cutting through complexity

Mainland China Trust Survey 2012

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Contents

Introduction

Despite global economic uncertainty and a tightening credit market in China, the trust sector in 2011 saw tremendous growth. However, there are indications that growth looks likely to slow down in 2012. Throughout 2011, the sector has demonstrated consistently expanding growth, boasting a 58.25 percent year on year increase of assets under management (AUM) with an additional RMB 1.8 trillion of assets injected into the industry. Having breached the five trillion RMB mark in the first quarter of 2012, there has been talk that the trust sector may overtake the insurance sector by the end of the year as the second largest sector in China's financial services industry.

By building on their range of products and services, trust companies have seen significant growth since their restructuring in 2007, in terms of both profits and AUM. The trust companies' ability to offer access to different asset classes while remaining innovative through increasingly complex product offerings enables them to attract investment from high net worth individuals (HNWI) who are looking for alternative ways to increase their portfolio as other wealth management options underperform.

KPMG is proud to release our 2nd annual China Mainland Trust Survey and our 4th report on the trust sector to date. We have been pleased to see this sector undergo a tremendous level of development since our inaugural report in 2008. In particular, the high level of transparency witnessed should be seen as an inspiration to other financial institutions in the financial services sector.

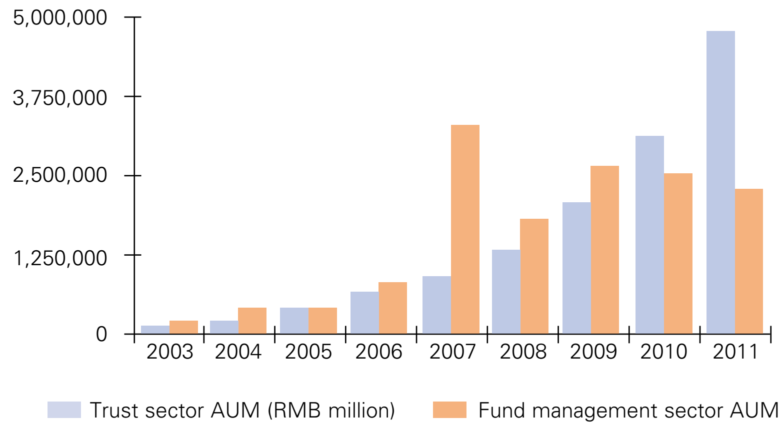
With 64 of the 66 trust companies registered at 2011 year-end making their financial information publicly available, they have set a high bar in terms of transparency. We hope this number will increase next year, covering the newly established trust companies which have not issued 2011 financial statements. This report is primarily developed as a resource to benefit trust companies and companies that participate in this sector. For readers not entirely familiar with the trust sector and seeking a higher level understanding, we would encourage you to refer to the Trust 101 section starting on page 32.

Industry Performance

Despite the accelerated development of the trust sector, it is still small in terms of the number of companies, with only 66 trust companies at the end of 2011. Statistics from the China Trust Association show that the AUM as of 2011 year-end was approximately RMB 4.8 trillion, compared with RMB 3.0 trillion in 2010 and 2.0 trillion in 2009. The trust sector is also unique in that, unlike many other areas of the financial services sector in China, the sector is not dominated by a small number of players. The top ten trust companies only account for 44 percent of total sector net profits, down from 51 percent in 2010.

2011 was the trust sector's best year since the relicensing of the industry in 2007 and it was marked by significant AUM and profit growth. Despite these positive figures, there were some trust companies that experienced a drop in profit. This was often due to a combination of failing to grow fee and commission income coupled with a sudden drop in proprietary investment income.

Comparison of the trust sector AUM versus the retail fund management sector AUM



Source: Wind info, KPMG research

Overall profit growth for the sector was 47 percent and it bodes well that the primary profit driver for trust companies was growth in fee and commission income which now accounts for 73 percent of total sector income (compared to 58 percent in 2010) transitioning trust companies into becoming professional third party wealth managers. This growth in fee and commission income was largely a result of increases in combined unit trust products. Over half of the trust companies participating in this report doubled their combined unit trust AUM with China Foreign Economy and Trade Trust Co., Ltd. experiencing an increase of 251 percent. One of the more notable standout performances was CITIC Trust, which, from 2010 to 2011, saw its net profit and fee and commission income grow by 73 percent and 83 percent respectively. Other high growth firms included China Credit Trust, Industrial International Trust, Huaneng Guicheng Trust, Sino-Australian Trust, and Avic Trust.

It should be noted that profit in itself is not the only metric by which to assess the performance of a trust company as it can be distorted by high levels of low fee-paying AUM or proprietary income. By applying heavier risk weightings to various asset classes for investments or loans made using proprietary capital, regulators have made

it clear they do not want to see excessive reliance on proprietary trading revenue. For these reasons, the measurement of performance within trust companies is relatively more complex in comparison to other financial institutions. Thus, profit is better analyzed in the context of AUM and fee and commission income.

Meanwhile, an important non-financial indicator is the diversification of a trust company's AUM across various industries (the industry breakdown set by the China Banking Regulatory Commission (CBRC) is; Industrial & Commercial, Financial Institutions, Infrastructure, Real Estate, Securities Market, and Others). Excessive exposure to one industry may leave a trust company subject to certain degrees of regulatory risk (an example being the sudden high capital requirements on real estate sector debt financing) or ill-prepared to respond to sudden shifts in the economy in terms of skill sets and relationships.

Regulatory update

The key regulatory reform for the trust sector has been the introduction of a series of guidelines concerning the requirement placed on trust companies' capital holdings. The Measures for the Administration of Net Capital of Trust Companies were issued in August 2010 and came into effect as of 2011 year-end. The change in regulation requires trust companies to report on and apply risk weightings to AUM and proprietary holdings in their financial statements. By doing this the CBRC hopes to disincentivise certain products and ensure each trust fund will be sufficiently supported by capital. To see the product risk weightings, please refer to Appendix (ii).

The CBRC published the Notice on addressing the issues concerning the calculation of net capital of trust companies in January of 2011. This regulatory document is aimed at urging trust companies to ensure their business is conducted within the requirements of the net capital regulatory benchmarks. By outlining standards for measuring net capital and risk related capital, the CBRC hopes to encourage a more systematic approach to compliance among trust companies.[1]

This emphasis on risk continued throughout 2011 with the CBRC releasing a number of new regulations, specific to combating risk and conducting extensive onsite examinations of a number of trust companies with particular emphasis placed on bank-trust cooperation and real estate trust products. Changes to the real estate trust business were aimed at restraining excessive risk exposure to the industry, whereas new regulations governing bank-trust cooperation are focused towards strengthening the supervision of on and off-balance sheet business.

In response to the introduction of futures trading within the trust industry the CBRC issued the guidelines on trading of stock index futures by trust companies in June of 2011. These guidelines outline detailed requirements on the engagement of stock index futures by trust companies, highlighting trading restrictions and qualification requirements.

The CBRC in total issued 36 new rules and notices throughout 2011. While many of these were not specific to the trust sector, the majority did have a knock on effect as they generically cover the non–banking financial sector and as a result affect the way trust companies are required to operate.

1 China Banking Regulatory Commission 2011 annual report

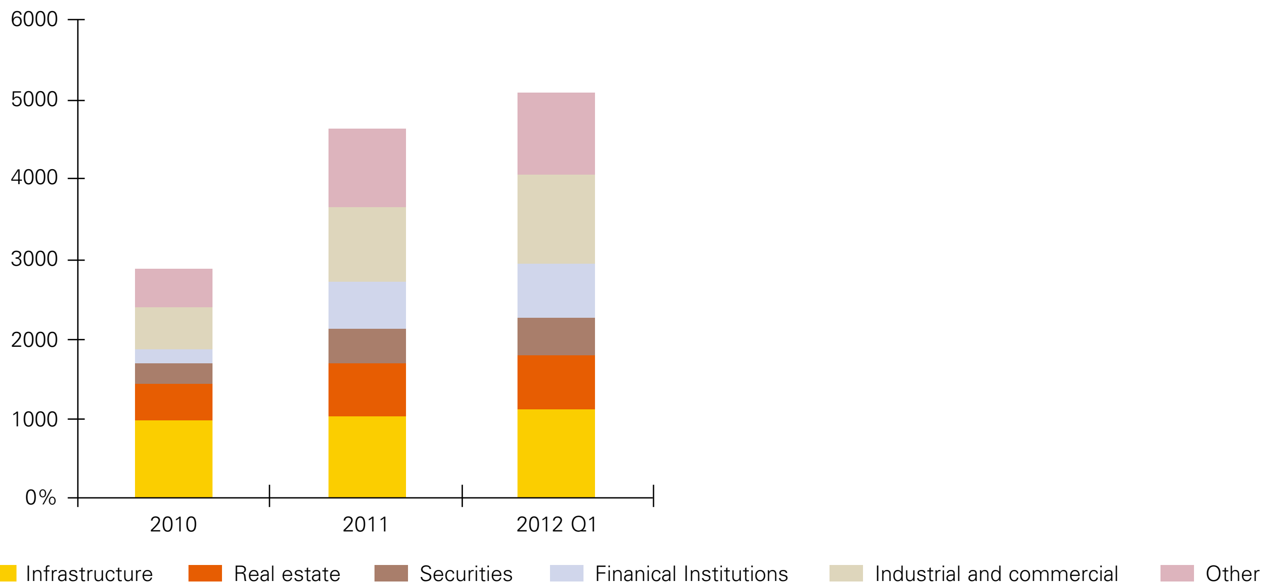
While not an official regulation, the CBRC also voiced its encouragement for the development of macroeconomic research desks within individual trust companies. Given the tendencies of trust companies to have higher sectoral and city or region level exposures, it is seen as vital to their long term well being to identify the potential opportunities and threats posed by an evolving industry and tailor their exposure and products accordingly.

Significant product developments

It has been five years since the trust sector was relicensed in 2007. In this time the industry has struggled to keep up with demand for alternative asset products and the requisite risk management skills that go with such products. Despite efforts to collate the wide array of products available, there has been no standardised classification instilled in the industry. This is partly due to the nature of the products, where product portfolios can vary significantly from one company to the next, but this is also symptomatic of the innovative nature of the sector. This innovation is supported by a regulatory environment that places few restrictions on the flexibility and innovation of trust companies but has made clear that certain directions for trust product development are favored over others.

However, product innovation and the range of available products may have declined since our last report in 2011. Debt (or equity structured as debt) products have crowded out other product offerings of many trust companies due to a perception among investors that they are lower risk. As a general manager of one trust company noted, "I could sell RMB 100 million of fixed income products in five minutes…Equity and private equity funds are much harder to sell."

Breakdown of trust AUM by industry (RMB billion)



Source: China Trust Association

Real estate trusts

2010 and 2011 saw a dramatic build up of real estate trust products. With high interest rates and even higher levels of collateral these products became a staple investment for clients of trust companies. Typically yielding up to 12 to 15 percent returns on average to investors, real estate products represent the largest portion of newly issued combined unit trust products in 2010 and 2011. However, at the end of 2011, there was a sharp slowdown.

Between May and September of 2011, the CBRC issued guidelines aimed at enabling them to further evaluate the risk tied to individual real estate trust products. This process began with the introduction of measures aimed at controlling the operations of real estate trusts. The CBRC then went on to order the full disclosure of the details concerning any new real estate product launched by a specified 20 trusts companies that were viewed as heavily exposed to this sector.[2] The impact was significant, with the percentage of newly issued combined unit trust attributed to real estate decreasing sharply from 49 percent in June of 2011 to 16 percent in December of the same year. There are also indications that restrictions on trust real estate lending may ease soon, and it was reported in the media that trust companies are expected to receive permission to restart trust loans to property developers once again although with changing investor sentiment it is unclear how big an impact this will have.

Industry breakdown of combined unit trust product issuance

Source: Use Trust Studio

2 Why Investors Love and Hate Real Estate Trusts, 4 November 2011, Caixin

Many developers are now facing significant liquidity issues and increasing cost of funds as they scramble to access financing combined with a significant drop in real estate transaction volume and a decline in prices in certain first tier and second tier cities.

Given the situation of certain real estate developers, many of whom have sourced financing from trust companies, there is concern among both the trust companies and regulatory authorities around these products. Trust companies have been quite proactive in dealing with the risks around these products and a number of different approaches have been observed as trust companies have sought to exit the investment while maintaining the expected return to the investors. It should be noted that the structure adopted for most loan type trust products is a sale of an asset with an obligation by the borrower to repurchase at a future date at a fixed price thus preserving the yield requirement of the product. While this is a bit of a simplification, as there are various other features such as requiring scheduled payments, the important thing to note is that this structure makes them unique in contrast to other creditors as they actually own title to the asset.

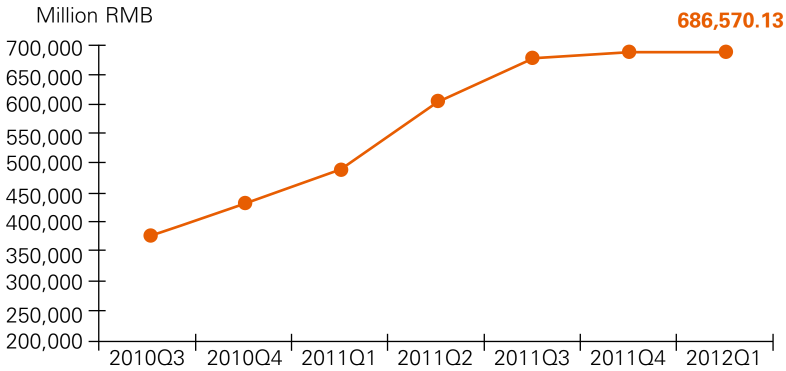
The typical first response has been for the trust company to negotiate with the parent company of the real estate developer on early repayment of the loan. A second option is to impose a forced asset sale on the real estate developer (usually under a private placement type model) so as to create sufficient funds to meet the fixed repurchase obligations. Lastly, the trust companies have been seizing the underlying collateral and then arranging a sale of the collateral to a strategic third party investor, something that in certain cases was negotiated in advance of the project.

The big four asset management companies, which were set up in 1999 to deal with the large amount of non-performing loans in China's banking system, have been buyers of these distressed assets, often purchasing them at discounts of between 30 percent to 60 percent.[3] However, in May the CBRC began to restrict the AMCs in making these purchases and now require them to seek approval before doing so which means the trust companies will need to find alternative buyers if they are to avoid significant liquidity risk.[4]

3 房地产信托低至四折 AMC大手吃货, 3 March 2012, the Economic Observer newspaper
4 Asset Managers Say 'In Real Estate We Trust', 11 May 2012, Caixin

The risk around real estate products is very well managed and only an extreme scenario could result in losses to trust companies, however, as noted by Andrew Lawrence, the Director of Property Research for Asia (excluding Japan) Equities at Barclays Capital, "The deep discount at which real estate trusts have been selling distress properties raises a broader concern as to whether this will further undermine the current level of real estate prices."

Real estate trust product AUM



Source: China Trust Association

Due to some of the above mentioned developments, many trust companies are steering their investors towards different products to increase their AUM outside of property. The mining sector has been a significant target of these efforts. The regulatory change and subsequent lack of progress on formalizing Real Estate Investment Trusts (REITs) will mean that this situation is unlikely to change in the near future. Real estate trust products only account for 13 percent of total trust sector AUM, but nearly half (45.8 percent) of combined unit trusts at the end of first quarter of 2012.

How KPMG can help

In recent years, KPMG has played a significant role in advising property developers, lenders and third party investors with stress in the real estate sector. From early stages of poor liquidity or stress, we have advised developers on their cash management strategy and their capital financing options. We have also provided assistance to major developers in distress and advised on refinancing and corporate restructuring options.

When faced with a stressed or distressed situation, commercial analysis will take you only so far. The challenge is to devise and implement a strategy that is the least value destructive, taking into consideration the borrower, its background and the nature of the investment. The solution will very often comprise of a combination of commercial analysis, negotiation, enforcement, litigation, further enforcement and lastly negotiation.

Special situations, of course do provide opportunities for distressed investors and we can assist with the provision of due diligence and developing a robust exit strategy if the need arises.

Infrastructure and LGFV trusts

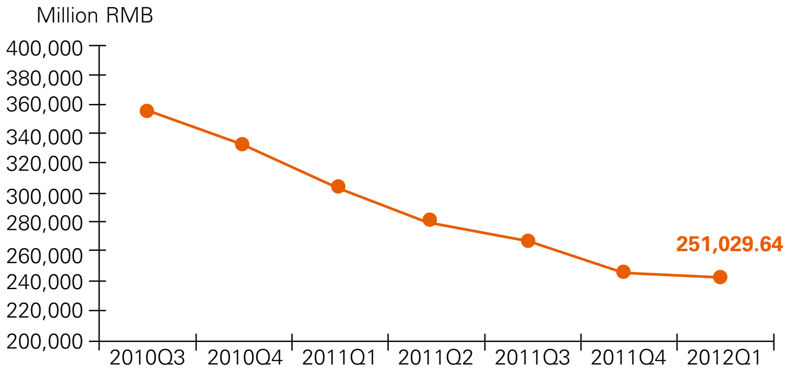
Trust companies have historically played an important role in the infrastructure industry and while this asset class is still well represented in trust portfolios, it is no longer the core product type it was in the past. Infrastructure portfolios can typically be broken down into a mix of income rights infrastructure products and financing to support local government finance vehicle (LGFV)-backed infrastructure projects, which are referred to as government trust cooperation products.

