

# INDUSTRIAL AND COMMERCIAL BANK OF CHINA (CANADA)

(In thousands of dollars, unless otherwise noted)

Disclosure for Year ended December 31, 2025

---

## Liquidity risk

Liquidity refers to the capacity of an institution to generate or obtain sufficient cash or cash equivalent in a timely manner at a reasonable price to meet its commitments as they fall due and to fund new business opportunities as part of the going-concern operations. Liquidity risk is the potential for losses arising from holding insufficient liquidity to survive a contingent stress event, whether name-specific or market-wide in origin.

The Bank has established the Liquidity Risk Management Policy and the contingency funding plan to ensure that the Bank is capable of meeting its obligations to depositors, creditors and customers, both under normal operating circumstances and in times of crisis. The policy details the tolerance for assuming liquidity risk and the requirement for risk identification, measurement, monitoring, controlling, and reporting. The policy is reviewed by the Asset and Liability Management Committee (ALCO) and approved by the Board.

The Board of Directors is ultimately responsible for the oversight of the Liquidity Management Strategy, which should fit the size of the Bank and ensure sufficient liquidity to meet its obligations coming due.

Senior Management is responsible for the development and maintenance of the asset liability management strategy and liquidity management strategy. The Chief Risk Officer (CRO) is responsible for oversight and ensuring that the Bank is in full compliance with OSFI's liquidity risk guidelines and the minimum liquidity ratio set out in the policy. The CRO is also responsible for identifying and reporting significant changes in liquidity risk to the Board

The ALCO, chaired by CRO, is responsible for the oversight of the establishment and implementation of the liquidity risk management framework. The committee is also mandated to review the liquidity risk management strategy, policy, procedures, stress test and the liquidity risk appetite for the Bank.

The liquidity risk management also implements the Three Lines of Defence. The responsibilities between the three lines of defence are as follows:

- First Line of Defence: Treasury and other business line;
- Second Line of Defence: Risk Management and the Oversight Functions; and,
- Third Line of Defence: Internal Audit.

The Bank has established a comprehensive funding resource along with channels, including customer deposits, money market borrowing, Repo and issuing of BDN, to facilitate the liquidity needs under normal business and stress scenarios. The Bank maintains a proportion of the demand deposits and term deposits with short maturities not exceeding one year from customers. Liquidity risk may arise from the mismatch of these short-term deposits and the longer term loan assets, however, deposit renewal rate has been maintained at a very stable and high level. The Bank actively manages this risk through maintaining competitive pricing and sufficient funding capacity.

# INDUSTRIAL AND COMMERCIAL BANK OF CHINA (CANADA)

(In thousands of dollars, unless otherwise noted)

Disclosure for Year ended December 31, 2025

---

The Bank also source its funding from the Parent Bank group, especially the RMB funding to facilitate the liquidity of RMB clearing Bank. From the lending side, the Bank only transacted for short-term liquidity management purpose, for a term no longer than 30 days, and restricted to the threshold of the Bank Act.

The key measure used by the Bank for managing liquidity risk is the Liquidity Coverage Ratio ("LCR") and Net Cumulative Cash Flow ("NCCF") metrics prescribed by OSFI. LCR is the ratio of total high-quality liquid assets ("HQLA") to total net stressed cash outflows over the next 30 calendar days. The Bank's HQLA consists of cash and cash equivalents, highly rated securities issued or guaranteed by governments (Level 1) and high-quality non-financial corporate debt (Level 2B). Net cash outflows are considered as cash outflows from deposits, unsecured wholesale funding, commitments and other contingent funding obligations, being offset by cash inflows from fully performing loans, non-HQLA investments and placements with banks within a 30-day horizon.

In this respect, the Bank endeavors to maintain the LCR at 100% or above, at all times. Details of the LCR for the Bank at the reporting date are as follows:

---

	2025	2024
Liquidity coverage ratio	176.21%	140.28%

The NCCF measures detailed cash flows to capture the risk posed by funding mismatches over and up to a 12-month time horizon. The Bank maintained the NCCF of 12 months in 2025.

