

Fairstone Bank
Supplemental Regulatory Pillar 3 Disclosures
As at June 30, 2025

Overview

Fairstone Bank is a Category 1 SMSB and all tables and information was prepared in accordance with the Pillar 3 Disclosure Guidelines.

The information disclosed within this document is supplementary to our Annual Basel III Pillar 3 Disclosure Report and therefore should be read in conjunction with that document. This can be located on the Fairstone Bank webpage : <https://www.fairstonebank.ca/legal-regulatory/>

This document is unaudited and all amounts are in Canadian dollars

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KM1: Key Metrics
As at June 30, 2025

	(000s)	a	b	c	d	e
		6/30/2025	3/31/2025	12/31/2024	9/30/2024	6/30/2024
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	2,344,928	2,326,355	997,397	1,032,470	987,764
2	Tier 1	2,344,928	2,326,355	997,397	1,032,470	987,764
3	Total capital	2,529,095	2,509,980	1,077,213	1,110,643	1,063,968
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	16,540,730	16,467,692	7,113,771	6,949,737	6,755,199
4a	Total risk-weighted assets (pre-floor)	16,540,730	16,467,692	7,113,771	6,949,737	6,755,199
	Risk-based capital ratios as a percentage of RWA					
5	CET1 ratio (%)	14.18%	14.13%	14.02%	14.86%	14.62%
6	Tier 1 ratio (%)	14.18%	14.13%	14.02%	14.86%	14.62%
7	Total capital ratio (%)	15.29%	15.24%	15.14%	900.00%	15.75%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%)	7.18%	7.13%	7.02%	7.86%	7.62%
	Basel III Leverage ratio					
13	Total Basel III leverage ratio exposure measure	33,812,948	32,982,920	9,549,280	9,331,552	9,005,779
14	Basel III leverage ratio (row 2 / row 13)	6.94%	7.05%	10.44%	11.06%	10.97%

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Modified CC1 – Composition of Capital
As at June 30, 2025

Regulatory Capital and Ratios		
Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	2,973,873
2	Retained earnings	171,672
3	Accumulated other comprehensive income (and other reserves)	(898)
6	Common Equity Tier 1 capital before regulatory adjustments	3,144,647
Common Equity Tier 1 capital: regulatory adjustments		
28	Total regulatory adjustments to Common Equity Tier 1	(799,719)
29	Common Equity Tier 1 capital (CET1)	2,344,928
Additional Tier 1 capital: regulatory adjustments		
43	Total regulatory adjustments to Additional Tier 1 capital	
44	Additional Tier 1 capital (AT1)	-
45	Tier 1 capital (T1 = CET1 + AT1)	2,344,928
Tier 2 capital: instruments and allowances		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	
47	<i>Directly issued capital instruments subject to phase out from Tier 2</i>	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	
49	<i>of which: instruments issued by subsidiaries subject to phase out</i>	
50	Collective allowances	184,167
51	Tier 2 capital before regulatory adjustments	184,167
Tier 2 capital: regulatory adjustments		
57	Total regulatory adjustments to Tier 2 capital	0
58	Tier 2 capital (T2)	184,167
59	Total capital (TC = T1 + T2)	2,529,095
60	Total risk-weighted assets	16,540,730
Capital ratios		
61	Common Equity Tier 1 (as percentage of risk-weighted assets)	14.18%
62	Tier 1 (as percentage of risk-weighted assets)	14.18%
63	Total capital (as percentage of risk-weighted assets)	15.29%
OSFI target		
69	Common Equity Tier 1 capital all-in target ratio	7.00%
70	Tier 1 capital all-in target ratio	8.50%
71	Total capital all-in target ratio	10.50%

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LR2 – Leverage Ratio Common Disclosure

