8 times, respectively, the MFC Total Debt Interest and MFC Dividends for the same periods, assuming the Series 1 Preferred Shares had been outstanding during such periods. In order to achieve an MFC Total Debt Interest and MFC Dividends coverage ratio of one-to-one for the 12 months ended March 31, 2009, MFC would have needed to earn an additional \$2,857 million.

## USE OF PROCEEDS

The net proceeds from the sale of the Series 1 Preferred Shares offered hereunder will amount to approximately \$339 million after deducting the Underwriters’ fee and estimated expenses of the issue. The Underwriters’ fee and the expenses of the issue will be paid out of the proceeds of the Offering. Approximately \$170 million of the net proceeds from this Offering will be applied by MFC to reduce amounts outstanding under the Credit Facility and the balance of the net proceeds will be utilized for general corporate purposes of Manulife Financial. The amounts borrowed under the Credit Facility by MFC were used to provide additional regulatory capital for its operating subsidiaries and for general corporate purposes. This issue will increase MFC’s Tier 1 capital determined in accordance with the capital adequacy standards established by the Superintendent.

## RISK FACTORS

Investment in the Series 1 Preferred Shares is subject to various risks, including those risks inherent in conducting the business of a diversified financial institution. Before deciding whether to invest in any Series 1 Preferred Shares, investors should carefully consider the risks relating to Manulife Financial as described below and in the information incorporated by reference in this Prospectus Supplement (including subsequently filed documents incorporated by reference). Prospective purchasers should consider the categories of risks identified and discussed under “Risk Factors” in MFC’s AIF, under “Risk Management” and “Critical Accounting and Actuarial Policies” in the management’s discussion and analysis in MFC’s most recent annual and interim reports, in the “Risk Management” note to the consolidated financial statements in MFC’s most recent annual and interim reports, and elsewhere in MFC’s filings with Canadian and U.S. securities regulators.

From time to time, the stock market experiences significant price and volume volatility that may affect the market price of the Series 1 Preferred Shares and the Series 2 Preferred Shares for reasons unrelated to Manulife Financial’s performance. The continuing volatility in financial markets may adversely affect Manulife Financial and the market price of the Series 1 Preferred Shares and the Series 2 Preferred Shares. Also, the financial markets are generally characterized by extensive interconnections among financial institutions. As such, defaults by other financial institutions in Canada, the United States or

other countries could adversely affect Manulife Financial and the market price of the Series 1 Preferred Shares and the Series 2 Preferred Shares. Additionally, the value of the Series 1 Preferred Shares and the Series 2 Preferred Shares is subject to market value fluctuations based upon factors which influence Manulife Financial's operations, such as legislative or regulatory developments, competition, technological change and global capital market activity.

### **Credit Ratings**

The value of the Series 1 Preferred Shares and the Series 2 Preferred Shares will be affected by the general creditworthiness of MFC. Real or anticipated changes in credit ratings on the Series 1 Preferred Shares or the Series 2 Preferred Shares may affect the market value of the Series 1 Preferred Shares and the Series 2 Preferred Shares, respectively. No assurance can be given that any credit ratings assigned to the Series 1 Preferred Shares or the Series 2 Preferred Shares will not be lowered or withdrawn entirely by the relevant rating agency. In addition, real or anticipated changes in credit ratings could adversely impact the marketability of the insurance and wealth management products offered by Manulife Financial and could affect the cost at which Manulife Financial obtains funding, thereby affecting Manulife Financial's liquidity, business, financial condition or results of operations. See "Ratings".

### **Non-cumulative Dividends**

The Series 1 Preferred Shares and the Series 2 Preferred Shares are non-cumulative and dividends are payable at the discretion of the Board of Directors. See "Earnings Coverage Ratios" and "MFC Share Structure" which are relevant to an assessment of the risk that MFC will be unable to pay dividends on the Series 1 Preferred Shares or the Series 2 Preferred Shares.

MFC has covenanted that, if a distribution is not paid when due on any outstanding MaCS issued by Manulife Financial Capital Trust, MFC will not pay dividends on its "MFC Dividend Restricted Shares", which would include the Series 1 Preferred Shares and the Series 2 Preferred Shares, until the twelfth month following the failure to pay the required distribution in full, unless the required distribution is paid to the holders of MaCS.

### **Holding Company**

MFC is a holding company and owns all of the outstanding common shares of MLI and John Hancock. As a holding company, MFC's ability to meet its cash requirements, including the payment of dividends on the Series 1 Preferred Shares and the Series 2 Preferred Shares, depends upon the receipt of dividends, distributions and other payments from MLI, John Hancock and its other insurance subsidiaries and its ability to raise additional capital. These subsidiaries are generally required to maintain solvency and capital standards imposed by their local regulators and as a result there are restrictions on the payments which may be made to MFC by them. The likelihood that holders of Series 1 Preferred Shares and Series 2 Preferred Shares will receive the payments owing to them in connection with the Series 1 Preferred Shares and Series 2 Preferred Shares will be dependent upon the financial position and creditworthiness of MFC's insurance subsidiaries.

