

Fairstone Bank
Supplemental Regulatory Pillar 3 Disclosures
As at December 31, 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 December 31, 2025

	(000s)	a	b	c	d	e
		12/31/2025	9/30/2025	6/30/2025	3/31/2025	12/31/2024
Available capital (amounts)						
1	Common Equity Tier 1 (CET1)	2,323,582	2,398,632	2,344,928	2,326,355	997,397
2	Tier 1	2,323,582	2,398,632	2,344,928	2,326,355	997,397
3	Total capital	2,514,384	2,586,717	2,529,095	2,509,980	1,077,213
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	17,122,576	16,878,389	16,540,730	16,467,692	7,113,771
4a	Total risk-weighted assets (pre-floor)	17,122,576	16,878,389	16,540,730	16,467,692	7,113,771
Risk-based capital ratios as a percentage of RWA						
5	CET1 ratio (%)	13.57%	14.21%	14.18%	14.13%	14.02%
6	Tier 1 ratio (%)	13.57%	14.21%	14.18%	14.13%	14.02%
7	Total capital ratio (%)	14.68%	15.33%	15.29%	15.24%	15.14%
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 (%)	6.57%	7.21%	7.18%	7.13%	7.02%
Basel III Leverage ratio						
13	Total Basel III leverage ratio exposure measure	34,725,256	34,265,760	33,812,948	32,982,920	9,549,280
14	Basel III leverage ratio (row 2 / row 13)	6.69%	7.00%	6.94%	7.05%	10.44%

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Modified CC1 – Composition of Capital
As at December 31, 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	96,698
3	Accumulated other comprehensive income (and other reserves)	(432)
6	Common Equity Tier 1 capital before regulatory adjustments	3,070,139
Common Equity Tier 1 capital: regulatory adjustments		
28	Total regulatory adjustments to Common Equity Tier 1	(746,557)
29	Common Equity Tier 1 capital (CET1)	2,323,582
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)	2,323,582
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	190,802
51	Tier 2 capital before regulatory adjustments	190,802
Tier 2 capital: regulatory adjustments		
57	Total regulatory adjustments to Tier 2 capital	0
58	Tier 2 capital (T2)	190,802
59	Total capital (TC = T1 + T2)	2,514,384
60	Total risk-weighted assets	17,122,576
Capital ratios		
61	Common Equity Tier 1 (as percentage of risk-weighted assets)	13.57%
62	Tier 1 (as percentage of risk-weighted assets)	13.57%
63	Total capital (as percentage of risk-weighted assets)	14.68%
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 December 31, 2025

LEVERAGE RATIO FRAMEWORK		Q4 2025	Q3 2025
On-balance sheet exposures			
1	On-balance sheet items (excluding derivatives, SFTs and grandfathered securitization exposures but including collateral)	32,035,568	31,693,063
4	(Asset amounts deducted in determining Basel III “all-in” Tier 1 capital)	(752,814)	(764,919)
5	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 4)	31,282,754	30,928,144
Derivative exposures			
6	Replacement cost associated with all derivative transactions (i.e. net of eligible cash variation margin)	56,895	75,099
7	Add-on amounts for PFE associated with all derivative transactions	116,661	120,712
6	Gross up for derivatives collateral provided where deducted from the balance sheet		
7	(Deductions of receivables assets for cash variation margin provided in derivative transactions)		
8	(Exempted CCP-leg of client cleared trade exposures)		
9	Adjusted effective notional amount of written credit derivatives		
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)		
11	Total derivative exposures (sum of lines 4 to 10)	173,556	195,811
Securities financing transaction exposures			
12	Gross SFT assets recognised for accounting purposes (with no recognition of netting), after adjusting for sale accounting transactions	200,024	180,045
16	Total securities financing transaction exposures (sum of lines 12 to 15)	200,024	180,045
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	12,204,956	11,859,380
18	(Adjustments for conversion to credit equivalent amounts)	(9,136,034)	(8,897,620)
19	Off-balance sheet items (sum of lines 17 and 18)	3,068,922	2,961,760
Capital and total exposures			
20	Tier 1 capital	2,323,582	2,398,632
21	Total Exposures (sum of lines 5, 11, 16 and 19)	34,725,256	34,265,760
Leverage Ratio			
22	Basel III leverage ratio	6.69%	7.00%

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CR1: Credit quality of assets
As at December 31, 2025

	(000s)	a		b	c	d		e	f	g
		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	1,515,765	28,251,752	653,087	225,834	427,253	-	29,114,430		
2	Debt securities		992,855					992,855		
3	Off-balance sheet exposures		12,204,956					12,204,956		
4	Total	1,515,765	41,449,563	653,087	225,834	427,253	-	42,312,241		

