NATIONAL BANK
INDEPENDENT NETWORK

Fully Paid Securities Lending (FPL) Program
Frequently Asked Questions

i. DETAILS ON FULLY PAID SECURITIES LENDING

What is Fully Paid Lending?
Fully Paid Lending lets eligible clients lend fully paid or excess margin securities in their account. Under Natcan Trust Company (Natcan) FPL program, Natcan acts as securities lending agent and collateral agent; and National Bank Financial Inc., through its Capital markets division, (NBF) is the sole borrower. This relation is governed by the Securities Lending Agency Agreement (SLAA) which you can access at all times here SLAA .

What is the purpose of the FPL Program?

To allow investors to earn additional incremental revenues on securities that would otherwise remain idle in the client's account.

What will my securities be used for when they are out on loan?

Securities are lent or borrowed for several reasons, including to help dealers meet market demand, provide liquidity, manage risk, or use the securities as collateral in other transactions. In some cases, securities may also be borrowed to support trading strategies, such as hedging or short selling.

I joined the FPL program, but my securities are not being loaned. How are loan opportunities allocated?
Enrollment does not guarantee your securities will be loaned. Loan demand depends on market demand, the borrower's needs, security availability, and other operational factors.
The agent lending module incorporates a third-party fairness algorithm to allocate loans among all eligible client availability pools. Each eligible pool is given equal priority within the loan allocation process. To support fair distribution, the algorithm uses a credit-based ranking system designed to ensure that all pools with eligible availability have an opportunity to generate loans.

How will I be informed when my securities are out on loan and of the loan rate?

When your securities are lent, you'll receive daily and monthly reports indicating the names of the loaned securities, the number of securities lent and the lending revenue. The same will apply when securities are returned or when loan rates change. You'll be able to monitor all activities on your loaned securities at any time, which will remain visible in your online client portal. If you do not have access to your online client portal, please contact your investment advisor or portfolio manager.

ii. LENDING REVENUE

How is the loan rate determined?

The loan rate is based on market factors and may vary based on supply and demand for the securities.

What portion of the lending revenue am I entitled to?

When you participate in the FPL program, you can earn lending revenue based on the lending value of the securities, prorated to the number of days the securities were lent. The entire amount (100%) of the lending revenue will be paid into your trading account between the 4th and 6th business days of the month. In Natcan's program, you retain 50% of lending fees; Natcan receives 50% as agent fees. Out of the agent fees, Natcan may share a percentage with your Introducing Broker or Portfolio Manager.

Calculating your return.

For information purposes only, here's how your potential income will be calculated. Note that rates can vary depending on the market situation and throughout the duration of the loan.

Market value	Annual loan rate paid	Your total potential monthly income
$100,000	8%	**$328.80** $21.92* x 30 days x 50%

* ($100,000 X 8%) / 365 days = $21.92. The calculation is based on a 365 days calendar year for Canadian securities and 360 days for U.S. securities.

How will these payments be reported on my tax slips for non-registered accounts?

The total amount of lending revenue received from securities lending in your non-registered accounts must be included in your income tax return. This lending revenue will be reported on your tax slips, the "Investment Income Summary" and the T5 (in Box 14 – Other income from Canadian sources). Please contact your investment advisor or portfolio manager for regulatory information and to find out how to deduct the amount collected by Natcan from your lending revenue earned in your non-registered accounts. In any time, please do not hesitate to contact your tax specialist to understand the tax impact of your participation in the FPL program.

iii. REGULATIONS AND CONDTIONS

How do I join the lending program?

You can join the program if your IB or PM firm is enrolled in Natcan's FPL Program. Speak with your private wealth advisor or portfolio manager. To enroll, you must complete the FPL Enrollment Form, provide the required consents and standing instructions, and identify any accounts or securities you want excluded. Your investment advisor or portfolio manager is responsible for assessing suitability/appropriateness where applicable and explaining the risks before enrollment.

The program is offered in all eligible registered and non-registered accounts for Canadian residents only. To join the FPL Program, you must fill out and sign the *FPL Enrollment Form*.

What types of securities are eligible for the program?

Eligible securities are fully paid securities or excess margin securities held in eligible registered and non-registered participating accounts, subject to regulatory criteria, Natcan's program parameters, account restrictions, security restrictions and any exclusions you provide. Natcan does not guarantee that any particular security will be loaned.

Can I restrict securities from being lent?

