



中国工商银行 (加拿大)

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (CANADA)

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (CANADA)

BASEL III PILLAR 3 DISCLOSURES

AS AT DECEMBER 31, 2025

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Notes to Users

This document addresses the Basel III Pillar 3 disclosure requirements for Industrial and Commercial Bank of China (Canada) (the “Bank”) in accordance with *OSFI’s Pillar 3 Disclosure Guideline for Small and Medium-Sized Deposit-Taking Institutions (SMSBs) Capital and Liquidity Requirements* (the “Guideline”) <https://www.osfi-bsif.gc.ca/en/guidance/guidance-library/pillar-3-disclosure-guideline-domestic-systemically-important-banks-sibs-2025>

The following disclosures do not constitute any form of financial statements and must not be relied upon in making any investment or judgment on the Bank or its shareholder bank.

Segmentation Category

The Bank is currently categorized as Category 2 SMSB in accordance with *OSFI’s Small and Medium-Sized Deposit-Taking Institutions (SMSBs) Capital and Liquidity Requirements*, section entitled “Segmentation of SMSBs”

<https://www.osfi-bsif.gc.ca/Eng/fi-if/rg-ro/gdn-ort/gl-ld/Pages/SMSB.aspx#ToC3.0>

Financial Data Website

For the Bank’s Financial Data, refer to OSFI’s Financial Data for Banks website <https://www.osfi-bsif.gc.ca/Eng/wt-ow/Pages/fd-df.aspx>

Frequency of Reporting

OSFI expects SMSBs to adhere to the Guideline for frequency and format of reporting. Accordingly, the Bank’s relevant quantitative disclosure are provided quarterly, and the general qualitative information of credit risk, credit valuation adjustment (CVA) risk, and operational risk are provided annually, at year-end.

Key Metrics

Key Metrics –KM1

	Item	Amounts (CAD in '000 except ratios)				
		Dec 31, 2025	Sep 30, 2025	Jun 30, 2025	Mar 31, 2025	Dec 31, 2024
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	494,912	497,730	493,224	487,205	484,977
2	Tier 1	494,912	497,730	493,224	487,205	484,977
3	Total capital	525,920	527,215	520,753	521,522	513,148
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	3,255,399	3,169,833	3,118,897	3,028,744	3,043,880
4a	Total risk-weighted assets (pre-floor)	3,255,399	3,169,833	3,118,897	3,028,744	3,043,880
	Risk-based capital ratios as a percentage of RWA					
5	CET1 ratio (%)	15.20%	15.70%	15.81%	16.09%	15.93%
5a	CET1 ratio (%) (pre-floor ratio)	15.20%	15.70%	15.81%	16.09%	15.93%
6	Tier 1 ratio (%)	15.20%	15.70%	15.81%	16.09%	15.93%
6a	Tier 1 ratio (%) (pre-floor ratio)	15.20%	15.70%	15.81%	16.09%	15.93%
7	Total capital ratio (%)	16.16%	16.63%	16.70%	17.22%	16.86%
7a	Total capital ratio (%) (pre-floor ratio)	16.16%	16.63%	16.70%	17.22%	16.86%
	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%
9	Countercyclical buffer requirement (%)	0	0	0	0	0
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9)	2.50%	2.50%	2.50%	2.50%	2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%) *	10.70%	11.20%	11.31%	11.59%	11.43%
	Basel III Leverage ratio					
13	Total Basel III leverage ratio exposure measure	3,861,441	3,570,004	3,671,287	3,617,342	3,713,809
14	Basel III leverage ratio (row 2 / row 13)	12.82%	13.94%	13.43%	13.47%	13.06%