The Series 1 Preferred Shares and the Series 2 Preferred Shares are equity capital of MFC which rank equally with other Class 1 Shares, and every series of Class A Shares, in the event of an insolvency or winding-up of MFC. If MFC becomes insolvent or is wound-up, its assets must be used to satisfy outstanding indebtedness and other liabilities of MFC, including subordinated indebtedness of MFC, before payment may be made on the Series 1 Preferred Shares or the Series 2 Preferred Shares. Since MFC conducts its business activities through subsidiary companies, it is entitled only to the residual equity of its subsidiaries after all obligations of its subsidiaries are discharged. To the extent any such subsidiary has or incurs debt with a third party, the rights of holders of the Series 1 Preferred Shares and the Series 2 Preferred Shares will effectively be subordinated to the claims of the holders of such third party indebtedness, including in the event of liquidation or upon a realization of the assets of any such subsidiary.

### **Market Value Fluctuation**

Prevailing yields on similar securities will affect the market value of the Series 1 Preferred Shares and the Series 2 Preferred Shares. Assuming all other factors remain unchanged, the market value of the Series 1 Preferred Shares and the Series 2 Preferred Shares would be expected to decline as prevailing yields for similar securities rise and would be expected to increase as prevailing yields for similar securities decline. Spreads over the Government of Canada Yield, T-Bill Rate and comparable benchmark rates of interest for similar securities will also affect the market value of the Series 1 Preferred Shares and the Series 2 Preferred Shares in an analogous manner.

## **Regulatory Regime**

Manulife Financial is subject to extensive regulatory oversight in the jurisdictions in which it does business. These regulations are primarily intended to protect policyholders and beneficiaries, not shareholders. Manulife Financial's business could be adversely affected by changes in applicable law or regulation or the interpretation or enforcement thereof.

The redemption or purchase by MFC of the Series 1 Preferred Shares and the Series 2 Preferred Shares is subject to the consent of the Superintendent and other restrictions contained in the ICA. See "MFC Share Structure".

## **Absence of Trading Market**

There is currently no market through which the Series 1 Preferred Shares and the Series 2 Preferred Shares may be sold. No assurance can be given as to whether an active trading market will develop or be maintained for the Series 1 Preferred Shares and the Series 2 Preferred Shares. To the extent that an active trading market for the Series 1 Preferred Shares and the Series 2 Preferred Shares does not develop, the liquidity and trading prices for the Series 1 Preferred Shares and the Series 2 Preferred Shares may be adversely affected. If the Series 1 Preferred Shares and the Series 2 Preferred Shares are traded after their initial issuance, they may trade at a discount from their initial price depending on prevailing interest rates, the market for similar securities, the performance of Manulife Financial and other factors.

## **Other Risk Factors Specific to the Series 1 Preferred Shares and the Series 2 Preferred Shares**

Neither Series 1 Preferred Shares nor the Series 2 Preferred Shares have a fixed maturity date and are not redeemable at the option of the holders of Series 1 Preferred Shares or Series 2 Preferred Shares, as applicable. The ability of a holder to liquidate its holdings of Series 1 Preferred Shares or Series 2 Preferred Shares, as applicable, may be limited.

MFC may choose to redeem the Series 1 Preferred Shares and the Series 2 Preferred Shares from time to time, in accordance with its rights described under "Details of the Offering — Certain Provisions of the Series 1 Preferred Shares as a Series — Redemption" and "Details of the Offering — Certain Provisions of the Series 2 Preferred Shares as a Series — Redemption", including when prevailing interest rates are lower than yield borne by the Series 1 Preferred Shares and the Series 2 Preferred Shares. If prevailing rates are lower at the time of redemption, a purchaser would not be able to reinvest the redemption proceeds in a comparable security at an effective yield as high as the yield on the Series 1 Preferred Shares or the Series 2 Preferred Shares being redeemed. MFC's redemption right also may adversely impact a purchaser's ability to sell Series 1 Preferred Shares and Series 2 Preferred Shares as the optional redemption date or period approaches.

The dividend rate in respect of the Series 1 Preferred Shares will reset on September 19, 2014 and on September 19 every five years thereafter. The dividend rate in respect of the Series 2 Preferred Shares will reset quarterly. In each case, the new dividend rate is unlikely to be the same as, and may be lower than, the dividend rate for the applicable preceding dividend period.

Investments in the Series 2 Preferred Shares, given their floating interest component, entail significant risks not associated with investments in the Series 1 Preferred Shares. The resetting of the applicable rate on a Series 2 Preferred Share may result in a lower yield compared to fixed rate Series 1 Preferred Shares. The applicable rate on a Series 2 Preferred Share will fluctuate in accordance with fluctuations in the T-Bill Rate on which the applicable rate is based, which in turn may fluctuate and be affected by a number of interrelated factors, including economic, financial and political events over which MFC has no control.

