

Consolidated Income Statement

For the year ended December 31, 2006

(in RMB million)	2006	2005
Gross written premiums and policy fees	69,696	59,021
Less: Premiums ceded to reinsurers	(4,271)	(4,241)
Net written premiums and policy fees	65,425	54,780
Increase in unearned premium reserves, net	(2,412)	(1,581)
Net earned premiums	63,013	53,199
Reinsurance commission income	1,549	1,371
Interest income of banking operations	192	25
Other fees and commission income	615	254
Investment income	21,871	9,655
Other income	703	491
Total income	87,943	64,995
Change in deferred policy acquisition costs	5,480	3,830
Claims and policyholders' benefits	(66,068)	(50,375)
Changes in fair value of derivative financial liabilities	100	(6)
Commission expenses of insurance operations	(8,078)	(5,928)
Interest expenses of banking operations	(80)	(7)
Other fees and commission expenses	(50)	(18)
Loan loss provisions, net of reversals	(3)	73
Foreign currency losses	(466)	(405)
General and administrative expenses	(10,230)	(7,347)
Total expenses	(79,395)	(60,183)
Operating profit before tax	8,548	4,812
Income taxes	(548)	(547)
Net profit	8,000	4,265
Attributable to:		
– Equity holders of the parent	7,838	4,226
– Minority interests	162	39
	8,000	4,265
	RMB	RMB
Earnings per share for net profit attributable to equity holders of the parent – basic	1.27	0.68

Consolidated Balance Sheet

As at December 31, 2006

(in RMB million)	2006	2005
ASSETS		
Balances with central bank and statutory deposits	9,234	1,260
Cash and amounts due from banks and other financial institutions	95,912	81,082
Fixed maturity investments	215,640	160,613
Equity investments	46,729	20,865
Derivative financial assets	21	27
Loans and advances to customers	49,152	531
Investments in associates	176	3
Premium receivables	2,939	749
Reinsurance assets	4,130	4,185
Policyholder account assets in respect of insurance contracts	20,961	12,820
Policyholder account assets in respect of investment contracts	3,971	3,078
Deferred policy acquisition costs	31,866	26,428
Investment properties	1,528	1,243
Property and equipment	4,766	3,538
Intangible assets	1,484	1,411
Deferred income tax assets	417	–
Other assets	5,383	1,873
Total assets	494,309	319,706
EQUITY AND LIABILITIES		
Equity		
Share capital	6,195	6,195
Reserves	29,703	21,493
Retained profits	10,477	5,308
Equity attributable to equity holders of the parent	46,375	32,996
Minority interests	1,375	526
Total equity	47,750	33,522
Liabilities		
Due to banks and other financial institutions	5,138	37
Assets sold under agreements to repurchase	13,436	7,095
Derivative financial liabilities	178	133
Customer deposits	75,960	1,825
Insurance contract liabilities	330,213	263,025
Investment contract liabilities for policyholders	4,233	3,092
Policyholder dividend payable and provisions	4,107	2,864
Income tax payable	691	445
Deferred income tax liabilities	1,657	49
Other liabilities	10,946	7,619
Total liabilities	446,559	286,184
Total equity and liabilities	494,309	319,706

Components of Economic Value

As at December 31, (in RMB million)	2006	2005
Adjusted net asset value	46,282	33,072
Value of in-force insurance business written prior to June 1999	(20,932)	(18,089)
Value of in-force insurance business written since June 1999	48,011	38,537
Cost of holding the required solvency margin	(7,788)	(5,157)
Embedded Value	65,573	48,363
Value of one year's new business	6,007	5,148
Cost of holding the required solvency margin	(875)	(609)
Value of one year's new business after cost of solvency	5,132	4,539

The adjusted net asset value is based on the audited shareholders net assets of the Group as measured on the PRC statutory basis. The values placed on certain assets have been adjusted to the market values. It should be noted that the adjusted net asset is for the whole Group, including Ping An Life and other business units, whilst the value of in-force insurance business and the value of one year's new business presented are only in respect of Ping An Life and not other business units.