In order to benefit from government credits, the majority of LGFV companies have incorporated a financing model that entitles the local governments to buy back assets. The LGFVs in turn source their financing primarily from banks and bond issuances but they have also sourced financing from trust companies. However, given the abundance of product offerings from trust companies with more attractive structures and returns, these funds have often struggled to draw investor interest. Tellingly, from 2010 to 2011 the AUM of such products shrank from RMB 356 billion to RMB 254 billion, a decrease of 29 percent.These products make up just 4.75 percent of the total AUM held by trust companies at the first quarter of 2012, compared to 9.91 percent in the first quarter of 2011. Despite the slowdown in 2011, infrastructure products look set to grow at a more rapid rate as investors seek safer asset classes. Notably, a total of 51 infrastructure trust products have been established since June 2012.[5]

According to information on Use Trust Studio, the yields on government trust cooperation products appear to be lower than other product types on average, usually ranging from 6 to 9.5%, although higher yields have been observed.

5 地产信托重启 分析称或为放宽 21 Century Business Herald, Jul 12, 2012

LGFV trust products AUM



Source: China Trust Association

Mining and commodity trusts

China's mining and commodity trust products have been among the most rapidly growing fixed income products. In 2011 a total of 36 trust companies issued 157 "mining" trust products, an increase of 162 percent compared with 2010.[6] There are a number of reasons behind this growth. One is that mining has been a key beneficiary as financing to real estate has ebbed off in the past year. However it would be wrong to assume that this has been purely driven by a scramble to find new projects to finance. In 2010 and 2011 a number of new trust companies with parent companies in the mining sector went into operation, namely Minmetals Trust and Huaneng Guicheng Trust, that have seen rapid growth in their business. Lastly, thanks to the mineral resource industry's inclusion within the 12th five year plan, the industry is subject to favorable regulation.

Lending to mining requires different risk management skills and specialized knowledge compared to real estate, particularly in terms of collateral management where the collateral is in the form of mining resources. The short term nature of most trust products is also not well suited to the often long term financing needs of mining companies and the sector's dependency on external factors ranging from environmental considerations to policy concerns.

Mining and commodity trust products performance comparison

	2011	2010	Change
Number of participating trust companies	36	21	71%
Number of products	157	60	162%
AUM (RMB million)	48,130	13,599	254%
Average product size (RMB million)	307	227	35%
Average tenure (years)	1.81	1.79	1%
Average yield	9.80	8.49	15%

Source: Use-Trust Studio

6 矿产资源信托市场发展报告, 2011, Use Trust Studio

Security trust and sunshine funds

Security and sunshine trust products are the primary equity offerings from trust companies. Sunshine funds are often viewed as the closest product offering there is in mainland China to a hedge fund product. Reportedly, the name "sunshine" represents the contrast between the transparent and regulated environment that sunshine funds operate within versus the privately managed, self funded world of the "underground" hedge fund.[7]

While trust companies have started to develop their own in-house sunshine fund products, the sector is primarily driven by a privately managed fund partnering with trust companies on product development, risk management and distribution. This mutually beneficial relationship has largely been a win-win situation for both sides, with trust companies able to improve their product offerings and skill sets while sunshine funds have benefited from the IT systems, distribution channels and risk management capabilities of the trust company. Although the exact structure varies from company to company, trust companies will normally act as a service provider to the sunshine funds as well as a capital raising platform.

While the majority of these products are structured in a more conventional mutual fund style, many other products rely on a tranche structure. These products are designed with the trust companies' own investors normally only exposed to the prime tranche while reducing their risk exposure. Although structuring products in this way will reduce the downside risk to the trust companies' clients, the knock on effect is the reduction in the potential returns. By the same token this allows investors in the sub-prime tranche the opportunity for leveraged returns. While this structure is used in other products as well, it is rather more prevalent with sunshine funds.

Sunshine funds have been available to investors since February of 2004 when SZITIC promoted the "pure heart" sunshine funds as products to their appointed investors.[8] Since then, sunshine funds have been steadily gaining pace, with over 1,789 products available at the end of 2011, of which 893 were introduced in 2011 alone.[9] AUM of securities products now exceeds RMB 160 billion and the growth in this sector indicates there is a desire in the market for equity products, particularly the higher return, higher risk product offerings of sunshine funds.

Unlike mutual funds, Sunshine funds have limited restrictions on their asset allocations. As a result, and in light of a declining equity market, sunshine funds have by and large outperformed their peers in the retail fund management sector. Some of the key distinctions that differentiate sunshine funds are as set out below.

7 China's "sunshine" hedge funds are poised for growth driven by demand for HNWIs, 10th August 2011, Nomura Research Institute, Ltd.
8 China's wealthy investors turn to 'sunshine' trusts, 9 February 2012, Investment Asia
9 年阳光私募基金年度报告, 2011, Hwabad Securities

Cash holdings

Sunshine funds have more options at hand to navigate a volatile stock market via full conversion into cash or bonds. This stands in stark contrast to mutual funds, which are required to maintain a minimum of 60 percent of their money in stocks.

Single stock investment

Mutual funds are restricted to investing up to a maximum of 10 percent of their net asset value into a single stock. This is designed to manage risk and ensure that in a situation where a stock takes a significant fall, it will not impact the entire company. On the other hand, if a stock is performing well the mutual fund will lose out by not being able to invest more. Sunshine funds have the ability to invest up to 30 percent, meaning higher risk but higher potential returns.

Transparency

One aspect that makes sunshine funds an appealing investment is their transparency when compared to previous private funds that were on the market. Sunshine funds are required to make weekly net asset value announcements.[10]

Composition of HNWIs trust investments (RMB billions)

Source: China Trust Association

A positive indication for these products is that they are almost exclusively invested in by HNWIs. Despite their increasing popularity with these investors, sunshine funds experienced a decrease in performance from 2010 with only 5.94 percent of structured products and 5.98 percent of non-structured products earning a positive return in 2011. As a result the average yield for a sunshine fund was -15.24 percent in 2011. Despite this, there were some positive figures from the sector as an increase of RMB 37 billion ensured a 31 percent increase in the total AUM of sunshine trusts.

10 China's "sunshine" trusts avoid global hedge fund malaise to triple assets, February 7th 2012, Bloomberg

The low returns though should be considered in the context that the sunshine sector still outperformed the Shanghai stock market indices by a margin of nearly 4 percent. Should the markets recover, those companies that have dedicated resources to develop their sunshine fund capabilities and offerings will be the best placed to take advantage of that change.

Bank-trust cooperation

In December 2008, the CBRC issued its first guidance on bank-trust cooperations, the Guidance on the Business Cooperation between Banks and Trust Companies. This defined the role of the trust company as a trustee – the manager of private wealth assets – to its cooperating bank. With their extensive branch networks and large client base, banks are well placed to offer wealth management services to retail clients, while trust companies can help create tailored wealth management products. These products are typically passively managed and benefit from a low risk and a typical yield of 2.5 to 5 percent. By utilising these party-specific benefits, the logic was that both banks and trust companies could mutually benefit. However, the reality was somewhat different with regulators taking a particularly dim view of products composed of repackaged bank loans. Likewise the products were counter to the goal of helping trust companies transition into professional third party wealth managers as they were passively managed platform products. In 2010 the CBRC issued a series of new regulations outlining restrictions designed to limit the growth of these products.

This increase in regulatory restrictions continued into 2011 as the CBRC announced the notice on further regulating business cooperation between banks and trust companies instructing banks to move their off-balance sheet assets back onto balance sheets, setting aside provisions accordingly and standardizing the business cooperation between the two parties.[11] All newly emerging bank-trust cooperation products are subjected to higher levels of supervisory oversight.

Testament to the increased supervision, the CBRC announced in January of 2012 a ban on the sale of trust products investing in commercial paper, a product that had been created a short time before.[12] These new restrictions on commercial paper investing are also directed at helping the CBRC to gain further control over credit growth.

The CBRC conducted an in-depth examination of bank-trust cooperation, supervising their on and off-balance sheet businesses and looking at the wealth management, inter-bank financing and payment and credit asset transfers. This led banks and trust companies to improve information disclosure and rectify non-compliant activities, issuing the regulation on the sale of wealth management products of commercial banks and the notice on further strengthening risk management of wealth management business of commercial banks. In addition to this the CBRC banned the practice of using wealth management funds to issue trust loans.

11 China Banking Regulatory Commission 2011 annual report
12 China bans commercial paper trust products, 11th January 2012, Asia One

As a result of these regulatory changes there has been a significant drop in the growth of bank-trust cooperation products. Despite a year on year increase in the number of products from 5,577 to 8946, the sector only went from 1.66 trillion RMB to 1.67 trillion from 2010 to 2011, and, as a percentage of total AUM, actually shrank from 54.61 percent to 34.73 percent in that same period.

Trust of Trusts

The first trust of trusts (ToT) product was launched in 2009 by Ping An Trust.[13] Since then their popularity has increased and, in a positive move for asset allocation and diversification, their growth continued throughout 2011. Although the name may suggest otherwise, the market is not exclusively managed through trust companies. While trust companies account for nearly 30 percent of the market, banks have the largest share of more than 50 percent and securities brokers as well as IFAs account for the rest.

As a product, ToTs are very similar to the more mainstream fund of funds (FOF) products in that a trust plan is set up that invests in other existing trust plans. Like FOF, ToTs have a strong weighting on risk. Before a product is ready to market, it is selected from a pool of private funds and vetted against performance, products, company background and the required investment process. The product itself will typically also be subject to self imposed restrictions, such as AUM and investment caps. The increased risk precautions have become a necessity not through regulation but as a result of the investor that the product is targeting. Offering quarterly liquidation, limited subscriptions and an adjustable portfolio, ToTs offer investors a product with risk diversification features capable of yielding attractive returns. However, due to under-developed asset look through capabilities of many trust companies, most trust company TOT products are only invested in their own funds.

QDII

In 2007, regulators issued the Measures for the Administration of Trust Companies' Overseas Financial Management Business which permitted trust companies to apply for QDII licenses. A QDII license, which grants trust companies the right to invest abroad, is one of the most sought after licenses due to increasing client demand for overseas exposure.

Currently, CITIC Trust, Shanghai International Trust, Zhonghai Trust, China Credit Trust, Huaxin Trust, Ping An Trust and Hwabao Trust are the only trust companies that have obtained QDII licenses. In 2010, Shanghai International Trust became the first trust company to launch a QDII trust fund product. This fund invested in stocks and bonds listed in Hong Kong. However, there is a lack of consistency in how different trust companies approach utilization of their QDII quota. What is clear though is that key clients of trust companies are interested in diversification of their investments and being able to provide an international investment option is a strong competitive advantage. Trust companies at their current stage are still largely not proactive institutions and when inquiries were made with two trust companies as to what they intended to do with their QDII quota, the answer was whatever their clients required.

13 Chinese investors fall in love with ToTs, 9th February 2011, Asian investor

China Credit Trust, Shanghai International Trust, and Zhonghai Trust have reportedly begun to enter into cooperation with overseas hedge funds and other third party institutions in order to launch QDII products. Trust companies are also being approached by overseas investment banks to assist with structuring their QDII investments. In addition, one trust company was optimistic that foreign investors will be able to use their QFII quota to invest in trust products in the future.

Futures

In its first year offering futures trading though the China Financial Futures Exchange (CCFX), the trust sector has gained a foothold within the industry and is operating under a structured, standardised operating model as per guidance issued in June of 2011 from the CBRC, Guidelines on trading of stock index futures by trust companies. The guidelines stipulated that trust companies wishing to trade in stock index futures are required to put in place a specialized futures trading team consisting of at least two traders with more than one year of experience and the appropriate network and IT infrastructure. The guidelines also place restrictions on the sale of stock index futures, stipulating that any contracts appraised at a value higher than the total of equity securities accounts held by the trust company are prohibited. In addition, for single unit trusts, the risk exposure of futures contracts cannot surpass 80 percent of an individual client's net asset value (NAV).[14] To date four trust companies have been approved for a futures license, namely Hwabao Trust, Huarun Trust, China Foreign Economy and Trade Trust Co., Ltd. and Zhongrong Trust, with a number of others reportedly in the application process including China Industrial Trust, Ping An Trust and CITIC Trust.[15]

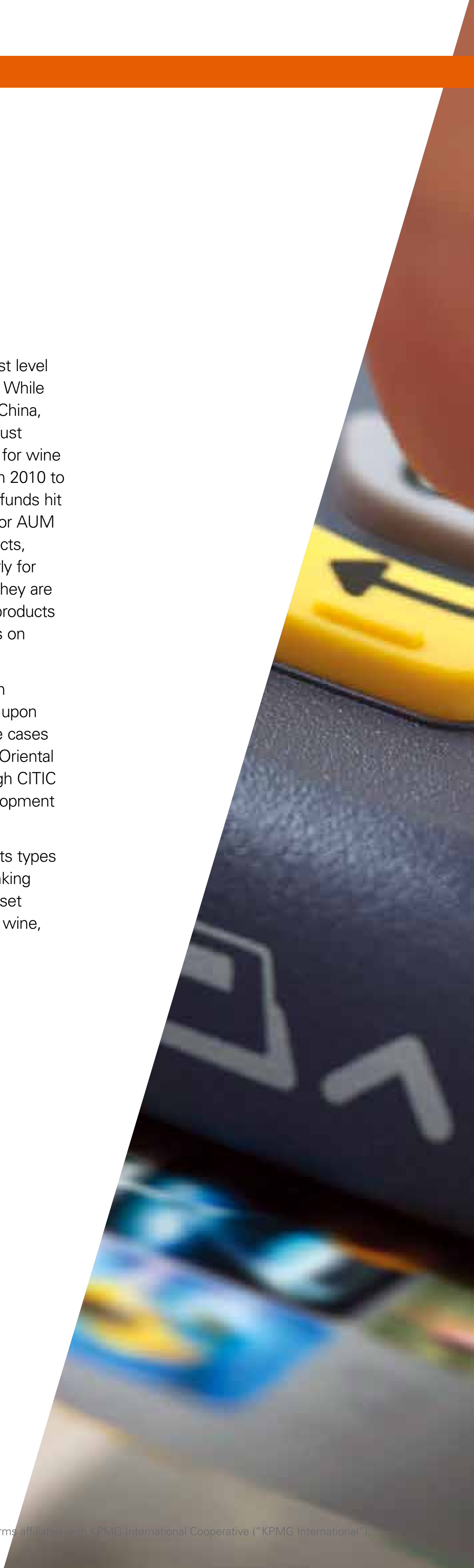
Structured combined unit trust products are also prohibited from trading in index futures, referring to when a trust company has employed a tranche structure to carve up an equity product to create two or more classes of clients invested in prime and sub-prime tranches—the logic behind this rule was that the presence of such derivatives could lead to enhanced losses for sub-prime or junior tranche investors. Unstructured combined unit trust products though can incorporate index futures but only for hedging and arbitrage purposes and not for speculative purposes. These products are subject to a further restriction that at the end of any trading day the total value of the futures contract should not exceed 20 percent of the total market value of equity securities.

14 Trust companies are to enter the stock index futures market, 10 May 2011, ChinaHedge
15 中融信托将获期指交易牌照 多家信托公司排队, 7 June 2012, Yicai

There are other indications of further loosening of this space on the horizon. At the end of May 2012, a discussion between Shanghai regulators and some of the leading names in the trust sector was held to discuss potential amendments to futures trading. Specifically there were proposals to loosen restrictions around stock index futures tied to commodity futures and government bond futures as well as increasing the trading limit to 30 percent for unstructured combined unit trusts while permitting structured combined unit trust products, to trade up to 20 percent.[16]

The incorporation of futures into trust products is a very natural fit for the sector and in line with their evolution into more innovative, hedge fund alternative asset-like institutions. While the implementation of this new legislation is very much in its infancy, it is expected to be a significant driving force in product development going forward. While index futures are primarily tied to equity product offerings in a market that is largely fixated on fixed income debt products, there is no reason not to expect that this mix will change depending on market dynamics and the economic environment. Thus developing the capabilities beforehand and the ability to offer products with index futures will be a strong strategic differentiator for players in this space as they expand into equity and commodity funds in the future.

16 银监会酝酿扩大信托公司投资期货范围, 13 June 2012, Yicai



Alternative investments

The alternative investment portfolio of trust companies has shown the highest level of diversification and innovation of any other product type over the past year. While perhaps more representative of the increasingly upscale tastes of HNWIs in China, they are a key part of any trust company's product offerings, particularly as trust companies seek to tap into a nouveau rich clientele with a deep appreciation for wine and art. Art and antique trust fund products alone ballooned 626 percent from 2010 to 2011 to RMB 5.5 billion while even more niche baijiu or Chinese white wine funds hit RMB 896 million. While this represents a relatively small portion of total sector AUM and with only around 10 trust companies engaged in developing these products, these are highly strategic product offerings for trust companies and particularly for those interested in distributing product through private banking networks.[17] They are also excellent additional products to bring to clients. While returns on these products are attractive, there is a prestige factor that should not be understated. Yields on these products averaged 9.85 percent in 2011.

These products are also seen as something of a defensive asset classes with stable yields over time although they do have some illiquid qualities; notably, upon expiration of some of these products, the underlying investment has in some cases been transferred directly to the clients. One notable product was the Beijing Oriental International Theatre Industry Fund issued in May 2012 by CITIC Trust through CITIC Juxin (Beijing) Capital Management Limited. The product invests in the development of the fine arts industry.