As at June 30, 2025

LEVERAGE RATIO FRAMEWORK		Q2 2025	Q1 2025
On-balance sheet exposures			
1	On-balance sheet items (excluding derivatives, SFTs and grandfathered securitization exposures but including collateral)	31,324,489	30,901,015
4	(Asset amounts deducted in determining Basel III “all-in” Tier 1 capital)	(807,877)	(892,949)
5	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 4)	30,516,612	30,008,066
Derivative exposures			
6	Replacement cost associated with all derivative transactions (i.e. net of eligible cash variation margin)	69,277	119,732
7	Add-on amounts for PFE associated with all derivative transactions	113,047	84,094
11	Total derivative exposures (sum of lines 4 to 10)	182,324	203,826
Securities financing transaction exposures			
12	Gross SFT assets recognised for accounting purposes (with no recognition of netting), after adjusting for sale accounting transactions	200,013	0
16	Total securities financing transaction exposures (sum of lines 12 to 15)	200,013	0
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	11,558,787	11,192,802
18	(Adjustments for conversion to credit equivalent amounts)	(8,644,788)	(8,421,774)
19	Off-balance sheet items (sum of lines 17 and 18)	2,913,999	2,771,028
Capital and total exposures			
20	Tier 1 capital	2,344,928	2,326,355
21	Total Exposures (sum of lines 5, 11, 16 and 19)	33,812,948	32,982,920
Leverage Ratio			
22	Basel III leverage ratio	6.94%	7.05%

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CR1: Credit quality of assets
As at June 30, 2025

		a	b	c	d	e	f	g
	(000s)	Gross carrying values of ²		Allowances / impairments	Of which ECL accounting provisions for credit losses on SA exposures		Of which ECL accounting provisions for credit losses on IRB exposures	Net values (a+b-c)
		Defaulted exposures ¹	Non-defaulted exposures		Allocated in regulatory category of Specific ³	Allocated in regulatory category of General ³		
1	Loans	1,209,451	27,937,447	619,051	203,422	415,629	-	28,527,847
2	Debt securities	-	905,638	-	-	-	-	905,638
3	Off-balance sheet exposures	-	11,558,787	-	-	-	-	11,558,787
4	Total	1,209,451	40,401,872	619,051	203,422	415,629	-	40,992,272

¹ A defaulted exposure is defined as one that is past due for 90 days or more, or is an exposure to a defaulted borrower, as defined in CAR 2023 Chapter 4, Section 4.1.21, paragraph 140.

² The gross carrying values are gross of credit conversion factor (CCF) and credit risk mitigant (CRM) techniques, but after considering write-offs.

³ Specific allowances are defined as Stage 3 allowances, and General allowances are defined as Stage 1 and Stage 2 allowances under IFRS 9.

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CR3: Credit risk mitigation techniques – overview

As at June 30, 2025

		a	b	c	d	e
	(000s)	Exposures unsecured: carrying amount ¹	Exposures to be secured ²	Exposures secured by collateral ³	Exposures secured by financial guarantees ⁴	Exposures secured by credit derivatives ⁵
1	Loans	6,733,667	21,794,180	18,171,575	3,622,605	-
2	Debt securities	905,638	-	-	-	-
3	Total	7,639,305	21,794,180	18,171,575	3,622,605	-
4	Of which defaulted ⁶	331,340	674,689	667,693	6,996	-

¹ Exposures unsecured- carrying amount: carrying amount of on-balance sheet exposures (net of allowances/impairments) that do not benefit from a credit risk mitigation technique.

² Exposures to be secured: carrying amount of on-balance sheet exposures which have at least one credit risk mitigation mechanism (collateral, financial guarantees, credit derivatives) associated with them.

³ Exposures secured by collateral: carrying amount of on-balance sheet exposures (net of allowances/impairments) partly or totally secured by collateral.

⁴ Exposures secured by financial guarantees: carrying amount of on-balance sheet exposures (net of allowances/impairments) partly or totally secured by financial guarantees.

⁵ Exposures secured by credit derivatives: carrying amount of exposures (net of allowances/impairments) partly or totally secured by credit derivatives.

