

## 1. ICBC (Asia) IPRR Model

Combining quantitative and qualitative appraisal, the Investment Product Risk Rating Model (“IPRR”) is designed to objectively assess the risks of numerous investment products which are (or were) available for subscription by eligible customers of ICBC (Asia) (the “Bank”). Our comprehensive risk rating scale categorises investment products from the most conservative at Level 1 to the most aggressive at Level 5, thereby helping customers to understand and assess each product’s appropriateness in relation to their own risk appetite. Results using the IPRR also serve as a reference point when performing investment product due diligence, and the potential loss of investment product is considered as a risk measure in the IPRR. Products’ risk ratings are matched with customers’ risk tolerance levels as determined by the Risk Assessment Questionnaire, thus helping to fulfill one of the Bank’s key obligations of offering our customers suitable investment products.

In order to arrive at a holistic risk assessment, the IPRR consolidates an array of quantitatively-measured market and non-market risk factors as well as a number of qualitative factors. The quantitatively-measured factors include currency risk, interest rate risk, equity price risk/commodity price risk/interest rate price risk and fund price risk whenever applicable, as well as credit risk, operational risk, liquidity risk, and non-quantifiable risks including reputation risk, legal risk, and strategic risk, while the qualitative factors include industry risks, economic and political environments, regulatory restrictions or expected developments, industry practices, and the Bank’s own experience. Each of these factors may have a direct or indirect impact on a product’s risk profile and its ultimate risk score.

The overall risk score is then measured against a predetermined rating scale. This gives a calculated risk rating, to which the Bank will further add its own documented professional judgment in order to finalise a product-specific risk rating. The finalised rating will also be subject to periodic review to ensure its continued appropriateness and effectiveness in expressing the product’s risk profile. In light of the ever-changing market situation, regulatory requirements or practice, the product risk rating of each investment product shall be reviewed periodically and on ad hoc basis upon happening of material events to ensure its appropriateness and effectiveness to demonstrate the risk level of the product.

## 2. How to Recognise Your Investment Risk Profile?

The specially devised "Questionnaire on Investment Preference" by ICBC (Asia) can help you understand your investment risk profile.

The personal information such as investment experience and financial situation etc. you provided in the questionnaire will be used to assess your risk profile. You will learn your risk profile level as reference upon completion of the questionnaire, enabling you further select suitable investment products to code with your personal situation in next step:

## 3. Description of each Risk Profile Level

| Risk Profiling Category |                   | Implications   |
|-------------------------|-------------------|--|
| 1                       | Very Conservative | Those investors who are risk-averse and to whom capital preservation is very important.  |
| 2                       | Conservative      | Those investors who would like to have a little capital gain potential and understand their need to take a low to medium level of risk in respect of the capital invested. |
| 3                       | Balanced          | Those investors who would like to have moderate capital gain potential and understand their need to take a medium level of risk in respect of the capital invested.        |
| 4                       | Growth            | Those investors who would like to have greater capital gain potential and understand their need to take a high level of risk in respect of the capital invested.           |
| 5                       | Aggressive        | Those investors who would like to have significant capital gain and understand their need to take a very high level of risk in respect of the capital invested.            |

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