It is likely that this product line will continue to grow faster than other products types over the coming years, matching the rapid growth of the Chinese private banking sector. Trust companies have been responsive to these demands and the asset classes of these products have expanded to include trust plans covering fine wine, art, precious metals and even tea.

17 艺术品信托市场发展报告, 2011, Use Trust Studio

Industry challenges and opportunities

The trust sector is moving into a more mature phase of its development and while in the past the sector was notable for a lack of bottlenecks on both the investor and project side. However, this situation is experiencing an increasing transition with greater competition for investor funds and projects by both trust companies and other players in financial services. The competition from the financial services industry is predominantly driven from securities companies with their increasing wealth management capabilities, and the launch of a junk bond market in 2012 on the Shanghai Stock Exchange with bonds offering rates competitive with that of trust debt products.

There also exists a great deal of variance across trust companies, both in terms of the way they interact with clients and how they operate as a business. This is reflected in the fact that many services or products can be specific to a limited number of trust companies. Captive trusts in particular often function to an extent as in-house banks with a lot of their value-add stemming from activities to support the parent company, suppliers or distributors. Some even play something of a social welfare role by providing investment options to their staff.

Risk management

Risk management should be the key strategic differentiator of a trust company. By balancing risk exposure and allocating resources effectively, a trust company can achieve long term stability, maximise client value and be viewed as a reliable partner by their clients. Risk in this sector should be viewed through a number of lenses. First, there is a level of strategic risk present that is not easily observed in other areas of the financial services sector. Unlike a bank, the role of a trust company in China's capital markets is not clearly defined and there is great deal of business model variance from one trust company to another. Without a strategic vision in place, companies run the risk of their existing business model being unable to respond to changes in the market. Second, there are significant compliance and regulatory challenges that trust companies face, particularly in light of the rapid growth of the sector which has resulted in efforts to temper growth. Third, as competition in the sector heats up, trust companies are facing increasing operational challenges and cost pressures to ramp up their project monitoring and risk assessment. Lastly, credit risk is beginning to emerge in the sector as certain trust companies take on the liability of some of their fixed income product offerings.

Strategic risk

With the deepening of regulation, the role of the trust company in China's financial services industry is gradually taking shape but there is still not a clear business model for the trust sector to aspire to or even a concise definition of the role trust companies should play in China's capital markets. This is not to say they don't have a role. Trust companies continue to provide much needed financial solutions to areas of the economy that remain cut off from bank financing for either policy or structural reasons. No one can predict how the sector will develop, however, in the long term trust companies may struggle to provide products that are in some ways synonymous with bank lending. At the very least, developing the capabilities to offer financial solutions rather than loans predicated on the flexibility and innovation that they can bring to bear may become a strategic necessity. The ability to compete on risk management and product structuring capabilities as opposed to only product return will become a strategic differentiator.

Among the areas of the trust sector that would benefit from expanding and innovating their business models are captive trust companies. The term captive in this case is applied loosely—no single trust company is completely captive to its parent company, something the regulators have ensured. However, most of the captive trust companies have acted in a nature that is complementary to the business of their parent company and typically do provide financing throughout the supply chain and distribution network of the parent as well as innovating products based on the industry knowledge of the parent company. One example is COFCO Trust's "pork investment" fund.[18] This is a very innovative and well structured product that clearly leverages the deep wealth of knowledge and expertise that COFCO has built up in agriculture while, as a result, providing capital to a sector sorely in need of financing. Some of the captive trust companies of major state-owned mining firms have similarly innovated their mining product offerings and they should be better placed to understand the investment and credit risk in their industry. However, there is residual risk in operating in a manner too close to the parent company and bearing concentrated exposure to one industry (i.e. agricultural and mining commodities). Thus, just as GE Finance expanded its financial solutions beyond the parent group's business, captive trust companies should also aspire to broaden their exposure to the market and their product scope while increasing their proportion of products that are fully independent of the parent company while managing risks related to sector concentrations. One captive trust company felt strongly about this point and noted that they have set a target for half of their business to operate completely independently of their parent group's industry. These companies should also ensure their business model develops the necessary skill sets to be able to respond to sudden changes in sector-specific market conditions.

18 募资1500万中粮首发生猪投资信托, 19 June 2012, Use Trust Studio

How KPMG can help

KPMG works with companies to execute their growth strategies more effectively. Working together we can help Chinese companies successfully manage the complex range of challenges associated with business expansion and transformation.

KPMG China's Consulting team has extensive industry experience in advising companies in the Financial Services sector on strategy, with a strong track record of successfully advising companies in the trust sector in China. Our work includes a range of advisory services across strategy & planning, business transformation, post-merger integration and the introduction of effective risks and controls aligned with regulatory reporting requirements. Given the range of strategic and operational risks facing this sector, we are well placed to provide the necessary advisory services and resources to help companies effectively transition through these issues. Our team specializes in developing innovative operating models that are adapted for the realities of the local market in China.

Regulatory risk and net capital management

The CBRC has implemented a wide array of new regulations over the past year, of which three are specific to the trust sector while a number of others concern non-bank financial institutions which also affect the industry. These changes affect the capital, business and project risk management of trust companies and attempt to create a more comprehensive risk management environment for trust companies to operate in.

Specifically, the CBRC has made efforts to curb risk stemming from bank-trust cooperation products to mitigate the risks arising from the expansion of off-balance sheet exposures. They have also highlighted the strengthening of the firewall arrangements between "formal" and "informal" banking business as a key activity to manage risk.[19]

However the key regulatory development in the trust sector has been the new capital requirements. This regulation, which was released by the CBRC in 2010, went in to effect for year-end 2011 and compels trust companies to bring their business into alignment with a series of net capital reserve requirements. The Measures for the Administration of Net Capital of Trust Companies stipulates that all trust companies must maintain a minimum net capital of RMB 200 million and maintain a ratio of no less than 40 percent of net capital to net assets.

This regulation is aimed at increasing the level of control by the CBRC to help ensure the risk facing the industry is manageable as well as enhancing awareness of business risks and the threat they pose. More practically, they apply certain risk weightings to the AUM and proprietary holdings of trust companies, essentially penalizing riskier asset classes while encouraging lower risk asset classes. To an extent, these weightings also (not coincidentally) align to the country's broader macroeconomic prerogatives.

19 China Banking Regulatory Commission 2011 annual report

Gaining control over the risks posed by insufficient capital reserves helps to ensure that trust companies can effectively deal with economic peaks and troughs and maintain the necessary liquidity to meet unexpected losses. Moreover, this approach is wisely aimed at preventing the unchecked expansion of the trust sector without limiting the innovation and flexibility that has allowed trust companies to thrive in the first place. Long term, these factors should benefit the CBRC's overriding goal of nurturing trust companies into modern wealth management institutions.

Trust companies have a number of options when it comes to how they want to approach the required restructuring of their capital base. One option is to simply raise capital, elevating the overall level of capital albeit potentially diluting existing shareholders' holdings. Another option is that they can choose to maintain current capital levels while more efficiently rationalizing capital allocation so as not to violate regulatory requirements. Regardless of which approach a trust company chooses to take, the net effect is to raise awareness of the need to more effectively deploy capital to maximise business objectives. This has the long term impact of growing risk resilience during business development and expansion.

A holistic view of the sector's compliance with this regulation is hard to achieve; for year-end 2011, only 29 trust companies disclosed their net capital for regulatory reporting purposes, 19 of which were found to have conducted a capital increase in order to meet the net capital management requirements. However, more than half of trust companies did not comply with article 24 of the net capital management requirements, which states that a trust company must disclose their net capital, risk capital and risk control indicators in their annual report.

Although this regulation may be seen as a restriction on the industry, it also creates unexpected opportunities for trust companies. By enforcing capital management requirements, the regulator has essentially fast tracked and simplified the application of key performance indicators for trust companies. These can more directly help evaluate performance by referring to the company's capital and can also be an indicator of sector risk exposures. As one foreign-invested trust company noted, "in one fell swoop the regulator essentially solved an issue that had exasperated us for some time; namely optimization of our proprietary trading operations."

In light of these new requirements, trust companies should ensure they have implemented the necessary processes designed to track and monitor their financial situation at any given time with an early warning indicator to raise a red light when there is a possibility of a net capital deficiency. On the other hand, it may be difficult to accurately perform this task if financial accounting and reporting systems have not been developed with this kind of challenge in mind. In addition, a failure in the early warning system may lead to weaknesses in the decision-making process.

The CBRC has noted that a trust company's required commitment of net capital correlates with their risk management ability and the level of internal control they possess. Trust companies with a higher ranking in these traits will be subject to fewer restrictions over the use of their net capital in expansion of their business scope. As a result there is now a true financial incentive for trust companies to improve their risk management and, consequently, improve the industry.

Trust companies should take the opportunity of the restructuring within the industry caused by the regulation to improve their internal control and risk management firewall systems. By updating their financial accounting systems to accommodate the new requirements, trust companies can continue to build on their growth while operating confidently in the knowledge that they have indemnified themselves from the risks formed as a result of their increasing credit risk

Operational risk

The trust sector has emerged as a key player within the wealth management sector, and while many trust companies have been successfully growing their business, the increased size of the sector combined with the changing nature of risk is leading to a more complex operating environment. Likewise, as trust companies set up multiple departments to handle different products and grow their client management resources, certain operational risks will become more apparent. Unfortunately, there is no simple solution to these challenges except to follow and implement best practices. Thus, the sector should focus on restructuring the more mundane organizational risk elements; increasing internal controls, developing strong internal audit functions and setting clear due diligence requirements. Some industry best practices include:

- Establishment of an independent, dedicated compliance and audit department focused on the supervision and inspection of risk management and internal controls.
- Implementation of strict segregation of personnel from business decisions and financial reporting.
- The requirement that all high risk business decisions are approved by a number of designated executives.
- Ensuring the in-depth understanding of both the individual shareholders and their relationship with the trust companies as well as their business and financial background. There should be processes to divulge any underlying equity relationship between the parties.
- The publication of guidelines setting out the requirement for certain due diligence procedures before financing (equity or debt) can be completed.
- A channel through which whistleblowers can anonymously report illegal activities.

Appropriate due diligence is a particularly key factor in the decision to proceed with an investment or extension of a loan.

How KPMG can help

KPMG can assist trust companies to maximise the value from new investments. We perform due diligence to raise deal-breaking issues and identify downside valuation risks, as well as providing market, competitor and customer analysis to give you macro context to your investment. By reducing the scope of a due-diligence we can provide you with a more streamlined and specific due-diligence service. Every transaction involves our sector experts who put their comprehensive market knowledge to work, identifying the biggest opportunities and risks to your investment returns. We also provide sales and purchase agreement negotiation assistance to help ensure you are protected against losses through the consideration mechanism.

Using KPMG's proprietary intelligence and skill set in helping our clients to complete transactions, our transaction teams can substantially enhance your probability of success and reduce risk by:

- understanding your objectives and applying them to assessment metrics in the target company;
- providing professional strategic, commercial and financial due diligence with excellent regional intelligence, and;
- providing regular reporting which links commercial and financial issues to your strategic objectives.

Reputational risk

A key change within the trust sector has been the migration of trust companies from a simple intermediary or arranger of financing to providing more value-added intermediary services, one consequence of which is the increasing exposure of Trust companies to reputational risk. This situation has gradually developed as a result of a combination of factors, including a lack of losses suffered by investors on fixed income products, the expectation of low risk among investors, insufficiently robust investor communications in terms of conveying downside risk on products and certain trust companies implying implicit guarantees on their product offerings.[20] The views from the market on this issue are somewhat nuanced. Some trust companies rightfully noted that the risk of liability to their fixed income products forces them to act with the utmost diligence on project acceptance and project management. They also regard this as a matter of fiduciary responsibility and, as noted by one trust company, "We are a trust company and our clients need to trust us." However, there were also divergent views on this topic. Some trust companies felt that pressure to take liability on loss making products as a result of reputational risk was reducing the incentive to create more innovative products structured along a risk continuum tailored to the client's risk tolerance levels. It was also noted that implicit guarantees on products may create a sense of complacency among unsophisticated investors, leading them to not properly assess the risk management capabilities of the trust companies they are dealing with. As one domestic trust company noted, "we dedicate tremendous resources to risk management, macro-economic research and investor communications. However, most investors don't place a great deal of value on these efforts. They are more interested in simply knowing what the product return is."

20 房地产信托兑付暗流涌动, 9 June 2012, Yicai

As trust companies change their role from facilitating finance to managing assets, the nature of risk management and liability will also need to change in tandem. To ensure the continued health of the sector, trust companies should adapt to this change and the changing nature of risk, and improve their risk management and risk mitigation processes (i.e. collateral management) appropriately. To date there have been no serious defaults on products but as reputational risk puts pressure on trust companies to take on greater liability over their products, there may also be an increased need to strengthen capital resources.

As mentioned previously in the section on real estate trusts, it would appear that the risk around real estate products has been extremely well managed as a result of ever lower loan to value ratios. However, the increasing use of land and property as collateral, which are seen as low risk asset classes, may steer the sector away from more innovative lending practices.

Client Relationship Management

The current approach to client relationship management (CRM) in trust companies is relatively undeveloped with the vast majority simply acting as a point of sale without establishing any strong ties to clients. Just like with the manufacturing sector, where Chinese companies are rapidly moving up the value chain, trust companies must undertake the same evolution, taking ownership of their client base and monetizing relationships through service expansion. In particular, trust companies should move towards a needs-based approach, where they understand their clients' investment needs, as opposed to a product push approach of only selling existing product offerings. On the regulatory front, there are also efforts being made to steer trust companies in this direction. In October 2011, the CBRC issued a draft exposure, "Specifications on Trust Product Marketing", setting out detailed requirements around the sale and distribution of trust products. Specifically it identified two permissible distribution channels, namely sales through the trust company itself and sales through agents of financial institutions. A key message that came out of this draft exposure was encouragement of trust companies to develop their own direct marketing capabilities as well as permitting them to set up off-site marketing centers to sell products. Lastly the regulation explicitly stated that trust products cannot be promoted through non-financial institutions. It is unclear whether this will impact sales through IFAs.

Many trust companies currently rely on distribution through bank branch networks or independent financial advisors (IFA), which specialize in selling wealth management products. This model enables a trust company's products to be marketed to a wider audience but this comes at a significant cost, with banks and IFAs typically charging between 1 and 2.5 percent distribution fees while also failing to generate any meaningful one-to-one relationships between the trust companies and investors in their products. The trust sector fortunately lacks the same level of dependence on third party distribution that can be seen in the retail fund management and insurance sectors for the simple reason that an individual or institutional investor will typically not commit large sums of money without conducting their own due diligence.

This lack of a relationship with investors greatly reduces the opportunity for repeat business, provision of additional services and cross selling. Encouragingly, a number of trust companies are improving their client relationship management and in doing so cutting costs and attracting new business. This can be interpreted as a conscious effort to get more involved with their client's experience of investing in trust products and stepping up their efforts to more actively engage with investors. Many trust companies have identified that by improving relationship management they can create a deeper understanding of their client's situation and needs; as noted by one trust company, "it is not the client's job to tell us what they need, but our job to understand what their needs are".

A common method used to improve relationships across all parts of China's financial sector is to maintain an active and open line of communication with the client via frequent meetings and consultations. Another approach, which is growing in popularity, is investor specific events, designed to educate clients, allow them to network within their own peer group and showcase other potential opportunities. These events enable trust companies to build new, improve old, and guarantee future relationships with clients by effectively transitioning their role from product provider to financial advisor.

"There are lots of clients who approach us with unrealistic return expectations or expect us to make good on any losses. These are not the kind of clients we want."

On the other hand, there is also an increasing understanding that not all clients are good clients and client acceptance or onboarding procedures are becoming more rigorous. One domestic trust company interviewed commented that they rely purely on their own client resources and are quite strict when it comes to client onboarding.

As noted in the interview with DST, there is also an important IT, or "soft touch", element in CRM. This has begun to emerge within the sector as a number of trust companies have taken to developing CRM systems. However, these systems seem to be largely predicated on carrying over the software solutions from the banks and lack the bespoke characteristics unique to the trust industry.

DST Global Solutions HK Ltd

Fran Thompson

Head of Client Relations - Asia

INTRODUCTION

In response to a range of new business opportunities, trust companies in China are undergoing a strategic change in focus from being 'introducers' of business, towards full asset management and product manufacture.

Although both business models are likely to continue to be part of their successful product mix, it is clear that deployment of appropriate technology is becoming increasingly critical to ensure revenue growth and profitability. While a few software vendors claim that so-called 'end to end' solutions can meet the full range of requirements, best practice in the global financial services industry appears to remain focused on integrating 'best of breed' components through an open architecture.

While a robust and effective back-office operation has always been essential, there are three additional business areas where trust company technology has started to drive substantial differentiation:

1) Product Development;
2) Customer Relationship Management' ("CRM"); and,
3) Enterprise Data Management.

SUCCEEDING WITH PRODUCT DEVELOPMENT

As trust companies move towards undertaking more product manufacture and direct investment management, rather than acting as a conduit or distributor for third-parties, there is an increased need for a comprehensive investment management platform. Among a trust company's many licensed products, 'Trust of Trusts' are a perfect example of where the ability to quickly and efficiently research, test, package, and bring new products to market, is a critical differentiator. trust companies that can show a superior analytic approach to this packaging - demonstrating the basis for product selection - are likely to be the most successful.

