

OSFI's Guideline on Residential Mortgage Underwriting Practices and Procedures (B-20) Disclosures

**Fairstone Bank of Canada**

December 31, 2025

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## **Scope**

Fairstone Bank of Canada (the "Bank") reports the disclosures required by OSFI's Guideline on Residential Mortgage Underwriting Practices and Procedures (B-20) as at and for the three months ended December 31, 2025. The tables in this package provide information on the composition of the Company's single-family residential mortgage portfolio by province and insured status, as well as by remaining effective amortization periods and loan-to-values (LTVs) by province. The balance for single-family residential mortgages provided in the tables includes both non-securitized mortgages and securitized mortgages.

### Single-Family Residential Loans by Province (Gross of Allowance for Credit Losses)

<i>(000s, except %)</i>							<b>As at December 31, 2025</b>	
	Insured Residential Mortgages <sup>1</sup>	Percentage of Total for Province	Uninsured Residential Mortgages	Percentage of Total for Province	HELOC <sup>2</sup>	Percentage of Total for Province	Total	
British Columbia	\$ 129,246	6.5%	1,902,844	90.9%	52,196	2.6%	1,984,286	
Alberta	488,504	32.6%	984,267	65.7%	24,683	1.6%	1,497,454	
Ontario	1,072,436	7.9%	11,518,971	85.0%	960,474	7.1%	13,551,881	
Quebec	238,000	18.0%	1,084,545	82.0%	-	0.0%	1,322,545	
Other	845,050	49.6%	840,251	49.3%	20,086	1.2%	1,705,387	
	\$ 2,773,236	13.8%	16,230,878	80.9%	1,057,439	5.3%	20,061,553	

<i>(000s, except %)</i>							<b>As at December 31, 2024</b>	
	Insured Residential Mortgages <sup>1</sup>	Percentage of Total for Province	Uninsured Residential Mortgages	Percentage of Total for Province	HELOC <sup>2</sup>	Percentage of Total for Province	Total	
British Columbia	\$ -	-	\$ 14,518	100.0%	\$ -	-	\$ 14,518	
Alberta	-	-	45,603	100.0%	-	-	45,603	
Ontario	-	-	73,492	40.5%	107,833	59.5%	181,325	
Quebec	-	-	74,293	100.0%	-	-	74,293	
Other	-	-	124,346	100.0%	-	-	124,346	
	\$ -	-	\$ 332,252	75.5%	\$ 107,833	24.5%	\$ 440,085	

<sup>1</sup> Insured loans are loans insured against default by CMHC or another approved insurer, either individually at origination or by portfolio. The Company's insured lending single-family homes and multi-unit residential properties.

<sup>2</sup> HELOC contains Equityline Visa and HESMC Secured Card products, both of which are uninsured products.

### Insured and Uninsured Single-Family Residential Mortgages by Effective Remaining Amortization Period (Gross of Allowance for Credit Losses)

<i>(000s, except %)</i>							<b>As at December 31, 2025</b>	
	≤20 Years	> 20 and ≤ 25 Years	> 25 and ≤ 30 Years	> 30 and ≤ 35 Years	> 35 Years	Total		
Balance outstanding	\$ 2,373,829	\$ 3,249,756	\$ 13,179,457	\$ 174,773	\$ 26,298	\$ 19,004,113		
Percentage of total	12.5%	17.1%	69.4%	0.9%	0.1%	100.0%		

<i>(000s, except %)</i>							<b>As at December 31, 2024</b>	
	≤ 20 Years	>20 and ≤ 25 Years	> 25 and ≤ 30 Years	> 30 and ≤ 35 Years	> 35 Years	Total		
Balance outstanding	\$ 232,052	\$ 30,424	\$ 56,927	\$ 12,294	\$ 555	\$ 332,253		
Percentage of total	69.8%	9.2%	17.1%	3.7%	0.2%	100.0%		

## Weighted-Average LTV for Uninsured Single-Family Residential Mortgages Originated During the Quarter

	For the three months ended			
	December 31 2025		December 31 2024	
	Uninsured Residential Mortgages <sup>1</sup>	HELOC <sup>1</sup>	Uninsured Residential Mortgages <sup>1</sup>	HELOC <sup>1</sup>
British Columbia	70.5%	60.4%	16.2%	-
Alberta	72.4%	65.0%	27.3%	-
Ontario	71.1%	63.8%	24.1%	58.9%
Quebec	65.6%	N/A	27.6%	-
Other	64.5%	69.3%	38.2%	-
<b>Total</b>	<b>69.9%</b>	<b>59.9%</b>	<b>29.7%</b>	<b>58.9%</b>

<sup>1</sup> Weighted-average LTV is calculated by dividing the sum of the products of LTVs and loan balances by the sum of the loan balances. LTVs are calculated using appraised property values at the time of origination. N/A indicates not applicable as there were no originations during the quarter for the particular province.

The Company actively manages the mortgage portfolio and performs annual and *ad-hoc* stress testing on credit losses. Stress testing includes scenarios that are based on a combination of increasing unemployment and a decline in real estate values, as well as specific operational, market and single-factor stress tests. The probability of default in the residential mortgage portfolio is most closely correlated with changes in employment rates. During an economic downturn, either regionally or nationally, the Company would expect an increased rate of default and an increase in credit losses arising from lower real estate values. The Company's stress tests related to either regional or national economic downturns, which include declining housing prices and increased unemployment, indicate that the Company has sufficient capital to absorb such events, albeit with increases to credit losses. The total single-family residential mortgage portfolio including HELOC was \$20.1 billion as of December 31, 2025, of which \$2.77 billion was insured against credit losses.

The Company's key mitigant against credit losses in the event of default in the uninsured portfolio is the excess of the value of the collateral over the outstanding loan amount (expressed as LTV). As at December 31, 2025, the weighted-average LTV of the uninsured portfolio against the estimated current market value was 67.3%. These average current LTVs were estimated with appraised property values at origination adjusted for price changes by using an independent third-party index. If an economic downturn involved reduced real estate values, the margin of value over loan amounts would be eroded and the extent of loan losses could increase. As previously indicated, the extent of the impact of interest rates declining from elevated levels and lower house values on the Canadian economy is highly uncertain and difficult to estimate at this time. The weighted-average LTV for each significant market is indicated below.

## Weighted-Average LTV for Uninsured Single-Family Residential Mortgages

	December 31, 2025			December 31, 2024		
	Weighted-average Current LTV <sup>1</sup>	Percentage of Total Value of Outstanding Mortgages with Current LTV Less Than or Equal to		Weighted-average Current LTV <sup>1</sup>	Percentage of Total Value of Outstanding Mortgages with Current LTV Less Than or Equal to	
		75%	65%		75%	65%
British Columbia	67.4%	59.5%	36.3%	21.7%	98.3%	94.5%
Alberta	66.9%	57.2%	31.9%	23.8%	98.8%	97.0%
Ontario	68.5%	54.0%	34.2%	23.6%	98.1%	97.0%
Quebec	62.0%	77.1%	48.5%	24.3%	99.9%	97.1%
Other	60.0%	76.9%	52.9%	36.1%	96.2%	92.1%
<b>Total</b>	<b>67.3%</b>	<b>57.6%</b>	<b>36.2%</b>	<b>28.4%</b>	<b>97.9%</b>	<b>95.1%</b>

<sup>1</sup> Weighted-average LTV is calculated by dividing the sum of the products of LTVs and loan balances by the sum of the loan balances.