The Bank has also implemented the intraday liquidity management requirements under Chapter 7 of OSFI's LAR Guideline, setting up a real time monitor system and refining the existing contingent funding plan and the stress testing program with inclusion of the intraday liquidity management requirements.

Stress testing is designed to provide information on the kinds of conditions under which the Bank's strategies or positions would be most vulnerable, and thus tailored to the risk characteristics of the Bank.

Liquidity risk stress testing is conducted regularly and incorporate a time horizon of intraday, 30 day and a longer time horizon, which include the scenario of bank-specific, systematic and combined scenarios. Under each of the stress scenarios, certain factors like deposits, loan repayment, credit commitments and wholesale funding are subjected to varying degrees of severity to estimate the impact of inflow and outflows. The results are taken into consideration as input for the development of the Bank's business strategy, capital planning and setting liquidity risk limits. The ALCO is to review the liquidity risk stress tests in terms of the scenarios, the assumptions, implications of the output and corresponding risks mitigating actions suggested by the Risk Management Department.

# INDUSTRIAL AND COMMERCIAL BANK OF CHINA (CANADA)

(In thousands of dollars, unless otherwise noted)

Disclosure for Year ended December 31, 2025

## IRRBB:

ALCO is responsible for the oversight of the Bank's IRRBB to ensure that overall risks are within the Bank's risk tolerance. The IRRBB is included in the Market Risk Management Policy and subject to review by ALCO and subsequent approval by the Board.

The Bank identify its assets and liabilities that are sensitive to interest rate movements and those that are non-interest rate sensitive, as they are either non-interest bearing or relate to deposit liabilities where the counter-party is not sensitive to deposit repricing. The assumption of loan prepayment and early deposit redemption, based on historical client behavior are made to different time bucket for loans and advances and deposits respectively.

The management of interest rate risk, against interest rate gap limits, is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to the movement in interest rates. The Bank performs a sensitivity analysis on a monthly basis to assess the effect of a hypothetical interest rate movement across the yield curves on both sides of the statement of financial position. Risk appetite limits are set to control the Bank's interest rate risk exposure from both earnings and economic value perspectives. The results of the interest rate sensitivity analysis are reported to ALCO and the Board on a regular basis.

An analysis of the potential impact of an immediate and sustained 100-basis-point parallel increase or decrease in all yield curves worldwide on net interest income after tax and economic value of the Bank's portfolio, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows:

\$000's	2025		2024	
	100-basis- point parallel increase in rates	100-basis- point parallel decrease in rates	100-basis- point parallel increase in rates	100- basis- point parallel decrease in rates
Increase (decrease) in net interest income after tax	\$ 3,864	\$ (3,864)	\$2,660	\$(2,660)
Increase (decrease) in economic value	1,848	(1,848)	3,230	(3,230)
% of capital of EVE	0.37%	-0.37%	0.67%	-0.67%

This sensitivity analysis, which is based on a static interest rate risk profile of assets and liabilities at a specific time, is used for risk management purposes only. Assumption of loan prepayment and early deposit redemption are incorporated in the exposure calculation. Deposits without fixed maturity dates are assumed to be repriced on the next day. The impacts of parallel shifts of 25, 50, and 200 basis-point are prorated based on the impacts of 100-basis-

# **INDUSTRIAL AND COMMERCIAL BANK OF CHINA (CANADA)**

(In thousands of dollars, unless otherwise noted)

Disclosure for Year ended December 31, 2025

---

point. Actual changes in the Bank's net interest income and economic value resulting from the changes in interest rates may differ from the results of this sensitivity analysis. The Bank also perform the non-parallel shifts of the major currencies of CAD, USD and RMB as required in the OSFI's B-12 IRRBB Guideline, and the impacts of the changes on the EVE and NII are all within the Bank's established risk appetites and OSFI's EVE limit of 15%.

The Treasury Department uses investment securities, deposits with banks, deposits from banks and derivative instruments to manage the overall interest risk positions arising from the Bank's activities.