Yes. You may exclude specific accounts or securities when enrolling or later by contacting your investment advisor or portfolio manager. Appendix A of the FPL Enrollment Form provides for account and security exclusions, effective within a reasonable delay and no later than three business days after receipt. Clients have the right to impose restrictions such as excluding accounts or securities at any time by filling out the *Written Instructions Form.*

Can I sell securities that are currently on loan?

Yes. You may sell loaned securities at any time through the normal process. If you sell securities on loan, the Natcan agent lender will return securities or otherwise arrange for delivery, and the sale proceeds will be credited to your account by the applicable settlement date.

How is a loan secured?

A borrower must provide collateral for the loan. Under the SLAA, Natcan monitors loaned securities and collateral daily. The collateral schedule provides for collateral of at least 105% of the aggregate market value of loaned securities, or another minimum required by law or regulation. The collateral is held in a separate Natcan account for the duration of the loan and marked to market daily.

Am I entitled to dividends on loaned securities?

Yes. You retain economic rights regarding your securities while they are on loan. Operationally, the program processes payments to client accounts in the same manner as if the security had not been lent. For non-Canadian issued securities, loans are returned before dividend record dates on a best-efforts basis.

Will FPL affect my participation in issuer dividend reinvestment plans (DRIPs)?

Securities on loan are not eligible to participate in issuer DRIPs unless recalled before the record date. Operationally, the program captures DRIP enrollment records flagged on Natcan/NBF books and records and returns loans over record date on a best-efforts basis so participation in the issuer DRIP is not affected.

Can I exercise my voting rights?

You will retain all voting rights until your securities are lent. To exercise your voting rights, you may recall loaned securities in accordance with the Securities Lending Agency Agreement at least 10 business days prior to the applicable record date.

Can I borrow funds from my margin account and still participate in the program?

Yes, but only securities that are excess margin securities and fully paid are eligible. Securities supporting a margin loan are not made available for lending. Operationally, the program identifies securities needed to support margin loans daily and makes available only fully paid securities; any securities already on loan but needed for margin are closed accordingly.

What option transactions are permitted while my securities are out on loan?

You may trade all permitted options strategies in your account. Natcan determines which securities can be lent out based on the fully paid positions in the trading account.

What if I change my mind after I enroll in the securities lending program?

You may withdraw from the program at any time by informing us in writing at least 15 business days before your intended date of withdrawal. Upon receiving your notice, Natcan will begin the process of recalling your loaned securities. Remember that you maintain full economic ownership of securities out on loan and may sell them at any time.

What happens if the borrower goes bankrupt or becomes insolvent?

As a first step, if Natcan anticipates the potential bankruptcy or insolvency of the borrower (NBF Inc.), it will initiate the immediate recall of all of your securities loans under the program.
In the event any loans remain outstanding upon the bankruptcy or insolvency of the borrower, Natcan may trigger a formal "Event of Default" under the terms of the Global Master Securities Lending Agreement governing your loans (GMSLA), which you can access at all time here FPL Program.
Natcan would liquidate the collateral held for your benefit and purchase replacement securities with the proceeds of liquidation; and would indemnify you in the event of any collateral shortfalls by purchasing additional replacement securities out of its own pocket in order to make you whole.

iv. LENDING DISCLAIMERS

The information is provided for information purposes only. It in no way replaces the client documentation and does not constitute a recommendation to enroll in the FPL program. The client must read the client documentation in its entirety (including, but not limited to, *the FPL Enrollment Form, the Securities Lending Agency Agreement (SLAA)* and the *Global Master Securities Lending Agreement (GMSLA)*) to obtain the information they need regarding the risks and features of the FPL Program.

The Canadian Investor Protection Fund (CIPF) does not provide any coverage for fully paid securities lending transactions. Your securities will not be protected by the CIPF while on loan. Your protection for loaned securities is the collateral held for your benefit and Natcan's indemnity under the SLAA. Fully paid securities that are not on loan and remain held with NBF remain eligible for CIPF coverage if NBF becomes insolvent.

v. DOCUMENTATION REQUIRED TO ENROLL IN OR MODIFY THE FPL PROGRAM

Call your Investment Advisor or Portfolio Manager to complete the following documents.

- To finalize your enrollment, complete the **FPL Enrollment Form.**
- To carry out any modifications, such as excluding accounts or securities from the program, complete the **Written Instructions Form**.