A comprehensive portfolio accounting engine, capable of multiple levels of asset data aggregation is the centrepiece solution to this requirement, enabling the product developer to assemble multiple underlying products, such as third-party trusts and other asset classes, into new packaged investments. This provides the manufacturer with the facility to back-test various scenarios in pursuit of an acceptable historic performance mix, which then forms part of the product marketing message.

A further benefit of implementing a comprehensive portfolio aggregation solution is that data can be used to aid manager selection as part of the product development process. By using the power of 'look through' transparency, a larger number of candidate asset managers and products can be screened by detailed inspection of historic portfolio performance and holdings-level attribution.

It is also particularly important that trust companies contemplating entry into areas such as QDII and derivatives, invest in technology that can handle the complexities of the international markets, while seamlessly integrating with domestic investments and the local systems that support those assets. Such technology has typically been developed over a period of decades, in response to the specialties of multiple global market practices.

MAXIMIZING CUSTOMER RELATIONSHIPS

It is extremely expensive to acquire new customers, so it is essential that each existing relationship is fully satisfied and motivated to buy additional products. As a result, successful financial services firms have invested in comprehensive CRM and supporting applications. Historically the trust company sector has relied on Bank partners for many of their product sales but of course this means that the trust company has often not 'owned' the customer; this model will continue to change and trust companies must learn to acquire and maintain direct relationships.

A complete CRM application-suite may comprise elements of:

- internal reporting capabilities, such as role-based information dashboards;
- web-based information delivery;
- risk and compliance alerts for regulatory and control purposes;
- customer statement interface; and,
- relationship alerts, including financial planning review prompts.

To gain the most benefit, such a system should also aide profitability reporting on each customer relationship.

When it comes to cross-sales, the applications and data must help drive those sales opportunities by highlighting and prompting a range of alternative products that may fit the customer's risk appetite and profile. This, in turn, leads to enhanced customer satisfaction and retention, deepening the direct relationship and so increasing the value of each existing customer.

Fee billing is an additional area that is critical for relationship management. The ability to service customers based on multiple levels and types of fee arrangement are an essential component of a competitive offering, including the ability to calculate not just fixed-rate fees but also valuation-based, performance-based and other contingent fees.

ENTERPRISE DATA MANAGEMENT

As the regulators continue to increase and adjust their supervision of trust companies in China, the requirement for complete transparency and comprehensive reporting is expected to increase. Reliable and easy access to all aspects of enterprise data, including: transactional; issuer; counterparty; and, customer information, is essential. Such data access enables the firm to address a full range of regulatory questions, ensuring adequate monitoring of items such as 'net capital limits'. trust company staff with appropriate security rights should be able to access this wealth of enterprise data through custom-built dashboards constructed for their particular roles and responsibilities.

The performance (profit and loss) of a product must clearly set out the attribution across underlying assets, explaining at a glance the specific holdings where any investment gain/loss and income has occurred. Ideally, where a product (whether single trust, combined trust, or other type) has a specified investment mandate, 'style drift' – or at least performance versus an agreed benchmark - should be part of this reporting package.

Lastly, trust companies must pay greater attention to internal risk management. Moving towards a role as 'product manufacturer' increases the firm's reputational risk and necessarily requires careful attention to areas such as counter-party risk, issuer risk, and compliance management, all of which can be assessed and monitored through the implementation of a comprehensive enterprise data management strategy.

SUMMARY

Taking full advantage of the wide license powers available to trust companies in China requires a comprehensive, component-based information technology strategy that includes:

- powerful portfolio data aggregation services;
- a foundation for customer relationship management; and
- a comprehensive approach to enterprise data management.

Data reporting transparency is required to meet the obligations of internal risk control, regulatory oversight and customer reporting. As competition and regulation increases, the continued success of trust companies in China depends on these areas being at the center of their strategic focus.

A trust specific CRM system will not only maintain and improve client relationships by tracking communications and highlighting opportunities for cross selling, it can also build on this relationship by improving the client's confidence in trust investments through improved reporting. While it is generally the standard across the industry to offer financial reports to their clients on a monthly or quarterly basis, the company that can provide detailed on demand data in the form of real time portfolio reporting has a deeply strategic advantage over its peers.[21]

This same reporting methodology can help the trust companies better identify the performance level of individual trust products and can be used to demonstrate the key areas their business is generating the highest returns by highlighting exposure, attribution, performance and risk. The obvious benefit of such systems is to reduce a company's dependency on manual processes but it can also be used to ensure such processes are adequately focused with individual clients receiving the appropriate level of service.

The current situation in China is one of excessive liquidity seeking yield in a market with limited investment options. In this context it is not surprising that many market players interviewed noted that the key strategic differentiator is product development capabilities and product return. However, as competition heats up between both trust companies and other players in the financial services sector, CRM will be a key strategic differentiator in terms of client development and retention and as trust companies roll out asset allocation strategies.

How KPMG can help – Client experience and onboarding

The relationship that trust companies have with their clients and the services offered to those clients is critical. Trust companies have overall failed to maximize and optimize those relationships. This failure has resulted from a lack of a holistic view of what the client needs. Many trust companies have one-off product relationships with clients, which not only limits profitability but fails to generate the deeper client insight necessary to expanding the relationship. Those relationships are key to being able to offer a fuller suite of services. Likewise, because of the lack of systems, there has been a failure systematically connect client preferences with different products and services offered by the trust company. The client experience with the trust company can thus sometimes be unsatisfactory at worst or less profitable at best. The insights developed also allow a trust company to understand which clients are quality and which are not. As noted by one market participant, a small client doesn't necessarily mean a small problem. This deeper insight also allows the trust company to understand what services they can and will be able to extend to that person or organization. For a trust company to truly understand their clients, it is not just based on intuition and personal interaction, it also requires the use of detailed customer analytics to predict the quality and quantity of revenue that can be obtained from those clients.

KPMG can work with our clients in the trust sector to assist them in

- Developing the systems and strategies necessary to enhance client experience and onboarding
- Designing and developing systems to provide value-added, detailed customer analytics
- Upgrading and developing client financial reporting and asset look through capabilities of the trust company
- Designing CRM systems
- Enhancing CRM processes and systems along with integration of CRM software solutions.

21 Understanding the technology challenges confronting wealth management in Asia, May 2012, Asian Investor

Julius Baer

Dr. Nick Xiao

Head of Corporate Development Greater China

Julius Bär
瑞士宝盛

Julius Baer is a leading Swiss private banking group, focusing exclusively on the demands of sophisticated private clients, family offices and external asset managers from around the world. Unsurprisingly, Julius Baer has been a keen observer of China's trust companies, which are often said to be strong contenders in China's wealth management arena.

To Dr. Xiao, the following trends in the trust sector are clearly notable: "on the product manufacturing side, the dominance of lending products will gradually be diluted as more investment management products like portfolio management, private equity and QDII have been marketed. On the distribution side, some trust companies are taking baby steps in building up wealth management departments to drive marketing and sales efforts. Additionally, in view of the net capital requirements, trust companies are increasingly making operating decisions with the cost of capital in mind."

Questioned about the strategic significance of a full-fledged wealth management department to a trust company, Dr. Xiao made some interesting comments in reference to the classic private banking value chain:

"First of all, the wealth management department can become a client acquisition engine - sourcing new clients from existing clients' business circles and from partners such as industry associations and luxury brands - thus gradually reducing the reliance on bank distributors and re-capturing the substantial revenues paid away as distribution fees."

"Secondly, the wealth management department can perform client onboarding duties - such as KYC (Know-Your-Client), anti-money laundering, and profiling of clients' risk appetite – which are crucial to proactively identifying and mitigating compliance risks."

"Thirdly, the wealth management department - by providing continuous advisory at macro, asset allocation, and product levels - will help expand share of wallet, increase recurring sales, and enhance profitability."

Dr. Xiao also added - a point especially pertinent to China - the wealth management department could leverage its accumulated knowledge on HNW clients' corporate situations to spot client needs for funding early on, and introduce such deal opportunities to the trust company's product manufacturing departments.

Based on Julius Baer's experience for almost one and half centuries in building best-in-class private banking business worldwide, Dr. Xiao offered a few tips to Chinese trust companies in their efforts to build up wealth management operations: "to start with, growing a dedicated, professional team of client relationship managers is critical. They should have the necessary expertise in client acquisition, advisory, and servicing, and are guided by carefully defined KPIs".

In the meantime, establishing a wealth management brand is also important, as Dr Xiao continued: "a trust company should try to elevate clients' familiarity with its products into clients' faith in its brand as a wealth manager, through publicizing a distinct brand proposition and living up to it with high-quality client advisory and excellent product solutions…year after year."

Support from the product manufacturing side is also vital to building up the wealth management department, as Dr. Xiao elaborated: "a trust company should offer 'parking lot' products, i.e. deposit equivalent, to enable continuous AUM gathering vs. traditional deal-driven sales campaigns. What's more, product gaps in the full risk-return spectrum should be filled so as to cater for diverse client profiles and facilitate portfolio rebalancing."

Dr. Xiao also suggested that the wealth management department should build particularly strong relationship with a number of "cornerstone clients" with huge wealth and high sophistication. These clients can contribute sizable AUM and open doors to prospects in their business communities. Besides, by sounding out this group of clients regularly, the trust company can quickly determine the marketability of trust products being envisioned, and make commitment to the investee/borrowing companies in terms of funding amount and speed - key competitive edges in winning deals. However, to manage these "Ultra-High Net Worth" clients won't be easy, requiring expertise, credibility, and finesse, according to Dr. Xiao.

All in all, a daunting task indeed. But as Dr. Xiao remarked, a trust company can undertake these efforts with inhouse resources, or choose to partner with a leading international wealth management player who can transfer the knowhow and implement best practice.

Conclusion

The rapid growth of the trust sector in 2011 exceeded most expectations although it was not entirely unexpected as the trust companies settle into their role as the primary wealth management institutions in China. The total AUM increased by 58.25 percent, surpassing the total achieved in 2010 by over RMB 1.8 trillion. However, as the easy growth period for the sector reaches an end, there is increasing concern going into 2012. Under the watchful eye of the CBRC, the sector has not simply grown but it has grown safely, guided on its way by stringent risk management regulation and progressive guidelines that protect the industry without stifling growth and innovation. However, increasing competition between the trust companies themselves and other players in the market are changing certain dynamics in the sector. As a key employer of some of the best and brightest in China, trust companies must use the talented resources they have on hand to grow their risk management capabilities in line with the changing nature of risk in the industry.

Trust companies should also dedicate resources to improve their systems and processes with respect to CRM while increasing transparency and product reporting to gain a better grasp of the increasingly sophisticated product offerings going to market. While trust companies currently maintain a relatively unchallenged position in terms of providing investment alternatives to the market, this is gradually changing. Likewise, while many areas of the economy are currently struggling to secure finance, giving trust companies the benefit of being able to select from a wide range of attractive projects to finance, this opportunity would lessen in the face of increased credit, a challenge they need to prepare to respond to.

Trust 101

What is a trust company?

While the sector is well into its fifth year since its reform, trust still remains a largely misunderstood area of the Chinese financial services sector both within China and especially overseas. This situation has become the case even more so an increasing number of trust companies become engaged in higher levels of product and service differentiation.

Trust companies are commonly referred to as trust banks, trust fund managers and trust and investment companies. All though none of these names are in themselves incorrect, none of them fully captures the breadth of services being offered in this sector. These uniquely Chinese financial institutions combine characteristics from private equity, asset management, wealth management and the banking sectors – they should not be confused with how the term trust is applied in the West. Further complicating their definition is the fact that trust companies are ever-evolving entities due to constant shifts in the economic and regulatory environment causing significant changes in their profit drivers and business models. As a result, trust companies are very opportunistic in nature, rolling out new services in response to market changes.

With each year of positive growth, the trust sector increasingly becomes a target for foreign and domestic investors looking to obtain a stake in China's rapidly growing financial services sector. Although Trust Law was established in 2001, allowing the legal basis for the trust company, interest from investors only became prominent in 2007 when the Measures for the Administration of Trust Companies and Measures for the Administration of Collective Funds Trust Schemes of Trust Companies were put in place. These regulatory changes sought to clarify the future development of the sector through the creation of standards that would reduce uncertainty.

The history of trust companies

The origins of China's trust sector stretch back to October 1979 with the establishment of China International Trust & Investment Co. (CITIC). From these beginnings, the sector saw unruly expansion, and by the end of 1992 there were 1,000 such entities.[22] Without the same level of regulatory constraint placed on other players in the financial sector, trust companies thrived. This is partly due to the fact that they were widely utilised by government bodies to invest in earmarked projects and channel capital into promising areas of the Chinese economy. However, their most common function was lending to construction subsidiaries in which the trust and investment company (TIC), as trust companies were known back then, would play the dual role of both the overseas and domestic partner. During this period the problems and debt stemming from trust operations resulted in a number of bankruptcies, dealing a serious blow to the sector. Most notably, Guangdong ITIC (GITIC) declared bankruptcy in 1998,

22 China Hand, March 2006, Economist Intelligence Unit

followed by Hainan ITIC (HITIC), which defaulted on USD 370 million worth of Samurai bonds. These bonds were owed to Sumitomo Bank and other Japanese creditors, causing considerable tension among foreign investors. In 2000, the International Monetary Fund (IMF) estimated that the debt of Chinese trust and investment companies totaled between USD 12 billion and USD 20 billion.[23]

Re-structuring of trust companies

In March 2007, the CBRC required that trust companies achieve compliance with the new regulations and risk management guidelines within 3 years in order to be certified. As a result, between 2009 and the end of 2011, 13 trust companies underwent restructuring and have been successfully re-registered, bringing the total number of registered trust companies at the end of 2011 to 66. While it is likely that the sector will see some growth in the number of trust companies, industry experts expect that the ultimate number of trust companies will not exceed 72.

The CBRC also issued the Guidance on Supervisory Ratings and Classified Regulation of Trust Companies to better judge the performance of trust companies and rate them accordingly. The ratings are developed based on evaluations that focus on corporate governance structures, risk controls, regulatory compliance, asset management capabilities, and profitability of trust companies. With this information, regulators give scores on a scale of one to six, with six being the worst score and one being the best. Through less regulatory oversight, companies ranked one or two are encouraged to enter new markets and develop new services. On the other hand, companies ranked six have to undergo restructuring, while those ranked five are highly restricted in the services they can perform and must meet the CBRC on a quarterly basis. It should be noted that this information is not publicly available, and even the trust companies themselves are unaware of the ratings their peers have received.

The structure of trust products

By looking at the structure and investor profile of trust products it is possible to group them in to three product clusters:

Single unit trust
A single unit trust is a product offered to a single investor. In general, single unit trusts generate lower fee and commission income as the client, typically a large institutional investor, determines the products. These can range from low fee-paying bank-trust cooperation products and entrusted loans to higher fee-paying products where clients lay out their specific investment criteria.

Combined unit trust
Combined trusts are products that are sold to multiple investors. Obviously, there is a flight to quality and competition can be fierce in this space, but the fees generated from these products are also significantly higher. Essentially though, the difference is that such products must draw in investors.

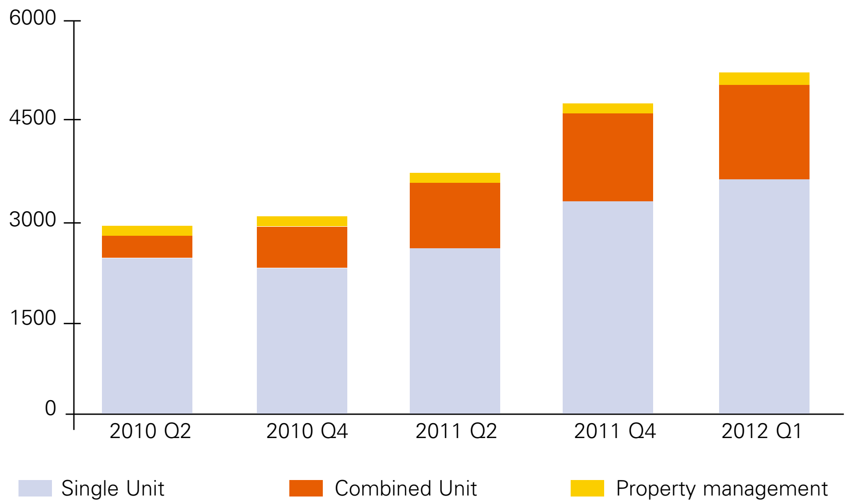
23 Japan sees no progress in China HITIC settlement, 27 July 2001, Reuters

Property management trusts
Property management trusts represent a very small share of trust sector AUM and are defined as the management of non-monetary assets. These can either be in the form of products for investors (i.e. a product structured around investing in the income rights to toll roads) or as a service provided to a client (i.e. managing refinancing risk over leases for an auto finance company). This type of trust product needs the support of more detailed regulation to advance its future development.

Although the differences between the product groups may seem trivial, the classification is essential to understanding the nature of the services being offered. Although the classification of trust products is not dependent on the target or industry of the investment fund, regulatory support differs between groupings.

The CBRC want to see an increase in the efforts of trust companies to build on their portfolio of actively managed products while reducing their servicing of "channel type" or passively managed products. This preference towards actively managed products comes from the increased control the trust companies retain over their projects which reduces systematic and portfolio risk. The regulator's concerns over passively managed products are formed from a lack of direct input and risk oversight from the trust companies.

Breakdown of trust AUM by product structure (RMB billion)



Source: China Trust Association

According to statistics published by the China Trust Association, at the end of the first quarter of 2012, single unit trusts accounted for 67 percent of AUM, or RMB 3.6 trillion, of which RMB 1.79 trillion was bank-trust cooperation products – equivalent to 49 percent of total sector AUM.