An investment in the Series 1 Preferred Shares, or in the Series 2 Preferred Shares, as the case may be, may become an investment in Series 2 Preferred Shares, or in Series 1 Preferred Shares, respectively, without the consent of the holder in the event of an automatic conversion in the circumstances described under "Details of the Offering — Certain Provisions of the Series 1 Preferred Shares as a Series — Conversion of Series 1 Preferred Shares into Series 2 Preferred Shares" and "Details of the Offering — Certain Provisions of the Series 2 Preferred Shares as a Series — Conversion of Series 2 Preferred Shares into Series 1 Preferred Shares". Upon the automatic conversion of the Series 1 Preferred Shares into Series 2 Preferred Shares, the dividend rate on the Series 2 Preferred Shares will be a floating rate that is adjusted quarterly by reference to the T-Bill Rate which may vary from time to time while, upon the automatic conversion of the Series 2 Preferred Shares into Series 1 Preferred Shares, the dividend rate on the Series 1 Preferred Shares will be, for each five-year period, a fixed rate that is determined by reference to the Government of Canada Yield on the 30th day prior to the first day of each such five-year period. In addition, holders may be prevented from converting their Series 1 Preferred Shares into Series 2 Preferred Shares, and vice versa, in certain circumstances. See "Details of the Offering — Certain Provisions of the Series 1 Preferred Shares as a Series — Conversion of Series 1 Preferred Shares into Series 2 Preferred Shares", "— Issuance of Additional Series of Class 1 Shares and Amendments to the Series 1 Preferred Shares", "Details of the Offering — Certain Provisions of the Series 2 Preferred Shares as a Series —



Conversion of Series 2 Preferred Shares into Series 1 Preferred Shares” and “– Issuance of Additional Series of Class 1 Shares and Amendments to the Series 2 Preferred Shares”.

#### **LEGAL MATTERS**

In connection with the issue and sale of the Series 1 Preferred Shares, certain legal matters will be passed upon, on behalf of MFC, by Torys LLP and, on behalf of the Underwriters, by Davies Ward Phillips & Vineberg LLP. As of the date hereof, partners and associates of Torys LLP and Davies Ward Phillips & Vineberg LLP, respectively, as a group, beneficially own, directly or indirectly, less than one percent of any securities of MFC or any associates or affiliates of MFC.

#### **TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar for the Series 1 Preferred Shares and the Series 2 Preferred Shares will be CIBC Mellon Trust Company at its principal office in Toronto.

#### **STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus or any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for the particulars of these rights or consult with a legal adviser.

## AUDITORS' CONSENT

We have read the amended and restated short form base shelf prospectus of Manulife Financial Corporation ("MFC") dated May 8, 2009, amending and restating the base shelf prospectus dated March 30, 2009, as supplemented by the prospectus supplement dated May 27, 2009 relating to the issue and sale of Non-cumulative Rate Reset Class 1 Shares Series 1 of MFC (collectively, the "Prospectus"). We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use, through incorporation by reference in the Prospectus, of our report to the shareholders of MFC on the amended consolidated balance sheets of MFC and the amended consolidated statements of net assets of its segregated funds as at December 31, 2008 and 2007 and the amended consolidated statements of operations, equity, comprehensive income and cash flows of MFC, and the amended consolidated statements of changes in net assets of its segregated funds for the years then ended. Our report is dated March 17, 2009 (except as to Note 22(e) which is as of May 8, 2009).

Toronto, Canada  
May 27, 2009

(signed) Ernst & Young LLP  
Chartered Accountants  
Licensed Public Accountants

**CERTIFICATE OF THE UNDERWRITERS**

Dated: May 27, 2009

To the best of our knowledge, information and belief, the amended and restated short form prospectus dated May 8, 2009 amending and restating the base shelf prospectus dated March 30, 2009, together with the documents incorporated in the prospectus by reference, as supplemented by the foregoing, constitutes full, true and plain disclosure of all material facts relating to the securities offered by the prospectus and this supplement as required by the securities legislation of all provinces and territories of Canada.

**SCOTIA CAPITAL INC.**

By: (Signed) David J. Skurka

**RBC DOMINION SECURITIES INC.**

By: (Signed) Rajiv Bahl

**CIBC WORLD MARKETS INC.**

By: (Signed) Shannan M. Levere

**BMO NESBITT BURNS INC.**

By: (Signed) Bradley J. Hardie

**NATIONAL BANK FINANCIAL INC.**

By: (Signed) Darin E. Deschamps

**TD SECURITIES INC.**

By: (Signed) Jonathan Broer

**HSBC SECURITIES (CANADA) INC.**

By: (Signed) Catherine J. Code

**DESJARDINS SECURITIES INC.**

By: (Signed) Thomas L. Jarmai

**BLACKMONT CAPITAL  
INC.**

By: (Signed) Charles A.V.  
Pennock

**CANACCORD CAPITAL  
CORPORATION**

By: (Signed) Ron Sedran

**DUNDEE SECURITIES  
CORPORATION**

By: (Signed) Vilma Jones

**LAURENTIAN BANK  
SECURITIES INC.**

By: (Signed) Michel Richard