*Calculated as row 5 minus minimum CET1 requirement of 4.5%

Composition of Capital

Composition of regulatory capital -Modified CC1

Q4 2025 as at Dec 31, 2025

	Item	Amounts (CAD in '000 except 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	208,000
2	Retained earnings	286,765
3	Accumulated other comprehensive income (and other reserves)	272
4	Directly issued capital subject to phase out from CET1 (only applicable to Federal Credit Unions)	-
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-
6	Common Equity Tier 1 capital before regulatory adjustments	495,037
	Common Equity Tier 1 capital: regulatory adjustments	
28	Total regulatory adjustments to Common Equity Tier 1	(125)
29	Common Equity Tier 1 capital (CET1)	494,912
	Additional Tier 1 capital: instruments	
36	Additional Tier 1 capital before regulatory adjustments	-
	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)	494,912
	Tier 2 capital: instruments and provisions	
50	Collective allowances	31,008
51	Tier 2 capital before regulatory adjustments	31,008
	Tier 2 capital: regulatory adjustments	
57	Total regulatory adjustments to Tier 2 capital	-
58	Tier 2 capital (T2)	31,008
59	Total capital (TC = T1 + T2)	525,920
60	Total risk-weighted assets	3,255,399
	Capital ratios	
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	15.20%
62	Tier 1 (as a percentage of risk-weighted assets)	15.20%
63	Total capital (as a percentage of risk-weighted assets)	16.16%
	OSFI target	
69	Common Equity Tier 1 target ratio	7.00%
70	Tier 1 capital target ratio	8.50%
71	Total capital target ratio	10.50%

Leverage Ratio

Leverage Ratio -LR2

	Item	Amounts (CAD in '000 except ratios)	
		Dec 31,2025	Sep 30,2025
On-balance sheet exposures			
1	On-balance sheet items (excluding derivatives, SFTs and grandfathered securitization exposures but including collateral)	3,302,787	2,818,920
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework (IFRS)	(2,415)	(2,676)
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	(5,792)	(5,872)
4	(Asset amounts deducted in determining Tier 1 capital)	(126)	(22)
5	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 to 4)	3,294,454	2,810,350
Derivative exposures			
6	Replacement cost associated with all derivative transactions	3,381	3,746
7	Add-on amounts for potential future exposure associated with all derivative transactions	9,669	7,914
8	(Exempted central counterparty-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 6 to 10)	13,050	11,660
Securities financing transaction exposures			
12	Gross SFT assets recognized for accounting purposes (with no recognition of netting), after adjusting for sale accounting transactions	-	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
14	Counterparty credit risk (CCR) exposure for SFTs	-	195,156
15	Agent transaction exposures	-	-
16	Total securities financing transaction exposures (sum of lines 12 to 15)	-	195,156
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	1,314,442	1,308,748
18	(Adjustments for conversion to credit equivalent amounts)	(760,505)	(755,910)
19	Off-balance sheet items (sum of lines 17 and 18)	553,937	552,838
Capital and total exposures			
20	Tier 1 capital	494,912	497,730
21	Total Exposures (sum of lines 5, 11, 16 and 19)	3,861,441	3,570,004
Leverage ratio			
22	Basel III leverage ratio	12.82%	13.94%

General qualitative information about credit risk

General qualitative information about credit risk – CRA For the year 2025

(a) How the business model translates into the components of the Bank’s credit risk profile

The Bank’s credit risk profile is structurally derived from its core business activities, primarily corporate lending, commercial lending, loan book bond investments and retail lending. Our business model focuses on low-to-medium risk appetite sectors, which translates into a credit portfolio with highly predictable cash flows. Maintaining adequate diversification and portfolio quality, Credit risk is distributed across portfolios, geographies, industries, and other relevant concentration dimensions of the credit portfolio.

The overall risk appetite of the Bank is moderate. It is encouraged that the Bank establishes relationship with large investment grade borrowers, while moderate risk borrowers are also allowed in the portfolio. Prudent limits are established for Sector and products with higher inherent risks. The overall risk profile of these transactions is further mitigated by robust underwriting as outlined in the Credit Risk Management Manual (CRMM) and strong internal controls.

The Bank has low appetite for risk-taking activities that are not well understood, or where there is insufficient expertise, resources or infrastructure to effectively measure and manage the risks. The Bank prefers to make material decisions (including individual transactions, updates and amendments to policy and CRMM, and exceptions to policy) at a committee level in order to keep decision making highly centralized, transparent among stakeholders, and consistent with the Bank’s risk appetite. The Bank has low appetite for realized risk exposures that exceed expectations or established limits, and no appetite for exposures that exceed regulatory limits. Portfolio monitoring frequency should be sufficient to provide adequate warning when utilization approaches established internal or regulatory limits.