⁶ A defaulted exposure is defined as one that is past due for 90 days or more, or is an exposure to a defaulted borrower, as defined in CAR 2023 Chapter 4, Section 4.1.21, paragraph 140.

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CR4: Standardised approach – credit risk exposure and credit risk mitigation (CRM) effects

As at June 30, 2025

		a	b	c	d	e	f
	(000s)	Exposures before CCF and CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereigns and their central banks	959,154	-	4,520,602	189,572	-	0.00%
2	Public sector entities (PSEs)	-	-	-	-	-	0.00%
3	Multilateral development banks	-	-	-	-	-	0.00%
4	Banks	603,368	-	675,374	5	135,077	0.92%
	Of which: securities firms and other financial institu	-	-	-	-	-	0.00%
5	Covered bonds	-	-	-	-	-	0.00%
6	Corporates	10,178	-	10,178	-	2,036	0.01%
	Of which: securities firms and other financial institu	-	-	-	-	-	0.00%
	Of which: specialised lending	-	-	-	-	-	0.00%
7	Subordinated debt, equity and other capital	-	-	-	-	-	0.00%
8	Retail	6,411,597	10,271,104	6,402,327	2,564,978	5,765,187	39.32%
9	Real estate	21,525,850	1,287,683	17,908,921	159,444	7,325,060	49.96%
	Of which: general RRE	14,857,165	509,984	11,760,556	50,947	3,608,756	24.62%
	Of which: IPRRE	4,417,044	-	4,348,306	-	2,029,917	13.85%
	Of which: other RRE	-	-	-	-	-	0.00%
	Of which: general CRE	351,528	32,753	351,528	14,896	265,056	1.81%
	Of which: IPCRE	668,229	-	626,306	-	502,682	3.43%
	Of which: land acquisition, development and constr	1,231,884	744,946	822,225	93,601	918,649	6.27%
10	Reverse mortgages	-	-	-	-	-	0.00%
11	Mortgage-backed securities	-	-	-	-	-	0.00%
12	Defaulted exposures	1,006,029	-	998,774	-	1,023,485	6.98%
13	Other assets	1,215,828	-	1,231,315	-	409,592	2.79%
14	Total	31,732,004	11,558,787	31,747,491	2,913,999	14,660,437	100.00%

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CR5: Standardised approach – exposures by asset classes and risk weights
As at June 30, 2025

Risk weights																												
	Asset classes (\$000s)	0%	15%	20%	25%	30%	35%	40%	45%	50%	55%	60%	65%	70%	75%	80%	85%	90%	100%	105%	110%	130%	150%	250%	400%	1250%	Other	Total credit exposure amount
1	Sovereigns and their central banks	4,710,174		-						-									-				-				-	4,710,174
2	Public sector entities (PSEs)																											-
3	Multilateral development banks	-		-		-				-									-				-				-	-
4	Banks			675,379																								675,379
	Of which: securities firms and other financial institutions treated as banks			272,024				-		-					-													
5	Covered bonds																											-
6	Corporates			10,178																								10,178
	Of which: securities firms and other financial institutions treated as corporates																											
	Of which: specialised lending																											
7	Subordinated debt, equity and other capital																											-
8	Retail		1,774,725																									-
9	Real estate			1,519,800	1,641,966	3,116,193	6,023,649	32,761	1,009,675	2,783,092		200,884	329,251	1,033		162,507	319,243	921,618			1,047		5,646					8,967,305
	Of which: general RRE			1,519,800	1,641,966	2,885,402	5,699,085	32,761		9,224				23,235	30			319,243	921,618									11,811,503
	Of which: IPRRE			9		230,791	324,564		1,009,675	2,773,868		8,405			1,003													4,348,315
	Of which: other RRE			10																								10
	Of which: general CRE			11								192,479					162,507		11,438									366,435
	Of which: IPCRE												306,016					319,243			1,047							626,306
	Of which: land acquisition, development and construction																		910,180				5,646					915,826
10	Reverse mortgages																											-
11	Mortgage-backed securities																											-
12	Defaulted exposures									-									740,268				258,506					998,774
13	Other assets	899,777																	279,502								52,036	1,231,315
14	Total	5,609,951	1,774,725	2,205,357	1,641,966	3,116,193	6,023,649	32,761	1,009,675	2,783,092	-	200,884	-	329,251	7,193,613	-	162,507	319,243	1,941,388	-	1,047	-	264,152	-	-	-	52,036	34,661,490