Appendix (i) Trust sector financial figures for 2011

(Units in RMB million)

	Company name (ranked by AUM)	Registered capital		Total Assets		Equity		Operating income		Net interest income	
		2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
1	Citic Trust Co., Ltd.	1,200.00	1,200.00	8,888.78	7,708.66	7,141.43	5,650.99	3,746.84	2,386.40	725.47	614.36
2	China Foreign Economy and Trade Trust Co., Ltd.	2,200.00	2,200.00	4,255.86	3,866.80	3,960.23	3,582.41	1,222.13	641.12	5.50	11.31
3	China Credit Trust Co., Ltd.	2,456.67	2,456.67	10,165.01	9,226.84	8,784.99	8,020.21	2,413.42	1,629.46	636.68	331.52
4	Pingan Trust Co., Ltd.	6,988.00	6,988.00	15,387.25	15,811.70	13,649.90	13,343.82	2,397.65	2,152.85	202.86	364.18
5	Yingda International Trust Co., Ltd.	1,500.00	1,500.00	2,493.71	2,023.87	2,377.45	1,959.25	727.82	436.06	64.54	32.95
6	CCB Trust Co., Ltd.	1,527.27	1,527.27	4,952.08	4,561.14	4,697.24	4,383.90	596.78	330.83	61.80	103.26
7	Hwabao Trust Co., Ltd.	2,000.00	1,000.00	4,011.95	3,261.27	3,075.76	2,468.81	731.44	695.15	66.24	15.04
8	Guangdong Finance Trust Co., Ltd.	1,500.00	565.50	2,391.42	1,710.57	2,326.78	1,672.41	486.96	385.71	23.15	9.68
9	Zhongrong International Trust Co., Ltd.	1,475.00	580.00	4,204.16	2,043.31	3,315.97	1,539.31	2,917.22	1,752.90	95.20	21.90
10	China Industrial International Trust Limited	1,200.00	510.00	3,357.26	878.65	3,218.18	800.46	490.44	206.71	25.70	7.66
11	Zhonghai Trust Co., Ltd.	2,500.00	1,200.00	4,529.82	2,433.07	4,283.49	2,273.42	1,027.66	813.12	20.84	52.68
12	China Resources Szitic Trust Co., Ltd.	2,630.00	2,630.00	10,156.38	9,720.18	8,799.62	8,300.81	1,608.03	1,647.85	111.09	52.89
13	Shangdong International Trust Corporation	1,280.00	1,280.00	3,017.47	2,830.46	1,885.51	1,716.01	416.43	315.56	0.24	1.28
14	Beijing International Trust Co., Ltd.	1,400.00	1,400.00	3,126.73	2,658.53	2,767.57	2,421.40	969.58	632.99	102.72	63.55
15	Bohai International Trust Co., Ltd.	2,000.00	795.65	2,463.18	926.72	2,324.58	871.93	525.67	222.27	38.16	4.53
16	Jiangxi International Trust Co., Ltd.	1,036.58	1,036.58	2,578.35	2,359.86	2,444.40	2,266.74	524.98	235.32	4.29	1.45
17	Huaneng Guicheng Trust Co., Ltd.	2,000.00	1,200.00	3,163.16	1,645.81	2,938.08	1,545.42	730.95	259.04	48.59	15.25
18	Chang'an International Trust Co., Ltd.	1,258.88	510.00	1,695.18	957.53	1,458.30	693.87	700.02	367.20	8.91	3.11
19	AVIC Trust Co., Ltd.	1,500.01	300.01	2,000.26	436.61	1,817.78	332.57	659.83	106.00	50.45	17.40
20	Shanghai International Trust Corp., Ltd.	2,500.00	2,500.00	5,615.39	5,209.72	5,229.09	4,908.64	931.50	936.98	28.60	14.52
21	Bank Of Communications International Trust Co., Ltd.	2,000.00	1,200.00	2,435.70	1,449.57	2,320.67	1,370.55	370.72	211.66	38.29	24.26
22	China Jingu International Trust Co., Ltd.	1,200.00	1,200.00	1,760.07	1,410.01	1,498.43	1,268.15	440.41	172.84	99.99	68.83
23	Xiamen International Trust Co., Ltd.	1,000.00	1,000.00	1,559.05	1,381.12	1,246.70	1,301.71	434.67	206.88	27.95	26.54
24	Sichuan Trust Co., Ltd.	1,300.00	1,300.00	1,942.16	1,309.84	1,622.53	1,302.14	622.72	23.93	15.57	4.92
25	New China Trust Co., Ltd.	621.12	621.12	2,268.33	1,560.05	1,631.52	1,194.26	1,361.34	812.03	26.90	11.23
26	Northern International Co., Ltd.	1,001.00	1,001.00	2,041.87	1,624.31	1,786.13	1,474.99	590.05	357.63	84.55	69.47
27	Anhui Guoyuan Trust Co., Ltd.	1,200.00	1,200.00	3,404.33	3,193.02	3,286.95	3,074.55	400.60	364.62	39.21	19.88
28	Kunlun Trust Co., Ltd.	3,000.00	3,000.00	4,830.63	4,719.48	4,608.02	4,314.23	828.79	741.22	68.21	46.06
29	Jilin Province Trust Co., Ltd.	1,596.60	1,596.60	2,757.81	2,309.46	2,558.53	2,088.96	731.62	371.31	88.90	85.72
30	New Times Trust Co., Ltd.	300.00	300.00	995.96	900.47	942.32	835.94	311.41	263.04	8.78	N/A
31	China Fortune International Trust Co., Ltd.	1,200.00	1,200.00	1,375.57	1,039.36	1,231.06	1,035.49	354.48	15.59	80.08	2.84
32	Jiangsu International Trust Co., Ltd.	2,483.90	2,483.90	5,270.12	4,408.87	5,112.74	4,315.43	1,023.10	766.13	10.12	29.57
33	Chongqing International Trust Co., Ltd.	2,438.73	2,438.73	8,569.24	8,543.61	7,889.99	7,858.90	1,118.53	745.79	395.93	85.49
34	Shaanxi International Trust Co., Ltd.	358.41	358.41	1,212.09	902.28	849.56	734.81	302.47	161.12	15.47	6.80
35	Zhongyuan Trust Co., Ltd.	1,202.00	1,202.00	1,710.32	1,499.72	1,643.89	1,454.91	413.88	261.57	18.32	11.14
36	Huarong International Trust Co., Ltd.	1,517.77	1,517.77	2,579.79	1,976.63	2,372.32	1,859.30	1,428.04	753.77	81.91	105.83
37	Dalian Huaxin Trust Co., Ltd.	2,057.00	2,057.00	3,716.96	3,333.95	3,609.82	3,213.84	725.46	659.92	161.09	140.78
38	China Railway Trust Co., Ltd.	1,200.00	1,200.00	2,835.78	2,063.84	1,949.45	1,489.18	877.16	444.73	131.18	72.64
39	Founder BEA Trust Co., Ltd.	600.00	300.00	802.96	318.33	688.71	301.00	240.95	12.44	17.81	2.42
40	Bridge Trust Co., Ltd.	1,200.00	605.00	2,319.30	1,441.31	1,999.02	1,177.69	625.27	413.47	106.18	45.89
41	Tianjin Trust Co., Ltd.	1,500.00	1,500.00	1,979.79	2,035.27	1,852.75	1,916.20	442.84	335.90	68.15	46.32
42	SDIC Trust Co., Ltd.	1,204.80	1,204.80	2,053.66	2,013.47	2,008.85	1,967.31	295.80	218.30	1.59	5.38
43	Minmetals International Trust Co., Ltd.	1,200.00	1,200.00	1,407.09	1,209.64	1,363.34	1,202.39	308.53	16.05	41.04	10.28
44	COFCO Trust Co., Ltd	1,200.00	1,200.00	1,378.22	1,288.70	1,323.88	1,251.35	206.30	104.64	62.53	42.49
45	China Zhongtou Trust Co., Ltd.	1,500.00	1,500.00	2,514.15	2,260.54	2,395.52	2,140.76	431.02	420.67	67.82	33.97
46	Shanxi Trust Co., Ltd.	1,000.00	1,000.00	1,503.08	1,490.02	1,401.27	1,379.18	330.24	241.21	33.15	18.73
47	Hunan Trust Co., Ltd.	700.00	500.00	1,212.36	724.99	1,018.20	597.92	318.35	145.18	12.09	4.91
48	Gansu Trust Co., Ltd.	1,018.19	1,018.19	1,237.58	1,276.07	1,196.52	1,224.21	43.76	102.89	20.24	12.52
49	Anxin Trust and Investment Co., Ltd.	454.11	454.11	797.64	580.66	493.66	325.83	400.31	240.94	5.82	0.03
50	Dongguan Trust Co., Ltd.	500.00	500.00	1,040.15	1,003.81	975.81	943.19	301.05	244.84	67.66	57.30
51	Western Trust Co., Ltd.	620.00	620.00	1,429.74	1,009.76	1,205.92	924.58	132.68	252.50	20.11	3.68
52	Guolian Trust Co., Ltd.	1,230.00	1,230.00	2,230.25	2,196.34	2,197.35	2,141.48	332.35	381.54	10.17	11.10
53	Suzhou Trust Co., Ltd.	590.00	590.00	1,144.55	977.13	1,102.45	938.84	286.62	241.02	43.08	39.40
54	Tibet Trust Co., Ltd.	300.00	300.00	425.71	406.16	410.51	390.43	41.55	8.49	6.02	12.58
55	Daye Trust Co., Ltd.	300.00	300.00	468.94	306.76	385.63	298.29	185.65	0.26	14.13	0.26
56	Sino-Australian International Trust Co., Ltd.	600.00	300.00	760.27	341.08	672.13	311.16	169.33	50.82	17.48	7.23
57	Huachen Trust Co., Ltd.	572.00	572.00	1,380.42	1,290.88	977.55	923.11	284.03	253.47	(6.49)	(7.04)
58	Yunnan International Trust Co., Ltd.	400.00	400.00	1,111.02	995.58	1,005.49	885.25	229.71	180.82	20.61	10.14
59	Zijin Trust Co., Ltd.	500.00	500.00	555.49	480.55	531.32	480.02	82.94	7.42	22.31	4.64
60	Zhongtai Trust Co., Ltd.	516.60	516.60	1,773.16	1,739.38	1,631.26	1,569.02	309.10	251.83	2.88	7.24
61	Shanghai Aj Trust & Investment Co., Ltd.	1,000.00	1,000.00	584.42	439.61	558.05	438.30	187.72	96.66	29.47	9.97
62	Hangzhou Industrial & Commercial Trust Co., Ltd.	500.00	500.00	962.99	844.35	840.79	767.62	395.72	326.85	15.58	9.92
63	The National Trust Ltd.	1,000.00	1,000.00	1,254.11	1,164.31	1,188.95	1,141.31	323.12	94.10	8.10	7.96
64	Lujiazui International Trust Co., Ltd.	315.00	315.00	289.07	124.64	271.44	93.19	16.26	0.08	16.26	0.01

Appendix (i) Trust sector financial figures for 2011(section 2)

(Units in RMB million)

	Company name (ranked by AUM)	Net fee and commission income		Net profit		Net fee and commission income/ net revenue		Net interest income/ net revenue		Return on equity	
		2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
1	Citic Trust Co., Ltd.	2,704.24	1,476.58	1,920.17	1,108.78	72.17%	61.87%	19.36%	25.74%	26.89%	19.62%
2	China Foreign Economy and Trade Trust Co., Ltd.	788.89	428.32	784.81	436.02	64.55%	66.81%	0.45%	1.76%	19.82%	12.17%
3	China Credit Trust Co., Ltd.	1,375.19	778.16	1,444.08	1,009.80	56.98%	47.76%	26.38%	20.35%	16.44%	12.59%
4	Pingan Trust Co., Ltd.	1,590.18	701.75	1,063.17	1,038.83	66.32%	32.60%	8.46%	16.92%	7.79%	7.79%
5	Yingda International Trust Co., Ltd.	641.11	376.75	425.67	238.63	88.09%	86.40%	8.87%	7.56%	17.90%	12.18%
6	CCB Trust Co., Ltd.	379.52	138.32	328.19	174.37	63.59%	41.81%	10.36%	31.21%	6.99%	3.98%
7	Hwabao Trust Co., Ltd.	538.75	314.90	393.49	471.57	73.66%	45.30%	9.06%	2.16%	12.79%	19.10%
8	Guangdong Finance Trust Co., Ltd.	291.45	175.09	335.31	308.65	59.85%	45.40%	4.75%	2.51%	14.41%	18.46%
9	Zhongrong International Trust Co., Ltd.	2,882.01	1,616.19	1,048.03	694.91	98.79%	92.20%	3.26%	1.25%	31.61%	45.14%
10	China Industrial International Trust Limited	434.44	105.40	204.08	75.89	88.58%	50.99%	5.24%	3.71%	6.34%	9.48%
11	Zhonghai Trust Co., Ltd.	764.13	621.76	661.07	521.64	74.36%	76.47%	2.03%	6.48%	15.43%	22.95%
12	China Resources Szitic Trust Co., Ltd.	700.31	365.77	1,075.70	1,379.83	43.55%	22.20%	6.91%	3.21%	12.22%	16.62%
13	Shangdong International Trust Corporation	382.18	150.45	242.75	259.03	91.78%	47.68%	0.06%	0.41%	12.87%	15.09%
14	Beijing International Trust Co., Ltd.	841.54	463.72	538.61	362.66	86.79%	73.26%	10.59%	10.04%	19.46%	14.98%
15	Bohai International Trust Co., Ltd.	452.07	148.34	272.64	107.28	86.00%	66.74%	7.26%	2.04%	11.73%	12.30%
16	Jiangxi International Trust Co., Ltd.	507.23	226.14	242.75	63.53	96.62%	96.10%	0.82%	0.62%	9.93%	2.80%
17	Huaneng Guicheng Trust Co., Ltd.	527.27	227.73	374.36	114.43	72.13%	87.91%	6.65%	5.89%	12.74%	7.40%
18	Chang'an International Trust Co., Ltd.	642.09	248.33	277.52	154.10	91.72%	67.63%	1.27%	0.85%	19.03%	22.21%
19	AVIC Trust Co., Ltd.	613.10	81.94	285.20	31.77	92.92%	77.30%	7.65%	16.41%	15.69%	9.55%
20	Shanghai International Trust Corp., Ltd.	459.52	302.11	713.07	768.84	49.33%	32.24%	3.07%	1.55%	13.64%	15.66%
21	Bank Of Communications International Trust Co., Ltd.	171.58	102.63	158.79	83.15	46.28%	48.49%	10.33%	11.46%	6.84%	6.07%
22	China Jingu International Trust Co., Ltd.	272.35	44.99	242.84	102.82	61.84%	26.03%	22.70%	39.82%	16.21%	8.11%
23	Xiamen International Trust Co., Ltd.	306.32	84.66	232.92	138.00	70.47%	40.92%	6.43%	12.83%	18.68%	10.60%
24	Sichuan Trust Co., Ltd.	544.07	0.02	320.39	2.14	87.37%	0.10%	2.50%	20.56%	19.75%	0.16%
25	New China Trust Co., Ltd.	1,325.71	735.01	496.42	346.56	97.38%	90.52%	1.98%	1.38%	30.43%	29.02%
26	Northern International Co., Ltd.	464.64	284.28	313.77	200.13	78.75%	79.49%	14.33%	19.43%	17.57%	13.57%
27	Anhui Guoyuan Trust Co., Ltd.	245.63	143.57	258.61	253.19	61.31%	39.37%	9.79%	5.45%	7.87%	8.23%
28	Kunlun Trust Co., Ltd.	555.66	443.11	524.53	453.27	67.05%	59.78%	8.23%	6.21%	11.38%	10.51%
29	Jilin Province Trust Co., Ltd.	531.05	229.24	452.44	178.93	72.59%	61.74%	12.15%	23.09%	17.68%	8.57%
30	New Times Trust Co., Ltd.	358.01	189.95	106.38	127.15	114.96%	72.21%	2.82%	0.00%	11.29%	15.21%
31	China Fortune International Trust Co., Ltd.	259.19	12.32	195.95	(164.89)	73.12%	79.02%	22.59%	18.20%	15.92%	-15.92%
32	Jiangsu International Trust Co., Ltd.	324.29	209.47	864.44	626.29	31.70%	27.34%	0.99%	3.86%	16.91%	14.51%
33	Chongqing International Trust Co., Ltd.	564.94	574.67	781.14	557.21	50.51%	77.05%	35.40%	11.46%	9.90%	7.09%
34	Shaanxi International Trust Co., Ltd.	184.09	69.00	164.71	65.83	60.86%	42.82%	5.12%	4.22%	19.39%	8.96%
35	Zhongyuan Trust Co., Ltd.	295.66	148.40	234.79	131.31	71.44%	56.74%	4.43%	4.26%	14.28%	9.03%
36	Huarong International Trust Co., Ltd.	1,255.36	593.67	513.36	310.15	87.91%	78.76%	5.74%	14.04%	21.64%	16.68%
37	Dalian Huaxin Trust Co., Ltd.	563.98	457.29	470.14	439.47	77.74%	69.29%	22.20%	21.33%	13.02%	13.67%
38	China Railway Trust Co., Ltd.	753.89	332.99	572.10	285.89	85.95%	74.87%	14.96%	16.33%	29.35%	19.20%
39	Founder BEA Trust Co., Ltd.	246.36	11.70	87.71	1.00	102.25%	94.09%	7.39%	19.45%	12.74%	0.33%
40	Bridge Trust Co., Ltd.	482.96	310.77	366.62	166.85	77.24%	75.16%	16.98%	11.10%	18.34%	14.17%
41	Tianjin Trust Co., Ltd.	339.80	203.25	207.78	183.62	76.73%	60.51%	15.39%	13.79%	11.21%	9.58%
42	SDIC Trust Co., Ltd.	141.58	69.95	194.11	159.61	47.86%	32.04%	0.54%	2.47%	9.66%	8.11%
43	Minmetals International Trust Co., Ltd.	284.34	6.12	209.34	2.51	92.16%	38.14%	13.30%	64.07%	15.36%	0.21%
44	COFCO Trust Co., Ltd	141.36	41.56	77.14	43.05	68.52%	39.72%	30.31%	40.60%	5.83%	3.44%
45	China Zhongtou Trust Co., Ltd.	254.60	166.77	303.44	238.85	59.07%	39.64%	15.73%	8.08%	12.67%	11.16%
46	Shanxi Trust Co., Ltd.	222.21	164.95	87.42	100.83	67.29%	68.39%	10.04%	7.76%	6.24%	7.31%
47	Hunan Trust Co., Ltd.	302.45	131.62	132.42	45.88	95.01%	90.66%	3.80%	3.38%	13.01%	7.67%
48	Gansu Trust Co., Ltd.	100.91	12.59	7.94	53.27	230.61%	12.24%	46.26%	12.17%	0.66%	4.35%
49	Anxin Trust and Investment Co., Ltd.	428.34	239.59	163.21	101.55	107.00%	99.44%	1.45%	0.01%	33.06%	31.17%
50	Dongguan Trust Co., Ltd.	221.92	166.88	165.36	140.41	73.72%	68.16%	22.48%	23.40%	16.95%	14.89%
51	Western Trust Co., Ltd.	78.42	75.82	60.20	162.00	59.06%	30.02%	15.16%	1.46%	4.99%	17.52%
52	Guolian Trust Co., Ltd.	239.17	224.40	228.90	291.01	71.96%	58.81%	3.06%	2.91%	10.42%	13.59%
53	Suzhou Trust Co., Ltd.	247.21	184.50	159.49	151.22	86.25%	76.55%	15.03%	16.35%	14.47%	16.11%
54	Tibet Trust Co., Ltd.	50.38	0.95	20.09	3.55	121.26%	11.22%	14.48%	148.23%	4.89%	0.91%
55	Daye Trust Co., Ltd.	171.52	N/A	87.34	(1.81)	92.39%	0.00%	7.61%	100.00%	22.65%	-0.61%
56	Sino-Australian International Trust Co., Ltd.	148.52	41.64	60.97	9.50	87.71%	81.93%	10.32%	14.22%	9.07%	3.05%
57	Huachen Trust Co., Ltd.	226.29	152.70	163.35	152.15	79.67%	60.24%	-2.29%	-2.78%	16.71%	16.48%
58	Yunnan International Trust Co., Ltd.	199.46	106.34	120.24	66.01	86.83%	58.81%	8.97%	5.61%	11.96%	7.46%
59	Zijin Trust Co., Ltd.	58.70	1.81	51.30	4.27	70.77%	24.38%	26.91%	62.52%	9.65%	0.89%
60	Zhongtai Trust Co., Ltd.	118.62	82.69	225.94	173.20	38.38%	32.83%	0.93%	2.88%	13.85%	11.04%
61	Shanghai Aj Trust & Investment Co., Ltd.	128.19	84.72	120.70	63.69	68.29%	87.64%	15.70%	10.32%	21.63%	14.53%
62	Hangzhou Industrial & Commercial Trust Co., Ltd.	224.36	166.45	180.81	160.30	56.70%	50.93%	3.94%	3.04%	21.50%	20.88%
63	The National Trust Ltd.	31.09	28.16	183.92	42.58	9.62%	29.92%	2.51%	8.45%	15.47%	3.73%
64	Lujiazui International Trust Co., Ltd.	N/A	N/A	178.25	(16.97)	0.00%	0.00%	99.99%	13.79%	65.67%	-18.21%