(b) Criteria and approach used for defining credit risk management policy and for setting credit risk limits

The Credit Risk Management Policy (“Policy”) provides a comprehensive framework that outlines the guiding principles, rules and practices in the effective management of credit risk at the Bank. This includes ensuring that the risk profile is within the Bank’s Risk Appetite. Credit Risk is the risk of loss related to a counterparty/borrower failure to repay a loan or meet contractual obligations.

The Policy has been developed in alignment with sound credit risk management practices, the Credit Risk Management Policy of the Industrial and Commercial Bank of China (hereinafter referred to as “the Parent Bank”) as well as compliance with applicable regulatory requirements. It has been designed to support the Bank’s current business as well as future strategic growth and it establishes the governance as well as related principles the Bank uses to identify, measure, manage, mitigate and report on credit risk across the organization.

This Policy is fully integrated and consistent within the Bank’s overall Risk Management Program, complementing the Enterprise Risk Management Framework, Risk Appetite Framework, Internal Control Framework and other related policies. This Policy is supported by a comprehensive set of retail and non-retail procedures which are documented in the Retail Credit Risk Management Manual and Non-Retail Credit Risk Management Manual (Retail and Non Retail CRMMs).

The Policy has been designed and developed to support the Bank's current operational requirements as well as future strategic growth. The policy consists of a set of basic principles pertaining to Credit risk Management and Business handling. This policy establishes the framework and principles the Bank uses to identify, measure, manage, mitigate and report on credit risk across the organization. The policy provides the following critical elements to support the Bank's credit business growth and to maintain sound credit risk management culture.

- A well-defined Credit Risk Governance and Management Structure adapting the 3 Lines of Defence (3 LoD) model
- A set of precisely articulated Delegated Lending Authorities
- Clearly defined Roles and Responsibilities for all levels in the Credit Risk Governance and Management structure, with the objective to establish the mechanism for holding individuals accountable.
- Risk control measures including risk appetite and limits.

To facilitate the execution of the Credit Risk Appetite Framework ("CRAF"), the Bank has established a set of credit portfolio limits and key risk indicators ("KRIs"). The sector concentration limit and other limits are established to maintain a portfolio with an acceptable risk profile which is well-diversified in terms of counterparties, sectors and products/type of transactions. This allows portfolio performance to remain acceptable during market downturns, and performance is not overly susceptible to negative developments within one sector or small group of clients.

The Bank's overall credit risk appetite is "moderate". To maintain a moderate credit portfolio, the designated credit risk metrics are monitored at the bank level and incorporated in enterprise level risk appetite framework (RAF).

(c) Structure and organisation of the credit risk management and control function

The Bank recognizes the importance of "Tone from the Top" in creating and maintaining a high-integrity credit risk management culture, and ensuring compliance with all regulatory requirements throughout the organization.

The Board oversees the Bank's Risk Management Framework and practices on an enterprise-wide basis. The Board discharges this duty through allocating dedicated time in each Board meeting to review risk management policies and various risk management reports, and to discuss key issues/risks with Senior Management and risk management function. The Board is ultimately responsible for the integrity of the Bank's credit risk management functions, and compliance with the credit management programs of the Bank.

Executive Committee is designated to act on behalf of the Board of Directors to approve credit businesses incurred in the Bank. It represents the highest approval authority of the Bank, and shall act in accordance with the Shareholder Opinion Letter ("SOL") from Parent Bank.

Credit Committee is responsible for collective deliberation on major credit risk events. It is an ancillary unit supporting the Senior Management and Executive Committee in credit risk management issues.

The Credit Risk Management Department (CRMD) is responsible for analyzing and evaluating the credit risks of proposals, checking the conformity of conditions precedent and the perfection of legal documentation prior to loan advance. CRMD is also responsible for performing and overseeing post-lending activities and monitoring the credit portfolio.