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 December 31, 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	7,005,034	22,109,396	18,579,286	3,530,110	-
2	Debt securities	992,855	-	-	-	-
3	Total	7,997,889	22,109,396	18,579,286	3,530,110	-
4	Of which defaulted ⁶	388,539	901,392	893,073	8,319	-

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 December 31, 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	921,680	-	4,419,528	265,607	-	0.00%
2	Public sector entities (PSEs)	-	-	-	-	-	0.00%
3	Multilateral development banks	-	-	-	-	-	0.00%
4	Banks	782,754	-	825,333	37	165,074	1.09%
	Of which: securities firms and other financial institu	-	-	-	-	-	0.00%
5	Covered bonds	-	-	-	-	-	0.00%
6	Corporates	4,522	-	4,522	-	904	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	6,624,270	10,691,617	6,616,495	2,670,220	5,924,965	38.99%
9	Real estate	21,623,807	1,513,339	18,099,732	133,058	7,262,691	47.80%
	Of which: general RRE	14,872,256	456,285	12,162,454	45,181	3,767,204	24.79%
	Of which: IPRRE	4,489,848	-	4,427,985	-	2,082,000	13.70%
	Of which: other RRE	-	-	-	-	-	0.00%
	Of which: general CRE	309,436	32,349	309,436	9,979	226,167	1.49%
	Of which: IPCRE	574,952	-	460,684	-	367,447	2.42%
	Of which: land acquisition, development and constr	1,377,315	1,024,705	739,173	77,898	819,873	5.40%
10	Reverse mortgages	3,675	-	3,675	-	1,286	0.01%
11	Mortgage-backed securities	-	-	-	-	-	0.00%
12	Defaulted exposures	1,289,931	-	1,281,353	-	1,361,433	8.96%
13	Other assets	1,219,102	-	1,243,191	-	478,350	3.15%
14	Total	32,469,741	12,204,956	32,493,829	3,068,922	15,194,703	100.00%

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CR5: Standardised approach – exposures by asset classes and risk weights
As at December 31, 2025

		Risk weights																									Total credit exposure amount		
	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		
1	Sovereigns and their central banks	4,685,135		-																								4,685,135	
2	Public sector entities (PSEs)																												
3	Multilateral development banks																												
4	Banks			825,370																								825,370	
	Of which: securities firms and other financial institutions treated as banks			242,640																									
5	Covered bonds																												
6	Corporates			4,522																								4,522	
	Of which: securities firms and other financial institutions treated as corporates																												
	Of which: specialised lending																												
7	Subordinated debt, equity and other capital																												
8	Retail		1,973,390												7,313,325														9,286,715
9	Real estate			1,489,305	1,599,991	3,057,360	6,373,645	207,273	970,611	2,810,718	290,049	258,205	1,020	126,522	222,761	818,686	1,040	5,604										18,232,790	
	Of which: general RRE			1,489,305	1,599,991	2,826,089	6,054,364	207,273		9,262		21,322	29															12,207,635	
	Of which: IPRRE			9		231,271	319,281		970,611	2,801,456	104,375		991															4,427,994	
	Of which: other RRE			10																								10	
	Of which: general CRE			11						185,674			126,522	7,219														319,426	
	Of which: IPCRE										236,883			222,761	1,040													460,684	
	Of which: land acquisition, development and construction														811,467	5,604												817,071	
10	Reverse mortgages						3,675																					3,675	
11	Mortgage-backed securities																												
12	Defaulted exposures																		833,270				448,083					1,281,353	
13	Other assets	862,263																	315,980								64,948	1,243,191	
14	Total	5,547,398	1,973,390	2,319,197	1,599,991	3,057,360	6,377,320	207,273	970,611	2,810,718	-	290,049	-	258,205	7,314,345	-	126,522	222,761	1,967,936	-	1,040	-	453,687	-	-	-	64,948	35,562,751	

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%	19,265,851	7,511,896	21.4%	20,874,656
2 40-70%	4,536,219	15,820	4.0%	4,536,856
3 75-80%	6,205,558	4,437,796	25.0%	7,314,345
4 85%	123,865	8,227	32.3%	126,522
5 90-100%	2,105,580	240,635	35.4%	2,190,697
6 105-130%	1,040			1,040
7 150%	453,687	-	0.0%	453,687
8 250%	64,948			64,948
9 400%				
10 1250%				
11 Total exposures	32,756,748	12,214,374		35,562,751

* 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 December 31, 2025

	(000s)	a	b	c	d	e	f
		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)	56,895	67,074		1.4	173,556	34,711
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						34,711

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 exposures is described in CAR 2023, Chapter 7.

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 described in CAR 2023, Chapter 7.

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 2023, Chapter 7]).

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]).

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CCR5: Composition of collateral for CCR exposure

As at December 31, 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	-	-	-	42,760	-	-
Cash – other currencies	-	-	-	-	-	-
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	42,760	-	-