Appendix (i) Trust sector financial figures for 2011(section 3)

(Units in RMB million)

	Company name (ranked by AUM)	PPP (profit per person)		Assets under management		Combined unit trust products		Single unit trust products	
		2011	2010	2011	2010	2011	2010	2011	2010
1	Citic Trust Co., Ltd.	5.98	5.06	399,969.32	332,790.77	99,727.83	75,103.16	290,590.70	235,351.85
2	China Foreign Economy and Trade Trust Co., Ltd.	6.49	4.80	238,775.16	86,463.00	129,302.39	36,941.21	99,436.76	44,657.19
3	China Credit Trust Co., Ltd.	8.81	7.01	203,816.35	148,829.09	65,212.77	34,325.98	131,206.52	105,321.47
4	Pingan Trust Co., Ltd.	1.24	1.33	196,216.80	139,594.20	85,641.60	39,057.89	110,279.95	91,492.99
5	Yingda International Trust Co., Ltd.	3.98	2.42	191,217.13	145,827.04	4,348.66	1,050.19	173,706.11	133,971.49
6	CCB Trust Co., Ltd.	2.96	2.05	190,726.21	66,016.01	18,152.78	1,606.65	172,427.97	64,189.92
7	Hwabao Trust Co., Ltd.	2.23	3.04	184,642.54	86,934.62	21,455.00	8,868.32	162,837.80	77,746.62
8	Guangdong Finance Trust Co., Ltd.	4.63	4.75	177,614.11	100,835.69	32,960.37	12,218.78	138,721.86	77,070.48
9	Zhongrong International Trust Co., Ltd.	1.06	1.32	174,168.67	179,936.89	97,220.67	65,903.16	73,199.99	111,603.76
10	China Industrial International Trust Limited	1.34	0.68	150,777.42	32,640.57	33,439.64	8,897.74	114,542.78	23,718.79
11	Zhonghai Trust Co., Ltd.	7.00	6.56	150,208.76	164,549.20	33,973.11	19,961.26	116,235.65	144,587.94
12	China Resources Szitic Trust Co., Ltd.	6.58	12.27	126,402.45	65,297.20	43,277.26	28,193.72	82,007.94	36,978.31
13	Shangdong International Trust Corporation	2.45	2.82	114,023.49	96,612.97	26,155.45	12,216.43	72,663.46	68,982.93
14	Beijing International Trust Co., Ltd.	3.96	3.00	108,825.06	80,460.00	33,911.06	17,090.74	57,559.90	46,920.43
15	Bohai International Trust Co., Ltd.	3.32	1.71	106,959.35	80,021.60	10,726.57	4,566.75	89,728.19	67,903.29
16	Jiangxi International Trust Co., Ltd.	1.47	0.80	102,690.44	67,641.46	21,049.38	9,724.36	80,793.46	57,804.49
17	Huaneng Guicheng Trust Co., Ltd.	3.41	1.31	93,350.52	41,528.44	30,687.57	9,207.87	56,251.26	31,978.30
18	Chang'an International Trust Co., Ltd.	1.50	1.13	81,368.10	80,104.30	32,855.78	8,231.38	46,559.35	71,828.16
19	AVIC Trust Co., Ltd.	3.08	0.42	78,473.95	38,715.33	19,855.44	4,759.65	56,127.45	33,441.63
20	Shanghai International Trust Corp., Ltd.	4.35	5.01	77,344.13	54,669.53	22,841.29	15,316.49	54,290.51	39,353.04
21	Bank Of Communications International Trust Co., Ltd.	1.67	0.98	74,767.15	35,665.69	14,335.78	6,939.82	60,079.84	28,274.29
22	China Jingu International Trust Co., Ltd.	3.13	1.87	72,405.95	11,743.12	9,761.88	2,094.36	60,483.49	9,101.75
23	Xiamen International Trust Co., Ltd.	2.45	1.53	71,725.82	19,708.33	15,781.59	6,702.32	46,795.73	12,638.96
24	Sichuan Trust Co., Ltd.	1.90	N/A	70,604.95	13,140.01	17,849.17	105.00	52,755.78	13,035.01
25	New China Trust Co., Ltd.	1.68	1.68	69,399.68	60,928.66	45,202.76	23,060.57	22,959.91	34,876.89
26	Northern International Co., Ltd.	3.30	2.18	68,149.86	52,126.16	7,858.01	5,969.73	58,616.43	44,526.01
27	Anhui Guoyuan Trust Co., Ltd.	2.12	2.11	65,357.48	35,960.65	6,406.20	3,528.87	58,507.08	32,159.00
28	Kunlun Trust Co., Ltd.	2.85	3.75	64,505.05	54,097.66	18,077.47	8,814.36	45,681.62	44,650.12
29	Jilin Province Trust Co., Ltd.	3.14	1.40	63,086.77	47,132.72	22,963.55	7,230.52	36,609.98	39,569.07
30	New Times Trust Co., Ltd.	0.77	1.07	56,274.09	30,014.43	11,013.65	3,576.09	44,760.43	25,938.34
31	China Fortune International Trust Co., Ltd.	2.68	0.00	55,790.13	6,330.78	11,468.54	2,880.27	44,321.59	3,450.51
32	Jiangsu International Trust Co., Ltd.	13.61	10.71	51,793.13	27,297.25	8,558.99	5,339.94	43,035.18	21,758.36
33	Chongqing International Trust Co., Ltd.	10.14	8.32	50,900.36	37,837.76	10,623.37	7,832.78	32,466.56	28,412.40
34	Shaanxi International Trust Co., Ltd.	N/A	N/A	50,484.30	20,419.12	13,042.39	6,437.27	37,091.62	13,710.17
35	Zhongyuan Trust Co., Ltd.	2.13	1.22	49,921.40	35,652.92	7,558.07	3,550.93	40,751.65	30,611.40
36	Huarong International Trust Co., Ltd.	4.75	3.71	48,111.67	53,746.40	23,815.74	8,870.61	17,905.25	42,584.82
37	Dalian Huaxin Trust Co., Ltd.	4.02	3.60	42,853.26	40,631.80	10,911.62	6,948.65	28,470.61	31,517.43
38	China Railway Trust Co., Ltd.	5.66	3.11	42,588.70	42,751.18	24,939.53	11,539.35	17,031.78	30,639.66
39	Founder BEA Trust Co., Ltd.	1.08	0.00	42,283.28	3,627.43	6,253.02	242.16	32,568.79	3,385.28
40	Bridge Trust Co., Ltd.	3.11	1.69	40,308.42	29,394.37	15,612.29	9,607.44	23,928.97	19,592.34
41	Tianjin Trust Co., Ltd.	1.51	1.31	38,914.63	30,902.56	17,853.52	12,459.62	20,273.76	18,408.44
42	SDIC Trust Co., Ltd.	2.83	3.01	38,575.49	25,123.36	8,436.71	4,499.28	29,856.75	20,558.57
43	Minmetals International Trust Co., Ltd.	1.43	0.04	36,926.94	9,165.04	18,143.49	180.04	16,809.74	8,985.00
44	COFCO Trust Co., Ltd	1.33	N/A	36,477.90	39,506.44	8,831.22	1,841.05	22,605.36	31,759.48
45	China Zhongtou Trust Co., Ltd.	3.49	3.62	27,459.81	20,084.30	6,999.70	4,553.64	16,468.61	14,158.10
46	Shanxi Trust Co., Ltd.	0.50	0.64	27,418.44	25,203.49	7,577.67	3,278.84	15,743.64	18,480.52
47	Hunan Trust Co., Ltd.	1.85	0.66	27,257.71	17,626.42	5,729.03	3,956.95	21,258.82	13,432.34
48	Gansu Trust Co., Ltd.	0.12	0.93	25,882.29	6,047.34	1,949.29	1,243.76	21,936.25	2,838.67
49	Anxin Trust and Investment Co., Ltd.	2.74	N/A	25,427.83	12,270.33	11,941.55	3,557.02	10,873.46	2,438.73
50	Dongguan Trust Co., Ltd.	2.27	2.26	24,300.32	14,778.11	8,581.46	2,693.58	15,705.13	12,070.80
51	Western Trust Co., Ltd.	0.62	1.80	23,828.41	6,528.22	5,734.87	3,353.01	18,082.29	3,175.21
52	Guolian Trust Co., Ltd.	4.67	6.33	22,418.27	16,170.38	6,594.86	3,171.29	15,777.24	12,952.92
53	Suzhou Trust Co., Ltd.	2.43	2.40	21,693.31	16,310.51	16,937.30	12,066.83	4,369.71	3,928.72
54	Tibet Trust Co., Ltd.	0.68	N/A	18,294.50	3,374.13	5,722.61	130.43	12,571.88	3,243.70
55	Daye Trust Co., Ltd.	2.13	0.00	16,160.97	0.00	5,767.30	0.00	9,993.67	0.00
56	Sino-Australian International Trust Co., Ltd.	1.03	0.29	16,024.09	5,398.20	12,722.97	4,818.35	3,301.12	579.85
57	Huachen Trust Co., Ltd.	1.57	1.48	15,393.74	14,462.50	5,305.60	3,272.53	10,088.13	11,189.96
58	Yunnan International Trust Co., Ltd.	1.43	0.69	14,476.34	4,539.65	4,621.57	3,144.51	9,557.97	1,098.33
59	Zijin Trust Co., Ltd.	0.93	N/A	11,816.91	1,147.21	3,222.19	223.21	8,594.72	924.00
60	Zhongtai Trust Co., Ltd.	3.20	2.47	10,848.53	16,823.67	4,562.56	4,776.34	5,578.14	11,326.27
61	Shanghai Aj Trust & Investment Co., Ltd.	1.72	1.00	10,818.01	7,206.85	6,173.30	4,115.54	5,008.21	2,914.88
62	Hangzhou Industrial & Commercial Trust Co., Ltd.	1.82	1.71	10,747.27	9,253.21	9,403.31	7,603.00	1,343.96	1,650.21
63	The National Trust Ltd.	2.90	0.70	4,382.16	3,260.89	149.98	118.40	4,232.18	3,142.49
64	Lujiazui International Trust Co., Ltd.	6.71	N/A	0.00	0.00	0.00	0.00	0.00	0.00

Appendix (i) Trust sector financial figures for 2011(section 4)

(Units in RMB million)