Independent Loan Review Function is to ensure the integrity, accuracy, and effectiveness of the Bank's credit risk management during loan review process. The function is to conduct independent review of

lending process to identify credit risks and ensure accuracy of risk assessment and mitigation practice. The function is also responsible for ensuring lending activities' full compliance with policy, procedures, and other regulatory requirements.

The Bank's Delegated Lending Authorities were developed based on the Bank's Risk Appetite Framework which is reviewed and approved by the Board of Directors annually and subject to annual SOL.

(d) Relationships between the credit risk management, risk control, compliance and internal audit functions

The governance is anchored in the Three Lines of Defense (3LoD) model, ensuring a "No Blind Spot" approach to risk.

The Front Line, which includes both front-line departments/teams and supporting functions constitutes the First Line of Defense against risks. Thus, primary responsibility for risk identification and mitigation lies with the Front Line. Departments/Teams as First Line of Defense are required to enhance the risk awareness and take the initiative to assume risk management responsibilities.

The Second Line of Defense is responsible for overseeing all risks within the Bank, particularly credit risk, and conducting independent reviews of credit activities. In addition, the Second Line of Defense is responsible for establishing the credit risk appetite, formulating and monitoring bank-level credit related limits, credit underwriting policies, performing credit portfolio monitoring and analysis and conducting periodic credit risk related training sessions. The Second Line of Defense is also responsible for developing the Credit Risk Management framework, policies, standards and control requirements, identifying and reporting risk management deficiencies, and continuously and independently reviewing and challenging risk management practices by the First Line of Defense. Additionally, CRMD has designated person and recovery procedure to deal with problem loans. With regard to credit activities, the Second Line of Defense is comprised of CRMD, Compliance, Risk Management Department.

The Internal Audit Department ("IAD") constitutes the Third Line of Defense. Through internal supervision and assessment, IAD audits the performance of the First and Second Lines of Defense, and conducts independent and objective supervision, assessments and reporting of the risk management results. The Bank Executive Management ensures that the Internal Audit Department maintains an independent reporting line within the organization, and reports directly to the Audit Committee.

(e) Scope and main content of the reporting on credit risk exposure and on the credit risk management function to the executive management and to the board of directors

The reporting framework ensures that the all levels of leadership are fully apprised of the Bank's risk posture.

- Reporting Frequency: The Board receives a "Quarterly Credit Risk Management Report," while Executive Management reviews a "Monthly Credit Risk Management Report".

- Key Disclosure Elements:

- Concentration Analysis: Breakdown by industry, geography, and top borrower groups.
- Watchlist & NPLs: Detailed status of impaired loans and remediation progress
- Material credit transactions
- Compliance with limits
- Portfolio trends
- Credit loss provisioning levels

General qualitative disclosure requirements related to CVA

General qualitative disclosure requirements related to CVA –CVAA
For the year 2025

(a) An explanation of the Bank’s processes implemented to identify, measure, monitor and control the CVA risks

Credit Valuation Adjustment (CVA) refers to fair value adjustment to reflect counterparty credit risk in the valuation of derivatives with a given counterparty. CVA risk and associated CVA capital is measured in accordance with OSFI requirements and the Bank’s capital management policies. The Bank ensures regular monitoring and reporting of CVA risk capital.

(b) Choice of alternative treatment

The Bank is below the materiality threshold and has elected to set its capital requirement for CVA at 100% of its capital requirement for counterparty credit risk, in accordance with CAR 2024, Chapter 8, paragraph 9.

General qualitative information on operational risk framework

General qualitative information on operational risk framework –ORA For the year 2025

(a) Policies, frameworks and guidelines for the management of operational risk

Operational risk at the Bank is defined based on the seven operational loss categories provided by the Basel Committee: internal fraud; external fraud; employment practices and workplace safety; clients, products and business practices; damage to physical assets; business disruption and system failures; and execution, delivery and process management.

The Bank has established an effective Enterprise Risk Framework (the “Framework”) and risk appetite for managing various operational risks; key elements include: 1) communication/promotion of a positive/strong risk culture; 2) establishment of a clear risk governance structure; 3) risk taxonomy and risk identification; 4) risk assessment measurement; and 5) operational risk monitoring and reporting processes.