Exposure amounts and CCFs applied to off-balance sheet exposures, categorised based on risk bucket of converted exposures					
	Risk weight	a	b	c	d
		On-balance sheet exposure	Off-balance sheet exposure	Weighted average CCF*	Exposure (post- CCF and post- CRM)
1	Less than 40%	18,906,345	6,644,084	22.1%	20,371,841
2	40–70%	4,354,252	6,821	20.7%	4,355,663
3	75–80%	6,040,741	4,614,482	25.0%	7,193,613
4	85%	160,101	6,646	36.2%	162,507
5	90–100%	2,155,592	286,754	36.6%	2,260,631
6	105–130%	1,047	-	0.0%	1,047
7	150%	264,152	-	0.0%	264,152
8	250%	52,036	-	0.0%	52,036
9	400%	-	-	0.0%	-
10	1250%	-	-	0.0%	-
11	Total exposures	31,934,266	11,558,787		34,661,490

* Weighting is based on off-balance sheet exposure (pre-CCF).

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CCR1: Analysis of counterparty credit risk (CCR) exposures by approach

As at June 30, 2025

		a	b	c	d	e	f
	(000s)	Replacement cost ¹	Potential Future Exposure ²	Effective EPE ³	Alpha used for computing regulatory EAD	EAD post-CRM ⁴	RWA
1	SA-CCR (for derivatives)	69,277	60,954		1.4	182,324	36,465
2	Internal Model Method (for derivatives and SFTs)						
3	Simple Approach for credit risk mitigation (for SFTs)						
4	Comprehensive Approach for credit risk mitigation (for SFTs)						
5	Value-at-risk (VaR) for SFTs						
6	Total						36,465

¹Replacement Cost (RC): For trades that are not subject to margining requirements, the RC is the loss that would occur if a counterparty were to default and was closed out of its transactions immediately. For margined trades, it is the loss that would occur if a counterparty were to default at present or at a future date, assuming that the closeout and replacement of transactions occur instantaneously. However, closeout of a trade upon a counterparty default may not be instantaneous. The replacement cost under the standardised approach for measuring counterparty credit risk

²Potential Future Exposure is any potential increase in exposure between the present and up to the end of the margin period of risk. The potential future exposure for the standardised approach is

³Effective Expected Positive Exposure (EPE) is the weighted average over time of the effective expected exposure over the first year, or, if all the contracts in the netting set mature before one year, over the time period of the longest-maturity contract in the netting set where the weights are the proportion that an individual expected exposure represents of the entire time interval (see [CAR

⁴EAD post-CRM: exposure at default. This refers to the amount relevant for the capital requirements calculation having applied CRM techniques, credit valuation adjustments according to [CAR 2023, Chapter 7, Section 7.1.3, paragraph 12] and specific wrong-way adjustments (see [CAR 2023, Chapter 7]).

CCR3: Standardised approach – CCR exposures by regulatory portfolio and risk weights
As at June 30, 2025

[illegible]

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CCR5: Composition of collateral for CCR exposure

As at June 30, 2025

(000s)	a	b	c	d	e	f
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of post collateral
	Segregated	Unsegregaed	Segregated	Unsegregated		
Cash – domestic currency	-	-	-	31,536	-	-
Cash – other currencies	-	-	-	-	-	-
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	31,536	-	-