	Company name (ranked by AUM)	Property management trust products		Interest revenue of AUM		Non-interest revenue of AUM		Gross revenue of AUM	
		2011	2010	2011	2010	2011	2010	2011	2010
1	Citic Trust Co., Ltd.	9,650.79	22,335.76	10,301.04	9,143.26	910.75	7,173.80	11,211.79	16,317.06
2	China Foreign Economy and Trade Trust Co., Ltd.	10,036.01	4,864.60	8,094.23	1,842.81	-2,254.58	2,272.38	5,839.65	4,115.19
3	China Credit Trust Co., Ltd.	7,397.05	9,181.63	5,959.48	4,084.05	7,390.77	2,989.28	13,350.25	7,073.33
4	Pingan Trust Co., Ltd.	295.25	9,043.32	6,439.44	4,304.79	4,797.82	8,236.76	11,237.26	12,541.55
5	Yingda International Trust Co., Ltd.	13,162.35	10,805.36	8,188.43	6,413.51	672.28	958.86	8,860.71	7,372.37
6	CCB Trust Co., Ltd.	145.47	219.44	3,244.59	1,601.05	938.91	387.99	4,183.50	1,989.04
7	Hwabao Trust Co., Ltd.	349.75	319.68	4,418.42	1,752.61	-642.78	892.76	3,775.64	2,645.37
8	Guangdong Finance Trust Co., Ltd.	5,931.88	11,546.42	2,431.52	1,620.19	4,018.57	3,020.88	6,450.09	4,641.07
9	Zhongrong International Trust Co., Ltd.	3,748.00	2,429.97	4,095.84	5,989.28	2,116.89	5,211.61	6,212.73	11,200.89
10	China Industrial International Trust Limited	2,795.00	24.04	2,606.02	898.52	-1,859.36	442.34	746.66	1,340.86
11	Zhonghai Trust Co., Ltd.	0.00	0.00	8,593.13	7,872.39	227.35	3,626.35	8,820.48	11,498.74
12	China Resources Szitic Trust Co., Ltd.	1,117.24	125.18	3,657.79	2,195.45	-3,168.60	2,543.00	489.19	4,738.45
13	Shangdong International Trust Corporation	15,204.58	15,413.62	4,344.90	3,002.72	1,199.40	2,456.51	5,544.30	5,459.23
14	Beijing International Trust Co., Ltd.	17,354.10	16,448.83	1,829.33	1,706.51	2,009.26	4,363.77	3,838.59	6,070.28
15	Bohai International Trust Co., Ltd.	6,504.59	7,472.60	5,550.55	3,208.64	2,217.13	672.69	7,767.68	3,881.33
16	Jiangxi International Trust Co., Ltd.	847.61	112.62	2,814.88	1,421.53	1,291.62	1,824.32	4,106.50	3,245.85
17	Huaneng Guicheng Trust Co., Ltd.	6,411.69	0.00	2,381.54	1,943.07	1,931.04	270.32	4,312.58	2,213.39
18	Chang'an International Trust Co., Ltd.	1,952.98	44.76	3,643.87	3,257.71	455.97	418.79	4,099.84	3,676.50
19	AVIC Trust Co., Ltd.	2,491.06	514.05	3,352.47	876.33	994.15	173.48	4,346.63	1,049.81
20	Shanghai International Trust Corp., Ltd.	212.33	0.00	2,713.92	2,015.48	191.84	2,139.59	2,905.76	4,155.07
21	Bank Of Communications International Trust Co., Ltd.	351.52	451.59	2,872.04	1,648.42	471.08	346.94	3,343.12	1,995.36
22	China Jingu International Trust Co., Ltd.	2,160.58	547.00	819.74	148.66	598.05	84.28	1,417.79	232.94
23	Xiamen International Trust Co., Ltd.	9,148.50	367.05	567.18	438.37	125.37	281.71	692.55	720.08
24	Sichuan Trust Co., Ltd.	0.00	0.00	4,034.51	0.45	1,345.03	0.00	5,379.54	0.45
25	New China Trust Co., Ltd.	1,237.01	2,991.20	2,992.02	2,451.84	2,092.60	419.10	5,084.62	2,870.94
26	Northern International Co., Ltd.	1,675.43	1,630.42	3,205.71	1,896.98	1,505.77	73.31	4,711.48	1,970.29
27	Anhui Guoyuan Trust Co., Ltd.	444.20	272.79	2,973.60	1,511.90	926.76	906.26	3,900.36	2,418.16
28	Kunlun Trust Co., Ltd.	0.00	50.00	1,111.89	1,649.87	1,512.41	1,395.06	2,624.30	3,044.93
29	Jilin Province Trust Co., Ltd.	3,513.24	0.00	1,795.07	2,307.83	2,453.13	325.85	4,248.20	2,633.68
30	New Times Trust Co., Ltd.	500.00	500.00	498.61	873.37	2,333.64	571.18	2,832.25	1,444.55
31	China Fortune International Trust Co., Ltd.	0.00	0.00	1,028.51	47.58	110.23	62.15	1,138.74	109.72
32	Jiangsu International Trust Co., Ltd.	198.95	198.95	1,278.10	1,250.02	-221.45	208.23	1,056.65	1,458.25
33	Chongqing International Trust Co., Ltd.	7,810.42	1,592.58	926.39	582.99	902.45	1,475.07	1,828.84	2,058.06
34	Shaanxi International Trust Co., Ltd.	350.29	320.37	813.83	203.98	-291.45	665.59	522.39	869.57
35	Zhongyuan Trust Co., Ltd.	1,611.68	1,490.60	1,661.81	1,214.63	818.05	1,124.24	2,479.86	2,338.87
36	Huarong International Trust Co., Ltd.	6,197.12	2,178.86	2,917.41	2,179.28	1,504.51	1,385.89	4,421.92	3,565.17
37	Dalian Huaxin Trust Co., Ltd.	3,342.33	2,049.49	1,802.66	2,041.87	1,429.75	1,038.15	3,232.41	3,080.02
38	China Railway Trust Co., Ltd.	617.39	572.17	1,366.40	1,865.03	1,713.95	706.31	3,080.35	2,571.34
39	Founder BEA Trust Co., Ltd.	3,461.47	0.00	1,292.87	10.92	1,354.92	0.00	2,647.79	10.92
40	Bridge Trust Co., Ltd.	767.16	194.58	1,588.44	1,111.12	1,288.35	559.49	2,876.79	1,670.61
41	Tianjin Trust Co., Ltd.	787.35	34.50	2,027.93	1,544.63	766.91	509.78	2,794.84	2,054.41
42	SDIC Trust Co., Ltd.	282.03	65.51	1,025.56	830.03	488.49	386.93	1,514.05	1,216.96
43	Minmetals International Trust Co., Ltd.	1,973.71	0.00	931.79	14.42	731.71	0.00	1,663.50	14.42
44	COFCO Trust Co., Ltd	5,041.32	5,905.91	2,266.35	870.87	377.88	21.83	2,644.23	892.70
45	China Zhongtou Trust Co., Ltd.	3,991.49	1,372.56	776.07	743.91	672.67	384.01	1,448.74	1,127.92
46	Shanxi Trust Co., Ltd.	4,097.13	3,444.13	995.91	1,110.71	373.24	452.88	1,369.15	1,563.58
47	Hunan Trust Co., Ltd.	269.86	237.13	1,139.08	566.30	818.33	259.54	1,957.41	825.84
48	Gansu Trust Co., Ltd.	1,905.61	1,905.61	436.44	99.91	287.88	426.54	724.32	526.45
49	Anxin Trust and Investment Co., Ltd.	2,612.82	6,274.58	777.90	370.10	457.46	177.07	1,235.36	547.17
50	Dongguan Trust Co., Ltd.	13.73	13.73	956.32	602.90	487.51	261.61	1,443.83	864.51
51	Western Trust Co., Ltd.	11.26	0.00	709.01	166.33	243.09	202.05	952.10	368.38
52	Guolian Trust Co., Ltd.	46.17	46.17	1,618.53	709.45	875.92	552.62	2,494.45	1,262.07
53	Suzhou Trust Co., Ltd.	386.29	314.95	342.06	240.30	1,390.72	1,176.99	1,732.78	1,417.30
54	Tibet Trust Co., Ltd.	0.00	0.00	256.84	34.45	34.36	0.00	291.20	34.45
55	Daye Trust Co., Ltd.	400.00	0.00	400.46	0.00	82.55	0.00	483.01	0.00
56	Sino-Australian International Trust Co., Ltd.	0.00	0.00	199.61	89.52	106.66	32.06	306.27	121.59
57	Huachen Trust Co., Ltd.	0.00	0.00	824.19	529.84	916.10	632.89	1,740.29	1,162.73
58	Yunnan International Trust Co., Ltd.	296.81	296.81	118.75	78.52	-147.12	338.92	-28.37	417.44
59	Zijin Trust Co., Ltd.	0.00	0.00	451.64	1.32	81.86	2.78	533.50	4.10
60	Zhongtai Trust Co., Ltd.	707.83	721.07	708.53	689.62	500.69	217.96	1,209.23	907.58
61	Shanghai Aj Trust & Investment Co., Ltd.	868.25	1,448.27	184.51	49.22	244.18	696.25	428.69	745.47
62	Hangzhou Industrial & Commercial Trust Co., Ltd.	0.00	0.00	255.21	354.32	967.43	520.49	1,222.64	874.81
63	The National Trust Ltd.	0.00	0.00	0.79	23.38	-8.39	91.88	-7.60	115.26
64	Lujiazui International Trust Co., Ltd.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Appendix (i) Trust sector financial figures for 2011(section 5)

(Units in RMB million)

	Company name (ranked by AUM)	Net profit of AUM		Interest revenue/gross revenue of AUM		Non-interest revenue of AUM/total revenue of AUM		Weighted-average return of trustee	
		2011	2010	2011	2010	2011	2010	2011	2010
1	Citic Trust Co., Ltd.	7,589.88	13,644.74	91.88%	56.03%	8.12%	43.97%	N/A	0.51%
2	China Foreign Economy and Trade Trust Co., Ltd.	4,136.04	3,279.99	138.61%	44.78%	-38.61%	55.22%	0.50%	0.64%
3	China Credit Trust Co., Ltd.	11,447.41	5,834.54	44.64%	57.74%	55.36%	42.26%	0.45%	N/A
4	Pingan Trust Co., Ltd.	9,484.53	11,672.71	57.30%	34.32%	42.70%	65.68%	N/A	N/A
5	Yingda International Trust Co., Ltd.	7,824.98	6,653.66	92.41%	86.99%	7.59%	13.01%	0.30%	0.28%
6	CCB Trust Co., Ltd.	3,714.25	1,719.60	77.56%	80.49%	22.44%	19.51%	0.25%	0.14%
7	Hwabao Trust Co., Ltd.	3,178.47	2,274.65	117.02%	66.25%	-17.02%	33.75%	N/A	N/A
8	Guangdong Finance Trust Co., Ltd.	5,739.04	3,949.02	37.70%	34.91%	62.30%	65.09%	N/A	N/A
9	Zhongrong International Trust Co., Ltd.	2,546.22	8,374.26	65.93%	53.47%	34.07%	46.53%	1.59%	0.85%
10	China Industrial International Trust Limited	-229.35	1,151.05	349.02%	67.01%	-249.02%	32.99%	0.60%	0.45%
11	Zhonghai Trust Co., Ltd.	6,194.70	8,747.63	97.42%	68.46%	2.58%	31.54%	NA	NA
12	China Resources Szitic Trust Co., Ltd.	-719.16	4,002.50	747.72%	46.33%	-647.72%	53.67%	0.93%	0.82%
13	Shangdong International Trust Corporation	4,557.96	5,079.85	78.37%	55.00%	21.63%	45.00%	0.40%	0.19%
14	Beijing International Trust Co., Ltd.	2,782.59	5,570.95	47.66%	28.11%	52.34%	71.89%	N/A	N/A
15	Bohai International Trust Co., Ltd.	6,817.77	3,542.90	71.46%	82.67%	28.54%	17.33%	0.51%	0.45%
16	Jiangxi International Trust Co., Ltd.	3,474.48	2,960.95	68.55%	43.80%	31.45%	56.20%	0.60%	0.38%
17	Huaneng Guicheng Trust Co., Ltd.	3,538.90	1,734.44	55.22%	87.79%	44.78%	12.21%	0.81%	0.81%
18	Chang'an International Trust Co., Ltd.	3,126.71	3,341.08	88.88%	88.61%	11.12%	11.39%	1.01%	0.37%
19	AVIC Trust Co., Ltd.	3,531.21	841.81	77.13%	83.48%	22.87%	16.52%	1.22%	N/A
20	Shanghai International Trust Corp., Ltd.	2,126.60	3,444.02	93.40%	48.51%	6.60%	51.49%	0.65%	0.52%
21	Bank Of Communications International Trust Co., Ltd.	2,972.24	1,600.70	85.91%	82.61%	14.09%	17.39%	0.33%	0.38%
22	China Jingu International Trust Co., Ltd.	1,163.64	189.32	57.82%	63.82%	42.18%	36.18%	0.78%	N/A
23	Xiamen International Trust Co., Ltd.	518.88	575.14	81.90%	60.88%	18.10%	39.12%	0.45%	0.19%
24	Sichuan Trust Co., Ltd.	4,482.64	0.17	75.00%	100.00%	25.00%	0.00%	N/A	N/A
25	New China Trust Co., Ltd.	4,458.89	2,411.32	58.84%	85.40%	41.16%	14.60%	1.00%	0.42%
26	Northern International Co., Ltd.	4,411.56	1,842.76	68.04%	96.28%	31.96%	3.72%	0.45%	0.56%
27	Anhui Guoyuan Trust Co., Ltd.	3,584.41	2,215.61	76.24%	62.52%	23.76%	37.48%	0.44%	0.23%
28	Kunlun Trust Co., Ltd.	2,004.63	2,458.92	42.37%	54.18%	57.63%	45.82%	0.93%	1.53%
29	Jilin Province Trust Co., Ltd.	3,362.41	2,209.53	42.25%	87.63%	57.75%	12.37%	N/A	0.52%
30	New Times Trust Co., Ltd.	2,227.72	1,087.26	17.60%	60.46%	82.40%	39.54%	0.96%	0.78%
31	China Fortune International Trust Co., Ltd.	866.82	87.45	90.32%	43.36%	9.68%	56.64%	0.71%	0.00%
32	Jiangsu International Trust Co., Ltd.	522.28	1,142.67	120.96%	85.72%	-20.96%	14.28%	0.84%	1.02%
33	Chongqing International Trust Co., Ltd.	1,536.27	1,853.29	50.65%	28.33%	49.35%	71.67%	0.96%	1.28%
34	Shaanxi International Trust Co., Ltd.	157.38	699.60	155.79%	23.46%	-55.79%	76.54%	0.65%	0.49%
35	Zhongyuan Trust Co., Ltd.	2,217.24	2,113.64	67.01%	51.93%	32.99%	48.07%	0.86%	0.42%
36	Huarong International Trust Co., Ltd.	3,423.46	3,065.64	65.98%	61.13%	34.02%	38.87%	N/A	N/A
37	Dalian Huaxin Trust Co., Ltd.	2,540.03	2,424.68	55.77%	66.29%	44.23%	33.71%	1.24%	0.82%
38	China Railway Trust Co., Ltd.	1,736.31	2,281.71	44.36%	72.53%	55.64%	27.47%	1.77%	0.41%
39	Founder BEA Trust Co., Ltd.	2,311.59	7.84	48.83%	100.00%	51.17%	0.00%	0.65%	0.00%
40	Bridge Trust Co., Ltd.	2,501.66	1,504.56	55.22%	66.51%	44.78%	33.49%	1.48%	1.57%
41	Tianjin Trust Co., Ltd.	2,412.22	1,841.61	72.56%	75.19%	27.44%	24.81%	N/A	N/A
42	SDIC Trust Co., Ltd.	1,240.57	1,013.51	67.74%	68.21%	32.26%	31.79%	0.53%	0.35%
43	Minmetals International Trust Co., Ltd.	1,219.43	13.34	56.01%	100.00%	43.99%	0.00%	1.28%	0.05%
44	COFCO Trust Co., Ltd	2,303.77	819.71	85.71%	97.56%	14.29%	2.44%	N/A	N/A
45	China Zhongtou Trust Co., Ltd.	1,178.58	932.54	53.57%	65.95%	46.43%	34.05%	N/A	N/A
46	Shanxi Trust Co., Ltd.	1,133.59	1,310.59	72.74%	71.04%	27.26%	28.96%	0.94%	0.44%
47	Hunan Trust Co., Ltd.	1,585.15	704.44	58.19%	68.57%	41.81%	31.43%	0.63%	0.60%
48	Gansu Trust Co., Ltd.	580.25	498.38	60.25%	18.98%	39.75%	81.02%	N/A	0.19%
49	Anxin Trust and Investment Co., Ltd.	1,040.54	437.13	62.97%	67.64%	37.03%	32.36%	1.72%	1.38%
50	Dongguan Trust Co., Ltd.	1,205.95	729.69	66.24%	69.74%	33.76%	30.26%	1.65%	0.28%
51	Western Trust Co., Ltd.	820.01	255.15	74.47%	45.15%	25.53%	54.85%	2.95%	1.14%
52	Guolian Trust Co., Ltd.	2,247.98	1,052.67	64.89%	56.21%	35.11%	43.79%	0.71%	0.78%
53	Suzhou Trust Co., Ltd.	1,332.06	1,177.44	19.74%	16.96%	80.26%	83.04%	1.62%	1.84%
54	Tibet Trust Co., Ltd.	267.87	32.22	88.20%	100.00%	11.80%	0.00%	0.47%	N/A
55	Daye Trust Co., Ltd.	387.70	0.00	82.91%	N/A	17.09%	N/A	1.23%	N/A
56	Sino-Australian International Trust Co., Ltd.	156.51	92.30	65.18%	73.63%	34.82%	26.37%	0.93%	0.44%
57	Huachen Trust Co., Ltd.	1,352.39	867.33	47.36%	45.57%	52.64%	54.43%	0.75%	0.69%
58	Yunnan International Trust Co., Ltd.	-267.44	276.31	-418.51%	18.81%	518.51%	81.19%	3.00%	2.03%
59	Zijin Trust Co., Ltd.	416.62	1.14	84.66%	32.26%	15.34%	67.74%	0.50%	0.00%
60	Zhongtai Trust Co., Ltd.	980.10	737.90	58.59%	75.98%	41.41%	24.02%	0.96%	N/A
61	Shanghai Aj Trust & Investment Co., Ltd.	268.83	706.27	43.04%	6.60%	56.96%	93.40%	4.10%	0.53%
62	Hangzhou Industrial & Commercial Trust Co., Ltd.	956.24	658.89	20.87%	40.50%	79.13%	59.50%	2.52%	1.76%
63	The National Trust Ltd.	-21.71	97.60	-10.41%	20.29%	110.41%	79.71%	1.06%	0.07%
64	Lujiazui International Trust Co., Ltd.	0.00	0.00	N/A	N/A	N/A	N/A	N/A	N/A

Appendix (i) Trust sector financial figures for 2011(section 6)

(Units in RMB million)