Supporting the Framework, the Bank has a number of Board-approved policies and business unit procedures in place including those related to operational resilience and operational risk management, the code of conduct, integrity and security, anti-money laundering, anti-terrorist financing, information security, thirty party and internal controls. Procedure manuals covering frontline business unit, governance units and Internal Audit activities are in place and include a formal review and approval process.

(b) Structure and organisation of the operational risk management and control function

The structure and organization of the Bank’s operational risk management (“ORM”) is based on the three lines of defense principle with the Board having ultimate oversight responsibility. Under the supervision of the Board, senior management is responsible for reviewing significant operational risk matters through the ORMC. Given the pervasive nature of operational risk, every employee at the Bank is expected to play a role in managing operational risk.

Business Units, acting as the first line of defense (“LOD”), are responsible for the ORM within each of their respective business areas; the Risk Management Department (“RMD”), Compliance, AML, and Credit Risk Management functions, acting as the second LOD, are responsible for providing oversight/effective challenge, including the development of operational risk policies, measurement and monitoring/reporting; Internal Audit, acting as the third LOD, is responsible for independently reviewing and validating the implementation, appropriateness and effectiveness of operational risk and ORM.

(c) Operational risk measurement system

The Bank utilizes a number of qualitative and quantitative measurement tools/methodologies, supported by robust management information systems, in order to measure operational risk. Key quantitative measurement methodologies include: operational risk capital charge, using the simplified standardized approach, and operational risk appetite/key risk indicators including those related to operational event losses, regulatory penalties, IT and cyber security, AML and compliance, customer complaint resolution,

human resources/employee turnover, training and employ misconduct. Key qualitative methodologies include business impact assessments and risk and control self-assessments.

Overseen by RMD, risk and control self-assessments (“RCSA”) are completed by every business unit on annual basis. The process involves each business unit identifying, for each applicable critical operation, key processes and related key risks, based on the operational risk taxonomy. Once identified, each business unit assesses if existing controls are sufficient/the residual risk is within limits/thresholds. RMD, along with other governance units, review the RCSAs to arrive at a final assessment.

If existing controls are assessed as insufficient, the business unit is responsible for developing improvement plans, as applicable. Action plans addressing significant residual risks, key control weaknesses, or significant breaches are given higher priority. RMD is responsible for monitoring progress.

(d) Scope and main context of the reporting framework on operational risk to executive management and to the board of directors

The Bank has in place a suite of reports, including those related to operational risk capital and operational risk appetite, which are regularly reviewed by the Board and senior management. These reports are a key mechanism in the continual enhancement of the Bank’s operational readiness.

In support of the reporting processes, the Bank has a clear set of escalation procedures in place to ensure the appropriate actions, as needed, are implemented on a proactive basis. This includes having a tiered (i.e., early warning) risk appetite limit structure and an established culture of ongoing monitoring by all departments.

(e) Risk mitigation and risk transfer used in the management of operational risk

There are a number of risk mitigation/risk transfer mechanisms available/used by the Bank in the management of operational risk. These include:

- a) Mitigation by risk management policies – The Bank has established the relevant operational risk related policies, and associated frameworks, including Operational Risk Management and Resilience Policy, Business Continuity Planning and Crisis Management Policy, IT Disaster Recovery, Third Party Risk Management Policy, New Initiative Policy, Data Risk Management Framework, and Risk Appetite Framework.
- b) Preventative and detective controls – The Bank has put in place a set of internal controls to mitigate operational risks.
- c) Established business continuity plans and crisis management plans – Overseen by the ORMC, the Bank, on a holistic/enterprise basis, has in place business continuity plans (“BCP”). BCPs enable the Bank to respond to a disruptive event on a timely and effective basis. The plans are updated on an annual basis and are subject to an annual test plan developed by RMD and the stakeholder departments.
- d) The Bank has the option of using insurance to transfer risk.
- e) As a very last resort, the strong capital position of the Bank allows the Bank to absorb any remaining exposure