64	Company name (ranked by AUM)	Paid-in Capital of AUM		Net assets of AUM		Return on trust paid-in capital		Return on trust net assets	
		2011	2010	2011	2010	2011	2010	2011	2010
1	Citic Trust Co., Ltd.	401,942.66	325,277.52	398,732.38	331,691.33	1.89%	4.19%	1.90%	4.11%
2	China Foreign Economy and Trade Trust Co., Ltd.	236,898.60	83,325.56	237,815.29	86,242.73	1.75%	3.94%	1.74%	3.80%
3	China Credit Trust Co., Ltd.	202,588.55	147,605.98	202,847.50	147,314.43	5.65%	3.95%	5.64%	3.96%
4	Pingan Trust Co., Ltd.	190,908.51	135,719.77	194,895.14	139,021.73	4.97%	8.60%	4.87%	8.40%
5	Yingda International Trust Co., Ltd.	191,029.46	145,603.28	191,080.43	145,826.98	4.10%	4.57%	4.10%	4.56%
6	CCB Trust Co., Ltd.	189,609.50	65,127.23	189,628.65	65,707.64	1.96%	2.64%	1.96%	2.62%
7	Hwabao Trust Co., Ltd.	184,456.61	84,410.91	184,336.84	85,335.65	1.72%	2.69%	1.72%	2.67%
8	Guangdong Finance Trust Co., Ltd.	173,972.57	92,951.11	177,479.50	100,669.44	3.30%	4.25%	3.23%	3.92%
9	Zhongrong International Trust Co., Ltd.	175,512.23	177,304.05	172,591.60	179,289.42	1.45%	4.72%	1.48%	4.67%
10	China Industrial International Trust Limited	152,605.02	31,832.78	150,204.65	32,126.62	-0.15%	3.62%	-0.15%	3.58%
11	Zhonghai Trust Co., Ltd.	150,204.47	161,213.92	149,499.06	164,099.56	4.12%	5.43%	4.14%	5.33%
12	China Resources Szitic Trust Co., Ltd.	125,194.36	59,561.81	125,709.33	64,824.26	-0.57%	6.72%	-0.57%	6.17%
13	Shangdong International Trust Corporation	112,391.74	94,234.37	113,813.59	96,380.42	4.84%	4.52%	4.73%	4.46%
14	Beijing International Trust Co., Ltd.	103,060.20	74,274.08	108,628.01	80,338.20	2.70%	7.50%	2.56%	6.93%
15	Bohai International Trust Co., Ltd.	106,635.23	79,942.64	106,923.85	80,016.72	6.39%	4.43%	6.38%	4.43%
16	Jiangxi International Trust Co., Ltd.	102,896.35	65,527.41	102,636.17	66,413.71	3.38%	4.52%	3.39%	4.46%
17	Huaneng Guicheng Trust Co., Ltd.	92,515.99	41,186.17	93,040.39	41,431.83	3.83%	4.21%	3.80%	4.19%
18	Chang'an International Trust Co., Ltd.	80,683.98	78,813.98	81,077.26	80,025.81	3.88%	4.24%	3.86%	4.17%
19	AVIC Trust Co., Ltd.	78,143.65	38,715.33	78,128.92	38,814.81	4.52%	2.17%	4.52%	2.17%
20	Shanghai International Trust Corp., Ltd.	75,275.43	52,733.64	76,206.60	54,373.94	2.83%	6.53%	2.79%	6.33%
21	Bank Of Communications International Trust Co., Ltd.	74,089.85	35,069.72	74,617.21	35,600.66	4.01%	4.56%	3.98%	4.50%
22	China Jingu International Trust Co., Ltd.	72,370.63	11,698.31	72,404.17	11,699.96	1.61%	1.62%	1.61%	1.62%
23	Xiamen International Trust Co., Ltd.	71,750.90	19,365.25	71,370.28	19,606.82	0.72%	2.97%	0.73%	2.93%
24	Sichuan Trust Co., Ltd.	70,338.43	13,140.00	70,535.92	13,139.80	6.37%	0.00%	6.36%	0.00%
25	New China Trust Co., Ltd.	68,221.65	60,520.40	68,153.37	60,156.28	6.54%	3.98%	6.54%	4.01%
26	Northern International Co., Ltd.	67,565.34	51,954.01	68,030.02	52,091.20	6.53%	3.55%	6.48%	3.54%
27	Anhui Guoyuan Trust Co., Ltd.	65,231.64	35,708.01	65,355.34	35,956.38	5.49%	6.20%	5.48%	6.16%
28	Kunlun Trust Co., Ltd.	63,759.09	53,514.48	64,098.52	54,014.68	3.14%	4.60%	3.13%	4.55%
29	Jilin Province Trust Co., Ltd.	62,560.73	46,799.59	62,939.93	47,126.11	5.37%	4.72%	5.34%	4.69%
30	New Times Trust Co., Ltd.	55,857.13	29,715.44	56,190.49	30,013.68	3.99%	3.66%	3.96%	3.62%
31	China Fortune International Trust Co., Ltd.	55,629.10	6,316.23	55,659.06	6,316.02	1.56%	1.38%	1.56%	1.38%
32	Jiangsu International Trust Co., Ltd.	51,175.21	25,382.45	50,442.43	25,491.90	1.02%	4.50%	1.04%	4.48%
33	Chongqing International Trust Co., Ltd.	50,824.17	37,570.76	50,148.32	37,719.65	3.02%	4.93%	3.06%	4.91%
34	Shaanxi International Trust Co., Ltd.	50,960.67	20,276.05	50,479.92	20,415.47	0.31%	3.45%	0.31%	3.43%
35	Zhongyuan Trust Co., Ltd.	49,704.54	35,321.18	49,751.82	35,577.21	4.46%	5.98%	4.46%	5.94%
36	Huarong International Trust Co., Ltd.	47,918.11	53,634.29	47,957.72	53,731.98	7.14%	5.72%	7.14%	5.71%
37	Dalian Huaxin Trust Co., Ltd.	42,475.03	40,210.03	42,646.59	40,489.99	5.98%	6.03%	5.96%	5.99%
38	China Railway Trust Co., Ltd.	41,471.58	42,230.82	42,338.34	42,645.78	4.19%	5.40%	4.10%	5.35%
39	Founder BEA Trust Co., Ltd.	42,087.88	3,623.30	42,205.36	3,627.38	5.49%	0.22%	5.48%	0.22%
40	Bridge Trust Co., Ltd.	39,395.43	28,949.06	39,906.83	29,109.71	6.35%	5.20%	6.27%	5.17%
41	Tianjin Trust Co., Ltd.	37,961.29	30,350.21	38,694.63	30,860.58	6.35%	6.07%	6.23%	5.97%
42	SDIC Trust Co., Ltd.	38,620.98	24,891.83	38,553.05	25,083.41	3.21%	4.07%	3.22%	4.04%
43	Minmetals International Trust Co., Ltd.	36,652.73	9,165.00	36,815.99	9,164.92	3.33%	0.15%	3.31%	0.15%
44	COFCO Trust Co., Ltd	35,995.67	39,116.46	36,429.59	39,206.23	6.40%	2.10%	6.32%	2.09%
45	China Zhongtou Trust Co., Ltd.	27,305.58	19,844.56	27,368.80	20,025.78	4.32%	4.70%	4.31%	4.66%
46	Shanxi Trust Co., Ltd.	27,395.60	24,976.84	27,407.45	25,175.89	4.14%	5.25%	4.14%	5.21%
47	Hunan Trust Co., Ltd.	26,984.09	17,487.03	27,137.49	17,495.84	5.87%	4.03%	5.84%	4.03%
48	Gansu Trust Co., Ltd.	25,791.15	5,988.04	25,846.55	6,037.99	2.25%	8.33%	2.25%	8.26%
49	Anxin Trust and Investment Co., Ltd.	24,971.68	12,091.76	25,233.74	12,177.22	4.17%	3.62%	4.12%	3.59%
50	Dongguan Trust Co., Ltd.	23,778.77	14,396.83	24,174.12	14,746.16	5.07%	5.07%	4.99%	4.95%
51	Western Trust Co., Ltd.	23,535.80	6,301.28	23,807.47	6,506.27	3.48%	4.05%	3.44%	3.92%
52	Guolian Trust Co., Ltd.	21,955.98	15,968.45	22,297.94	16,152.22	10.24%	6.59%	10.08%	6.52%
53	Suzhou Trust Co., Ltd.	20,884.00	15,721.90	21,019.48	15,739.42	6.38%	7.49%	6.34%	7.48%
54	Tibet Trust Co., Ltd.	18,260.16	3,374.15	18,294.50	3,374.13	1.47%	0.95%	1.46%	0.95%
55	Daye Trust Co., Ltd.	16,072.36	N/A	16,122.48	N/A	2.41%	N/A	2.40%	N/A
56	Sino-Australian International Trust Co., Ltd.	15,553.42	5,353.90	15,464.46	5,383.94	1.01%	1.72%	1.01%	1.71%
57	Huachen Trust Co., Ltd.	15,156.58	14,316.79	15,381.31	14,458.31	8.92%	6.06%	8.79%	6.00%
58	Yunnan International Trust Co., Ltd.	14,027.46	3,692.44	14,443.88	4,523.73	-1.91%	7.48%	-1.85%	6.11%
59	Zijin Trust Co., Ltd.	11,767.11	1,146.83	11,815.07	1,147.20	3.54%	0.10%	3.53%	0.10%
60	Zhongtai Trust Co., Ltd.	10,674.76	16,709.20	10,743.78	16,798.57	9.18%	4.42%	9.12%	4.39%
61	Shanghai Aj Trust & Investment Co., Ltd.	11,449.12	7,845.68	10,142.57	6,612.89	2.35%	9.00%	2.65%	10.68%
62	Hangzhou Industrial & Commercial Trust Co., Ltd.	10,514.15	9,071.59	10,671.43	9,171.72	9.09%	7.26%	8.96%	7.18%
63	The National Trust Ltd.	4,126.01	2,721.72	4,373.73	3,257.35	-0.53%	3.59%	-0.50%	3.00%
64	Lujiazui International Trust Co., Ltd.	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Appendix (i) Trust sector financial figures for 2011(section 7)

(Units in RMB million)

	Company name (ranked by AUM)	Return on trust assets	
		2011	2010
1	Citic Trust Co., Ltd.	1.90%	4.10%
2	China Foreign Economy and Trade Trust Co., Ltd.	1.73%	3.79%
3	China Credit Trust Co., Ltd.	5.62%	3.92%
4	Pingan Trust Co., Ltd.	4.83%	8.36%
5	Yingda International Trust Co., Ltd.	4.09%	4.56%
6	CCB Trust Co., Ltd.	1.95%	2.60%
7	Hwabao Trust Co., Ltd.	1.72%	2.62%
8	Guangdong Finance Trust Co., Ltd.	3.23%	3.92%
9	Zhongrong International Trust Co., Ltd.	1.46%	4.65%
10	China Industrial International Trust Limited	-0.15%	3.53%
11	Zhonghai Trust Co., Ltd.	4.12%	5.32%
12	China Resources Szitic Trust Co., Ltd.	-0.57%	6.13%
13	Shangdong International Trust Corporation	4.00%	5.26%
14	Beijing International Trust Co., Ltd.	2.56%	6.92%
15	Bohai International Trust Co., Ltd.	6.37%	4.43%
16	Jiangxi International Trust Co., Ltd.	3.38%	4.38%
17	Huaneng Guicheng Trust Co., Ltd.	3.79%	4.21%
18	Chang'an International Trust Co., Ltd.	3.84%	4.17%
19	AVIC Trust Co., Ltd.	4.50%	N/A
20	Shanghai International Trust Corp., Ltd.	2.75%	6.30%
21	Bank Of Communications International Trust Co., Ltd.	3.98%	4.49%
22	China Jingu International Trust Co., Ltd.	1.61%	1.61%
23	Xiamen International Trust Co., Ltd.	0.72%	2.92%
24	Sichuan Trust Co., Ltd.	6.35%	0.00%
25	New China Trust Co., Ltd.	6.42%	3.96%
26	Northern International Co., Ltd.	6.47%	3.54%
27	Anhui Guoyuan Trust Co., Ltd.	5.48%	6.16%
28	Kunlun Trust Co., Ltd.	3.11%	4.55%
29	Jilin Province Trust Co., Ltd.	5.33%	4.68%
30	New Times Trust Co., Ltd.	3.96%	3.62%
31	China Fortune International Trust Co., Ltd.	1.55%	1.38%
32	Jiangsu International Trust Co., Ltd.	1.01%	4.19%
33	Chongqing International Trust Co., Ltd.	3.02%	4.90%
34	Shaanxi International Trust Co., Ltd.	0.31%	3.42%
35	Zhongyuan Trust Co., Ltd.	4.44%	5.93%
36	Huarong International Trust Co., Ltd.	7.14%	5.72%
37	Dalian Huaxin Trust Co., Ltd.	5.95%	5.98%
38	China Railway Trust Co., Ltd.	4.08%	5.34%
39	Founder BEA Trust Co., Ltd.	5.47%	0.22%
40	Bridge Trust Co., Ltd.	6.21%	5.12%
41	Tianjin Trust Co., Ltd.	6.20%	5.96%
42	SDIC Trust Co., Ltd.	3.22%	4.03%
43	Minmetals International Trust Co., Ltd.	3.30%	0.15%
44	COFCO Trust Co., Ltd	6.32%	2.07%
45	China Zhongtou Trust Co., Ltd.	4.29%	4.64%
46	Shanxi Trust Co., Ltd.	4.13%	5.20%
47	Hunan Trust Co., Ltd.	5.82%	4.00%
48	Gansu Trust Co., Ltd.	2.24%	8.24%
49	Anxin Trust and Investment Co., Ltd.	4.09%	3.56%
50	Dongguan Trust Co., Ltd.	4.96%	4.94%
51	Western Trust Co., Ltd.	3.44%	3.91%
52	Guolian Trust Co., Ltd.	10.03%	6.51%
53	Suzhou Trust Co., Ltd.	6.14%	7.22%
54	Tibet Trust Co., Ltd.	1.46%	0.95%
55	Daye Trust Co., Ltd.	2.40%	N/A
56	Sino-Australian International Trust Co., Ltd.	0.98%	1.71%
57	Huachen Trust Co., Ltd.	8.79%	6.00%
58	Yunnan International Trust Co., Ltd.	-1.85%	6.09%
59	Zijin Trust Co., Ltd.	3.53%	0.10%
60	Zhongtai Trust Co., Ltd.	9.03%	4.39%
61	Shanghai Aj Trust & Investment Co., Ltd.	2.49%	9.80%
62	Hangzhou Industrial & Commercial Trust Co., Ltd.	8.90%	7.12%
63	The National Trust Ltd.	-0.50%	2.99%
64	Lujiazui International Trust Co., Ltd.	N/A	N/A

Appendix (ii) Risk weighting of trust products

Investment type	Risk weighting
Proprietary investment	
1) Financial assets	
i. Hedging purposes	
Equity – stock investments	1.25%
Stock Index Futures	1.25%
ii. Non-hedging purposes	
Equity – stock investments	10%
Stock Index Futures	10%
2) Other financial product investments	
Fixed income investments	5%
3) Derivative investments	
Stock Index Futures	10%
Other product investments	50%
Other financial asset investments	20%
4) Unlisted financial institutional investments	10%
5) Unlisted non-financial institutional investments	20%
6) Cash assets	0%
Entrusted asset investments	
1) Single unit trust products (not including bank-trust cooperation products)	
i. Financial trusts	
Financial product investments	
- Stock Index Futures	0.80%
- Fixed income money market products	0.10%
- Other money market products	0.30%
- Unlisted equity investments	0.80%
- Other financial product investments	0.50%
ii. Debt-trust products	
Real estate trust investments	
- Social housing	0.50%
- Other real estate financing	1%
Other debt financing	0.80%
iii. Property-type trust products	0.10%
iv. Other products	1%
2) Combined unit trust products	
i. Investment trusts	
Financial product investments	
- Stock Index Futures	1%
- Fixed income money market products	0.20%
- Other money market products	0.50%
- Other financial product investments	1%
Unlisted equity investments	1.50%
ii. Debt-trust products	
Real estate trust investments	
- Social housing	1%
- Other real estate financing	3%
iii. Other combined unit trusts	3%
3) Property management trust products	
i. Property rights securisation products	1%
ii. Other products	0.20%
4) Additional risk weightings	
i. Single unit trust using capital from unrelated party used to invest in a related party's business	2%
ii. Credit asset transfer using bank-trust cooperation products	9%
5) Bond underwriting	
i. Corporate bonds	5%
ii. Government bonds	3%

Appendix (iii): Key terms and definitions

Terms	Definition
Net revenue	Gross revenue less expenses
Net interest revenue	Interest revenue less interest expenses
Net fee and commission income	Fee and commission income less related expenses. This number encompasses all service-related income from the financial statements of trust companies, even those that appear as separate line items in their income statements (i.e. management fees, leasing income, etc.)
Net profit	Gross profit less interest, tax and other expenses
Net fee and commission income/net revenue	Net fee and commission income as a percentage of gross revenue
Net interest income/net revenue	Net interest income as a percentage of net revenue
Return on equity (ROE)	Net profit as a percentage of total equity
Interest revenue of AUM	Interest revenue less interest related expenses (of AUM)
PPP (profit per person)	Net profit divided by the number of employees
Non-interest revenue of AUM	Gross revenue less interest income (of AUM)
Gross revenue of AUM	Gross revenue derived from the management of non-proprietary assets
Net profit of AUM	Total revenue less expenses (of AUM)
Interest revenue/gross revenue of AUM	Interest revenue derived from AUM as a percentage of gross revenue of AUM
Non-interest revenue/gross revenue of AUM	Non-interest revenue derived from AUM as a percentage of gross revenue of AUM
Trust paid in capital	Initial capital injection value of AUM
Return on trust assets (ROA)	Net profit as a percentage of total trust assets
Return on trust paid-in capital	Net profit as a percentage of trust paid-in capital
Trust net assets	AUM total assets minus liabilities

Appendix (iv): Foreign investors in trust companies

Foreign Financial strategic investors		
Trust company	Strategic investor	Size of stake
China Industrial International Trust	National Australia Bank	16.8%
Founder BEA	Bank of East Asia	19.99%
Zijin Trust	Sumitomo Trust and Banking	19.99%
Suzhou Trust	The Royal Bank of Scotland	19.99%
Beijing International Trust	Ashmore Investment Management	19.99%
Hangzhou Industrial & Commercial Trust	Morgan Stanley	19.90%
Sino-Australian International Trust	Macquarie Capital	19.99%
New China Trust	Barclays Capital	19.50%
Bridge Trust	JP Morgan	19.90%
COFCO Trust	Bank of Montreal	19.90%
Avic Trust	Oversea-Chinese Banking Corporation	19.99%

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